



Guided Selling: On demand information for buyers

August 2005

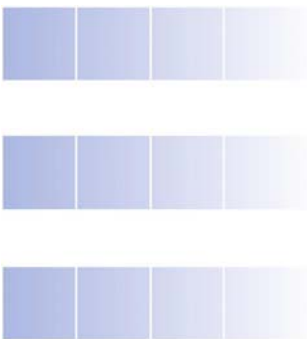
Executive summary – The retail sector is facing significant changes in customer expectations, thanks to the influence of the Web and other realtime technologies. Guided Selling is an application that leverages these new expectations by using technology and customer-centric design. Guided Selling leads customers and sales associates through the purchasing process for a complex product, tailoring product and cross-sell recommendations to a store’s inventory availability, pricing and assortment. It helps retailers discover what customers think about their products and to find out what motivates them to buy. At the same time, it can enhance the buying experience.

In this Executive Technology Report, Peter Andrews interviews Luca Gabrielli, an executive IT architect for the IBM Retail Emerging Business Opportunity (EBO). He is responsible for the technical definition of some of the solutions owned by the EBO, including Guided Selling. Robyn Schwartz owns the Worldwide Guided Selling Solution for the Retail EBO and leads the cross line of business team working with IBM partners to define, develop, market and implement the solution. David Lebowitz is the IBM Software Group's sales focal point for Retail EBO's Guided Selling Solution in the SWG Worldwide Commerce Sales Executive organization.

Peter Andrews Robyn, could you walk me through a customer experience before/after Guided Selling?

Robyn Schwartz IBM's Guided Selling program targets purchase decisions based on what the consumer considers to be important.

Guided Selling allows for side-by-side product comparisons and purchase decisions based on product features and attributes, product usage scenarios or customer lifestyle – as well as expert-level criteria related to the use of a product. Guided Selling can be leveraged in either “self-serve” or “store associate assist” mode. It brings together manufacturer data, consumer report material and best-fit analysis.





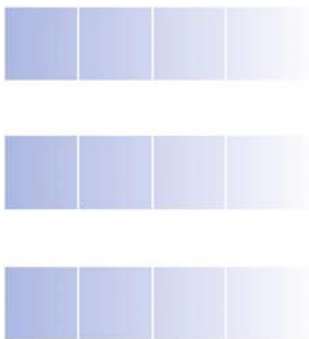
Peter Andrews Could you provide an example?

Robyn Schwartz [One] scenario might be a user who is new to a product. Shoppers who don't know much about the product category and have not started conducting research on it will require education on what to look for and how to shop for this category. The application (self-serve or assisted selling) must offer a "how-to-buy" service and a way to engage the user on their intended usage of the product and potentially their lifestyle. This person is not as likely to purchase during this shopping scenario, so it is important to leave a very helpful impression and make sure that shopper receives some tangible value when they finish a shopping scenario with the retailer.

This tangible value could be either some form of printed collateral in their hands or it could be a means of electronically saving one's place (like a bookmark) in the research process that is retrievable by only that shopper. The goal of this selling scenario is to build goodwill and a personal relationship so that when the shopper decides to buy, he/she will either return to that store or purchase on that store's Web site, as long as the price difference versus the lowest available price is not significant.

A shopper who is knowledgeable about the features/attributes of a product might engage a little differently. It is likely that they have done some level of research or are current users of a product in that category and, thus, carry a level of confidence that they will know the right product when it's presented to them. These kinds of shoppers are more likely to use a feature-based, self-service guided selling application, and go to the relevant section to put their hands on the recommended products. These shoppers also are good candidates for feature-based "mini-guides" on handheld devices that do complete searches for all available products that meet the feature requirements of the shoppers.

Such guides need to be very quick to use (probably single-screen with all key feature parameters listed), as these shoppers are probably more impatient, and the resulting detail about the recommended products must be deep.





Peter Andrews Right, to get the customer perspective. What are the selling points of Guided Selling for a retailer?

David Lebowitz [The key selling points of Guided Selling are:]

1. Increased and more efficient conversion rate
2. Cross-selling becomes a standard practice
3. Increase revenue per transaction
4. Empowered associates
5. Significantly increase ramp speed
6. Significantly increase new product training
7. Capture the order.

Peter Andrews Have you gotten any comments from retailers about our offering?

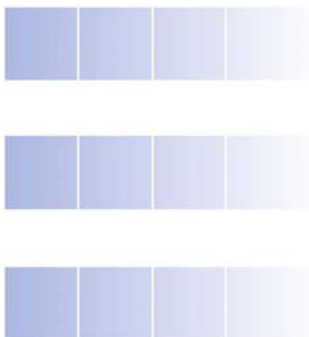
Robyn Schwartz One retailer said that the best part of their pilot was that their store associates actually started talking [about] the application – asking the customers what they thought about the products, how they were going to use them ... and started asking them about the right cross-sell items.

