

Maximising Sales Through Better Product Data Management

AmCham Presentation Notes

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Richard Frykman

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6 July 2004

Introduction

About Stibo:

- Est'd. 1794 in Denmark
- Today: One of the largest printing companies in Europe
- 1950's Telephone directory publishing
- 1976: Developed software in-house
- 3 business units
- Foundation since 1966
- Offices worldwide



Stibo is a global organization that provides content management solutions, product information management systems and electronic and print/publishing services to 1) Telephone companies 2) Newspaper and magazine companies (60% of all North American newspapers rely on Stibo systems for the publishing of their newspapers) 3) Regional & multinational organisations that need to manage thousands of products.

A foundation since 1966, by charter, ALL profits have to be re-injected into the company to either develop technology or to use cutting edge technologies – all for the benefit of its customers – & to ensure that the groups leading edge is maintained.

Stibo's financial strength is rated 'AAA' by Dunn & Bradstreet.

Product information is a valuable strategic asset!

Proper management of product information can:

- Increase sales
- Reduce costs
- Improve operational efficiency
- Improve customer service
- Reduce time to market
- Improve supply chain efficiencies
- Exploit new business opportunities

A few companies have only just begun to realise that the information they hold on their products is a valuable strategic asset, and, if looked after and maintained properly, can be leveraged upon to create significant competitive advantages and open up new business opportunities.

Of the few companies that have heard of PIM, most of them have gone on to deploy their own PIM strategies to bring about a drastic improvement in the way they use product information.

The concept behind PIM is so simple, practical & powerful, many companies, after deploying a PIM system, have said, "Wow! Its like getting a brand new chance at doing business" or "Its like receiving a blank cheque on future business opportunities"

Agenda

1. Introduction to PIM
2. PIM: The Management Concept
3. The Business Problem
4. How a PIM System Works
5. Benefits & ROI from a PIM System
6. Choosing & Deploying a PIM System
7. Summary

Introduction to Product Information Management

PIM is NOT just about IT systems, technology, or even publishing... it is about a whole new business process altogether - just in the same way that 'supply chain management' and other business management concepts came into being – it is all about new ways of making existing business processes more efficient.

1. Introduction to PIM

What is product information?

Information ABOUT the product:

- Product description
- Product features
- Model details
- Technical specifications
- Product label info
- Regulatory / legal text
- Warranty information

So what is product information?

Product information can be information that DESCRIBES the product (e.g. product descriptions, technical specifications etc).

1. Introduction to PIM

What is product information?

Information ABOUT the product

- Pictures, diagrams, drawings
- Video / audio

Information RELATED to the product

- Instruction manuals / Service manuals
- Assembly instructions
- PR Material
- Datasheets
- Information for internal use

...it could also be information RELATED to a product (e.g. instruction manuals, press releases about a product, or even information that is used internally such as SKU numbers, supplier's details, purchase price etc).

1. Introduction to PIM

Who needs product information?



But who uses, or needs access to product information? Almost everyone WITHIN the organisation needs product information at some point in time to carry out their jobs. For example, sales people need to have up to date information about the products they are selling, staff in the warehouse may need to know the dimensions or size of a new product to make space for it on the shelf, repair and maintenance personnel may need to get access to service manuals for a discontinued product.

Product information is also needed OUTSIDE of the organisation such as suppliers, trading partners, external agencies, distributors and of course, customers.

1. Introduction to PIM

How is product information delivered?



Today, product information must be delivered to all of these people in so many different formats...

For example, in printed form....

1. Introduction to PIM

How is product information delivered?

Wireless devices

CD-Rom Catalogs

Websites

Intranets

B2B Exchanges

E-Catalogs

...and in electronic form.

1. Introduction to PIM

So how can you deliver accurate, reliable, up to date and fully synchronized information about your products to ALL those who need it, in ALL those different electronic and printed formats AND in every language of each country in which you operate?

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PIM: The Management Concept

2. PIM: The Management Concept

Why is PIM becoming a 'hot' topic?

- Technology
- Increasing number of marketing channels
- Pressure to improve the bottom line
- Shorter product life cycles
- Buying trends have changed
- Legislation & Regulations (HAZMAT)
- Industry initiatives (UCC,RFID,GDS)
- Localisation

Recognising this as a major business problem, product information management is now making its way towards the top of every CEO's 'to-do' list. But, you might ask, "If PIM can deliver so much value to the organisation, then why haven't I heard about it before?" – well, it's because of a convergence of many different factors:

- The technology behind PIM hasn't been affordable or available to most organisations.
- Budgets are being squeezed for the distribution & publication of product information.
- Shortening product life cycles means that products have to be introduced to the market faster.
- Buying trends have changed: Today's customer tends to do a lot more research about a product before buying.

