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Global **Retail CIO** Survey 2011

2011: **The new retail reality**

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Global **Retail CIO** Survey 2011

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Foreward

Fran Riseley

Lead Research Analyst
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Welcome to the third edition of the Global Retail CIO Survey for 2011 commissioned by Aldata. The research was conducted by Martec and includes the results from interviews undertaken with 136 retailers from across 26 countries in the Americas and Europe whose combined sales represent US$555 billion or 8% of the total market. Interviews took place from September 2010 to January 2011.

This report covers food and category management style retailers (i.e. those that mostly focus on year round product) worldwide focusing on North and South America and Europe. It covers technologies used already, plans for the future, IT spend and investment priorities across all the main areas of the business.

Major trends emerging from the research include:

- Reduced IT budgets are now the new "normal"
- Retailers' number one business issue is the economy
- Companies are investing in systems to help them get closer to their customers across sales channels
- Retailers are reacting to increased raw materials and transport costs by investing in technology to reduce inventory holding costs, optimize order frequency and minimize logistics costs

For the first time the results have been broken out for mid-size retailers – those with sales of US$50-499 million, to give a greater understanding of how the current economic climate is influencing investment spend.

Sponsor Welcome

Allan Davies

Chief Marketing Officer
Aldata Solution

We are delighted to be working once again with Martec on this unique annual survey. Now in its third year the research has become a barometer of IT investment trends, globally. It offers real insight into how retailers are planning to address the new economic reality now and over the next three years. We especially welcome this research at Aldata as it informs our own business and development strategy.

This year we found the move from promotions management and optimization towards those technologies that help retailers gain a 360º view of the customer of particular interest. This coupled together with enterprise demand forecasting have become the new investment hotspots as the focus moves to better understanding the customer and improving margins. Given the increase in fuel costs, it's not surprising that upgrading transport planning systems is also a top priority.

Your thoughts on the Global Retail CIO Survey 2011 are also welcome. To get involved contact the research team at: info@globalretailciosurvey.com

We would like to thank all those executives who participated in this research for their views, opinions and most of all their time.

Executive Overview

- The 2011 Global Retail CIO Survey incorporates the views of retailers whose combined sales represent US$555 billion and more than 117,000 stores. This equates to 8% of the total retail market in the Americas and Europe by sales (not just category management retailers). A total of 136 CIOs and IT Directors were interviewed for this report.
- This is the third year the survey has been undertaken, with the first survey completed in 2009.The survey is a good barometer of retail's response to the recession from the outset to current times.
- IT budgets as a percent of sales are now 1.1% and have dropped from last year's figure of 1.3% of sales; this is still slightly higher than for 2009 when it was 1.0%. We believe that this level of IT spend is the new "normal" as retailers are coping better with reduced budgets. Food retailers spend slightly less than non-food retailers on IT (1.0% vs. 1.2% of sales), which can be attributed to lower margins in the food sector. European retailers have a marginally higher spend on IT compared to American retailers (1.1% of sales vs. 1.0%). Mid-sized retailers (sales of US$50-499 million) spend more on IT at 1.4% of sales compared to larger retailers - attributable to the economies of scale of the larger retailers.
- Half the retailers interviewed believe that IT budgets will remain the same for next year. Of the remaining half 29% believe budgets will increase compared to 21% who believe they will decrease. This is more optimistic than last year when 21% felt budgets would increase and 26% that they would decrease.
- There are higher levels of planned investment than previous years. Companies have now gone beyond a budget cutting reaction to the recession and are starting to address key business problems by investing in technology.
- The economy is considered the most important issue facing retailers, and top issue for 22% of all companies. Significantly, the impact on mid-size retailers is almost twice that of retailers as a whole, with 38% of those interviewed stating the economy as their most important issue. These smaller businesses are severely challenged by the pressures of coping with competition, fighting for budget for IT with the rest of the business and remaining profitable.
- Across the nine business areas researched, the applications that help retailers get closer to the customer and target them more effectively are the ones retailers are investing in. Top is achieving a single view of the customer across all sales channels with 46% of retailers planning to implement this over the next three years.
- At the start of the recession in 2009 promotions management was a top priority, in 2010 this dropped to fourth position and in 2011 this has moved to number 9 in the top 10 list. So, while still important the initial promotional reaction to the recession and the highly documented promotions fatigue is seeing retailers refocus investment towards technology that enables them to get closer to the customer and optimize inventory holding across the business.
- Enterprise demand forecasting across all channels (39% planning to implement) and transport planning (30% planning to upgrade and the top priority for upgrades) are key applications. This shows retailers' reactions to rising fuel and raw materials costs. It is essential to optimize stock holding and ensure transport costs are minimized.

Benchmarking charts in the next section of this report for food and non-food retailers show the "must have" applications that at least 75% of retailers surveyed will have implemented within three years.

- IT budgets as a percent of sales are now 1.1% - the new 'normal'
- Promotions management moves from top priority investment in 2009 to ninth in 2011
- Almost double the number of mid-size retailers rate the economy as their most important business issue
- Applications that help retailers get closer to the customer are an investment hot spot

Respondent Demographics

The results of the 2011 Global Retail CIO Survey are based on interviews with 136 CIOs across North and South America and Europe. All the respondents are senior level IT executives, mainly CIOs or IT Directors. The interviews were conducted from September 2010 to January 2011. This is the third year that this survey has been conducted.

