

POINT OF VIEW

# EXTENDED RETAIL SOLUTIONS

Transforming Retail Through the Power of Four



**Enable self-service transactions throughout the store.**

**Monitor supplies in transit to improve inventory visibility.**

**Ease the transition to mobile technologies.**

**Instantly transmit and analyze point-of-sale data.**

**Provide service that transcends customer expectations.**

**Access real-time information to make better decisions.**

**Adapt proven formulas to improve efficiencies.**

**Keep managers informed about store operations.**

# Shaping the Future for Smarter Retailing

Using the Power of People, Processes, and Technology to Transform the Customer Experience, Store Operations, and the Supply Chain

The retail industry is in a state of rapid transformation. Advances in technology, emerging standards, and changing customer demands have created a whirlwind of challenges and opportunities for retailers, along with significant risks and the potential for substantial rewards.

Retailers face increased competition, razor-thin margins, and ever-increasing demands from customers who can easily shop somewhere else. Reducing costs is essential, but retailers also must seek new ways to engage customers and enhance the shopping experience. Technology offers solutions to address these business challenges, but the technology should be adaptive and flexible to meet retailers' needs today and in the future.

Embracing new technology can help retailers strengthen relationships with suppliers and customers while lowering operating costs. Wireless technology, real-time data, rich-media applications, radio frequency identification (RFID), Global Data Synchronization (GDS), and other innovative and emerging technologies have clearly demonstrated their capacity to improve business processes and drive down costs. But the rapid pace of advances in retail technology and unanswered questions about emerging standards have kept many retailers on the sidelines.

Enabling retailers to confidently begin the transformation of their businesses is the mission and philosophy behind Extended Retail Solutions (ERS), a joint initiative from Capgemini, Intel, Cisco Systems, and Microsoft. ERS leverages the strength of these four business and technology leaders, as well as a rich network of solution providers. ERS provides a framework retailers can use to manage complexity, implement solutions that can deliver immediate business value, gain a competitive advantage, and position their companies for the future.

ERS can help increase customer satisfaction, improve business execution, enhance employee productivity, reduce risk, and improve overall business performance. By combining Capgemini's leadership in adaptive business and IT with the IT infrastructure building blocks of Intel, Cisco, and Microsoft, ERS delivers business solutions that enable extensive real-time retail business practices, based on open standards and best-in-class software and hardware solutions.

## THE POWER OF FOUR

The ERS initiative makes use of the collective experience, resources, and retail knowledge of four global business and technology leaders: Capgemini, Intel, Cisco Systems, and Microsoft. For the first time, these four companies have combined their respective strengths to deliver a technology framework for improvement tailored to the retail market.

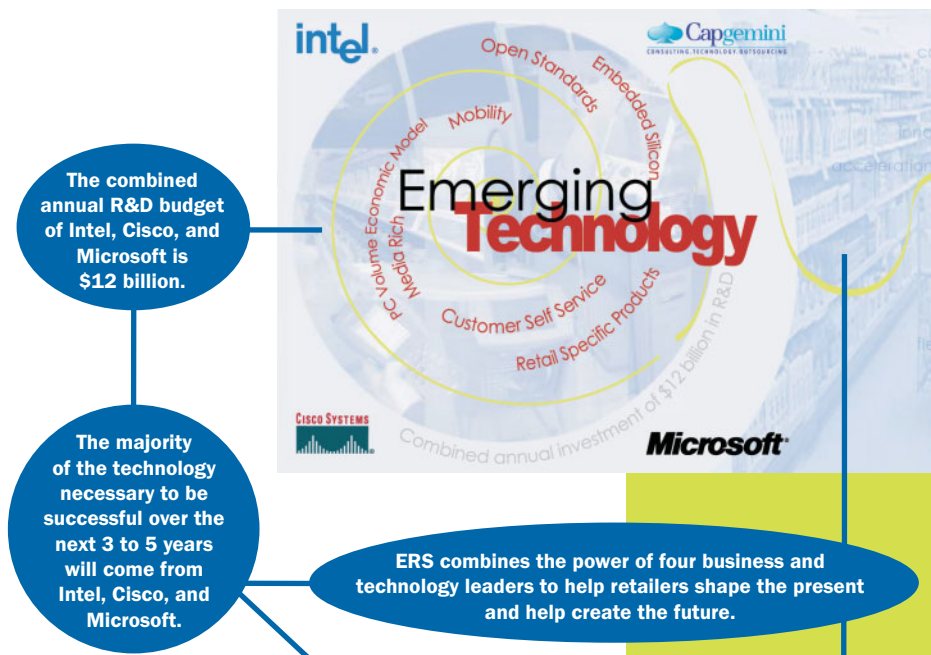
We call it the Power of Four.

