Oracle Retail

Invigorate Operational Excellence: Enabling New Ways of Working
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More than ever, retailers know they must bring IT and business functions together to invigorate operational excellence. Retail “winners” are putting actionable information in the hands of decision makers, according to Retail Systems Research (RSR) in a 2009 study titled IT and Business Alignment in Retail. In fact 83% of RSR’s “winners” in retail place the highest importance on this goal.

It is especially important for business and IT to work together in a time when many retailers are attempting to migrate from outdated, customized legacy applications to simplified solutions of packaged applications. “Not only are there commercially available software solutions available today with rich capabilities that can be flexibly deployed without heavy modification, but those solutions are often designed in such a way as to facilitate integration with other software,” according to report authors Brian Kilcourse and Paula Rosenblum, Managing Partners of RSR.

Keeping legacy systems can be a hindrance on advancing the business; 48% of retailers reported to RSR that maintenance of the legacy portfolio of IT solutions prevents the company from addressing new needs.

Factor in more stressful economic times to the mix and many retail operations are faced with an urgent need to inject economic efficiencies into the organization. Kilcourse and Rosenblum describe this strategy as the “operational excellence” agenda designed to allow retailers to “keep more of every revenue dollar.” Using new technologies, retailers have the opportunity to institute improvements in operational excellence.

Strategies to consider that can jump start the process of invigorating operational excellence include:

- Deliver to Demand
- Managing Space as an Asset
- Effective Planning and Optimization Strategies
- Integrate Store Transactions and Operations Management Focus on International Expansion

Deliver to Demand

Creating a smarter supply chain will help reduce costs while improving customer service, even with the most complex retail situations. “Supply Chain Optimization continues to be a top-five focus for organizations as they enter 2010,” according to the National Retail
Retailers are looking to drive further gains in cycle time, warehouse optimization, and supply chain visibility in the year ahead. Retailers also continue to reduce system-wide inventory in order to achieve working capital objectives and overall supply chain efficiency.

Retail Federation’s Retail Horizons 2010 Report

Federation’s Retail Horizons 2010 report. “That discipline seems to be paying off. Since 2004, respondents have lowered supply chain costs over one full percentage point. Still, retailers are looking to drive further gains in cycle time, warehouse optimization, and supply chain visibility in the year ahead. Retailers also continue to reduce system-wide inventory in order to achieve working capital objectives and overall supply chain efficiency.”

WM Morrisons Supermarkets, the UK’s fourth largest retailer, is in the midst of completing a complete supply chain transformation with the help of Oracle Retail. “All of our competitors are more efficient and flexible and we realized we must catch up quickly,” noted Jerome Saint-Marc, Supply Chain Development Director for the 425-store chain. Morrisons has set out on the road to efficiency by putting in place a program that will touch all aspects of the business, including back office, stores, distribution, finance, manufacturing and supply chain. The UK retailer is in a unique situation because it owns the entire supply chain including manufacturing plants, DCs and trucks. “We own 40% of what we make, from the cow to steak on the shelves,” noted Saint-Marc. Morrisons purchases crops and live animals and facilitates the entire production and selling process. “Competitors often ask their suppliers to do something, we ask ourselves,” he said.

With new systems in place across the board, from Oracle Retail Demand Forecasting, Oracle Retail Warehouse Management System and Oracle Retail Price Management, Morrisons describes its to-date success on a “holistic approach to delivering enhanced value in our demand driven supply chain,” Saint-Marc noted.

Five key elements, supported by Oracle retail solutions, comprise Morrisons’ holistic approach:

1. Improve demand forecasting
2. Integration of new forecasting and demand management across the entire supply chain
3. A collaborative approach across the entire organization that also brings trading and marketing in the supply chain execution arena
4. A fact-based decision making model underpinned by one single version of the truth
5. Being better at managing uncertainty. “An integral part of supply chain management is managing uncertainty,” said Saint-Marc.

The availability of real-time information, collectively available as a single version of truth across the enterprise, has been an integral part of Morrisons’ success. Morrisons validates,
By the spring of 2011 approximately 65% of retailers will have a space management solution in place

Retail Federation’s Retail Horizons 2010 Report

cleanses and integrates data from disparate sources and application systems, allowing the retailer to literally put actionable information into the hands of the decision makers.

