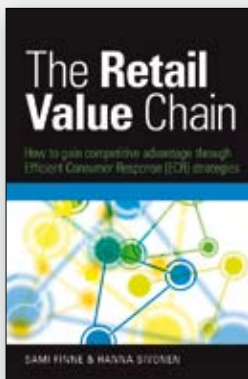


The Retail Value Chain

How to gain competitive advantage through Efficient Consumer Response (ECR) strategies



The Retail Value Chain, published by Kogan Page (December 3, 2008), is available at www.koganpage.com, Amazon.com and in most bookstores.

The internationalization and consolidation of retailing is turning the traditional retail industry on its head. International purchasing, fast and efficient operational models and new technologies constantly challenge retailers. Well-differentiated new players enter the market and real price competition becomes ever tighter.

The Retail Value Chain, a new book authored by Sami Finne and Hanna Sivonen of Capgemini, explores the changes occurring in the retail industry and outlines the strategic options now open to companies. This comprehensive book also illustrates the key concepts surrounding Efficient Consumer Response (ECR) and provides several illustrative cases to demonstrate the results.

Covering both the theory and the practice, *The Retail Value Chain* supplies readers with answers to the following questions:

- What are the retail growth formats and why?
- How will manufacturer concept stores change the retail landscape?
- How will private labels change product development processes and the balance of power?
- How can retailers succeed in new service business areas?
- How do retailers share and use information in collaboration with manufacturers?
- How will new technologies change the retail value chain?

“At Tesco, we build our business back from the customer – but we need our supplier partners to help us to do this. Knowledge is key, but sharing the knowledge makes it useful and this is why ECR continues to be important.”

Sir Terry Leahy
Chief Executive
Tesco plc

Success Factors in the Retail Value Chain

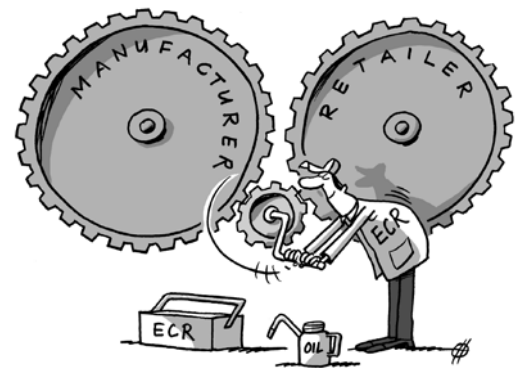
The Retail Value Chain provides a clear, yet in-depth, analysis of the current retail value chain and the key operational models and success factors of its main players. The book consists of the following eight chapters.

1 Change drivers in the retail value chain. The retail value chain is changing at an ever-increasing pace, as factors such as industry consolidation, internationalization, value chain integration and convergence drive the rise and fall of different players in the industry. This chapter introduces key change drivers in the retail value chain, including the above trends, as well as consumer behavior and product trends and key areas of sustainability. Also, the key effects of e-business are analyzed – which players will gain most using the “long tail”?

2 Retail formats. The best retail formats are memorable for customers and have a clear value proposition delivered consistently throughout all customer contacts – the moments of truth. There are several ways to differentiate a store in the market: service and staff, price, in-store experience or continual assortment renewal are among some of the key areas where retailers may differentiate to meet the needs of the target customer segments. This chapter focuses on key success factors of retail formats and options available for differentiation. Also, key retail format types are described, and selected retail growth areas including value retailing formats, premium grocery retailing, convenience stores and malls are discussed in more detail.

3 Collaboration in the retail value chain. This chapter introduces discussions on retail value chain collaboration, such as quick response (QR) and Efficient

Consumer Response (ECR). The core areas of ECR are also presented, including the ECR scorecards. One size still doesn't fit all – there are several types of successful retailer-manufacturer relationships. The end of the chapter covers the key retail partnership levels in retailer-manufacturer collaboration.



4 Demand management. This activity is essential for all retailers, and covers areas like how to drive value to the target customer segments, and how to differentiate from competitors. Which categories and services should be included in the product range, and how can a retailer drive growth in different categories? These questions and several areas of retail demand management, such as assortment management, space management, product development, new product introductions and activity management, are discussed. A holistic framework for customer-oriented demand management in retail is also presented and it guides the structure of the chapter.