**Capgemini** provides strategy, business justification, integration, and implementation experience to retailers who want to transform their businesses by driving revenue, margin, and shareholder value while adapting to market volatility. With a deep knowledge of the retail industry and a reputation for delivering integration solutions on a global basis, Capgemini is the business and IT transformation specialist.

**Intel** delivers the open-standards-based architecture that drives ERS, creating building blocks for retail solutions that manage point-of-sale, operate retail core functions, reduce inventories, improve customer service, and enable retailers to manage the supply chain and logistics in real time.



## Extended Retail Solutions: The Power of Four



## THE RETAIL TECHNOLOGY SITUATION

### Technical Horizon

- ▶ Exciting new rich-media self-service applications and devices with cinema-quality graphics providing game-like interaction
- ▶ Wireless networks are available to connect all in-store devices, with more mobile devices entering the scene
- ▶ New standards are emerging such as 13-character and 14-character product codes and better encryption for credit card transactions
- ▶ RFID is emerging in the retail marketplace

### Action Required

Simplify connectivity and embrace new technology to strengthen relationships with customers and lower operating costs

#### **BUT:**

It's not just about technology; it is about a concurrent and step-by-step transformation of people, processes, and technology

Cisco contributes industry-leading converged network solutions that are resilient, persistent, and secure. These solutions empower retailers to develop their technology capabilities with their changing business needs, including wireless, Internet Protocol (IP) telephony, content networking, security, and network management. The Cisco network infrastructure provides a solid foundation to power all technology now and into the future.

Microsoft's Smarter Retailing Initiative provides interoperable, scalable, and customizable technology innovation to the retail enterprise, enabling business innovation to transform your store environment into a high-performing operation resulting in Smarter Selling (by employees), Smarter Shopping (for consumers), and Smarter Operations (for management).

The advantage of the Power of Four is the combination of industry-leading technology, a combined annual \$12 billion investment in research and development, deep knowledge and experience with the needs of the retail industry, and a commitment to and proven track record in delivering innovation and value to retail customers.

Unlike the many proprietary solutions available to retailers, the ERS framework is based on open standards that allow solutions to be built by best-in-class companies working within a collaborative environment. ERS makes it easier for retailers to migrate from current infrastructures to new technologies that will create new business value.

### A FRAMEWORK FOR TRANSFORMATION AND IMPROVEMENT

ERS is not about technology for technology's sake. ERS is a framework that provides the global retail community with an open-standards-based alternative to today's proprietary technology landscape.

Capgemini, Intel, Cisco, and Microsoft have a clear vision for ERS and a commitment to making ERS a coordinated, complementary, and evolutionary answer to the technology challenges facing today's retailer. ERS provides practical solutions that are sensitive to retail margins, costs, and project time horizons, while preparing retailers for sustainable competitive advantage.

Instead of requiring retailers to rip-and-replace systems, ERS brings a palette of open standards and modular network technologies. Solutions can be implemented faster and at a lower total cost because they are pre-integrated, designed

with the opportunity to seamlessly incorporate new technologies where the returns justify the investment.

ERS solutions take into account the retailer's existing technology adoption process, culture, history, and consumer profiles to recommend the right amount of technology and the right implementation timeline. By creating a flexible, adaptive architecture, ERS allows retailers to take a phased approach to the introduction of new technology.

ERS is designed to give retailers immediate access to the most current information to enable faster decision making, increased supply chain efficiencies, and rapid response to changing customer demands. Visibility into complete store data enables real-time retailing, which allows a retailer to respond quickly to customer demands. This can enhance the shopping experience and share of the wallet.

The ERS framework focuses on three key solution areas:

- ▶ Transformed customer experience
- ▶ Transformed store operations
- ▶ Transformed supply chain

### TRANSFORMED CUSTOMER EXPERIENCE

Today, successful retailers compete based not on price, but on innovation. Creating differentiated customer experiences is key to driving greater economic value for retail businesses. ERS can help win market share, customer wallet share, and life-time value where the battle is fought — in the store.