Peter Andrews How does our approach compare to competitors and to other options?

David Lebowitz IBM is addressing the real challenge of taking a marketing/merchandising business process and integrating it into the store (Point of Sale, Pricing, Inventory).

Peter Andrews That points right to the technical differentiators. Luca, could you talk about them?

Luca Gabrielli The solution provides an integrated environment across three different channels – Kiosk, PDA and Web site. It directly integrates with Point of Sale (POS) and inventory systems, leveraging our Store Integration Framework (SIF) infrastructure for data integration and system management. It provides a data integration via WebSphere® Product Center (WPC) to external and [the] internal data source – Active Spex (a data service provided by Active Decisions), UCCnet,² federated database and so on. The solution is based on IBM-proven hardware and software and natively addresses any scalability and reliability concern.





Peter Andrews What sort of challenges did you have to face to achieve this integrated, scalable system?

Luca Gabrielli Since Guided Selling is based on WebSphere Commerce (WC), which leverages WebSphere Application Server (WAS), we have simply reused this proven architecture. The only challenge was to port the advisory component (active decision engine) in the WC platform and enhance the platform to satisfy the Guided Selling requirement. We have also refined the development approach to focus on store development and deployment adding management components (SIF based) for monitoring and managing unattended devices (e.g., kiosk). This integration of technologies has been the most challenging task.

Peter Andrews It sounds like this is mostly for big ticket items

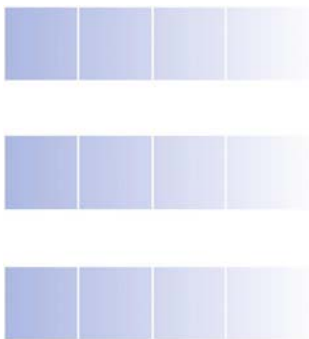
Robyn Schwartz No – right now we are focused on “complex” products – things like digital cameras, appliances, etc. But the focus is really not about complex products, but complex decisions.

Complex products are those having many features and functions, or those for which a large amount of information must be communicated to the purchaser in support of the purchase decision. Products that are new to the market and thus require more study by the consumer before deciding to purchase can also be categorized as complex.

A complex decision is one that requires a lot of knowledge about how to use a product – how it fits into my lifestyle – what are the other products that complement it.

David Lebowitz Barbeque grills are another good example. I went to a Web store and the product attribute said, “600 square inch cooking surface.” That means nothing to me. Another store said, “Cooking surface sufficient for 45 burgers.” That means something to me. Another country may have different cultural context and state the cooking surface based upon the amount of fish that can be cooked at the same time.

Robyn Schwartz Another asset of the Guided Selling solution is that we offer normalized data from our partner Active Decisions. The normalization process “flattens” data around product attributes so that customers can do one-on-one comparisons across multiple product manufacturers/vendors.





Peter Andrews Tell me about the role of active decisions here. Sounds like an interesting partnership

Robyn Schwartz We leverage several key capabilities of the Active Decisions solution (ADI) – including: their interrogative, their decision engine, which is inference based, and their data normalization services, including Consumer Reports (TM) for in-store access. The ADI components integrate with IBM WC leveraging the WC interface, catalog and transactional capabilities.

Peter Andrews Does this emergence of PDAs, BlackBerrys, Nextgen cell phones and the like change the game here?

David Lebowitz IBM's multichannel retail strategy, of which the Guided Selling Solution is a part, allows for a customer to do research at home on the Web, see the closest store with inventory and store level pricing, cross-sells, save the session, go into the store, retrieve the saved session on Kiosk and/or allow a Store Associate to retrieve my research on his/her PDA.

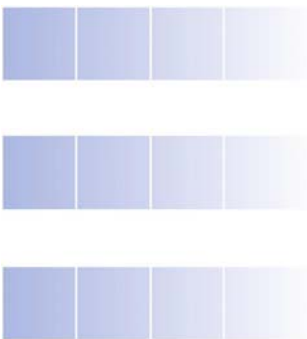
Peter Andrews Luca, did you get customer/client input for the design? For iterations?

Luca Gabrielli Yes. The solution is based on the following components: advisory engine (made of normalized data and rules), user interface (UI) which reflect the results of this interrogative process and additional functionality (mostly integration) for data processing for supporting the entire buying process. The customer input during pilots has been mostly focused on UI and rules development. (The two almost go hand in hand). We have built a series of assets based on these pilots. Moreover, the pilot implementations have provided us with real integration scenarios, POS, Promotion, CRM/loyalty systems, inventory that we have used to customize the current WC assets to [a] Guided Selling specific solution.

Peter Andrews What are your key messages to the market?

