Retail Redefined

Redesign the Customer Experience

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A "perfect storm" created economic and demographic shifts that "has accelerated the deployment of strategies that act on customer intimacy and innovation imperatives," said Duncan Angove, General Manager and Senior Vice President, Oracle Retail, to more than 120 retail executives at the 2010 Oracle Retail CrossTalk conference. "Now that retailers are not opening as many new stores they are focusing on productivity within existing stores. They are thinking like marketers and acting like merchants."

To that end retailers are delivering new brand experiences, through the use of new technologies including mobile applications and social media, and they are reorienting their retail business model around the customers. Customer Intimacy continues to be the latest buzzword.

With ever-increasing ways to share information with their peers and retailers, consumers know what they want, when they want it and how they want to receive it…and they will settle for no less. Retailers must respond by identifying these demands and meeting them in efficient, effective and innovative ways.

The following four strategies highlight some of the most significant ways retailers can become a more meaningful part of their customers' lives.

1. Deliver on the Brand Promise

2. Embrace Cross-Channel Retailing

3. Renew Focus on the In-store Shopping Experience

4. Leverage Social Media to Engage Customers in New Ways

This whitepaper will delve into each of the four strategies, highlighting some real-world retail examples that will help to catapult retailers successfully into the Merchandising 2.0 world.

1. Deliver on the Brand Promise

Having the right tools in place can go a long way to helping retailers ensure they are delivering the products and pricing that meet the brand promise. If shoppers are more confident that the products will be available and in-stock at the moment they want to buy an item, they will be more likely to return to that retail store and/or brand. "Two years ago the retail industry was losing $90 billion due to out of stocks," said Greg Buzek, President of IHL Services. Some retailers were losing more than seven percent in same store sales due to out-of-stocks, he noted.

So retailers responded. "Last year we were quite surprised to see that in-store positions went up even though inventory went down," said Buzek. In order for retailers to successfully balance the out-of-stock/overstock dilemma, they need to employ the proper tools.

Some of the tools Oracle provides to help improve brand relevance include **Oracle Retail Size Profile Optimization**, and **Oracle Retail Markdown Optimization**, all components of an overall **Oracle Retail planning and optimization suite**.

The Pep Boys is constantly challenged with having the correct auto part available to service whatever type of vehicle that is brought into its service shops. "So we installed our sourcing inside our service work order system," said Ray Harrison, Project Manager, The Pep Boys. Once the system knows the year, make and model of a vehicle then it can search the stock position of the part needed. "We can see the stock position in that particular store, in a neighboring store or the warehouse and it can be delivered within a few hours or overnight," Harrison noted. "The product transfer is completed seamlessly by the system. In the old days (like a year ago) it was too hard to find an inventory position and service advisors were more likely to make an outside purchase" instead of finding the item within the Pep Boys system.

Urban Outfitters, Inc. is implementing an order management system to look at inventory across stores and complete the transaction at the same time, noted Joe Agostino, Manager of Store Systems, Urban Outfitters, Inc. "We also are looking at implementing the system online so shoppers can look at in-store inventories," he added. "This system will cut down on the paper (or email) trail and the possibility of four stores getting an email and potentially sending the item four times to one customer."

Nordstrom is using **Oracle Retail Size Profile Optimization** to create unique store size profiles for its apparel merchandise. "We believe the Oracle Retail Size Profile Optimization application will help us improve how we assort merchandise, helping to ensure we have the right merchandise at the right time for customers," said Jan Walsh, Vice President and Business Information Officer, Nordstrom. The application also is helping Nordstrom cut costs by reducing markdowns and inventory levels.

Tesco has been able to better focus on consumer demand for a growing array of merchandise with **Oracle Retail Planning**. Now ranked as one of the top three international retailers with a presence in 13 countries and the U.S., Tesco has built an impressive operation to meet consumer demand, focused around proper planning to breed efficiency and the rapid movement of merchandise. The Oracle Retail Planning

solution provided Tesco with a system capable of handling the new complexities of non-foods, such as color, size, and style for fashions as well as lead-times of many months. The new system integrates the entire product lifecycle, from building an initial merchandise plan to accommodating markdown optimization and in-season item planning.