Retailers Interviewed by Size of Company

- Combined revenue for retailers interviewed totaled US$555 billion
- Companies with a combined total of 117,000 stores participated
- This represents approximately 8% of the total retail market (not just category management style retailers) in the countries covered. A significant survey and sample size
- 29% of the companies have a turnover of less than US$500 million
- 56% have sales of US$500 million to US$999 million
- 15% have sales exceeding US$1 billion

Retailers Interviewed by Business Area

This survey covers all the main category management and retail business areas. The split between food and non-food retailers is approximately 50 / 50 with 47% being food and drug retailers and 53% being non-food retailers. The business areas comprise:

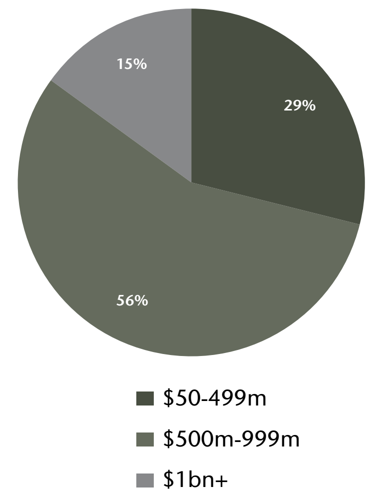
- 47% food and drug retailers
- 47% specialty including small and large format category management style retailers such as books, toys, home entertainment, DIY / home improvement, home wares, electrical, furniture and carpets
- 6% mass merchandisers and variety stores – mixed goods retailers selling a wide range of products and product categories

Retailers Interviewed by Country

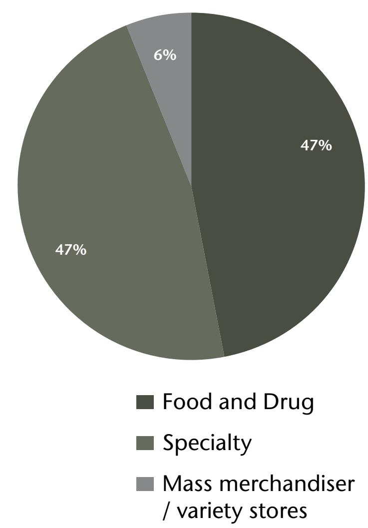
38% of the retailers interviewed were from the Americas (North and South America) and 62% of the retailers were based in Europe. We interviewed retailers from 26 countries in total from Canada to Croatia and Brazil to Belgium.

1. Regional split shown in 'Retailers Interviewed by Region' is based on United Nations definition http://unstats.un.org/unsd/methods/m49/m49regin.htm

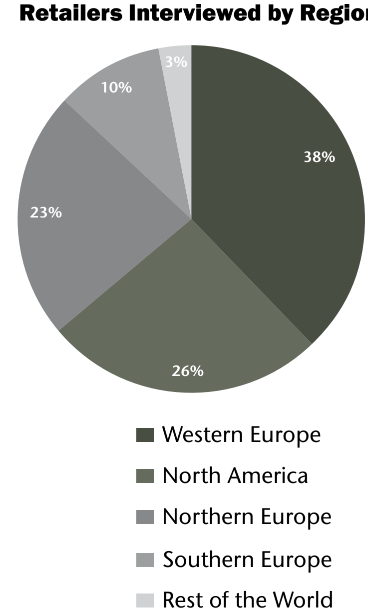
Retailers Interviewed by Size of Company



Retailers Interviewed by Business Area

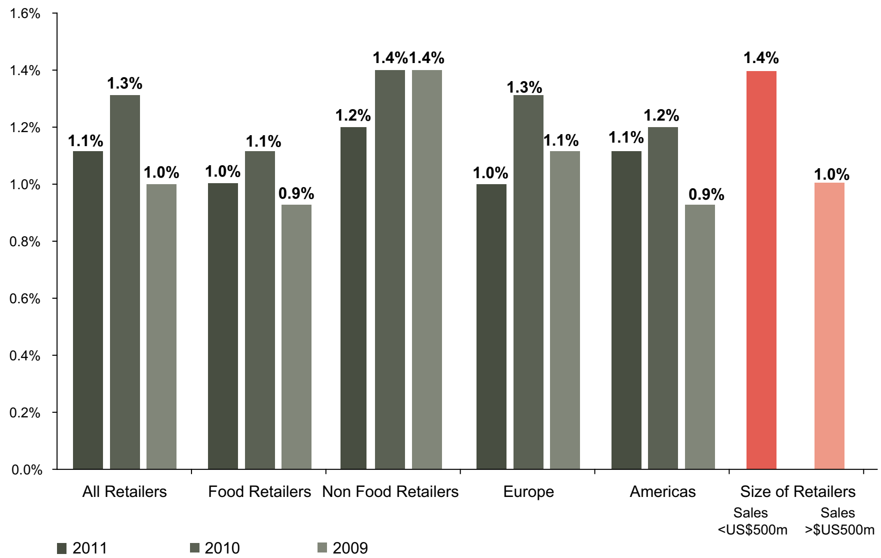


Retailers Interviewed by Region [1.]



IT Spend

IT Spend by Business Area and Geography



The research for the first survey we conducted back in 2009 was just as the recession was beginning to bite. In 2010 we uncovered a lifting of the mood and signs of recovery. This year there are plenty of plans for new systems investment and upgrades for existing systems but the average IT spend has dropped from 1.3% of sales to 1.1%, yet it is still higher than it was in 2009. One explanation for this is that CIOs expected to have a budget of 1.3% at the start of 2010 when it looked like the recession was ending. But as they progressed through the year their budgets were cut and trading did not pick up as expected so the 1.1% of sales for 2011 reflects more accurately actual IT budgets in 2010.

This figure is lower than reported by other IT surveys. This apparent discrepancy is to be expected as the survey excludes merchandise management or seasonal style retailers, such as fashion and department store retailers that typically spend more on IT as a percentage of sales than category management style retailers – who are the focus of this survey.

If we look at the differences between food and non-food retailers, we find that non-food retailers spend a higher proportion of their sales on IT than food retailers (1.2% for non-food retailers compared to 1.0% for food retailers). Lower margins and higher volumes among food retailers mean that IT operations are typically leaner and IT spend is lower than non-food counterparts. The average IT spend for food retailers has dropped slightly from 1.1% last year to 1.0% this year and non-food retailers have dropped from 1.4% last year to 1.2% this year.

