



Building a Smarter Planet: 8 in a Series

Smarter customers demand smarter commerce.

We're making progress in how we buy and sell. Twenty-five years ago, procurement didn't line up with manufacturing, which wasn't aligned with logistics, which wasn't linked with distribution and partners...and so on. Now, companies see the value of an integrated supply chain—and have one.

But look at the other end of most companies today—the part that engages with customers and markets. Today, most sales, marketing, customer service, product development, service delivery and inventory systems are as disconnected as supply chains were a quarter century ago. Retail doesn't have a real-time view into inventory. Product development isn't led by customer sentiment. Marketing campaigns are aimed at broad segments of populations instead of individuals.

Will companies smarten up fast enough to keep pace with the growing power of their increasingly connected customers?

Today, it's customers who are deciding when and where the buying process begins, when it ends, who will be part of that process, what order it will follow, and how all elements in the chain—market, buy, sell and service—will be linked. And that's not just adding new intensity to old processes; it's a new way of doing business.

Smarter commerce places the individual customer at the center of a business's attention. It optimizes supply with demand, driven by insights that are continuously replenished by the flow of information—from both commercial and social traffic—on an instrumented and interconnected planet. Each individual's data is the key to connecting the value chain to the customer. This data is helping leading-edge businesses to understand and predict customer needs—and to orchestrate partners and suppliers in greater responsiveness to changes in buying behavior.

The opportunity is enormous. According to a recent IBM Institute for Business Value survey, more than \$15 *trillion* in inefficiencies comes from waste throughout the global commerce system, such as inventory backlogs and failed product launches. To wring this waste from their operations—and to win customers by serving them based on intimate knowledge of their individual wants and needs—many companies are already applying smarter commerce across their value chain.

A large hardware cooperative is using smarter commerce at the procurement stage to provide visibility across its entire supplier network—contributing to a 57% reduction in lead time and an 85% reduction in back orders. An international cosmetics company is relying on deep analytics to deliver personalized offers of its beauty products, and revenue per e-mail has increased 2,500%. A specialty retailer is using multichannel selling, including mobile devices, which has increased traffic to their site by 40% and the growth of their business overall by 20%. A telecommunications company is delving into customer data to predict churn and proactively improve customer loyalty.

New technology is uncovering—and addressing—vast inefficiency throughout the entire value chain for all types of companies. And given the rise of new generations of empowered and digitally literate customers—not to mention the imperative to protect individuals' privacy and organizations' security—it's clear that the world's commercial systems have to become as smart as the individuals who are now driving them. Fortunately, they can—and in the process, will redefine how we buy, market and sell on a smarter planet.

Let's build a smarter planet. Join us and see what others are doing at ibm.com/smarterplanet

