ENABLING COMMERCE ANYWHERE IN GROCERY RETAILING

BEST PRACTICES THAT WILL TRANSFORM THE GROCERY BUSINESS

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RETAIL

INTRODUCTION

In high volume, low margin grocery retailing, merchants have to be on their toes when it comes to driving customer demand and loyalty. With close to 44,000 items sold in an average supermarket, sales total less than $12 per square foot, according to the Food Marketing Institute. Additionally, **a growing number of shoppers are not able to name their choice for a primary grocery store: 9% in 2013, up from 2% in 2011**.

Today's grocers also face the threat of fierce competition from eCommerce competitors like Amazon — as well as other retailers including Walmart, Target and Walgreens, focused on extending assortments into grocery. To survive and thrive in the long-term, grocery merchants must adjust their strategy to be more customer centric and that means enabling browsing and buying online, in-store and anywhere in between. At Oracle Retail, we call this Commerce Anywhere, and we're seeing a big shift across retailers in every sector to this model. **Customers are demanding it and the pressure from online pure plays is accelerating it.**

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CHAPTER ONE

DEVELOPING A WINNING STRATEGY

If you want to grow your grocery retail business and capture more wallet share from your customers you will need to provide unique online and in-store experiences, personalized service and offers and localized assortments. In order to realize a strategy that is both consumer-centric and digitally oriented you must first optimize operations throughout the buyer journey, from the supply chain and real-time inventory management, through to checkout and beyond.

Developing a winning strategy to achieve these goals requires a hyper focus on technology, according to Forrester Research in the 2014 report titled: *Customer Desires vs. Retailer Capabilities: Minding The Omni-Channel Commerce Gap:* **"Technology investment is critical to enabling exemplary omni-channel customer experience.** As consumers expect retailers to provide consistent and unparalleled service across all touch points, retailers must adopt new technologies that enable this higher level of service. In the case of omni-channel, technology investment is often needed to create product and inventory visibility, to enable sales associates to understand customer preferences and purchase history, and to enable the retail store to act as a local fulfillment center with pick, pack, and ship capabilities."

Specific technology investments can move grocery retailers swiftly and efficiently toward the following three key objectives:

- **Inventory Optimization:** Facilitating Commerce Anywhere by starting with the right product mix at every store
- **Targeted, Scientific Planning:** Providing accurate and predictive modeling to support varied and highly flexible assortment strategies
- **The Power of Real-time Data and Analytics:** Turning mountains of aggregated transaction data into a true-life picture of consumer demand

CHAPTER TWO

INVENTORY OPTIMIZATION: FACILITATING COMMERCE ANYWHERE BY STARTING WITH THE RIGHT PRODUCT MIX AT EVERY STORE

The need for grocery retailers to improve inventory optimization and provide localized assortments in every store is increasing at a rapid pace. Shoppers are no longer willing to settle, even for a low-priced grocery item that may not be their first choice. To purchase their chosen items at the right price, shoppers are now willing to travel to five different types of stores, reported Deloitte in its 2013 *American Pantry* report.

This trend is driven by consumers' desire for the right mix of value, quality and private label brand options. Retailers that acknowledge and respond to consumers' wants and needs will set their companies up for long-term success.

"Successful retailers put the consumer at the center of the value chain by aligning people, processes, and technology to improve customer service," asserted Carla Anderson, Solution Market Director for Oracle. "Retailers must deliver the right product to the right location at the right time to maintain the loyalty of consumers. To compete in retail today, companies need to manage the implications of this new complexity. The financial impact of Commerce Anywhere requires a transparent view of inventory status across your operations. Beyond traditional orders, inventory will be reserved for backorders, inbound items, and reservation commitments to fulfill demand."

A flexible merchandising solution will support all types of data across channels with built-in best practices that support real-time, cross-channel inventory availability. "Retailers can start with the merchandising foundation, locking down item, pricing, and inventory details first," explained Anderson, "and then they can quickly layer in more advanced demand and inventory analytics when they decide to move forward."

"RETAILERS CAN START WITH THE MERCHANDISING FOUNDATION, LOCKING DOWN ITEM, PRICING, AND INVENTORY DETAILS FIRST," EXPLAINS CARLA ANDERSON, SOLUTION MARKET DIRECTOR FOR ORACLE. "THEN THEY CAN QUICKLY LAYER IN MORE ADVANCED DEMAND AND INVENTORY ANALYTICS WHEN THEY DECIDE TO MOVE FORWARD."