We have found very little difference in the IT spend for European retailers compared to the Americas, European retailers spend marginally less (1.0% of sales) compared to the Americas (1.1%).

For the first time this year we have included mid-size retailers, with sales of US$50-US$499 million and their average IT spend at 1.4% of sale is higher than retailers with sales exceeding US$500 million where it is 1.0%. Smaller retailers do not enjoy the economies of scale that larger retailers can negotiate and tend to have to spend more to achieve the same benefits.

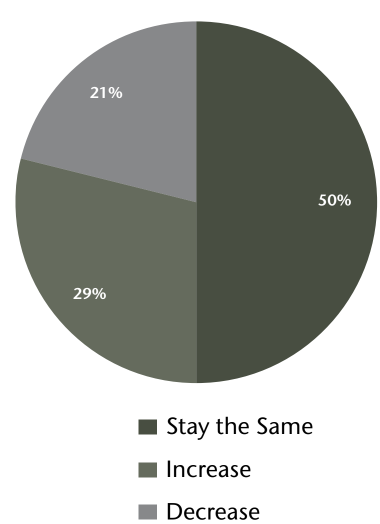
Will IT Budgets Increase, Decrease or Stay the Same?

The results are very similar to last year with half the retailers expecting IT budgets to stay the same. Therefore, retailers anticipating a drop in sales would see a fall in the actual value of their IT spend.

Of the remaining half of the retailers interviewed more believe IT budgets will increase rather than decrease (29% vs. 21%). This shows a higher level of optimism than in 2010 when a higher proportion felt that budgets would decrease (26% decrease vs. 21% increase). This reflects a slightly more upbeat mood. The levels of investment in new systems and upgrade reflect a greater degree of optimism too.

"Systems to support new business lines will consume much of our IT investment spend for the next 3 years."

SVP Information Technology, Small Format Specialty Retailer, North America



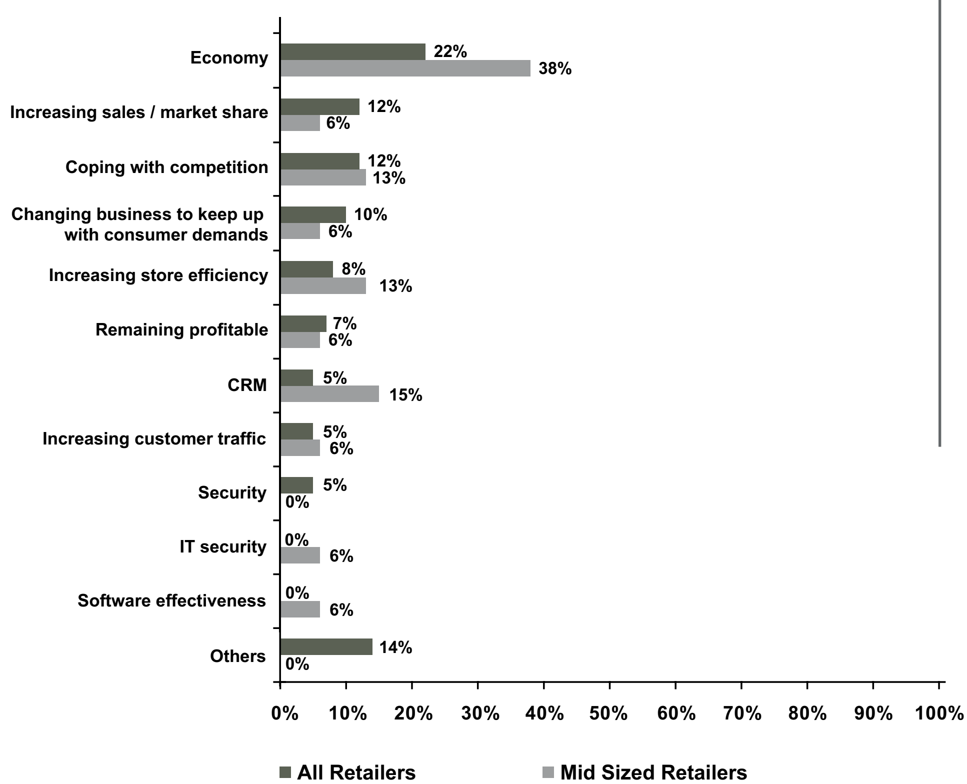
Most Important Issue Affecting the Business

We asked the CIOs what is the most important issue affecting their business. This was an unprompted question. The results were wide ranging across many diverse issues. The chart shows the results for all retailers, with the results for mid-sized retailers broken out (i.e. those with sales of US$50-499m).

The main issue for all retailers is the economy, 22% for all retailers, with this issue being even more critical for mid-sized retailers where the figure was almost double at 38%. The economy is dominating CIOs' working lives – from putting pressure on budgets to delaying planned investments to changing investment priorities within the business or even whether the company will remain trading and profitable at all. And for smaller companies this is even more challenging – balancing tightened IT budgets with demands from other parts of the business.

The next issue cited by CIOs is increasing market share and / or sales and coping with the competition (12% each for all retailers), which can be seen as two ways of describing the same issue. Some retailers are focusing attention on increasing sales by increasing basket size, number of customers and frequency of visit and others are turning their attention to differentiation from competitors and extra ranges and services.

Mid-sized retailers are more likely to focus on increasing store efficiency (15%) and implementing and improving Customer Relationship Management programs (also 15%) compared to all retailers. Getting closer to customers is an area mid-sized retailers are already good at and they say they are increasing this focus to stay in business and compete with larger national chains.



"Figuring out how to deliver profits in a down economy by reducing expenses (which are almost all wrung out at this point) and expanding into new markets, segments of existing business and totally new business are our key issues."

