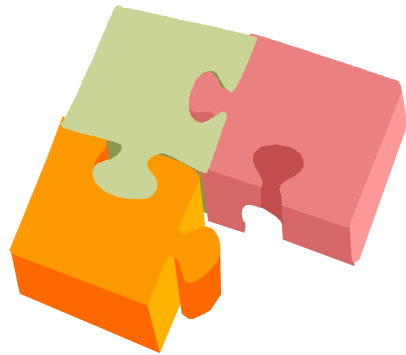


Global Retail CIO Survey – Sponsored by Aldata and IBM



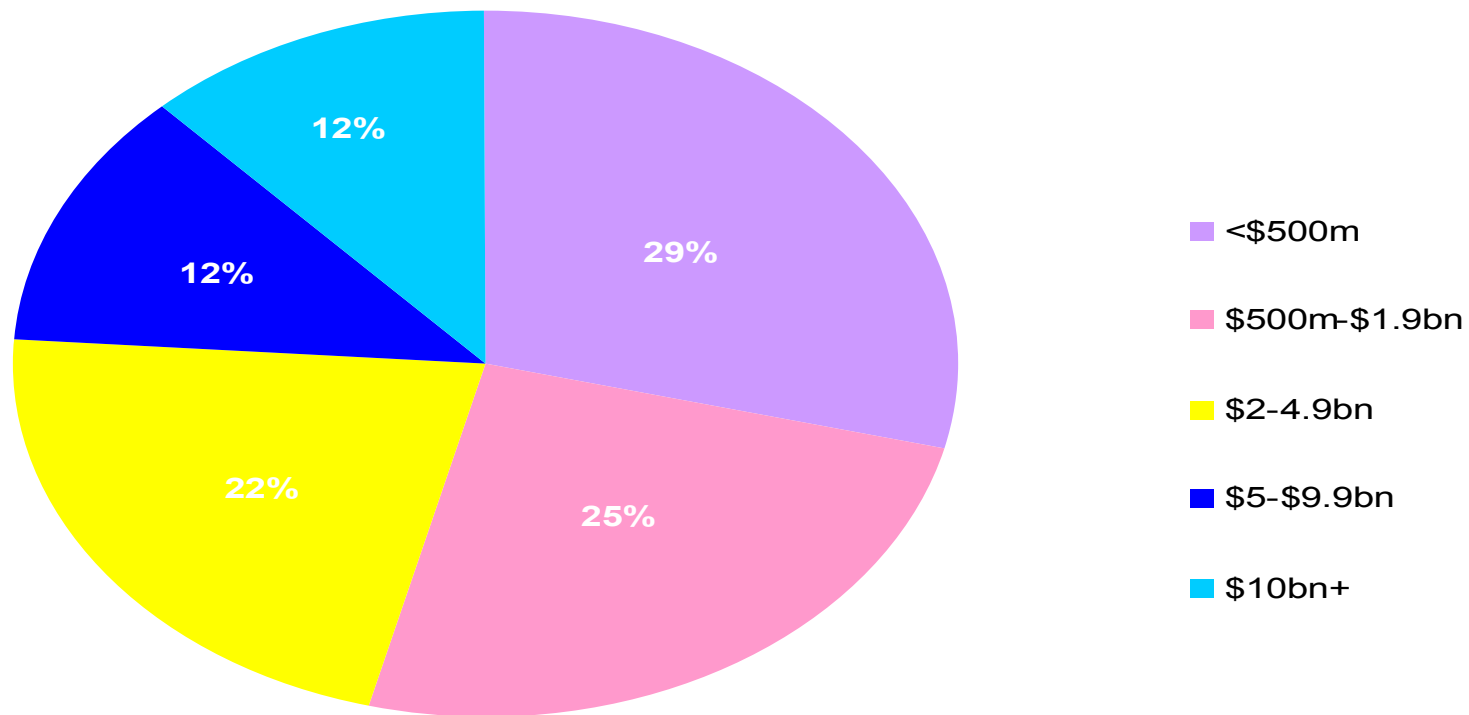
Martec International
Brian Hume
Fran Riseley
12th January 2009



Background to the Research

- To provide primary research on the use of retail technology, plans for the future, satisfaction ratings and IT spend.
- To enable retailers to benchmark their IT strategy and use of technology against their peers
- Interviewed 55 retail CIOs in North America and Europe between September and December 2008 (results therefore show the effects of the recession)
- Split was:
 - 49% in North America and 51% in EMEA
 - 53% food and 47% non food retailers
- Retailers were:
 - Food retailers with sales >\$250 million
 - Category management style non-food retailers with sales >\$100m
 - Category management businesses rather than merchandise management businesses
- Research covers 4% of the market by sales and 4% by number of companies, this equates to sales of \$220 bn and over 27,000 stores
- Aldata's intent is that this will be an annual survey which will add further value in future by showing trends over time.

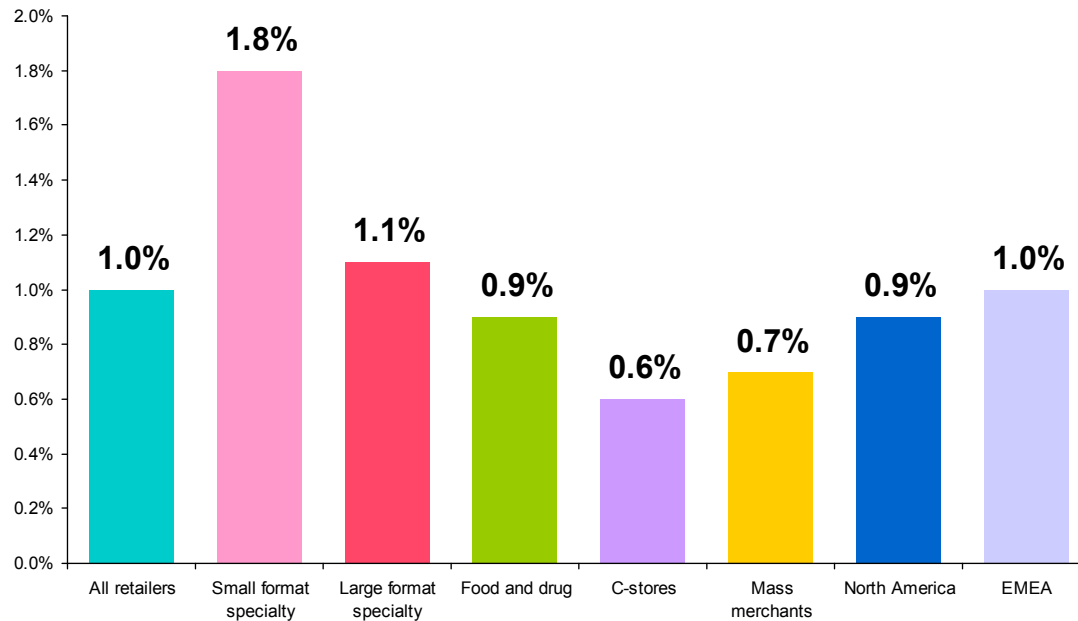
Companies Interviewed by Size of Company