2. PIM: The Management Concept

Where you might have heard about this concept...

- Forrester: Top IT Trends 2004
- Fortune Survey:
- Consulting firms

"88% of companies regard
'providing product information'
as their primary website goal....

...and they value 'product information'
as their most valuable
content asset"

PIM is a relatively new business management concept...

2. PIM: The Management Concept

Which companies are deploying PIM strategies?



...but many companies in across different industries have recently been deploying PIM strategies. Most of the companies that have deployed PIM systems are 1) all in industries where time to market is a critical sales success factor; 2) all multinational or regional companies and 3) all handle product information intensively.

3. The Business Problem

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The Business Problem

Managing and distributing product information has become a major business issue. Companies face many challenges when it comes to properly managing their product information.

3. The Business Problem

**75% of companies admit to having
significant difficulties with
managing their product
information...**

**... and a third of those said
they had lost customers as a
direct result.**

Price Waterhouse Coopers Survey, 2003

It is a much bigger problem than most people think...

3. The Business Problem

Problem #1

Product information is not easily accessible to those who need it

There are 3 major problems that companies face:

1) Product information is not easily accessible to those who need it...

3. The Business Problem



..because most companies don't have organized methods and procedures to manage their product information.

Usually, most companies' product information is scattered around the organisation in different databases, with different people in different departments in different locations, in different systems, in different formats and so forth. In other words, product information just simply doesn't have its own 'dedicated home'.

3. The Business Problem

Problem #2

Product information is inaccurate, unsynchronized and not up to date

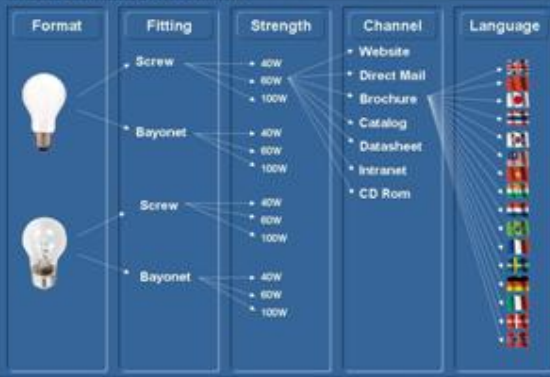
2) The second problem is that product information is inaccurate, inconsistent, unsynchronized and not up to date.

Why? Because, usually, multiple employees in multiple departments in different locations are responsible for inputting or maintaining product information (and usually in different systems) – and this leads to inconsistent changes and errors.

Several studies have concluded that product data that is inaccurate, inconsistent or not up to date typically leads to lost sales, excess inventory, delays in the introduction of new products and weaker market penetration overall.

So unless you can control these error-prone processes, your company will suffer as a result.

3. The Business Problem



Here is an example of how these errors might be occurring:

If just one simple product (with 3 simple variations) needs to be distributed in 7 different formats and in 16 languages, then that product information needs to be handled 1,344 times!

...and if it takes just 5 minutes for someone to input that product information, then it would take 112 hours!

...and if you are paying someone a minimum wage of US\$7 per hour to do that work, then the total cost equates to US\$784.

..but if you have 10,000 SKU's, that figure balloons to US\$7.84m!!!

3. The Business Problem

“30% of item data in catalogs is in error and each error costs \$60-\$80 to address.”

A.T. Kearney

When product information is inaccurate, that means you are going to get a high level of product returns...

And that costs a lot of money, time and resources to put right (such as invoice payment deductions, cost of delivery, and even worse, unhappy customers.)

Even if you claim that your product information is 99% accurate, then if you are selling 10,000 products, that still means that information on over 100 products is wrong! And 100 product returns costs a lot of money to fix!

3. The Business Problem

Problem #3

Translation of product information into local languages

Translation is a major challenge for any international company. Translating product information into each local language is extremely expensive, time consuming and takes up significant resources. It also leads to a delay in the introduction of new products. So it makes doing global business very complex.

The problem is even worse when you have technical products that use special industry terminology which requires highly trained (and expensive) translators.

3. The Business Problem

“People are 3 times more likely to complete a transaction, make a sale or get an order enquiry if they were offered the content in their own language”

Forrester, 2003

Translation should not be a problem for any company – in fact, if it can be done efficiently, it is an opportunity to succeed where other companies are failing.

Recent research by Forrester found that people were three times more likely to complete a transaction, make a sale, or get an order enquiry - if they were offered the content in their own language, than if it were in English.

So the message is clear: Customers EXPECT and APPRECIATE having product information in their own language - so without localized product information, your sales are not being maximized.

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How a PIM System Works

As with any new kind of concept, there is usually some sort of technology behind it... and that is also the case for PIM.

In its most basic form, a PIM system is just a system for collecting, managing and distributing information about products.