Wet Seal implemented **Oracle Retail Markdown Optimization** in order to more efficiently control markdowns running in the more than 400 mall-based stores. Oracle Retail Markdown Optimization predicts the impact of markdowns before they are executed and determines the best time for markdowns to occur. This automated system considers customer profiles and shopping behavior. The fast-fashion retailer executes two markdowns each week to promote and maintain assortment freshness and increase gross margin and gross sales.

2. Embrace Cross Channel Retailing

The bottom line for retailers today: Cross-channel shoppers are more profitable than single-channel shoppers. In 2010, 65% of retailers say cross-channel shoppers are either slightly more or significantly more profitable than single-channel shoppers, as reported by the National Retail Federation (NRF) and Retail Systems Research (RSR) in the 2010 study titled "The Cross-Channel Wake Up Call."

To meet the demands of these cross-channel shoppers, retailers should be focusing on converging their customer and inventory data across channels with the goal of creating a consistent brand experience.

Two of the key tools Oracle provides to help create cross-channel consistency include **Oracle Retail Store Inventory Management** and **Oracle Retail Returns Management**.

Perry Ellis, both a wholesaler and retailer, sells from its own stores and websites as well as department stores and other outlets. The apparel retailer needed to provide common information across channels in order to become more efficient and meet customer demand. "Any change in inventory must be reflected in all our systems," said Luis Paez, CIO. Using **Oracle Retail Store Inventory Management**, Perry Ellis' wholesale and retail divisions are connected in order to create transparency between the businesses.

In addition to streamlining inventory operations, **Oracle Retail Store Inventory Management** is creating a better situation for **NEXCOM** employees, said Richard Dow, NEXCOM's Senior Vice President, Chief Store Operations. "Associates

appreciate being provided new, reliable tools to make their jobs easier. These tools provide us accountability and visibility to the transactional item, an improved audit trail and insight to productivity. Customer service is also enhanced given the information we can now provide to our associates on the sales floor, along with the improvement to the overall in stock and inventory management."

Many retailers also are focusing on **Oracle Retail Returns Management** because it improves the customer experience by enabling quicker, easier and more accurate returns across all channels by providing associates with real-time access to return information. Additionally, returns management can reduce cross-channel fraud by organized criminals who commit same-day returns with merchandise stolen from one channel and returned to another.

## 3. Renew Focus on the In-store Shopping Experience

The combination of smarter and more demanding shoppers with a down economy is presenting retailers with one of the most challenging retail scenarios in recent years. The smarter consumers push retailers to deliver the most up-to-date and innovative technology solutions, while the down economy forces retailers to find the quickest ROI possible for any implementation.

"The challenge to provide ROI is the single biggest roadblock to improving the in-store experience and implementing new in-store technologies," according to the RSR study. But there may be a silver lining. "Retailers clearly sense potential for in-store technologies, and despite an inability to quantify results achieved, remain optimistic for future results." As many as 40% see Potential Value in software that schedules the right mix of labor so employees can complete all activities.

One of the primary Oracle solutions that address the labor issues specifically is **Oracle Workforce Management**.

Particularly in a recessionary economy, improving workforce management is vital for improving in-store service. Many retailers also are focusing on better managing their workforce to create efficiencies and cut costs, in addition to providing better customer service. And there is no better time than the present to focus on the workforce. Sales per employee were down in 2009 over 2008, according to Retail Horizons. Approximately 49% of retailers surveyed said that employees' top annual sales dropped dramatically, to $50,000 from $100,000 the previous year. In 2009, 47% of survey respondents cite Leadership Development and Associate Training as key initiatives.
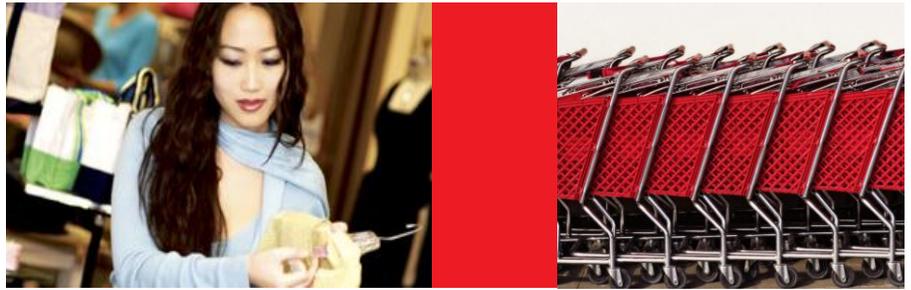
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Mobility and digital technology also are playing a key role in improving in-store customer service. Kiosks provide product information and self-service purchasing; handhelds help store employees personalize service for individual customers; and digital signage can provide a distinctive way to market products as well as interactivity with shoppers.