A transformed customer experience begins with reducing the frustrations that lead to consumer dissatisfaction. Our research has shown that missing price information, out-of-stock inventory, employees who lack product knowledge, and long lines at the checkout will send more than half of your customers out the door empty handed.\*

When customers can find virtually any product they want from a wide range of retailers through multiple channels, retailers must win customer loyalty by providing exceptional customer service and unique shopping experiences. ERS puts leading-edge technology tools into the hands of customers, sales associates, and other retail employees to help minimize customer frustrations while lowering IT and operating costs.

Many retailers are already finding rapid customer acceptance and adoption of self-service solutions such as self-checkout, rich-media cus-

and pricing, and can lead to bigger shopping baskets by suggesting complementary items and delivering special offers.

Extended point-of-sale (POS) solutions allow customers and sales associates to access product and price information anywhere/anytime via mobile devices. Sales associates don't have to be thoroughly versed in the store's entire inventory, because they have access to information about every product instantly from anywhere in the store.

Dynamic signage, rich media, and interactive displays can further transform the store into a compelling and entertaining environment, delivering promotions that are valued, enticing, and effective while also increasing basket size. "Store as media" has virtually unlimited power to transform the store environment and the shopping experience by creating environments that are adaptive, flexible, and generate customer loyalty. Customers have a reason to spend more time — and money — in the store.

### TRANSFORMED STORE OPERATIONS

Retailing in real time helps allow companies to use their valuable data to address major improvements in their operational capabilities. ERS enables real-time retailing and the increases in merchandising and operational effectiveness that come with ready access to business information.

ERS can move retailers down the path from batch processing to accessing real-time data and, eventually, toward the future of radio frequency identification/electronic product code (RFID/EPC). ERS enables retailers to get more out of their existing systems and to rapidly implement and integrate new technologies to enhance store operations, while minimizing total cost of ownership.

At the same time, ERS can enhance the capabilities and performance of people, another key factor in transforming store operations. For example, personal web portals, PDAs, and IP telephony on a converged voice, video, and data network can help employees take more control of their work environments, saving time and increasing job satisfaction. In addition, employees at their registers can gain access to the information and tools they need to better serve customers via IP phones and mobile devices.

With support systems that "sense and respond" to changing business conditions, ERS increases agility and improves retailers' responsiveness to customer needs. Enhanced functionality, including real-time data synchronization,

### TRANSFORMED SUPPLY CHAIN

Today's retailer needs 100% visibility across the supply chain, to enable maximum availability with minimal stock. A transformed supply chain involves introducing technologies such as Global Data Synchronization and RFID to track inventory, reduce supplier lead times, control costs, and minimize human error.

RFID, for example, has the potential to transform vendor/retailer relationships by slashing costs and inventory turn times. Rather than relying on batched data to forecast sales and purchase inventory, retailers can use RFID to gain access to current information through real-time data flow.

Better data improves decision making and reduces mismatches between inventory supply and customer demand. Stockouts and overstock can be avoided, improving customer satisfaction and reducing costs. But the full potential of RFID is even greater.

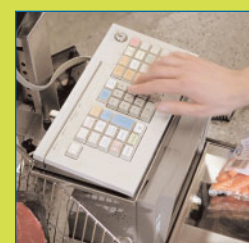
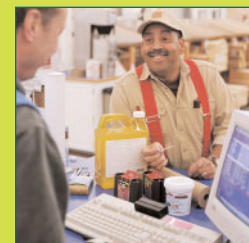
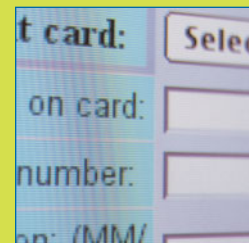
ERS uses the dynamic flow of information from RFID within an organization to transform the supply chain, warehousing, and store execution, from the vendor to store operations. ERS can also make the supply chain more responsive to merchandising requirements by providing visibility and analytics to unique customer, product, and movement patterns at the local store level.

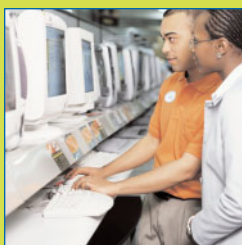
In addition, ERS incorporates Global Data Synchronization, which creates a platform for automation and Web services for data interchange and the foundation for RFID. The ERS framework helps retailers use that real-time data to improve business value. ERS also includes core supply chain execution solutions such as forecasting, replenishment, logistics and warehouse management.