5 Store operations. Efficient implementation of new concepts and operational models is vital for all retailers. Most retail variable costs are personnel costs, and competence building in a low-pay industry with high employee attrition is a real challenge. However, constant concept renewal with efficient, low-cost implementation is a key sustainable competitive advantage for retailers. This chapter discusses

the key store operations practices, such as product replenishment, store management, customer service, as well as campaign and assortment change implementations. In addition, the latter part of the chapter focuses on areas like store refurbishment, chain-level execution and the manufacturer's role in store operations.



6 Information technology trends in the retail value chain. Retail is detail, and efficient information systems enable new efficiency levels in several retail processes. Customer loyalty programs make possible the collection and analysis of data specific to the target group, increasing the possibilities for fact-based management. This chapter describes the main IT trends affecting the industry, including, for example, offshoring, international IT operations and the development of identification standards. Key trends in retail enterprise resource planning (ERP) and selected other solution development areas are also discussed. The chapter introduces a framework for fact-based management with shopper information, which is essential for all retailers running loyalty programs, and describes its key components.

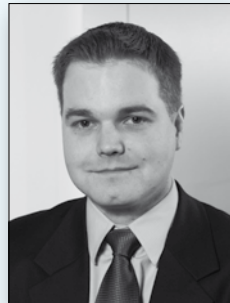
7 Loyalty programs and shopper information sharing. Loyalty programs are key differentiators for some retailers, enabling, for example, personalized

dialogue with customers. The programs also enable collection and use of shopper information. The primary retail customer-facing processes can be redefined to truly serve the target consumer groups when shopper data is available and actively used. This chapter examines key loyalty program types and their core areas, and discusses the use of customer data in retail customer portfolio management and in other retail processes. Interesting results of a shopper information-sharing study of 16 retailers from 11 countries are published, addressing the question: Do the retailers “walk the talk” in ECR? The end of the chapter discusses future trends in customer loyalty program development.

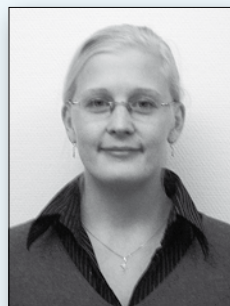
8 The future. The last chapter summarizes the key retail development trends and discusses the authors' views of the future development of retailing in areas such as globalization and consolidation, operational efficiency, innovation and exclusivity, and adapting to the local environment. Seven possible future success formats are also described to illustrate the key development trends in practice.

The book offers a holistic and understandable big-picture view of this dynamic and fast-moving industry. Including expert opinions, real-life case examples and a global study of shopper information sharing, *The Retail Value Chain* is essential reading for both retail practitioners and students of retail and channel marketing.

About the Authors



Sami Finne is the sector leader for the Retail and Consumer Products sector at Capgemini Consulting Finland. During the last 20 years Sami has carried out numerous projects in the areas of retail and consumer products. His focus areas include retail strategy and concept development, customer loyalty, manufacturer-retailer collaboration models, organization design and shopper analytics. Sami is also a well-known speaker and a visiting lecturer at several academic institutions.



Hanna Sivonen is a senior consultant in the Marketing, Sales and Service Transformation team at Capgemini Finland. She has extensive experience in project consultation for retail and consumer product companies, including category management, shopper information usage, shop-in-shop development, promotion management, marketing effectiveness and customer loyalty. Hanna has also carried out several strategic studies of global retail trends for leading Finnish retailers.



About Capgemini and the Collaborative Business Experience

Capgemini, one of the world's foremost providers of consulting, technology and outsourcing services, enables its clients to transform and perform through technologies. Capgemini provides its clients with insights and capabilities that boost their freedom to achieve superior results through a unique way of working—the Collaborative Business Experience®—and

through a global delivery model called Rightshore®, which aims to offer the right resources in the right location at competitive cost. Present in 36 countries, Capgemini reported 2007 global revenues of EUR 8.7 billion and employs over 86,000 people worldwide.

More information is available at www.capgemini.com

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