SVP Information Technology, Small Format Specialty Retailer,North America

"Trading – keeping the top line moving – it's tough at the moment."

CIO, Supermarket Retailer, Europe

Most Important Issues by Business Area

After we had asked CIOs about the applications they are using, plan to upgrade and plan to use we asked about the most important business issue for each of the nine application areas investigated during this survey. This was an unprompted question and the responses are wide ranging.

In the case of store operations efficiency and multi-channel retailing the most important issue ties up with the application they are most likely to be implementing – respectively workforce management and a single view of the customer.

In the cases of the other application areas the biggest issues relate closely to the applications retailers plan to invest in. For inventory optimization, space planning in its widest sense (space productivity and selecting the best assortments for each store or store grade) is the key issue and this is an area where 23% of retailers plan upgrades and 14% plan to implement systems for the first time. Although capacity planning for stores and demand forecasting actually have a slightly higher planned implementation level.

In the case of pricing and promotions 20% of retailers cite promotions management as their biggest issue and 28% of companies plan to upgrade promotions management systems. Before you can effectively optimize promotions you need to be sure you are managing and running them properly. It is only then that it is possible to use promotions optimization systems effectively.

For loyalty and marketing the biggest issue is effective customer targeting (25%) and electronic communications applications show the highest level of upgrade with 30% of retailers having plans in this area.

Warehouse automation is the biggest issue in the area of logistics, distribution and transport (19% of retailers). We ask about a variety of warehouse automation applications in the survey and all have high level of upgrade and implementation planned compared to other applications. Soaring costs of raw materials and fuel mean that an optimized logistics operation is even more important this year.

In the case of supplier management, achieving true collaboration with suppliers and master data management tie for top place and are each given by 16% of retailers. MDM is a more systems focused approach to supplier management while achieving true collaboration is more of a cultural issue. There is a significant level of planned implementations for MDM in this area (28%).

We asked about applications for product safety and traceability for each piece of the supply chain, but the biggest issue that came out was that of traceability across the entire supply chain (22%).

While the biggest investment area for IT is store systems, the biggest issues are jointly cloud computing and legacy applications (both 12%). Cloud computing represents a potential way to reduce costs and coping with legacy applications is perhaps a negative way of looking at IT issues.

“We’re finding our customers’ needs are changing and they want to shop for a wider range of groceries than we can stock. It comes back to space planning.”

IT Director, Supermarket Retailer, North America

“Our biggest issue in multi-channel retailing is a ‘single view of the customer’ as they use various channels to research and place an order.”

Group IT and E-Commerce Director, Large Format Speciality Retailer, Europe

Business Area	Most Important Issue	% of Retailers
Store operations efficiency	Workforce management	22%
Multi-channel retailing	Single view of customer	31%
Inventory optimization	Space planning	14%
Pricing and promotions	Promotions management	20%
Loyalty and marketing	Effective customer targeting	25%
Logistics, distribution and transport	Warehouse automation	19%
Supplier management	True collaboration and MDM	16% each
Product safety	Traceability across the entire supply chain	22%
IT and data architecture	Cloud computing and legacy systems	12% each

Summary of Applications Used and Planned to be Used

A major part of this research is a review of the systems used now, systems planned to be upgraded or implemented, and systems not implemented, with no plans to implement. This section shows the three year history for priorities – we are able to track trends from the start of the latest recession to current times when a new normality has been established.

Top 10 Applications Retailers Plan to Implement

It is interesting to note the current prominence of multi-channel CRM or one view of the customer across channels – the number one application that retailers plan to implement for the 2011 survey, also in number one place in 2010 and number two in 2009.

It seems that promotions, which were a key part of most retailers' strategies in coping with the recession, are still important but have moved down the rankings. Promotions optimization was the number one application to be implemented in 2009, number 4 in 2010 and has dropped to 9 in 2011. It is still an important way of attracting customers but it seems as if a more targeted approach is now in favor – with the focus on understanding how the customer behaves across all sales channels and targeting customers according to their demographics, purchase patterns and behaviour.

Also noteworthy is the prominence of enterprise demand forecasting – it is in third or fourth place for each of the three years we have carried out this CIO survey. In tough times it is imperative to ensure goods go to the stores that need them and with as low a stock holding as possible.

In third place for this year's survey is a new application – mobile commerce or the use of mobile phones as a separate sales channel. A massive 41% of retailers plan to implement systems to support this new sales channel. These are retailers with an existing transactional web site that want to make it easier for their customers to purchase on the move. Many food and drug retailers, especially in the Americas do not yet have a transactional web site so are not planning to invest in m-commerce.

"It's the trouble in isolating just who the most valuable customers are."

CIO, Food and drug retailer, North America

"Stock management and the visibility of stock between channels is key".

CIO, Small Format Specialty Retailer, Europe

2009		2010		2011		
Application	Rank	Application	Rank	Application	Rank	% of Retailers Planning to Implement in 3 years
Promotions optimization	1	Multi-channel CRM	1	One view of the customer (multi-channel CRM)	1	46%
Multi-channel CRM	2	Loyalty system with customer data linked to buying patterns	2	Loyalty system with customer data linked to buying patterns	2	44%
Enterprise demand forecasting	3	Enterprise MDM	3	Mobile commerce	3	41%
Multi-modal apps	4	Promotions optimization	4	Enterprise demand forecasting	4	39%
Demand forecasting (for promotions)	5	Markdown optimization	5	Markdown optimization	5	34%
Enterprise MDM	6	Cloud computing	6	Cloud computing	6	34%
Task management	Joint 7th	Global standards etc. GDSN	7	PLM	7	31%
Price optimization	Joint 7th	MDM for supplier management	8	Demand forecasting (for promotions)	8	31%
PLM/PIM	Joint 7th	Assortment optimization	9	Promotions optimization	9	30%
Automatic replenishment	Joint 7th	Self checkout	10	Workforce management	10	29%

Top 10 Applications Retailers Plan to Upgrade

An examination of the applications that retailers are most likely to upgrade shows where investments are being made in replacing existing systems or adding functionality to current systems. We are able to track how priorities have changed over the course of the three years. As with the systems planned to be implemented the importance of applications supporting promotions has declined from top place in 2009 and 2010 to seventh this year as other priorities take over.