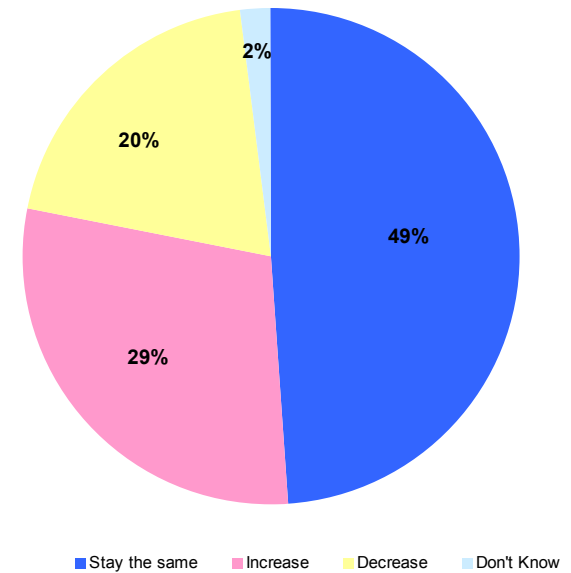
71% sample had sales \geq \$500m

IT Spend

IT Spend by Segment



Will IT Budgets Increase, Decrease or Stay the Same Next Year?



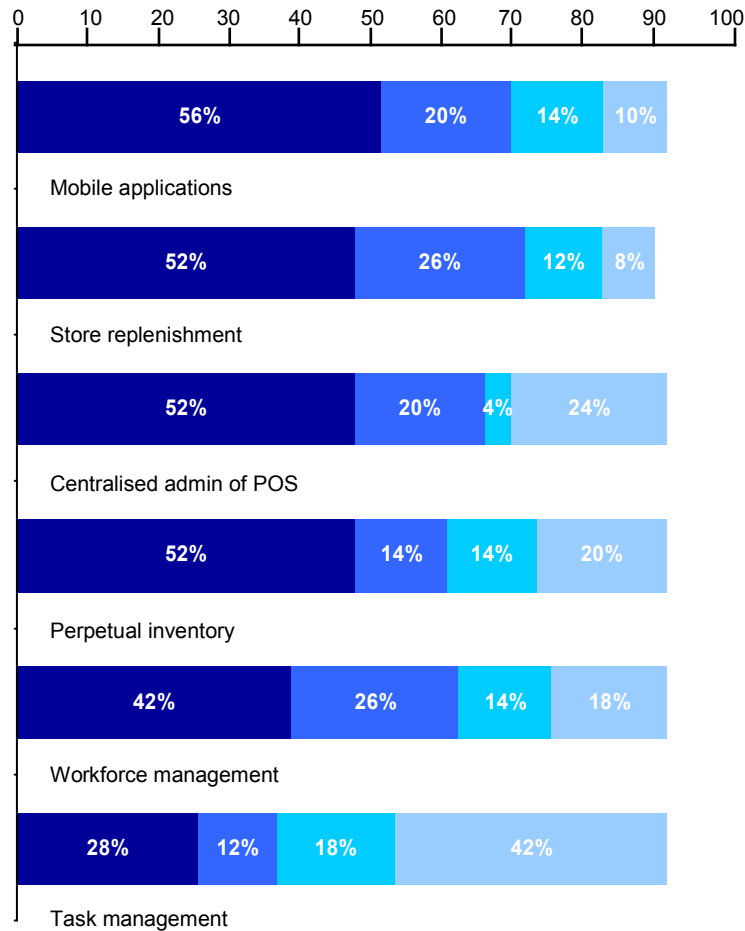
No significant difference between US and European budgets

Consistent with Other Surveys

- IT spend figures are lower than with other industry surveys, but they are consistent!
- E.g. the AMR study in September for US retailers showed IT spend at 1.5% for tier 1 retailers across all segments (including higher spending clothing and department store retailers excluded from this study) compared to 1.0% for this survey.
- This reflects the absence of merchandise management or seasonal style retailers, such as fashion and department stores
- There is very little difference between IT spend in North America and EMEA
- Energy costs are now equal to or higher than IT costs for category management retailers and will become a bigger focus for company managements over the next three years. Already this is having some modest impact on IT decisions (e.g. green POS terminals), but this will grow as energy costs rise.

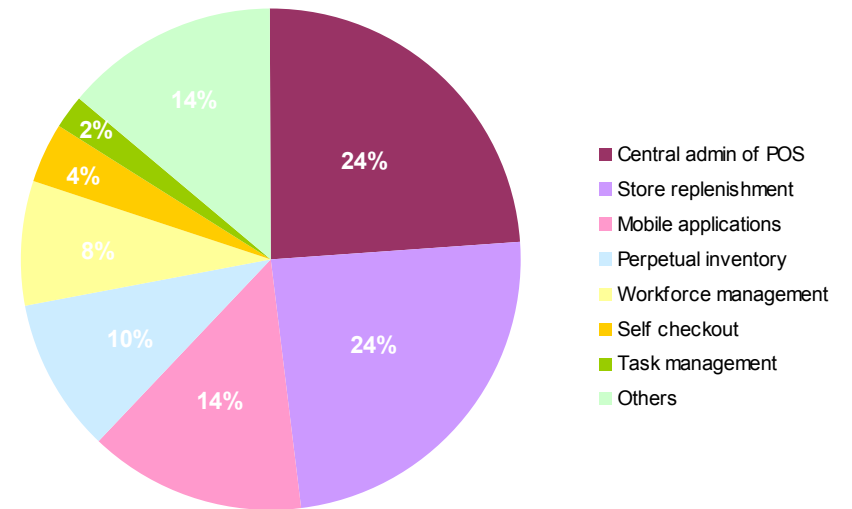
Store Operations and Efficiency

Applications Used and Planned to be Used



- Use now
- Use now with Plans to Upgrade
- Plan to implement in Three Years
- Do not Use and No Plans to Implement