Robyn Schwartz Market messages include:

- A. Increase revenues (The primary economic value to the retailer)
 - 1) Reach customers across all channels with a consistent message and experience
 - 2) Understand the needs of each customer
 - 3) Increased customer loyalty equates to higher revenue per transaction and increased retention

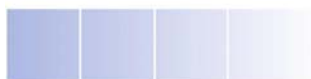




- 4) Recommend the right products based on these needs
 - Increased conversion rate on destination product
 - Reduced returns
 - 5) Empower associates with the knowledge and confidence to engage customers and close sales
 - 6) Make cross-selling a standard practice, increasing "ask rate" and "success rate"
 - 7) Automate up-selling as appropriate
 - 8) Significantly increase ramp-speed for new employees to sell productively
 - 9) Significantly increase ramp-speed for knowledge on new product introductions
 - 10) A fully integrated program that is automatically updated with up-to-date views of inventory data, including: availability, channel, and pricing
- B. Create operational and promotional efficiencies
- 1) Brand enhancement via enriched product research
 - 2) Loyal customers are a lower cost to serve
 - 3) Automate the promotional roll out process in stores, ensuring that inventory, pricing, merchandising and sales programs are all in synch for new promotions
 - 4) Provide effective "on-the-job" training for sales associates, resulting in higher current knowledge availability and enhanced sales practices
 - 5) Increase associate efficiency in addressing frequent questions, including product comparisons, product availability, compatible accessories and product details
 - 6) Provides trending and leading indicators for segment-based marketing.

David Lebowitz I also see the opportunity for IBM to have a greater presence in the store. The Guided Selling business process can then be extended to the Web, call center, etc... This gives IBM a greater value proposition than just a Web store. WebSphere Commerce enables the Retailer to take the customer's order *at the point of decision*.

Robyn Schwartz Agreed Dave – and some retailers will opt to start online and to pull their online experience into the retail store.





Peter Andrews Robyn, sounds like we have a way for people to begin this journey on their own terms.

Robyn Schwartz Yes, our team has developed a lot of service and solution-based offerings that allow for multiple points of entry: including business opportunity assessment, customer segmentation, consumer experience assessment – and proof of concept deployments. We know that it is vital to understand and assess – what is the right point to start. By point I mean which product categories, which customer segments should we focus on, which stores, which devices – and how do people interact with these devices. Putting a kiosk in the wrong place – with poor signage ... means a “failure.” Starting with the wrong product categories could look like a failure. It takes an up-front assessment to understand how and where to start – and of course to lay down the right success criteria.

David Lebowitz Excellent point on milestones. As we work with customers, we stress the importance of measuring before/after metrics. Retail EBO is focusing on showing the Business Owners the *value* of the solution, not just a *cost for the parts*.

Robyn Schwartz One example, learned the hard way: a retailer bought into a pilot and decided to load and launch on their own. It looked like the pilot was not performing well because the kiosks were not responsive. As it turned out we had a bunch of wireless kiosks in dead spots in the store – and by the way there was no signage.

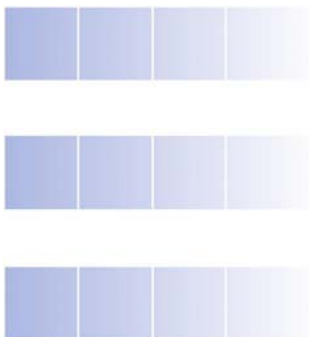
Peter Andrews Any surprises with this program? Real lessons learned?

Robyn Schwartz This is not an easy thing just to throw out there. A retailer has to really consider what is the goal: what do my customers want, how do they buy and what do they need to know to buy?

Peter Andrews What do you believe people need to know about Guided Selling?

Robyn Schwartz The most critical point is that this is not an IT initiative. This is about customer experience – merchandising. This is about real return on business value delivered by giving the customer what they want: choice, information and access.

We don't want to rush into pilot. We want to do the right solution with the right up-front positioning. This is about delivering business value and customer opportunity.





Luca Gabrielli We believe we have found the safest and most efficient approach to make this solution a success for the retailer and its customers. [So you need to] assess the customer environment, plan the correct categories, design the appropriate solution and deploy.

Robyn Schwartz We are focused on providing relevant information to consumers at their point of decision and not just on positioning point solutions and hardware and software in the store.

David Lebowitz I would summarize that this is about the retailer adding value to the customer relationship. Retailers are selling commodities for the most part, so they have to add value beyond just price. The retailers that are selling a lifestyle are our target customers.