Case in point: Morrisons recently held a sale on champagne for four days. During that short time frame, headquarters was able to identify which stores were not selling at an adequate rate and in real time find out if signage was posted properly and if products were merchandised correctly. “This technology has enabled us to make immediate decisions about simple stuff” that might otherwise be overlooked, said Saint-Marc.

Managing Space as an Asset

Many retailers are realizing the benefits of space management as they are pressed for new ways to create efficiencies and positively affect the bottom line. By the spring of 2011 approximately 65% of retailers will have a space management solution in place, reported Retail Horizons. In addition to creating efficiencies, effective space management also helps retailers improve in-store customer service. Space optimization can help determine product placement, checkout experience and promotion/merchandising strategies.

An integrated space management solution, such as Oracle Retail Macro Space Management offers four key elements:

1. A common, centralized, real-time store management database featuring full-color graphic representations of store layout, fixture plan and a detailed planning guide
2. Real-time collaboration between HQ and stores, using the technology of choice such as mobile or web-based
3. Reporting and analytics including performance and adjacency analysis
4. Synchronization of store space, physical assets, performance data and merchandising strategy utilizing 3D visualization

The key components of Oracle Retail Space Management include:

- Macro Space Planning – Total store, department and aisle floor planning & layout, store fixture ordering & management, and store signage
- Micro Space Planning – Planogramming or product/shelf planning
- Assortment Planning – Development of the optimal product mix based upon the constraints of space
- Space Execution – The publishing and execution of space plans within store
“Now we can track merchandising changes and can visualize the performance of each store.”

Önder Kaplancik, CIO, Teknosa

- Space Collaboration – Collaboration of space plans between HQ, Stores and 3rd party suppliers
- Compliance – Ability to enable and monitor space plan compliance
- Analytics, Reporting, and Business Intelligence – The ability to develop financially sound space plans, monitor, and perform exception management

Teknosa, Turkey’s leading electronics chain, implemented Oracle Retail Macro Space Management and Oracle Retail In-Store Space Collaboration in order to achieve four primary benefits:

1. Obtain accurate records of real floor space
2. Track store space changes based on a workflow between HQ and stores
3. Collect KPI reports visualized on store layouts, based on product groups
4. Use SKU-based space management for critical product groups, facilitating visual tracking for large-item displays

The 250-store chain is the fifth-largest retailer in Turkey and was able to gain market share and increase revenues to $1 billion USD by the end of 2010, reported Önder Kaplancik, CIO. The company also owns a distributor group comprised of more than 500 dealers and services.

Prior to implementing Oracle Retail Macro Space Management and Oracle Retail In-Store Space Collaboration, Teknosa executives had a limited view of each store’s space was using manual procedures to approve layouts for new store openings or store restorations. Since store space information did not exist in any IT system, it was inaccurate. “Now we can track merchandising changes and can visualize the performance of each store,” said Kaplancik.

A U.S.-based retailer, The Container Store has become a best-in-class case for implementing Oracle Retail Macro Space Management. Selling primarily storage and organization products, The Container Store discovered Oracle Retail Macro Space Management and its capacity to serve both as an internal planning tool and an external tool for the stores. As an internal tool, at the executive level Oracle Retail Macro Space Management is used to plan the use of space in existing and new stores. As an external tool, Oracle Retail Macro Space Management planograms are pushed down to the store level, providing merchandising guidance to store associates.

Oracle Retail Macro Space Management fulfilled two key goals for The Container Store. First, it improved cross-channel consistency, by allowing in-store merchandising and
layouts must reflect online categories. Second, it facilitated collaboration between buyers and merchandisers to help present a consistent vision for each product.

Effective Planning and Optimization Strategies

Providing stores the right merchandise at the right time has become a significant way retailers are reducing costs by limiting overstocks and out-of-stocks. A number of technology solutions are enabling this process, including Oracle Retail Assortment Planning, Oracle Retail Demand Forecasting, Oracle Retail Markdown Optimization and Oracle Retail Regular Price Optimization, Oracle Retail Replenishment Optimization, and Oracle Retail Advanced Inventory Planning.