READ THE FULL VIEWPOINT

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RETAILER SUCCESS STORY:

UNICOOP FIRENZE

Italy's largest co-operative retailer, Unicoop Firenze, operates more than 100 hypermarkets, supermarkets and stores across seven provinces in Italy. Facing new challenges in consumer spending, the merchant was seeking to gain greater control over store assets and operations. After implementing **Oracle Retail Inventory Management and Stores** solutions, Unicoop now has a single vision of the business.

With greater control over store assets and operations, Unicoop will create process efficiencies and enable a greater focus on improving pricing and promotions. With in-store location-level tracking in place, the merchant will reduce out-of-stocks and over-stocks.

TO PURCHASE THEIR CHOSEN ITEMS AT THE RIGHT PRICE, SHOPPERS ARE NOW WILLING TO TRAVEL TO FIVE DIFFERENT TYPES OF STORES, REPORTED DELOITTE IN ITS 2013 *AMERICAN PANTRY* REPORT.

CHAPTER THREE

TARGETED, SCIENTIFIC PLANNING: PROVIDING ACCURATE AND PREDICTIVE MODELING TO SUPPORT VARIED AND HIGHLY FLEXIBLE ASSORTMENT STRATEGIES

Until recently, almost no one would have predicted that consumers would be purchasing an increasing amount of their grocery items online. But recent studies predict that online grocery shopping will grow at an annual rate of 9.5% through 2017, reaching $9.4 billion, according to IBISWorld.

Brick-and-mortar grocers are tapping into this trend by adding new services, such as in-store pickup. “Nearly 42% of retailers will develop in-store pickup of goods ordered on the Web,” Forrester reported. “This is probably the key component of any true cross-channel retail experience as it finally brings physical retailers’ biggest and most-expensive assets (their stores) together with growth opportunities (its online channel).” SOURCE

While planning for the inventory needs of e-Commerce shoppers, grocers also must strive to provide more localized assortments. “Grocery merchandisers are operating across wider geographies than ever before,” explained Brian Hart, Solution Marketing Director for Oracle. “At the same time, they are serving widely diverging populations, even within the same city or region.”

To compete in this changing landscape, grocery retailers need to support varied and highly flexible assortment strategies and planograms. Hart explained: ”To support this level of localization, grocers need sophisticated targeting and planning solutions that utilize retail science in order to:

- localize and target assortments along with facing counts (assortment planning and optimization); optimize scenarios using multiple attributes (advanced clustering);
- use the retailer’s own data for customer decision tree analytics;
- calculate incremental sales impact and cannibalization (demand transference), and
- optimize category section sizes (macro space optimization).

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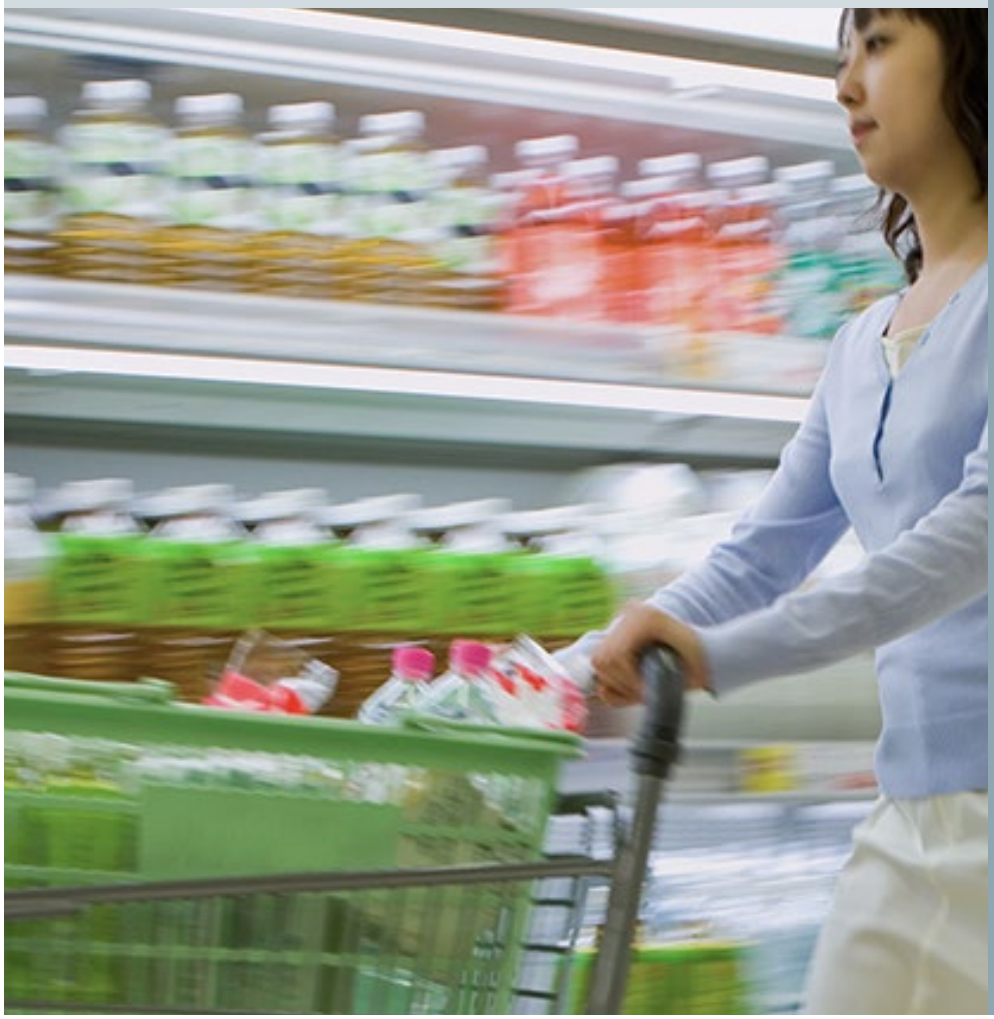
RETAILER SUCCESS STORY:

TESCO

With over 7,000 stores in 12 countries worldwide, Tesco needed to build a standardized IT infrastructure to support domestic and international growth. This new infrastructure included efficiencies in merchandising, supply chain and planning for the £54.3 billion mega retailer.

Tesco implemented a group of Oracle products and solutions, including: **Retail Merchandising**, **Retail Price Management**, **Retail Invoice Matching**, **Trade Management**, **Transportation Management**, **Retail Warehouse Management**, **Retail Integration Bus**, **Retail Demand Forecasting**, **Retail Assortment Planning**, **Financials/ Manufacturing** and **PeopleSoft HR**.



WITH THESE SOLUTIONS IN PLACE, TESCO HAS ACHIEVED THE FOLLOWING BENEFITS:

- Improved visibility to inventory figures and true profitability both at a country and group level;
- Enabled implementation of a single, agile IT infrastructure;
- Drove efficiencies, improved productivity and enhanced retail capabilities across all operations;
- Gained ability to interface easily with all its systems and develop a simplified set of processes moving forward due to open architecture principal; and
- Deployed closed-loop planning & execution.

RETAILER SUCCESS STORY:

METRO GROUP

METRO GROUP needed a new planning solution to improve non-food operations and make the business more customer-driven in Russia — a fast-growing emerging market. METRO selected Oracle Retail to support operations for the METRO Cash & Carry brand, which was recording huge sales increases.

With the **Oracle Retail Merchandise Planning and Optimization** solution in place, METRO is “now able to focus assortments,” noted Mark Stutzer, Head of Process Management/ Merchandising at Metro Systems. “We are now more customer-oriented, and able to focus on seasonal sales. We have a better picture of when seasons end and what kind of items customers are requesting. In the end to really improve the business you have to be customer-driven. To do promotions right, assortments right — you have to improve your planning processes.”

METRO GROUP is a Germany based retail organization, with more than 2,200 stores in 180 countries around the world. Brands include METRO Cash & Carry and MAKRO, the world’s market leader in cash & carry, Media Markt and Saturn, Europe’ s leader in consumer electronic retailing, Real hypermarkets and Galeria Kaufhof, the system leader in the department store business.

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CHAPTER FOUR

THE POWER OF REAL-TIME INVENTORY DATA AND ANALYTICS: TURNING MOUNTAINS OF AGGREGATED TRANSACTION DATA INTO A TRUE-LIFE PICTURE OF CONSUMER DEMAND

To become the first-choice store, grocery retailers must optimize their data to stock the right mix of products. Across the board, retailers are acknowledging the importance of using technology to access real-time updates to inventory from transactional systems (77%) and tap into enterprise-wide inventory visibility (72%), according to Retail Systems Research (RSR) in the report titled: *Supply Chain Execution 2014: Making Omni-channel Profitable.*

Food retailers in particular value business analytics capabilities designed to help measure the effect of supply chain activity (47% vs. 34% of all retailers), RSR reported. Food merchants also insist on being able to execute on a well-defined business case and ROI calculation (47% vs. 34%).