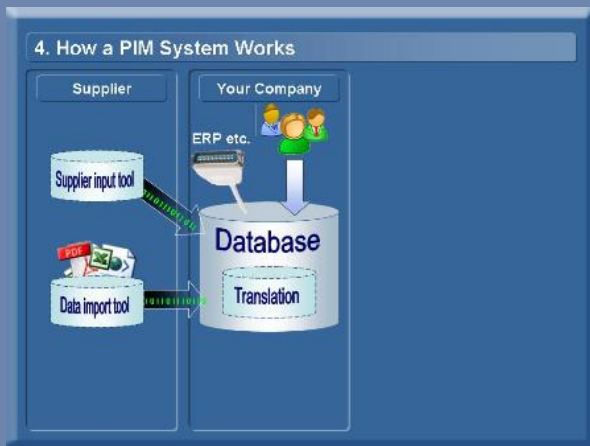


At the heart of a PIM system is a database which serves as a repository for ALL your product information. It stores all the raw product data and product attributes such as descriptive text, prices and technical data, pictures, diagrams, documents etc.

All staff within the organisation can be given access to this database..

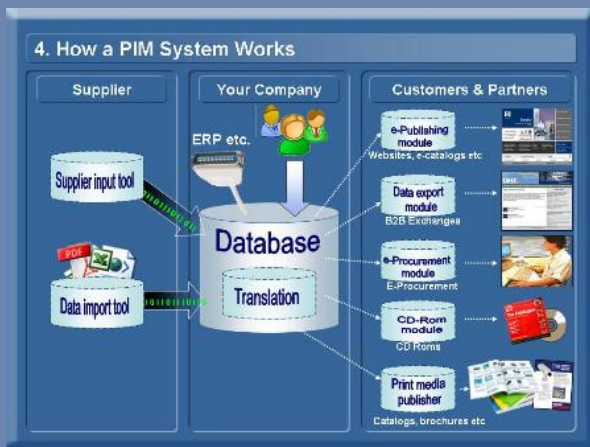
...and the database can also be integrated with other internal systems such as inventory systems, order management systems and sales systems etc.

The database also has translation function. So for every product, there is also a different version for every language.



If you are a distributor or a retailer, one of the biggest problems you have to deal with is getting product information from your suppliers into your systems. The main problem with this is that suppliers send their product information to you in many different formats such as spreadsheets, direct data downloads etc. But with a PIM system, all product data coming in from your suppliers can be automated.

Alternatively, your supplier can also input the product information directly into your system via the internet.



The PIM system can then feed the product information out to various electronic and print channels – thus ensuring that all product information is accurate, up to date and fully synchronised across all media.

A website run from a PIM system can offer so much more functionality than a conventional website (such as parametric searching, customer service/information, guided selling, product comparisons as well as product references, personalized pricing and can maximize cross-selling and up-selling sales opportunities.

Printed media can be produced in a fraction of the time of conventional methods.

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Benefits and Return on Investment From a PIM System

5. Benefits & ROI From a PIM System

Average Achieved Returns From PIM:

Revenues = 20% increase
 Costs = 40% reduction
 Productivity = 80% increase

Stibo STEP Client Survey, 2004

Average returns from Stibo customers after deploying PIM systems.

5. Benefits & ROI From a PIM System

Cost Areas	HR:	Boost staff productivity & morale, better worker collaboration (Faster HM), monitor worker performance, better tools for employees to work with			
	IT:	Avoid cost of maintaining multiple systems, improved data quality			
	Finance:	Greater control over margins & publication costs, Reduced costs for returned goods, Reduced IT support & development costs, lower legal, labour & translation costs			
	Procurement:	Stronger relationships with suppliers, Closer collaboration w/suppliers, more efficient supply chain management			
Earnings Generating Areas	Inbound Logistics	Operations	Outbound Logistics	Marketing & Sales	Customer Service
	Better inventory management & control	Fast & efficient production of all publications	Improve order fulfillment processes	Optimize cross sales and up-sells by product cross-referencing	Better informed potential buyers
	Faster input or changes to product information	Increased efficiency across the enterprise	Accelerate time to market	Better informed salespeople	1:1 marketing tools / custom publications
		Enable access, sharing & re-use of information	Distribute product information to distributors faster	Inform customers of promotions and products faster	Less strain on call center
		Shorter publication timelines		Conduct business in real time	Increased loyalty. Adds value to the customer experience

These kinds of returns just measure the tangible returns. But a PIM system also delivers many other intangible benefits (e.g. employee satisfaction from being able to do jobs faster and better worker collaboration).

A PIM system adds value to every part of the organization.