Technology to watch
Collaborative filtering
Digital ID
Radio Frequency Identification (RFID)
Extensible Markup Language (XML)

References

¹ UCCnet is a subsidiary of the GS1 US, a not-for-profit member organization of GS1 that is dedicated to the development and implementation of standards-based, global supply chain solutions. UCCnet is a GDSN-certified (Global Data Synchronization Network), U.S.-based data pool that offers data synchronization services that enable trading partners to exchange accurate, standards-compliant data.

http://www.uccnet.org/WhyUCCnetServices/Why_UCCnet.html

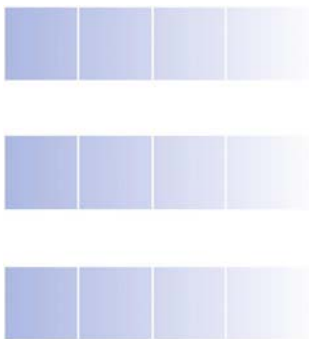
Related Web sites of interest

Active Guided Selling Solution. IBM Corporation.

<http://www.developer.ibm.com/gsdod/solutiondetails.do?solutionId=11528&lc=en>

Guided Selling from IBM. IBM Corporation [http://www-](http://www-03.ibm.com/industries/retail/doc/content/solution/1275364101.html)

[03.ibm.com/industries/retail/doc/content/solution/1275364101.html](http://www-03.ibm.com/industries/retail/doc/content/solution/1275364101.html)





Gagnon, Joseph L., David Thomas and Julian Chu. "The retail divide: Leadership in a world of extremes." IBM Institute for Business Value. <http://www-1.ibm.com/services/us/index.wss/ibvstudy/imc/a1002881?cntxtId=a1000063>

"METRO Group's Future Store Implements Anyplace Kiosk From IBM." <http://press.arrivenet.com/tec/article.php/561616.html>

Retail on demand: Overview. IBM Corporation. <http://w3-03.ibm.com/hr/taag.nsf/Content/85256F99%3A005CD519>

"Guided Selling with Active Decisions." Phil Lempert's Xtreme Retail²³. June 15, 2005. <http://www.xr23.com/page.cfm/143>

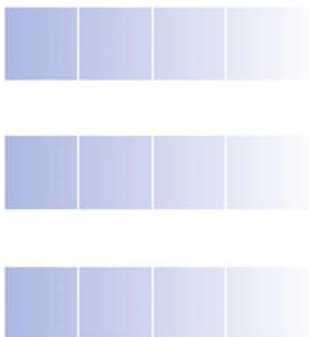
"Active Decisions Chooses IBM to Help Deliver On Demand Guided Selling Solutions to Meet Retail Industry Customer Needs." August 11, 2005. <http://msnbc.msn.com/id/8908217/>

"Bringing fresh excitement to 'retail'." IBM Corporation. http://w3.ibm.com/news/w3news/top_stories/2005/01/psg_rss_nrf.html

About this publication

Executive Technology Report is a monthly publication intended as a heads-up on emerging technologies and business ideas. All the technological initiatives covered in *Executive Technology Report* have been extensively analyzed using a proprietary IBM methodology. This involves not only rating the technologies based on their functions and maturity, but also doing quantitative analysis of the social, user and business factors that are just as important to its ultimate adoption. From these data, the timing and importance of emerging technologies are determined. Barriers to adoption and hidden value are often revealed, and what is learned is viewed within the context of five technical themes that are driving change:

Knowledge Management: Capturing a company's collective expertise wherever it resides – databases, on paper, in people's minds – and distributing it to where it can yield big payoffs





Pervasive Computing: Combining communications technologies and an array of computing devices (including PDAs, laptops, pagers and servers) to allow users continual access to the data, communications and information services

Realtime: "A sense of ultracompressed time and foreshortened horizons, [a result of technology] compressing to zero the time it takes to get and use information, to learn, to make decisions, to initiate action, to deploy resources, to innovate" (Regis McKenna, *Real Time*, Harvard Business School Publishing, 1997.)

Ease-of-Use: Using user-centric design to make the experience with IT intuitive, less painful and possibly fun

Deep Computing: Using unprecedented processing power, advanced software and sophisticated algorithms to solve problems and derive knowledge from vast amounts of data

This analysis is used to form the explanations, projections and discussions in each *Executive Technology Report* issue so that you not only find out *what* technologies are emerging, but *how* and *why* they'll make a difference to your business. If you would like to explore how IBM can help **you** take advantage of these new concepts and ideas, please contact us at insights@us.ibm.com. To browse through other resources for business executives, please visit

ibm.com/services

Executive Technology Report is written by Peter Andrews, Consulting Faculty, IBM Advanced Business Institute, and is published as a service of IBM Corporation. Visit

ibm.com/abi

Copyright ©1999-2005 IBM Corporation. All rights reserved.

IBM, WebSphere and the IBM logo are trademarks or registered trademarks of International Business Machines Corporation in the United States, other countries, or both.

Other company, product and service names may be trademarks or service marks of others.

References in this publication to IBM products and services do not imply that IBM intends to make them available in all countries in which IBM operates.