Wet Seal has used kiosks since 2008 in some stores to interest shoppers in viewing outfits created by shoppers who are members of Wet Seal's Fashion Community on the retailer's web site. "With the in-store kiosks, shoppers could scan an item and view the user-generated outfits," noted Jon Kubo, CIO of Wet Seal. At any point in time, Kubo said, 85% to 90% of the retailer's SKUs can be found in an outfit. In two years since the inception of the Fashion Community, 500,000 outfits have been created and there are 50,000 click-thrus on an outfit daily.

Now, with the advent of mobile technology that service is moving to the digital world. The retailer recently launched a similar service for the iPhone called iRunway.

Because "disruptive consumer technologies" are now in the hands of more and more consumers, there is a "need for retail to reinvent itself," added Angove. "This has created a huge inflection point" in the retail industry and retailers must respond to stay competitive.

Leverage the Social Media to Engage Customers in New Ways

The proliferation of social media is dramatically shifting the way retailers do business, from the delivery of product information to the way brands market themselves. More and more shopping peers are sharing their opinions of products with each other, which is making traditional advertising almost a futile effort. Consumers simply trust their friends, peers and other shoppers more than they trust retail companies. In fact, 78% of consumers trust peer recommendations compared to 14% who say they trust brand advertising, according to Eric Qualmann of Socialnomics.net.

Additionally, the partnership of social media and mobility is allowing these consumers to send and receive their opinions from anywhere. To compete successfully in this environment, retailers need to join the party.

"Not only do social networking sites offer methods for gaining insight into customer desires, they also serve as a way to understand the favorability of product and service features," reported the National Retail Federation in the 2010 Retail Horizons report.

Those companies that neglect to RSVP for the social media party will likely suffer in the long run. Approximately 25% of search results for the world's top 20 largest brands are linked to user-generated content, Qualmann reported.

Smart retailers are using a variety of different strategies to approach the social media craze. First, retailers should research and discover which social media avenues are attracting the most customers of their brand. "We found that 72% of our customers are on Facebook," said Kubo. In fact, he noted that the number-one application downloaded to smartphones is Facebook.

Engaging in blogs and tweets also are popular ways to get involved with social media. Many retailers create communities and invite shoppers to become "fans" of the brand. The challenge here is motivating consumers to follow a brand and become a fan. Creating a special offer or promotion only for fans is one way to entice shoppers to sign on as fans.

Once a brand has a following, then the retailer must figure out how to most productively interact with those shoppers to continue the positive brand buzz. Learning how to listen and gather data is vital for retailers entering the social media world. One way retailers can more effectively use the information collected through social channels is by enlisting a company such as Buzzient to analyze the data. The Buzzient technology platform integrates with Oracle applications to collect and analyze the social media data.

"Enterprise technologies such as Oracle Beehive and Web offerings such as Facebook and YouTube make it possible to easily devise ideas and test them or take input from key constituents on trends and act on them quickly to capture a hot market trend," noted Andrea Morgan-Vandome, Vice President of Product Strategy for Oracle Retail.

Conclusion

Redesigning the customer experience means identifying consumers' demands and meeting them in efficient, effective and innovative ways. Along the way retailers will be moving from managing a category to managing a customer segment and better understanding how to leverage social networking as another way to reach today's smarter and more demanding shoppers.

About Oracle

Oracle is the number one provider of innovative and comprehensive industry software solutions for retailers—enabling organizations to serve their customers better by applying insight into daily business decisions for more profitable results. With software that provides supply chain, operations, merchandising, store systems, optimization as well as enterprise applications and infrastructure software, Oracle partners with the world's leading retail companies, including 20 of the 20 top retailers worldwide, to transform the economics of their businesses.

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