Top of the list for upgrades this year is transport planning, no doubt prompted by the dramatic rise in fuel costs across the world. This is up from sixth place in 2009.

Electronic marketing has gradually assumed a greater importance for retailers' investment plans as they get more targeted in their approach to customers, rising from priority number seven in 2009, to fourth in 2010 to second place this year.

As we noted for new implementations demand forecasting has become more significant, increasing from joint seventh place in 2010 to fourth and again sixth for promotions demand forecasting, specifically. This may be a reaction to product availability during promotions.

"We are moving out of silo management and towards supply chain management. We are optimizing our transportation and anticipating the likely increase in energy costs."

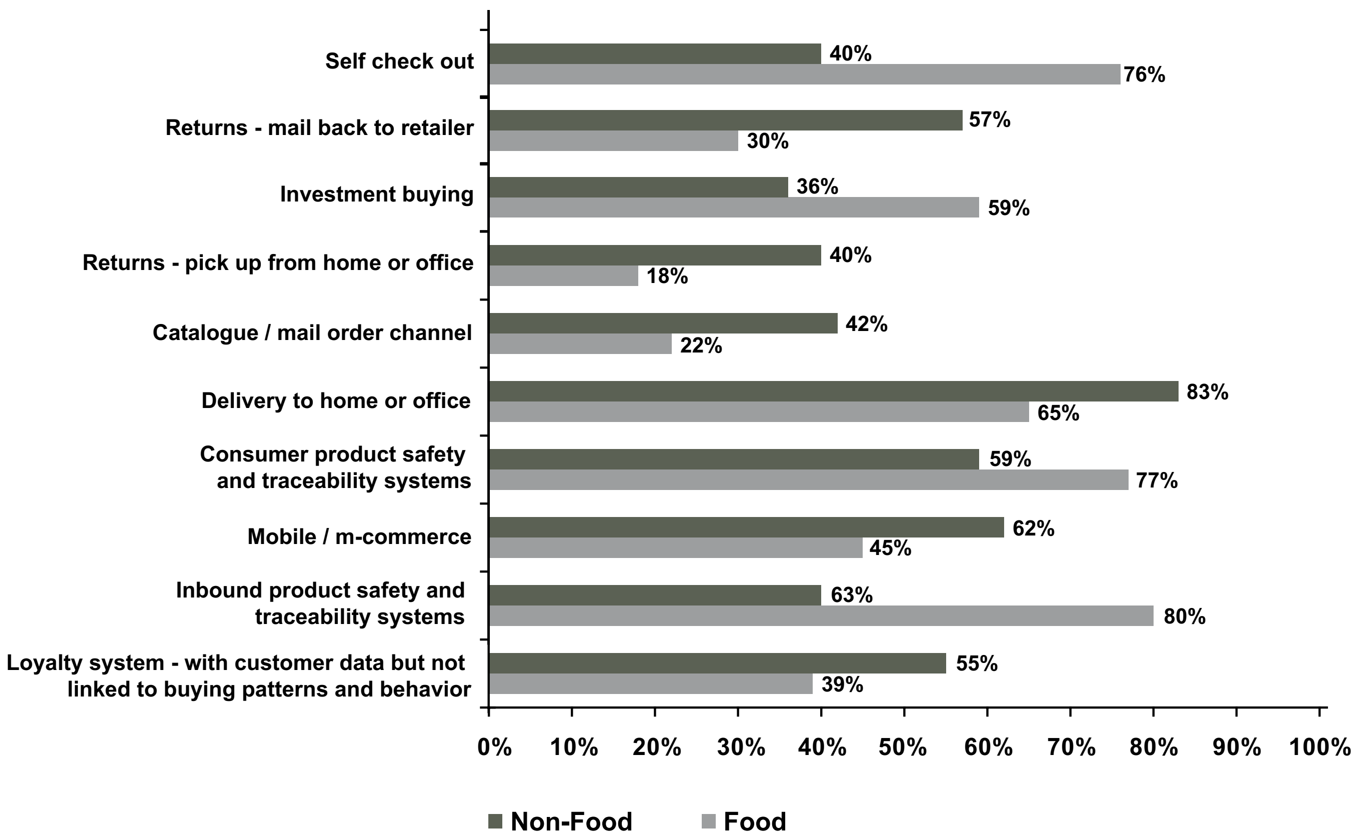
Director Logistics and IS, Supermarket Retailer, Europe

2009	
Application	Rank
Promotions management	1
Transport management	2
Data warehouse customer intelligence	3
Workforce management	4
Transactional web site	5
Transport planning	6
Electronic marketing	7
Logistics network optimization	8
Enterprise MDM	9
Reverse logistics / back hauling	10

2010	
Application	Rank
Promotions management	1
Automatic replenishment	2
Assortment optimization	3
Electronic marketing comms	4
Transactional web site	5
Store replenishment	6
Mobile applications	Joint 7th
Workforce management	Joint 7th
DW / customer intelligence	Joint 7th
Allocation / demand forecasting	Joint 7th

2011		
Application	Rank	% of Retailers Planning to Upgrade in 3 years
Transport planning	1	30%
Electronic marketing comms	2	30%
Assortment optimization	3	30%
Demand forecasting	4	30%
Automatic store replenishment / CAO	5	30%
Demand forecasting (for promotions)	6	29%
Promotions management	7	28%
DW / customer intelligence	8	28%
Allocation	9	27%
Transport management	10	27%

Main Differences Between Food and Non-Food Retailers



The chart above shows the proportion of retailers that have already implemented or plan to implement systems within three years. Highlighted are the ten applications that show the biggest difference between food and non-food retailers.