Retailers are acknowledging the benefits of these solutions, as evidenced by the Retail Horizons report. Close to 75% of retailers plan to have assortment planning in place by the spring of 2011; 73% are investing in demand planning; and 59% are implementing price optimization.

Sportmaster is focusing on demand planning as it continues to grow its retail clothing business in Russia. The 400-store retailer operates sport and casual apparel stores in four countries under the Sportmaster and O’stin brand names. Oracle Retail Demand Forecasting and Oracle Retail Merchandise Financial Planning solutions are helping Sportmaster conquer its planning challenges. Oracle Retail Assortment Planning is scheduled as the next implementation.

Oracle Retail Demand Forecasting and Oracle Retail Merchandise Financial Planning have helped Sportmaster create one version of the truth for the organization while decreasing the use of Excel and Access for store and merchandise plans. Other benefits include:

- Roles have been clearly defined for merchandise and store planners
- Less time is needed for data preparation
- Visibility of plans and tracking of business processes
- Simplified reconciliation processes between plans

“Now managers can check the results of the planners’ work,” noted Konstantin Popkov, Planning and Controlling Director of Sportmaster. “With Excel we would have to ask the planners to put together reports.”

Aldo chose to address markdowns and pricing in order to take control of deteriorating
“At Aldo we refer to Oracle Retail Markdown Optimization as Margin Optimization. This is a testament to the overarching benefits of the solution.”

Bob Raven, CFO, Aldo

margins. The 1,400 store apparel retailer based in Montreal was facing aged inventory and a rigid, non-responsive legacy markdown process.

“We also were expanding from Canada into the UK, then into the U.S. and it became increasingly difficult to come up with assortments and exit strategies in those markets,” stated Lucy Cimaglia, General Manager, Supply Chain for the Aldo Group. “Lastly, we needed to keep up with store growth and market growth. Assortments were expanding and we needed to cater to different customers” in different stores and geographic regions.

Aldo selected Oracle Retail Markdown Optimization and recently completed an upgrade and analytical refresh in 2009-2010, focusing on customer-based pricing in 2010. “We had so much growth from the time we went live that we changed a few things in merchandising, buying and planning” during the refresh, Cimaglia explained. The retailer also took the opportunity to re-cluster the stores during that time.

To promote user adoption, Aldo added pricing analysts to each division, who attended all meetings and reviewed buyers’ reports on a weekly basis. “The pricing analysts were allocators or planners before so they knew the product and how the buyers thought, so the buyers would have total confidence in their decisions,” Cimaglia noted.

The new system proved itself in 2008. “Even through the worst of 2008 we had better sell-through, margin and inventory turn. We also have seen a much better transition of assortments – less leftover colors on the shelf. Once Markdown was rolling we saw much cleaner stores; shoppers were happy to only see current SKUs on the shelves. We moved to bi-weekly markdowns, which we used to only do monthly.”

Cimaglia’s offers 6 tips for other retailers considering this type of project:

1. Start with clean data.
2. Stick to the timeline.
3. Have regular meetings to ensure buy-in.
4. Trust the recommendations of the solutions.
5. Establish open communications – sit down and go through all the business process rules once a year.
6. Consultants are very important. In addition to utilizing Oracle Retail Consulting, Aldo worked with IBM and Karabus during the project implementation.
Fact: 20 of the top 20 global retailers get better results with Oracle.

The Oracle implementation was a resounding success for Aldo, as emphasized by this quote from CFO Bob Raven: “At Aldo we refer to Oracle Retail Markdown Optimization as Margin Optimization. This is a testament to the overarching benefits of the solution.”

**Fujian Septwolves**, a leading Chinese apparel retailer with 2,000 stores, is focusing on improving its sourcing strategies by implementing **Oracle Retail Warehouse Management System**, **Oracle Retail Assortment Planning** and **Oracle Retail Item Planning**.

“Our complex business around wholesale, franchise and direct-owned stores, combined with our continued growth has led to a desire to offer customers the best and consistent choice and service,” says Tony Shan, CIO, Septwolves. “Oracle Retail offers the most complete, scalable solution for retail businesses and this will help us to deliver against our growth and business objectives.”