Most Important Store Operations Application

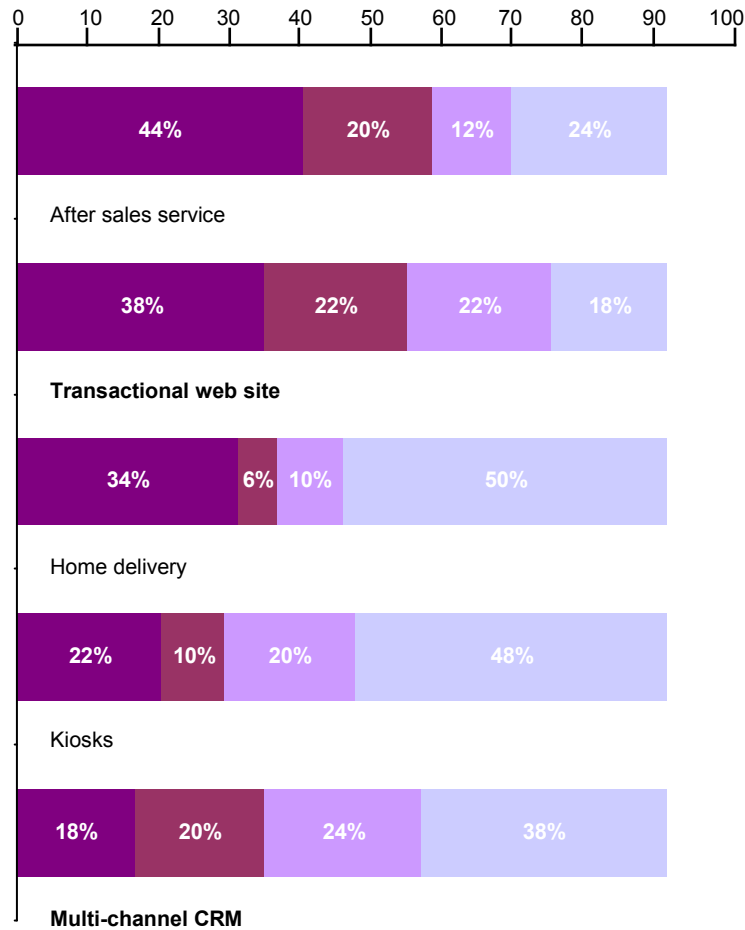


Average Satisfaction Rating for Store Operations Systems Out of 10

7.1 – highest

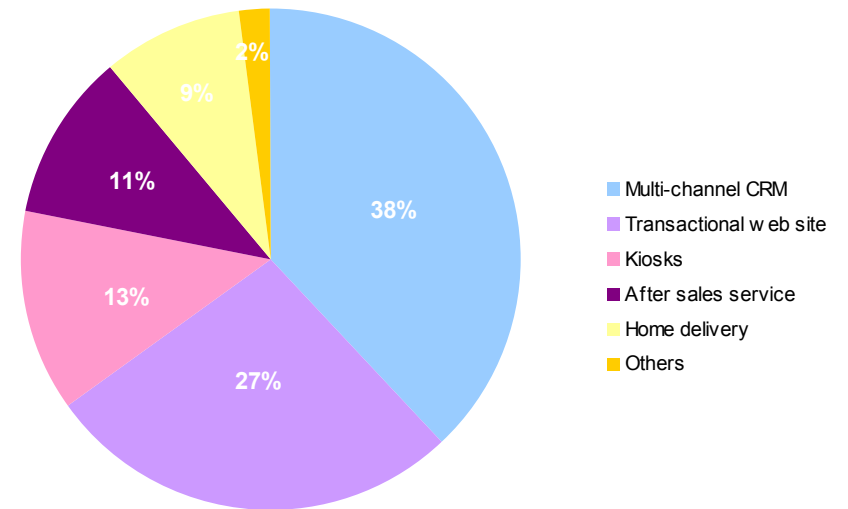
Multi-Channel Retailing

Applications Used and Planned to be Used



- Use now
- Use now with Plans to Upgrade
- Plan to implement in Three Years
- Do not Use and No Plans to Implement