### THE ADVANTAGES OF OPEN STANDARDS AND ADAPTIVE ARCHITECTURE

While many retailers appreciate the potential of new technology, their existing infrastructure often can't support it. "Bolting on" new devices and applications to aging, proprietary systems is cost-prohibitive and can't deliver the long-term value retailers need. Refreshing from one inflexible, proprietary technology base to a "new" proprietary solution is not the answer.

ERS uses open-standards architecture to enable retail businesses to become adaptive enterprises, able to access and use critical business information to respond quickly and build competitive advantage. Open standards seek to lower costs, improve interoperability, and reduce





ERS uses intelligent network technologies that provide organizations with the ability to move and manage data across distances, whether the intelligent networks are wired or wireless, within a store or between stores. Network technologies of the past have evolved into today's intelligent networks, which support not only data, but also voice and video. Intelligent network technologies enable a secure and resilient infrastructure that provides retailers with enhanced visibility into store data. Services and applications can be deployed faster to improve the shopping experience, while reduced complexity delivers a lower total cost of ownership.

The ERS architecture supports four key areas where retailers will need to focus on integration and interoperability:

1. between applications used within the store that reside on the same box or platform
2. between systems used within the store that reside on different platforms
3. between systems used in the store and central office systems
4. between systems used in the store and external suppliers and business partners

An adaptive IT architecture creates a platform for change that focuses on industry standards, not vendors, to drive continuous adaptation rather than planned replacement. The return on IT investments increases, with lower risk and improved predictability.

Retailers have a better selection of best-in-class hardware, software, peripheral, and service solutions from a rich network of ERS solution providers. Technical requirements and specifications are transparent, so new vendors are able to offer enhanced products and new value propositions. As new and improved devices and applications become available, retailers can easily migrate without gutting existing systems.

#### **BUILDING A PLATFORM FOR CHANGE**

The business benefits of open standards, adaptive architecture, and the ERS vision can deliver a rapid return on investment for retailers.

Increases in employee productivity and improvements in labor management quickly enable more efficient control of labor costs and less overtime. Rich-media in-store advertising that up-sells, cross-sells, and provides product information increases customer satisfaction and drives sales.

shrink by quickly uncovering theft and fraud. Open-standards-based architecture helps position retailers for future technology advances at a lower total cost of ownership.

The adaptive, open-standards architecture in the ERS framework gives retailers the power to link IT to business strategy for transformative results.

#### **HARNESS THE POWER OF FOUR AT AN ERS INSIGHT DAY**

To learn more about ERS, retailers are encouraged to inquire about attending an Insight Day at the ERS Experience Centers within a Capgemini Accelerated Solutions Environment. These Insight Days have been attended and well-received by a number of North American and European retailer executives and have resulted in several proofs of concepts and implementations worldwide.

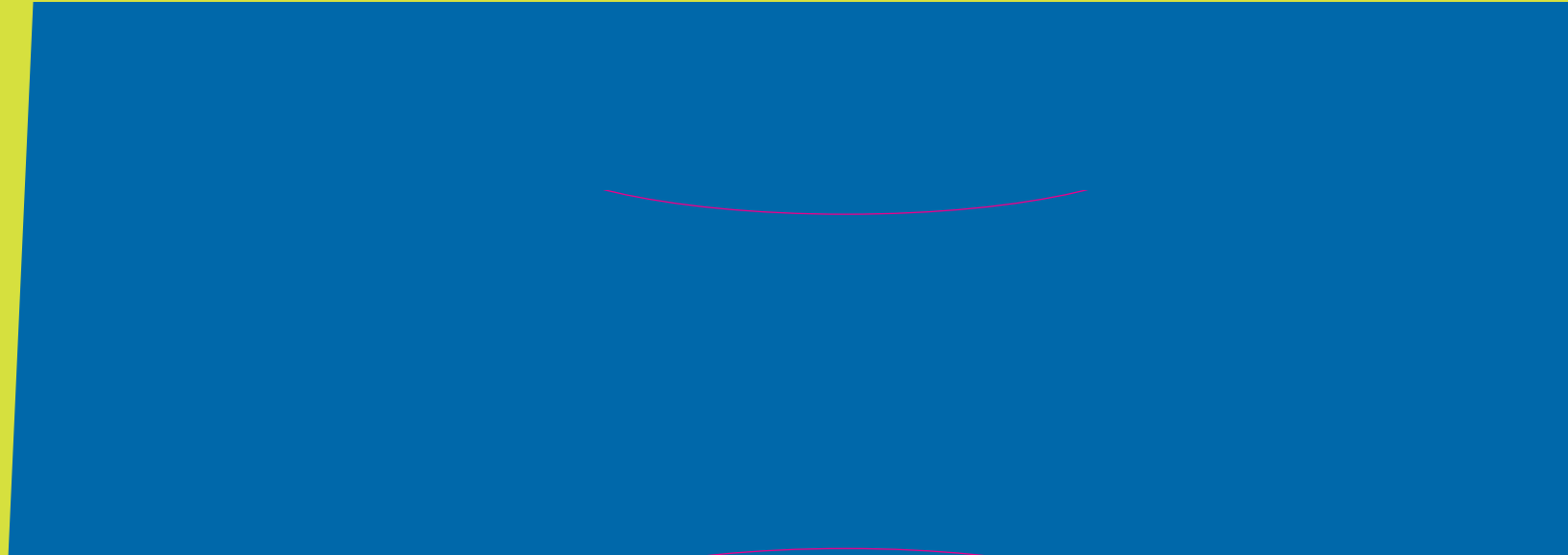
The development and implementation of an effective, customized ERS program involves considerations and collaboration among diverse stakeholders. An ERS Insight Day is an effective way to explore the issues involved and identify which solutions best fit your particular needs.