5. Benefits & ROI From a PIM System

Premier Farnell plc

“The system delivers considerable competitive advantage by increasing our ability to compete on the latest prices and cutting lead time”

And here’s some proof of that...

5. Benefits & ROI From a PIM System

MILLIPORE

...Within 2 months, our catalog nightmare – in which production took up to 18 months and cost over US\$1m – was over...

“Thanks to Stibo’s solution, Millipore has expanded its sales efforts around the globe...”

5. Benefits & ROI From a PIM System



“... it has had a significant impact that we have been capable of presenting the products in the local languages of the individual markets.”

5. Benefits & ROI From a PIM System

MILLIPORE

“We can even offer personalized catalogs via the Internet...”

...our system has become an offensive tool in terms of being able to exploit the infinite opportunities open to us in one-to-one marketing...

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Choosing and Deploying a PIM System

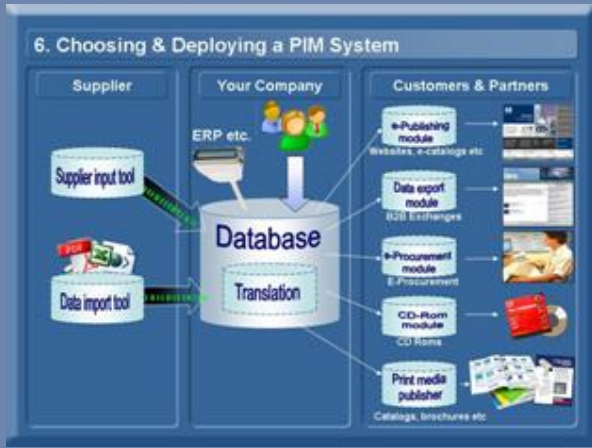
6. Choosing & Deploying a PIM System



“In one year, IBM Europe alone saved more than the global implementation cost”

But how much does a PIM system cost?

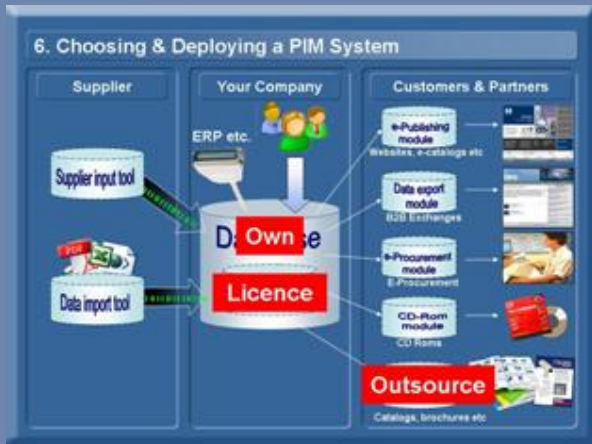
The cost of a PIM system depends on three variables...



1) A PIM system is made up of different modules (or sets of software) which can be used on a standalone basis.

For example, you may just want to improve the way that you obtain product data from your supplier (in which case you may only require a supplier input module). Or maybe you just want to manage product information internally (in which case, you just need a database).

So the first variable depends on which modules are required.



2) The second variable depends on how you buy each module. At Stibo, we offer our customers (or rather our 'partners') the flexibility of either i) buying and operating the modules themselves (if they have the resources to operate them); or ii) to 'renting' the software (i.e. license) or iii) outsourcing their product data management needs entirely.

For example, a company may wish to buy the database and manage their product information themselves, whilst they might just license the translation module and then outsource their print production of catalogs and brochures etc to Stibo.

Outsourcing is becoming very popular as companies are beginning to realise that managing and distributing product data publishing is not their core competence.



3) The third variable depends on how the system is deployed. It may just be deployed locally at first, then regionally then internationally. So this variable depends on how many system users there are (for each module).



There are only a handful of companies that can provide a complete product information management systems...

However, many of these companies can't offer ALL of the individual modules that I've mentioned in the presentation and only Stibo can provide translation into Asian languages. Many of them are new start ups and many of them can't offer flexibility on how you can own the system or how you can deploy a system. Apart from Stibo, all the other companies only operate in their home countries.

6. Choosing & Deploying a PIM System

**A PIM system is NOT an IT project!
...it is a corporate strategic
initiative....**

A PIM system is NOT an IT project... it is a corporate strategic initiative that needs to be driven from the top down.

A PIM system is just as more about business processes than anything else.

For a PIM system to be fully effective, it may even require changes to your personnel structure. Many companies are even establishing their own 'Product Information Management Departments'.

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Summary

7. Summary

- PI is a 'hidden' strategic asset
- PIM being promoted through consulting firms
- PIM systems are being deployed by multinationals & regionals
- Key drivers of PIM system deployment
- Problems companies face with managing PI
- How PIM systems work
- Flexibility in deploying PIM systems