Most Important Multi-Channel Retailing Application

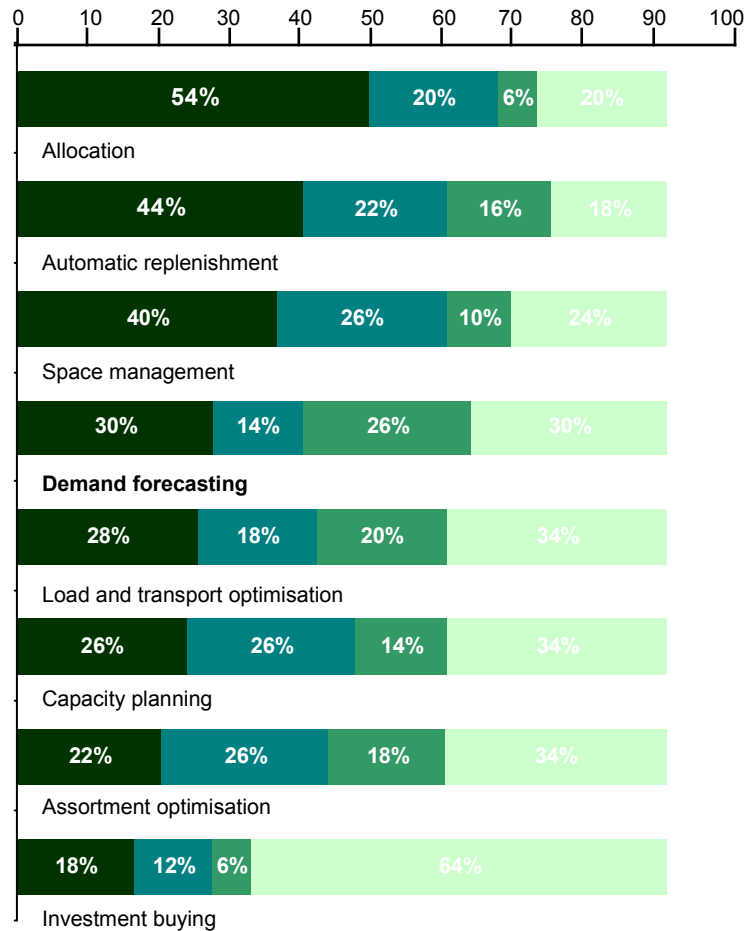


Average Satisfaction Rating for Multi-Channel Retailing Systems Out of 10

6.0

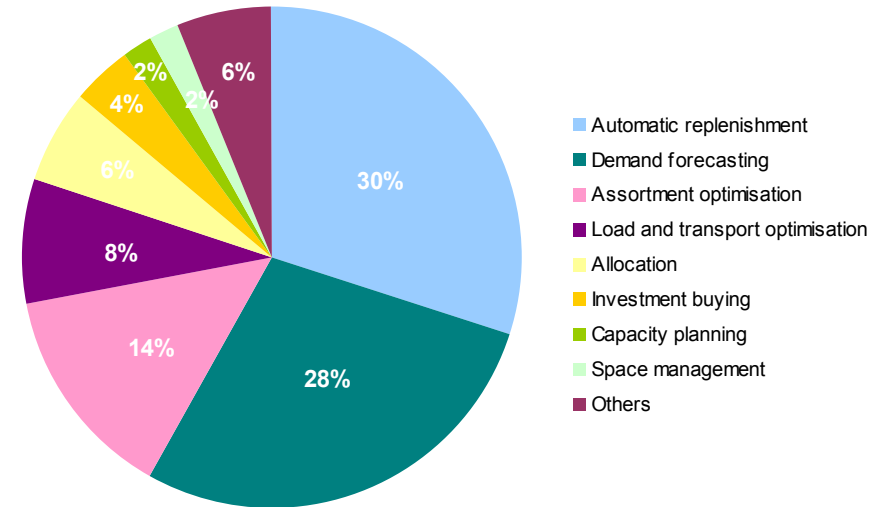
Replenishment Optimisation and Stock Management

Applications Used and Planned to be Used



- Use now
- Use now with Plans to Upgrade
- Plan to implement in Three Years
- Do not Use and No Plans to Implement

Most Important Replenishment Optimisation and Stock Management Application

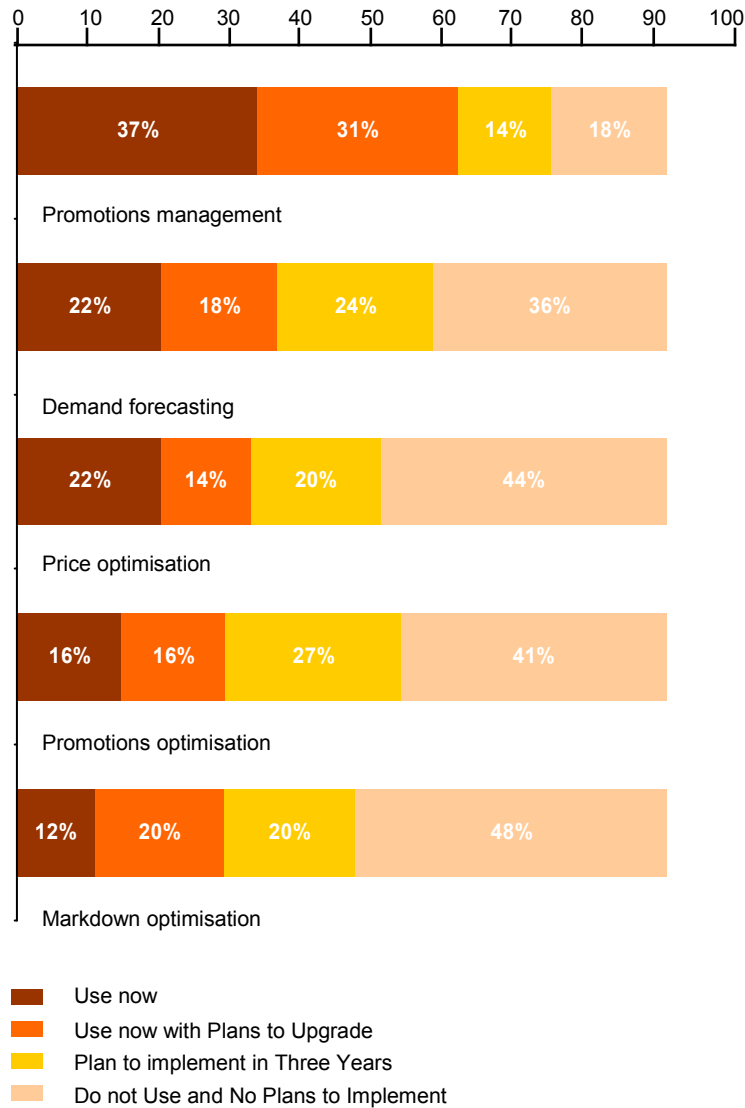


Average Satisfaction Rating for Replenishment Optimisation and Stock Management Systems Out of 10