Additionally, Oracle Retail merchandising, planning and optimization applications are helping Fujian Septwolves more accurately plan assortments; perform the execution of day-to-day merchandising, pricing and logistical supply chain transactions; provide a consistent set of data to drive more profitable business decisions; and introduce best practice for retail processes while continuing to support its extensive wholesale business.

**Integrate Store Transactions and Operations Management**

Integration – of store systems and enterprise data – is a vital component of retailers’ ability to move forward responsibly and efficiently. By integrating systems within the enterprise, retailers can eliminate redundancies and silos that inhibit bottom-line growth and foster inconsistent information exchange.

Retailers should focus on creating “closer ties between merchandising and the supply chain,” notes Nikki Baird, managing partner, Retail Systems Research, in the 2010 Retail TouchPoints Outlook Guide. “Merchants can’t keep buying against ‘infinite distribution capacity’ because there’s no such thing. And the retailers that are paying attention to how mismatched metrics are driving some of these non-productive behaviors are starting to set their sights on tackling this age-old problem in a substantial way.”

**Walt Disney Parks & Resorts** is a shining example of a company that has grasped the importance of creating business processes that bring the organization together. In its aptly named SIMBA Project (which stands for Single Integrated Merchandise Business
Organizational readiness was a primary component of the success of the Disney project. “The team recognized that readiness was key. We had to get to the hearts and minds of the cast (employees) to accept positive change.”

Bob Krohn, Senior Director, Walt Disney World Parks & Resorts

Application and also is named after the Lion King character), Disney’s mission is to “successfully implement a domestic merchandise system to deliver sustainable value while enabling the vision of ‘One Disney’ throughout the entire lifecycle,” explained Bob Krohn, Senior Director, Walt Disney World Parks & Resorts.

To achieve this lofty goal, Disney purchased a large “Oracle Retail footprint” consisting of Oracle Retail Merchandise System, Oracle Retail Price Management, Oracle Retail Demand Forecasting, Oracle Warehouse Management, Oracle Retail Store Inventory Management, Oracle Retail Allocation, and Oracle Retail Trade Management.

Because of the scale of the project, Disney planned a focused and phased testing and readiness plan which included 5 cycles of System Test; 8 cycles of Integration Test; 6 Performance Test cycles; 10 cycles of Data Conversion routines; exhaustive Report Reviews and Validation, 3 cycles of User Acceptance tests and intensive Organizational Readiness efforts.

Organizational readiness was a primary component of the success of the Disney project. “The team recognized that readiness was key” to the success of the implementations, noted Krohn. “We had to get to the hearts and minds of the cast (employees) to accept positive change.”

Disney, one of the best at branding, took their branding expertise to the next level during the Oracle implementation. “The SIMBA branding theme was prolific in everything we did,” said Krohn, from posters in conference rooms, break rooms and hallways, to cast lanyards, coffee mugs and buttons. “The more you can reinforce the message through the senses is helpful.”

Today, Disney is proud to promote its “Circle of Product Life” that includes 13 coordinated areas from Merchandise Hierarchy to Allocation, Forecasting, Inventory Control and Reporting.

The retailer is integrating the Oracle Retail stores applications with its broader merchandising operations to enable customer transactions to quickly and automatically impact decisions regarding inventory replenishment, pricing, merchandise planning and other key operations.

In addition to the Oracle Retail stores applications, Gander Mountain selected Oracle technology solutions including Oracle Database for use within its stores. “We expect to achieve a number of significant, short-term benefits from our investment in the Oracle
“We expect to achieve a number of significant, short-term benefits from our investment in the Oracle Retail solutions while also establishing a strong foundation to support our long-term growth.”

Pitou Keo, Senior Director of Information Services, Gander Mountain

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.

Retail solutions while also establishing a strong foundation to support our long-term growth,” says Pitou Keo, Senior Director of Information Services, Gander Mountain.

Conclusion

It is a simple dictionary definition: invigorate means to give new life or energy to. To translate that simple definition into actionable information is yet another challenge, particularly in the retail arena. A number of technology solutions are helping to deliver that new life to today’s retail operations. From demand forecasting to pricing, merchandising and planning, retailers now have the tools they need to invigorate their operational excellence and carry their enterprises successfully forward into the next era of retailing.