In most cases the differences are explained by the application being more relevant to certain types of retailers. For example investment buying is an application used by a higher proportion of food retailers than non-food as it is more relevant to food retailers who are buying larger quantities of less fashionable or seasonal items than non-food retailers.

We have already noted that a higher proportion of non-food retailers are enjoying the benefits of multi-channel retailing. So the applications which are only really relevant for retailers with a transactional web site are less used by food retailers. These applications include returns – mail back to retailer, returns – pick up from home or office, catalogue or mail order channel, delivery to home or office and m-commerce. The difficulties of running a profitable transactional web site with deliveries to customers' homes for food retailers have not really been cracked in North America.

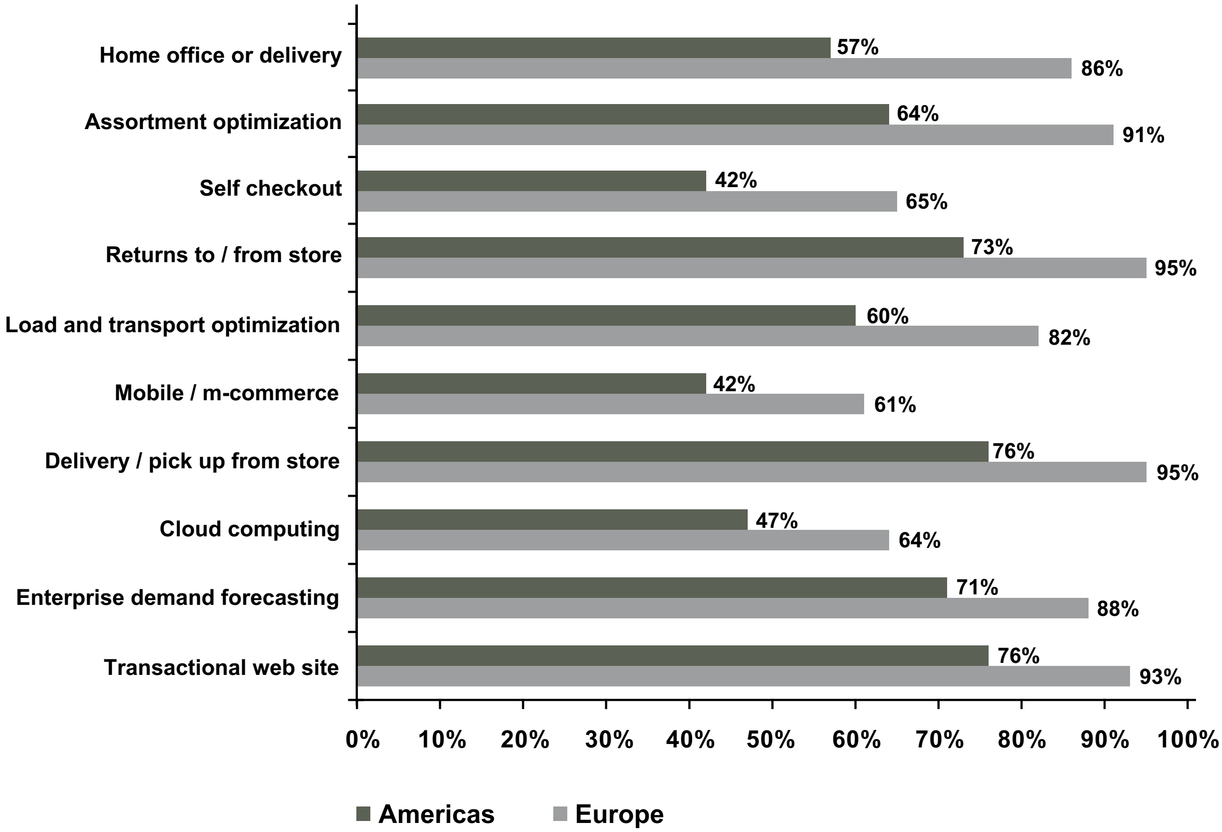
Self-checkout systems were pioneered by food retailers that tend to have a higher number of tills per store than non-food retailers - where only large format specialty and mass merchants can justify the investment. Small format specialty stores with lower numbers of transactions per day and smaller numbers of tills are less likely to use this sort of technology.

It is also worth noting the greater importance food retailers put on traceability and product safety systems in all parts of the supply chain compared to non-food retailers.

"A key initiative is customer intimacy. Our focus in 2011 will be customer communication (in-store messaging and personalized offers)".

VP Information Services, Grocery Retailer, North America

Main Differences Between Europe and the Americas



The chart above shows the proportion of retailers that have already implemented or plan to implement systems within three years. The ten applications highlighted are those that show the biggest difference between what is happening in Europe and the Americas.

All the ten applications shown have higher actual or planned implementation levels for Europe than for the Americas. And this is set against the background of European retailers spending a slightly lower proportion of their sales on IT compared to their American colleagues.

As with the differences between food and non-food retailers many of these differences are explained by the fact that American retailers are less likely to have transactional web sites (especially in food) and so will be less likely to implement multi-channel retailing applications like home or office delivery, returns to and from stores, m-commerce, delivery and pick up from stores and indeed a transactional web site.

Assortment optimization has a higher level of implementation in Europe compared to the Americas – probably because of higher property costs and smaller store sizes in Europe. This means it is more critical to get the assortment right across the chain.