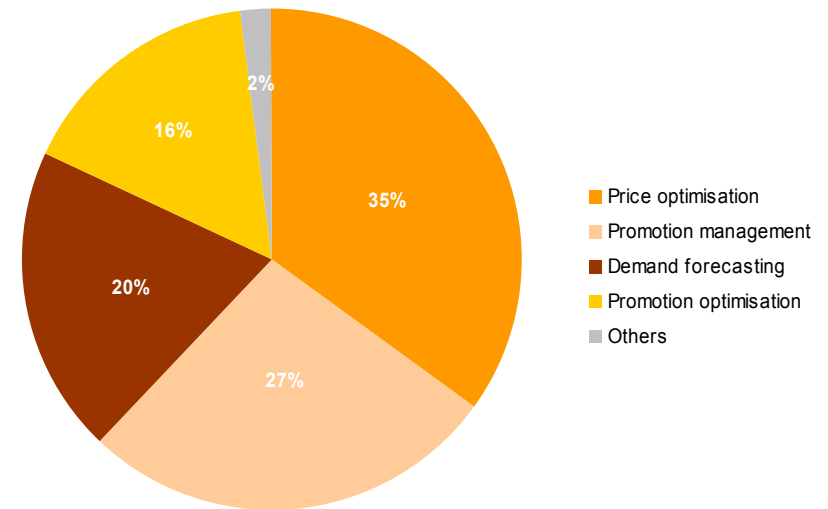
6.9

Pricing and Promotions

Applications Used and Planned to be Used



Most Important Pricing and Promotions Application



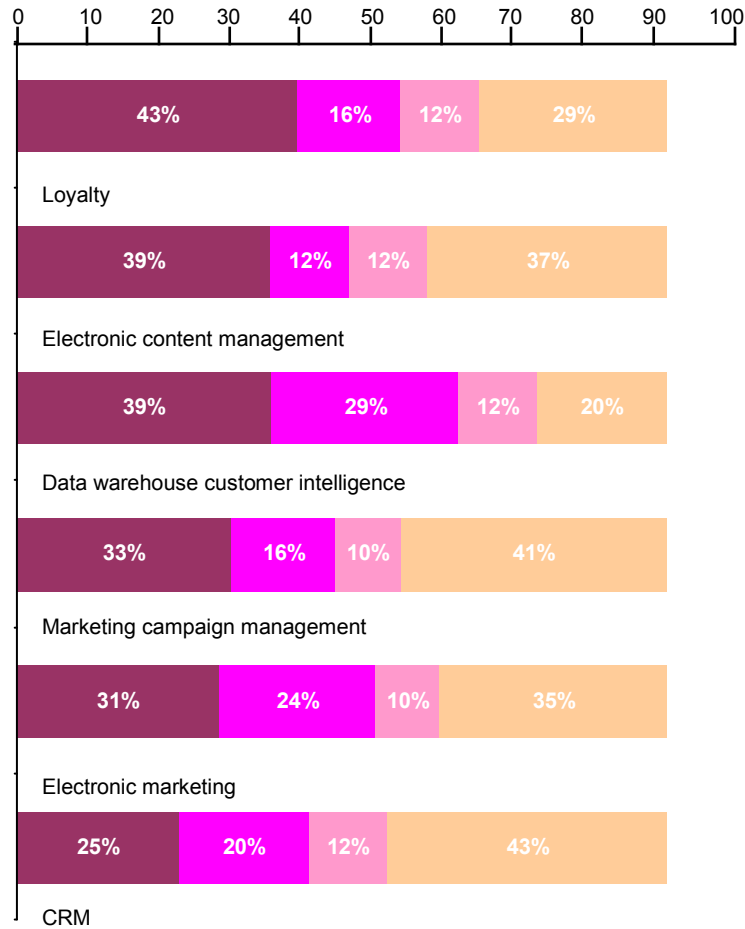
Average Satisfaction Rating for Pricing and Promotions Systems Out of 10

5.7 – joint lowest

Differences between North America and EMEA are not that significant, except higher use of demand forecasting in N America

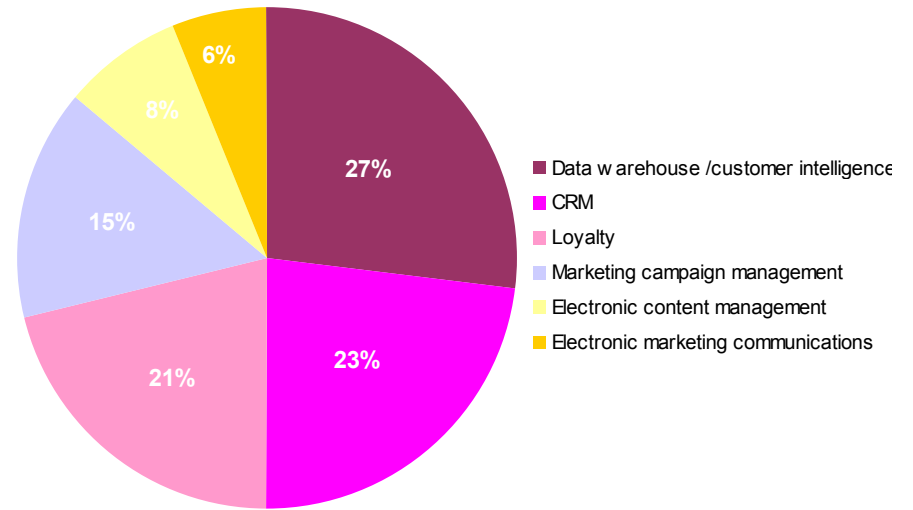
Marketing

Applications Used and Planned to be Used



- Use now
- Use now with Plans to Upgrade
- Plan to implement in Three Years
- Do not Use and No Plans to Implement