An ERS Insight Day is an intensive, highly collaborative forum designed to meet the unique needs of the participants. In focused "knowledge bursts," thought leaders and subject matter specialists from Capgemini, Intel, Cisco, and Microsoft address specific business and technology issues centered on the needs of the participants. The process is dynamic and evolutionary, working outward from the problem to the most appropriate, cost-effective solution.

Attend an ERS Insight Day and explore topics relevant to your store of the future, including real-time POS analytics and integration, RFID, store as media, the impact of IP convergence, and Global Data Synchronization. You'll develop a customized transformation roadmap that outlines how these issues apply to your business, and identify a clear set of initiatives toward implementing the ERS vision in your retail organization.

#### **SHAPING THE FUTURE FOR SMARTER RETAILING**

ERS provides a flexible, powerful framework to enhance the consumer experience, improve store operations, and optimize the supply chain. These objectives are realized through collaborative solutions and a best-in-class, open-standards approach from four leading companies working together.





Extended Retail Solutions from Capgemini, Intel, Cisco Systems and Microsoft.

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### About Capgemini and the Collaborative Business Experience

Capgemini, one of the world's foremost providers of Consulting, Technology, and Outsourcing services, has a unique way of working with its clients, called the Collaborative Business Experience. Backed by over three decades of industry and service experience, the Collaborative Business Experience is designed to help our clients achieve better, faster, more sustainable results through seamless access to our network of world-leading technology partners and collaboration-focused methods and tools. Through commitment to mutual success and the achievement of tangible value, we help businesses implement growth strategies, leverage technology, and thrive through the power of collaboration. Capgemini employs approximately 55,000 people worldwide and reported 2003 global revenues of 5.7 billion euros. More information about individual service lines, offices, and research is available at [www.capgemini.com](http://www.capgemini.com).

### About Intel Corporation

Intel, the world's largest chip manufacturer, is working with leading consulting, integration, software and hardware companies to develop high-performance, affordable solutions for the retail and consumer package goods industries based on robust, open standards-based architectures. By working with retailers and consumer package goods companies to deploy the latest and best technology that creates new value and increases customer satisfaction, Intel is helping to transform the future of these industries today. For more information on how Intel can help transform your company visit [www.intel.com/go/retail](http://www.intel.com/go/retail) or contact us at [retail@intel.com](mailto:retail@intel.com).

### About Cisco Systems, Inc.

Cisco Systems, Inc. is the worldwide leader in networking for the Internet. Today, networks are an essential part of business, education, government and home communications, and Cisco Internet Protocol-based (IP) networking solutions are the foundation of these networks. Cisco hardware, software, and service offerings are used to create Internet solutions that allow individuals, companies, and countries to increase productivity, improve customer satisfaction and strengthen competitive advantage. The Cisco name has become synonymous with the Internet, as well as with the productivity improvements that Internet business solutions provide. At Cisco, our vision is to change the way people work, live, play and learn.

### About Microsoft Corporation

Founded in 1975, Microsoft (Nasdaq "MSFT") is the worldwide leader in software, services, and solutions that help people and businesses realize their full potential. For more information about Microsoft's Smarter Retailing Initiative visit [www.microsoft.com/smarteretail](http://www.microsoft.com/smarteretail).