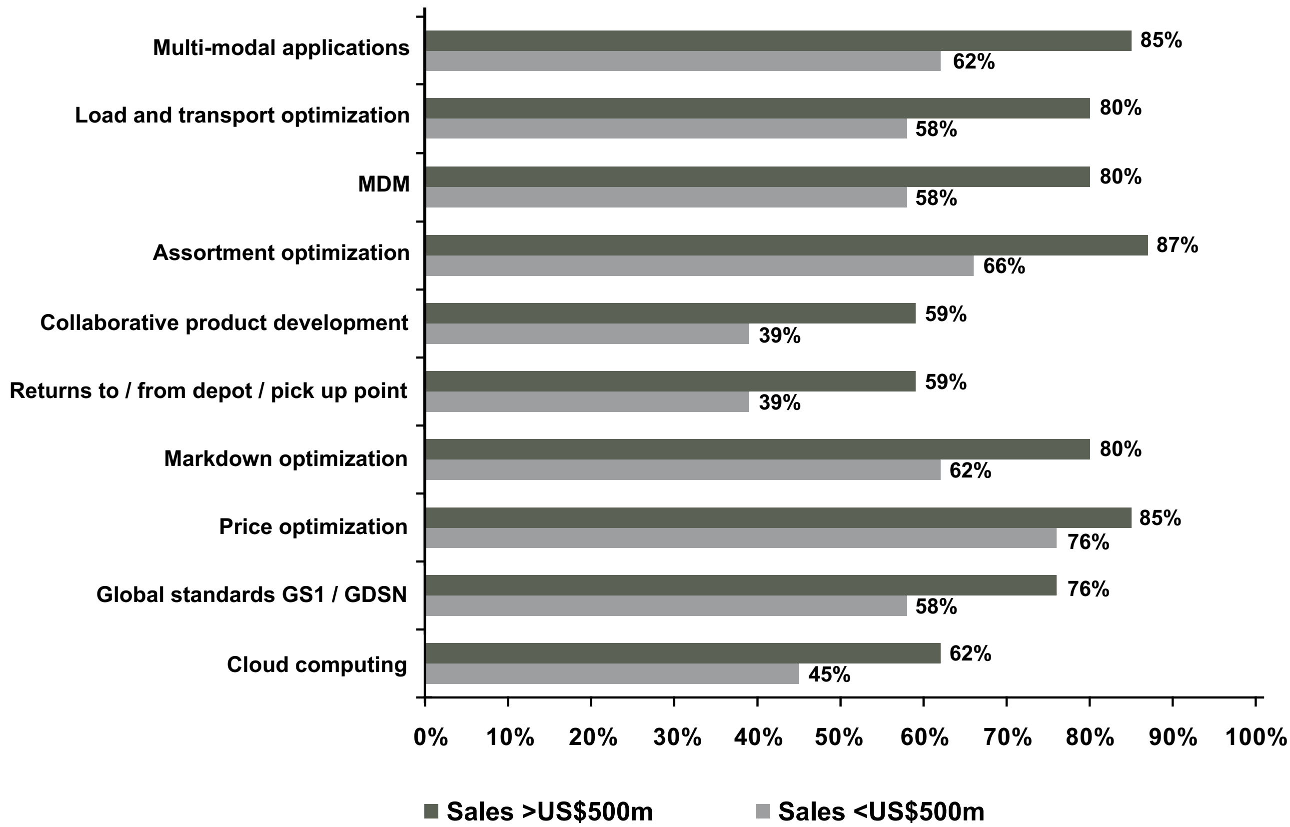
Self checkout is more widely implemented in Europe too. US retailers were first to implement such systems but the greater costs of labor in Europe due to social legislation and a higher proportion of full time staff make the economics more compelling in Europe.

Similarly load and transport optimization is more widespread in Europe than the Americas because of the greater costs of fuel and increased congestion on transport networks.

“We’re doing pretty well. Our priority long term is to look at next generation business. With web and mobile changing so quickly, there is a lot of opportunity for us.”

CIO, Small Format Specialty Retailer, North America

Main Differences Between Mid Sized and Larger Retailers



The chart above shows the proportion of retailers that have already implemented or plan to implement systems within three years. The ten applications highlighted are those that show the biggest difference between what is happening in mid-sized and up and coming retailers with sales of US$50-499 million and larger retailers with sales exceeding US$500 million.

The two applications that show the biggest differences are related to transport, logistics and distribution – multi modal applications and load and transport optimization. Mid-sized retailers are less likely to use these than larger retailers – presumably because their logistics operations are not large enough to justify this level of automation.

Mid-sized retailers are less likely to use three key merchandise optimization applications – assortment, markdown and price optimization systems. Again it is probably a question of economics – they are more able to run their businesses using more manual or spreadsheet driven solutions for these applications as they cannot justify or afford the extra cost of a more sophisticated system.

"Some of our systems are already delivered through the cloud. We plan to do more in the cloud in future."

CIO, Small Format Specialty Retailer, North America

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Benchmarking Your Company

In this section, you will find tables that allow you to quickly identify the systems that will be implemented during the coming three years by other retailers in the Americas and Europe, together with the average IT spend. Every business is different, so what is best for a particular retailer is not necessarily what everyone else has done. Yet, these charts help identify some of the areas where others are investing.

Applications that have jumped into the rankings this year are highlighted so you can identify the trends and newer, faster moving applications.