Most Important Marketing Application

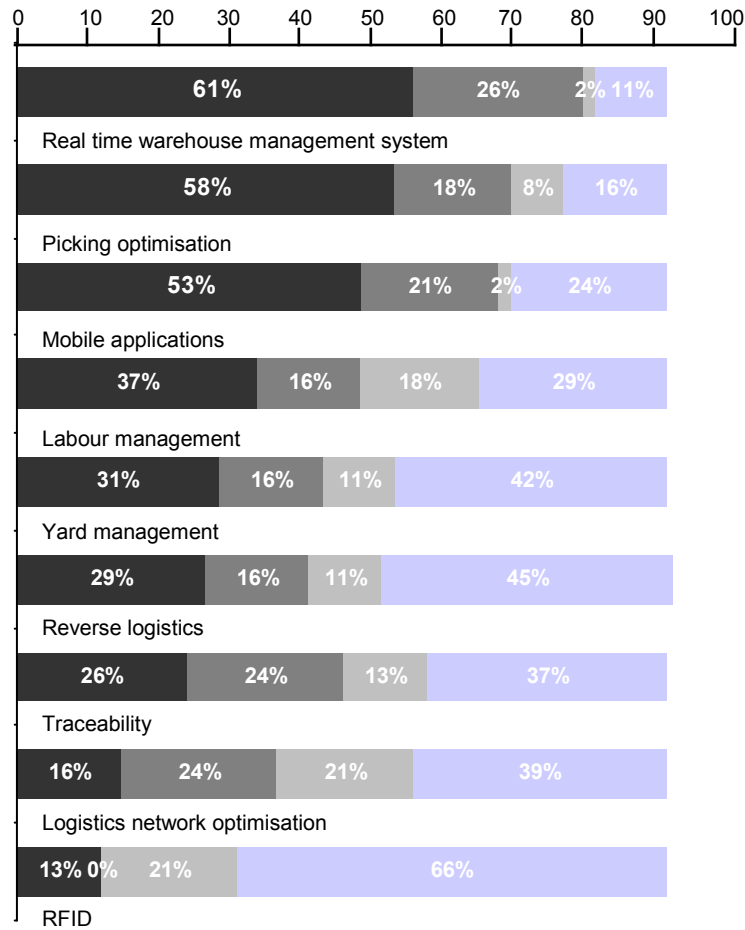


Average Satisfaction Rating for Marketing Systems Out of 10

6.6

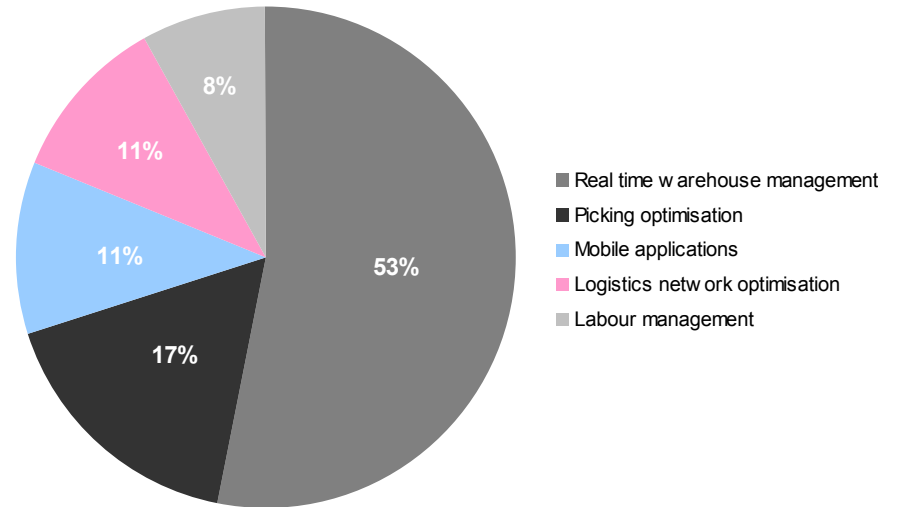
Logistics and Distribution

Applications Used and Planned to be Used



- Use now
- Use now with Plans to Upgrade
- Plan to implement in Three Years
- Do not Use and No Plans to Implement

Most Important Logistics and Distribution Application



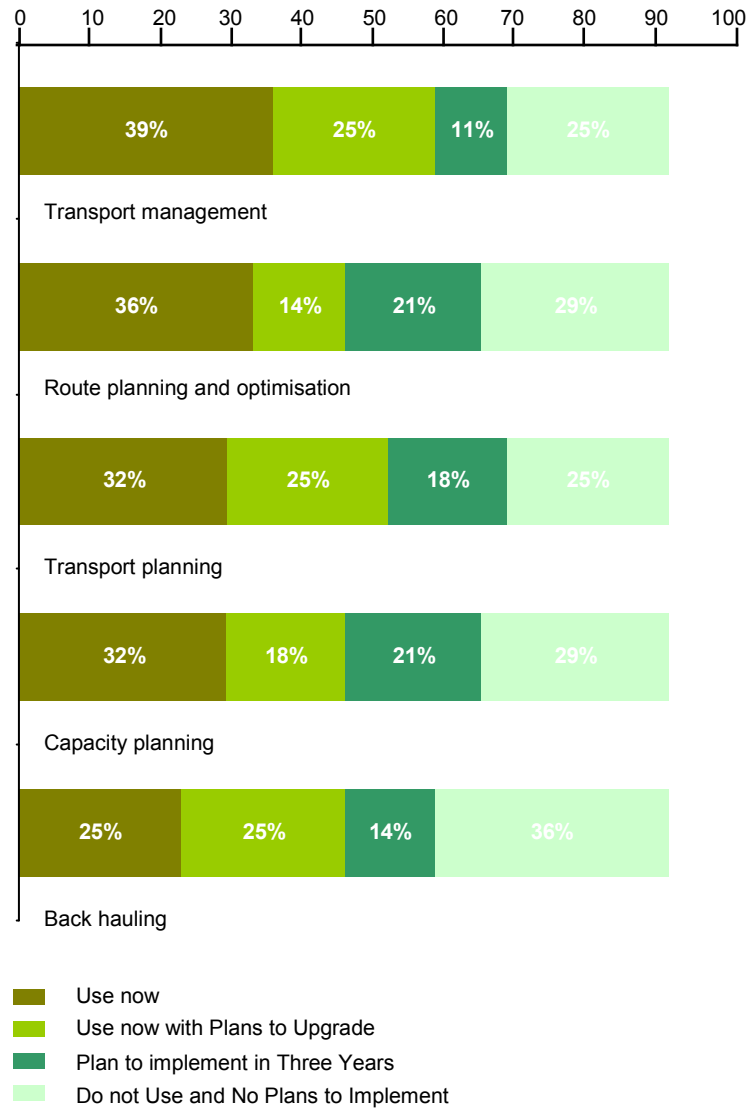
Note - no companies interviewed rated yard management, traceability, RFID or reverse logistics as their most important logistics and distribution application