That's where advanced technology solutions come into play. "By embedding an **advanced science engine and space optimization technology** in a new generation of grocery and supermarket business solutions, retailers are turning their mountains of aggregated transaction data into a true-life picture of customer demand," noted John Bible, Senior Director of Retail Data Science and Insights for Oracle. "Properly used, insights from these vast data storehouses can scientifically inform retailers' decision-making in critical strategic, tactical and operational areas, including category management, shelf space allocation and new product introductions."

Then retailers can answer questions such as:

- Which items must I always keep in stock?
- Which items motivate shoppers to transfer demand if their chosen item is not in stock?
- Which items are "must-haves" for my most important/profitable customers?

It's a challenging balance: Must-have products may require a 98% in-stock level, but others can fall to 75% without causing undue harm to sales or customer relationships, Bible explained.

After retailers learn where they should place their inventory for maximum benefit, replenishment optimization solutions ensure automated replenishment scheduling leverages these insights on a store-by-store basis.

Throughout the entire supply chain, the data can be used to optimize replenishment schedules at the store and DC levels, even for multi-echelon networks containing specialty DCs. It can help set automated business rules governing acceptable in-stock levels for categories, products, and even individual SKUs. As a result, retailers can more accurately determine how much safety stock to hold, and where to hold it — all while keeping overall inventories as lean as possible.

RETAILER SUCCESS STORY:

MORRISONS

Morrisons, the UK's fourth largest grocery retailer, is undergoing a large scale implementation of end-to-end Oracle Retail solutions to streamline and improve its vertically integrated business from manufacturing through to store. Wm Morrisons are applying Oracle solutions across the end-to-end supply chain — integrating the business from manufacturing through the store.

The Oracle solutions have helped Morrisons "increase forecast accuracy," noted Stuart Rowlings, Head of Supply Chain Development. **"We now have to touch the items less often so our people can invest more time in looking at promotions and value-add activity."**

Ultimately, Oracle Retail solutions are providing Morrisons with a single version of data and more sophisticated systems to manage its supply chain.

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RETAILER SUCCESS STORY:

DINOSOL

Spain-based DinoSol operates 440 stores in four formats. With competition heating up, the retailer is focusing on promoting more fresh food options and localizing assortments to appeal to specific regional customers. “We want to reach up to 50% of sales in fresh foods because we think that will distinguish us from the competition,” noted Jorge Delgado, Director of Supply Chain for DinoSol.

To help move its goals forward, DinoSol has implemented **Oracle Replenishment Optimization**, **Oracle Retail Demand Forecasting (RDF)** and **Oracle Advanced Inventory Planning (AIP)** solutions from Oracle. “With RDF we have seen a reduction of stock,” noted Delgado. “This has made a very important contribution to working capital — helping us considerably in continuing to develop the company and continue investing in buying stores.” The retailer purchased seven new stores in December 2013. By tapping into the advantages of the AIP solution, Delgado added, DinoSol is now able to “maintain the company with a healthy cash flow.”

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CHAPTER FIVE

CONCLUSION

Today's retail environment is driven by consumer desires and demands. Smart retailers are responding by providing the right inventory at the right time, while delivering value and quality consistently across channels.

It's an ambitious goal, but merchants that want to be in business now and in the future must address business process weaknesses and implement technologies that will enable Commerce Anywhere. The math is simple; better relationships with customers equals increased ROI.

Forward-thinking grocers whose strategy includes Optimized Inventory; Targeted, Scientific Planning and Real-time Inventory Data and Analytics all via a single enterprise platform reap a number of benefits, including:

- **Omnichannel** – improving the customer experience at every touch point
- **Speed to Deploy** – with the help of an integrated solution suite that can be deployed on a value driven basis
- **Business Model Flexibility** – to add new product segments, support innovative business models and extend beyond traditional grocery
- **Profit Optimization** – through efficiencies in inventory replenishment and fulfillment along with optimal price and promotion strategies.
- **Clear ROI** – attained through consumer specific assortments which optimize product placement to maximize sales using assortment demand transference insight.

As competition from e-Commerce players and non-traditional merchants puts even more pressure on grocery retailers, the need for Commerce Anywhere becomes a vital imperative. By addressing and implementing the strategies outlined in this E-book, grocers will be primed for long-term success.

CONTACT ORACLE RETAIL TO EXPLORE THE POSSIBILITIES TO DRIVE GROWTH AND OPTIMIZE YOUR OPERATIONS.

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