Benchmarking Your Company

Applications: At Least 75% of Food Retailers Have Implemented Now or Will Have Implemented in 3 Years

Store operations and efficiency	- Automatic store replenishment (93%) - **Workforce management (93%)** - Mobile applications (90%) - Perpetual inventory (90%) - Centralised admininistration of POS (86%) - **Self check out (76%)** - Task management (75%)
Multi-channel retailing	- Stores (100%) - Store delivery / pick up (83%) - Transactional web site (82%) - Returns to and from store (79%)
Inventory optimization	- Automatic replenishment - stores (95%) - Automatic replenishment - warehouse / depot (94%) - **Demand forecasting (93%)** - Space optimization (89%) - Allocation (85%) - Assortment optimization (79%)
Pricing and promotions	- Promotion management (93%) - Price optimization (87%) - Demand forecasting (87%) - Promotion optimization (85%) - **Markdown optimization (78%)**
Marketing and loyalty	- Electronic marketing communications (92%) - Data warehouse / customer intelligence (87%) - Loyalty system - with customer data and linked to buying patterns and behavior (87%)
Logistics, distribution and transport	- Real time warehouse management system (86%) - Multi modal applications (85%) - Picking optimization (84%) - Transport management (81%) - Transport planning (78%)
Supplier management	- EDI / web EDI (89%) - **MDM (76%)**
Product safety and traceability	- Inbound product safety and traceability, ie from suppliers to warehouses and stores (80%) - Use of industry standards for product safety and traceability (79%) - Outbound product safety and traceability systems, ie from warehouse to stores (77%) - Consumer product safety and traceability systems, ie customer communications (77%)
IT and data architecture	- Enterprise MDM (81%) - **Enterprise demand forecasting (80%)** - **Global standards GS1 / GDSN (76%)**
IT spend	1.0% of sales

Applications: At Least 75% of Non-Food Retailers Have Implemented Now or Will Have Implemented in 3 Years

Store operations and efficiency	- Automatic store replenishment (97%) - Centralised admin of POS (93%) - Mobile applications (90%) - Perpetual inventory (90) - Workforce management (90%)
Multi-channel retailing	- Stores (97%) - Delivery / pick up of goods from store (93%) - Returns to and from stores (93%) - Transactional web site (90%) - **One view of the customer across all sales channels (84%)**
Inventory optimization	- **Demand forecasting (99%)** - Allocation (93%) - Automatic replenishment - stores (93%) - Automatic replenishment - warehouse / depot (87%) - Assortment optimization (83%) - **Space optimization (80%)** - Load and transport optimization (77%)
Pricing and promotions	- Demand forecasting (92%) - Promotion management (86%)
Marketing and loyalty	- Electronic marketing communications (94%) - Data warehouse / customer intelligence (90%) - Loyalty system - with customer data linked to buying patterns and behavior (81%)
Logistics, distribution and transport	- Transport planning (85%) - Real time warehouse management system (82%) - Labour management (81%) - Picking optimization (79%) - Transport management (79%)
Supplier management	- **EDI / web EDI (92%)** - **Sourcing (77%)**
Product safety and traceability	None of the applications achieved 75% implementation or planned to be implemented
IT and data architecture	- Enterprise MDM (88%) - **Enterprise demand forecasting (82%)** - **SOA (78%)**
IT spend	1.2% of sales

11 Summary of the Nine Key Business Areas Researched

In this section we summarize key highlights from each of the nine areas surveyed.

For details on how to access full results please email: info@globalretailciosurvey.com

Summary of the Nine Key Business Areas Researched

Store Operations and Efficiency

- The biggest unprompted issue is workforce management with 29% planning to implement.
- Self checkout has wider adoption in Europe (65% have now or plan to upgrade within 3 years) compared to Americas at 42%.
- Automatic store replenishment is now a must have application (95% of all retailers will have this in place within the next 3 years).

Multi-Channel Retailing

- The biggest unprompted business issue is achieving a single view of the customer. Almost half (46%) are planning to implement.
- A mobile commerce sales channel will be added by 41% of retailers within the next three years.

Inventory Optimization

- The biggest unprompted business issue is space planning (14% of retailers).
- The applications showing the highest level of upgrades are – assortment optimization (30%), automatic store replenishment (30%) and allocation (27%).
- Capacity planning for stores and demand forecasting are the applications with the highest level of planned implementation (both 24%).

Pricing and Promotions

- The biggest unprompted business issue is promotions management and 28% of retailers are planning to upgrade their promotions management systems.
- In terms of planned implementations markdown optimization is biggest (34% of companies), plus promotions optimization (30%)

Loyalty and Marketing

- Loyalty is now being taken seriously by retailers with a massive 44% planning to implement advanced loyalty systems (with links to demographics and customer purchase behavior and history).
- The biggest unprompted business issue is effective customer targeting (25%).

Logistics, Distribution and Transport

- Spiralling fuel costs are impacting retailers' plans – with 30% planning to upgrade transport planning and 27% transport management systems.
- Warehouse automation is the biggest unprompted business issue (19%).
- Mid sized retailers (with sales of US$50-499 million) have much lower usage levels for logistics, transport and distribution systems compared to their larger competitors (sales exceeding US$500 million). For example 85% of larger retailers use multi-modal applications compared to only 62% of mid sized companies.

Supplier Management

- The biggest unprompted business issues are achieving true collaboration with retailers and MDM (both representing 16% of retailers). The planned implementation levels for MDM at 28% of retailers confirm this.
- EDI / web EDI is virtually ubiquitous (90% of retailers have implemented or plan to implement).

Product Safety

- Currently there are low levels of implementation of industry standards (32%). The average score of only 3.2 out of 10 as to how much global product safety legislation is impacting IT strategy and spend shows that this is not yet a high priority for retailers, in spite of recent US legislation.
- The biggest unprompted issue is traceability across the entire supply chain (22%).
- Most of the planned activity is in implementing industry standards (25%) and consumer product safety and traceability systems (28%).

IT and Data Architecture

- IT budgets are down from last year (1.1% of sales compared to 1.3% in 2010). It seems that CIOs are coping with less and are being rewarded with even tighter budgets.
- When asked about the biggest investment areas, respondents ranked store systems (20%) and multi-channel (15%) highest. This was an unprompted question.

The results in this report have been compiled by Martec International. Martec's core competence is in retailing and supply chain management. Martec applies best practice business processes, information technology and learning methods to improve retail performance for its clients.

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