Average Satisfaction Rating for Logistics and Distribution Systems Out of 10

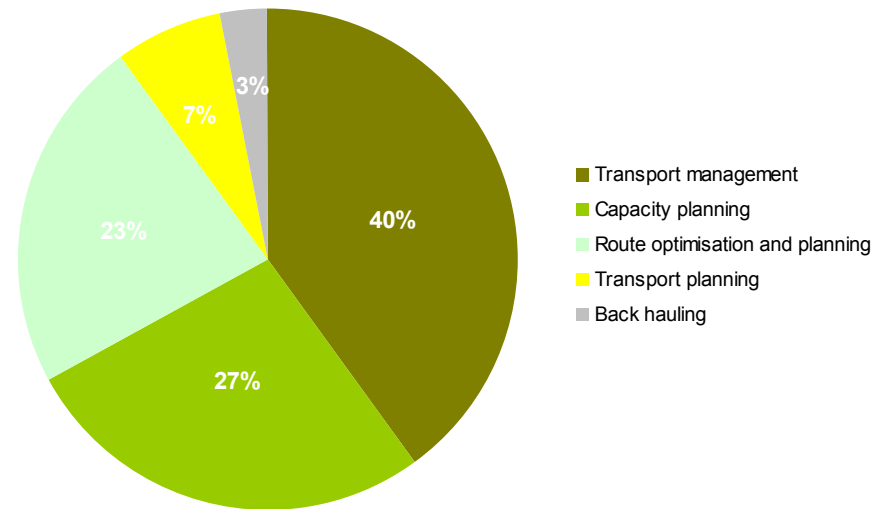
7.0

Transport

Applications Used and Planned to be Used



Most Important Transport Application

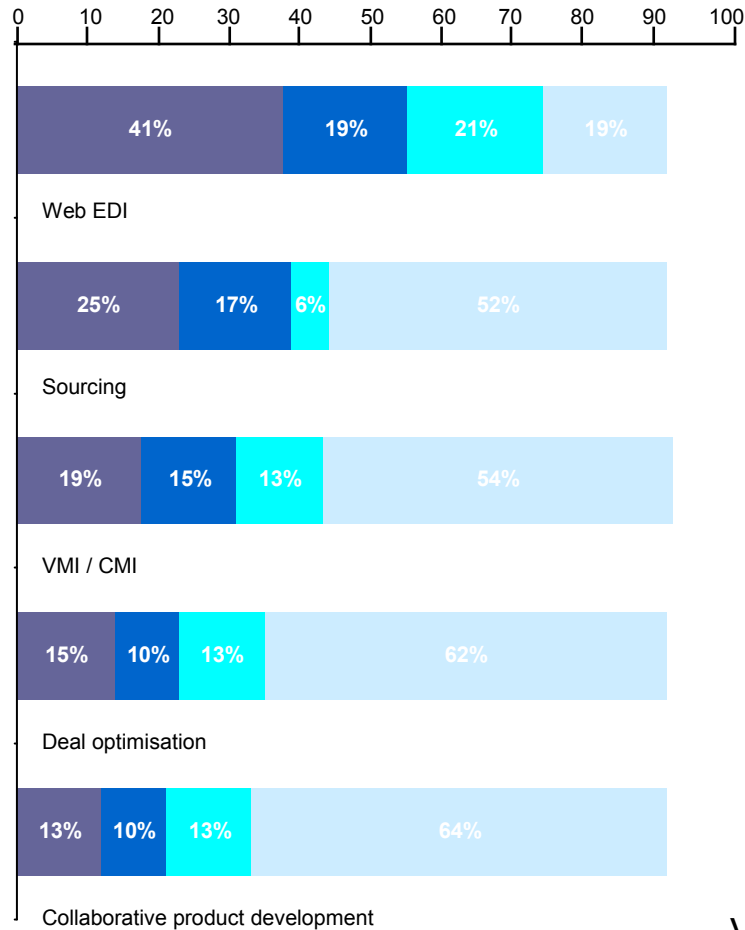


Average Satisfaction Rating for Transport Systems Out of 10

5.7 – joint lowest

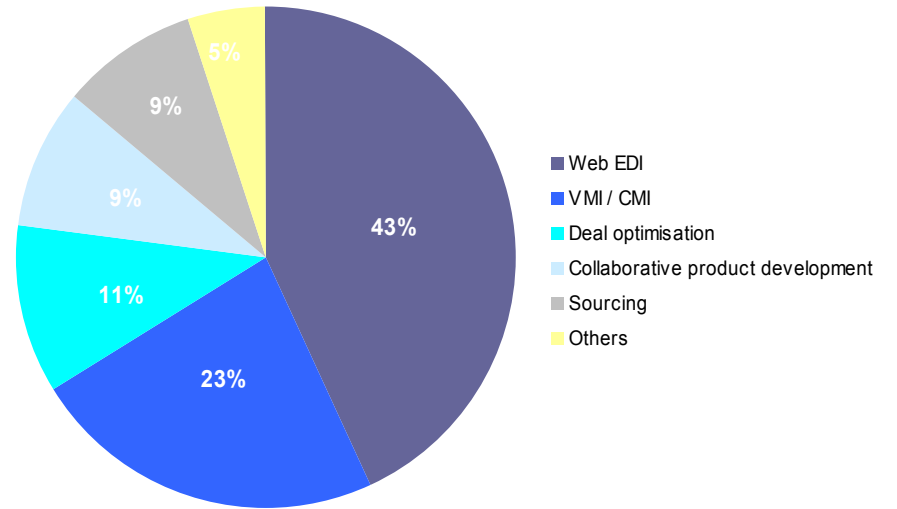
Supplier Management

Applications Used and Planned to be Used



- Use now
- Use now with Plans to Upgrade
- Plan to implement in Three Years
- Do not Use and No Plans to Implement

Most Important Supplier Management Application



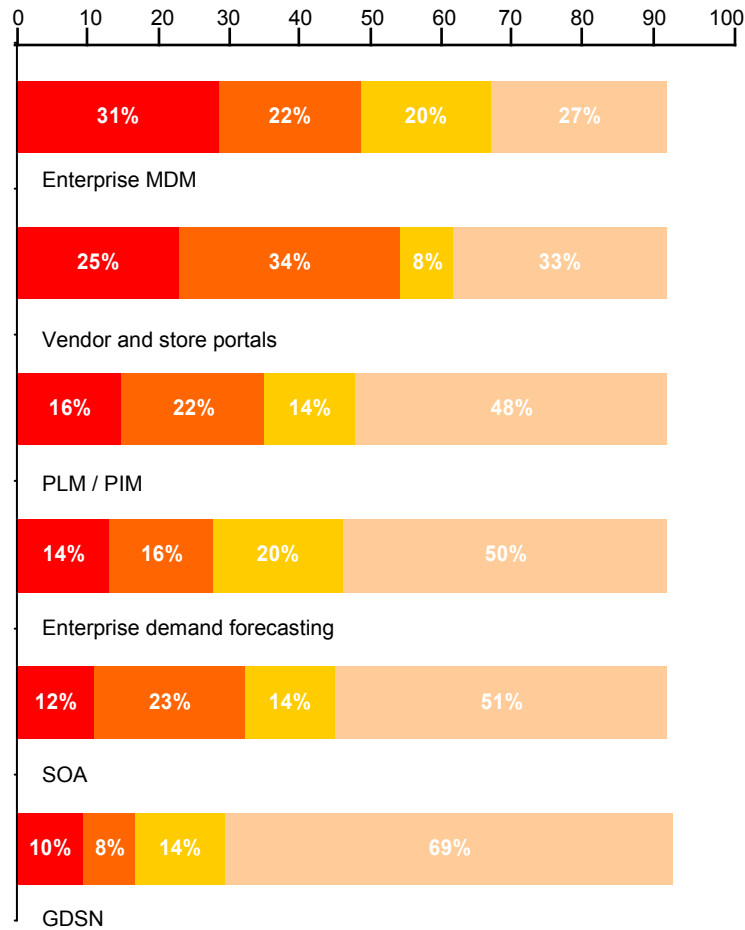
Average Satisfaction Rating for Supplier Management Systems Out of 10

6.0

VMI / CMI – 22% of retailers in EMEA planning to adopt compared to only 4% in North America, yet current usage levels are broadly similar

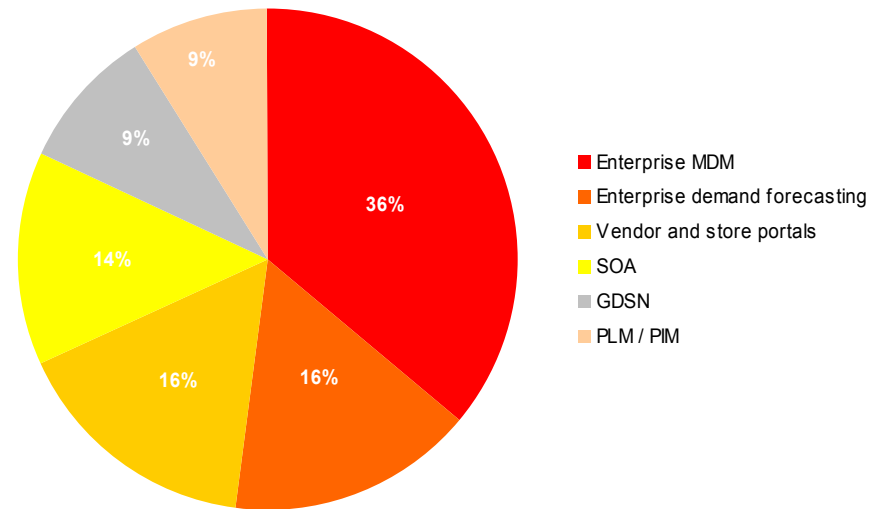
IT and Data Architecture

Applications Used and Planned to be Used



- Use now
- Use now with Plans to Upgrade
- Plan to implement in Three Years
- Do not Use and No Plans to Implement

Most Important IT and Data Architecture Application



Average Satisfaction Rating for IT and Data Architecture Systems Out of 10

5.9

Top 10 Applications Retailers Plan to Implement

Application	% of Retailers Planning to Implement in 3 Years
Promotions optimisation	27%
Demand forecasting (everyday)	26%
Demand forecasting (for promotions)	24%
Multi-channel CRM	24%
Transactional web site	22%
Capacity planning	21%
Logistics network optimisation	21%
RFID	21%
Route planning and optimisation	21%
Web EDI	21%

Top 10 Applications Retailers Plan to Upgrade

Application	% of Retailers Planning to Upgrade in 3 Years
Vendor and store portals	34%
Promotions management	31%
Data warehouse customer intelligence	27%
Assortment optimisation	26%
Capacity planning	26%
Real time warehouse management	26%
Space management	26%
Store replenishment	26%
Transport management	26%
Workforce management	26%

The 5 S's of Retail

Some people say there are only three things to get right in retail, location, location and location.

Another view is the 5 S's of retail, namely

- Sales
- Stock
- Staff
- Space
- Service

If you look at the previous two charts, much of what retailers plan to implement is about reducing lost sales and lost margin, maximizing staff and space productivity, optimizing supply chain and with relatively little focus on customer centricity

Top 10 Applications Retailers Are Least Likely to Implement

Application	% of Retailers That Do Not Use or Plan to use this Application
RFID	66%
Collaborative product development	64%
Investment buying	64%
GDSN	61%
SOA	61%
VMI / CMI	54%
Sourcing	52%
Enterprise demand forecasting	50%
Home delivery	50%
PLM / PIM, markdown optimisation and kiosks	48%



Satisfaction Summary

Area	Satisfaction Score (Max 10) All Retailers	North America	EMEA
Store Operations and Efficiency	7.1	7.1	7.0
Logistics and Distribution	7.0	7.3	6.8
Replenishment optimization and stock management	6.9	7.0	6.5
Marketing	6.6	7.1	6.4
Overall	6.3	6.5	6.2
Multi-channel retailing	6.0	6.3	5.7
Supplier Management	6.0	6.1	5.9
IT and Data Architecture	5.9	5.6	6.3
Transport	5.7	6.0	5.4
Pricing and Promotion	5.7	5.6	5.8

No correlation at all between satisfaction and level of IT spend

Conclusions

- Most widely installed applications are:
 - Real time warehouse management system (87% of retailers interviewed)
 - Store replenishment (78%)
 - Mobile applications in store (76%)
 - Picking optimisation (76%)
- Area where retailers are planning most new investment is in pricing and promotions:
 - 27% of retailers planning to implement promotions optimisation systems in the next 3 years
 - 24% planning to implement demand forecasting
 - 20% price optimisation
 - 20% markdown optimisation
- Multi-channel retailing is another area for growth:
 - 24% of retailers are planning to implement multi-channel CRM systems
 - 22% a transactional web site
 - 20% kiosks

Conclusions

- There is no relationship between IT spend and satisfaction with systems
- The credit crunch is changing priorities. The focus is switching to projects that drive sales or the productivity of assets the business already owns, namely inventory, space, multi-channel, transport and, to a lesser degree, staff.
- Multi-channel is doubly important because of its growth potential.
- Apart from availability and MCR, things related to customer service fall lower on the list

Conclusions

- Supplier management is the area of most retailers' businesses that is least supported by systems:
 - 64% do not have systems for collaborative product development and have no plans to do so
 - 62% do not have deal optimisation systems (and no plans for them)
 - 54% do not have VMI / CMI systems (and no plans for them)
 - 52% have no sourcing systems (and no plans for them)
- IT and data architecture is also poorly supported:
 - 69% of retailers interviewed do not have GDSN systems and have no plans to do so
 - 51% either do not use SOA or do not plan to
 - 50% do not have enterprise demand forecasting or any plans to implement

Helping retailers do business more effectively.

Helping vendors sell to and partner with retailers.

Aldata
100% Retail-Wholesale



MARTEC International

www.martec-international.com

brian_hume@martec-international.com

+44 1823 333469

© MARTEC International 