



Product Information Management for Today's eCommerce Initiatives: PIM Considerations for eCommerce Re-Platforming

FitForCommerce White Paper Series

Product Information Management (PIM) is a prerequisite for successful eCommerce initiatives. In this whitepaper, learn which specific problems retailers are looking to solve with a PIM, why many have decided to implement a PIM before launching eCommerce or re-platforming initiatives, and where they look for the ROI to pay for a PIM investment. FitForCommerce lists some common pain points, along with comments from retailers who have either implemented PIM, or made the decision to consider a PIM before addressing their eCommerce re-platforming.

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July 2012

Introduction

Today's social behavior is driving consumers to use multiple channels when researching or shopping for a product.

Since most of these channels are online (eCommerce, m-commerce, f-commerce, apps, and so on), the importance of eCommerce or online initiatives has become increasingly significant. While it is imperative that companies represent themselves across all sales channels, it is just as, if not more, critical to lay the foundational layer –product information that will ensure that all of these channels provide consumers with a consistent and complete experience with respect to the products they sell.

80% of companies

that have launched successful eCommerce initiatives recommend starting with the data or product information.

Customer-driven product data is the key differentiator between visitors and buyers. Accurate and up-to-date product data drives both consumer confidence and brand loyalty, and, in turn, consumers feel that they are purchasing the right product, at the right price, at the right moment.

Heiler Software has identified two key drivers for Product Information Management (PIM) initiatives:

- **More companies are addressing PIM as a strategic asset** and as an important prerequisite for evolving retail business models, data governance initiatives, and real multichannel strategies.
- **80% of companies** that have launched successful eCommerce initiatives recommend starting with the data or product information.

In the past, PIM solutions were purchased to fix the data problems within eCommerce stores. In recent years, however, the trend has changed - PIM projects are being identified as a need prior to companies executing their multichannel strategies.

What specific problems are retailers looking to solve with a PIM, why have many decided to implement a PIM before launching eCommerce or re-platforming initiatives and where do they look for the ROI to pay for a PIM investment?

FitForCommerce lists some common pain points, along with comments from retailers who have either implemented PIM, or made the decision to consider a PIM before addressing their eCommerce re-platforming.

Current Industry: Problems and Trends

Endless Aisle/Long Tail, virtual vendors, drop shipments, robust web content requirements, global supply chains, global commerce, customized customer processes, outsourcing, SEO, PPC, rich content, product-to-publication business process, data mapping, and governance are among business challenges that are moving Product MDM from an IT-centric solution to keeping multiple product data bases synchronized and providing a single source of truth for product information to a value-added application that supports the complexity of the Product-to-Publication business process.

A Product Information Management (PIM) solution tackles these challenges and is designed to address a number of problems and pain points of the modern multichannel retailer. At a high level, issues fall into six general categories:

Data

1

- ∞ 'Truthful' data is balkanized into silos and reconciliation between multiple sources of truth is problematic
- ∞ Data structures and formats are dissimilar
- ∞ Heterogeneous sources of data complicate consistency, interpretation and normalization
- ∞ Customers and partners require standard identifiers in order to transact effectively
- ∞ Base taxonomies may need to be modified as a result of customized customer, partner or channel requirements
- ∞ Unstructured content types, such as video, sound, PDFs, pictures, continue to proliferate and must be meaningfully associated with structured data
- ∞ Product data is the product on a website and data quality issues, inconsistent formats or missing attributes will combine to negatively impact a customer's site-browsing behavior and purchase decision

Systems

2

- ∞ Multiple systems apply uncoordinated updates to multiple data sets
- ∞ Intractable legacy systems have complicated API and interface requirements that complicate synchronization across multiple tool sets, application stacks and datasets
- ∞ Ad hoc solutions, like Excel and Access, encapsulate important business rules and important data is hidden in private systems which have little corporate visibility

3

Process

- ∞ Cross-functional manual processes to publish a product to a channel while ensuring it is sellable, available and with compelling customer-facing content that is also optimized for paid search campaigns and search engine spiders
- ∞ Multiple manual touch points cause friction and delay in a selling environment where speed-to-market is an essential best practice

4

Productivity

- ∞ Existing corporate assortments challenge existing headcount when new channels like eCommerce, or m-Commerce are activated or micro-sites, specialized catalogs or complex B2B relationships are added

5

Assortment Scaling

- ∞ How do human beings manage the 10s of millions of SKUs in an endless aisle?
- ∞ Manual and ad hoc processes, legacy systems and people melt down when companies compete in a landscape where the consumer expectation is to be able to buy *anything* at *anytime*

6

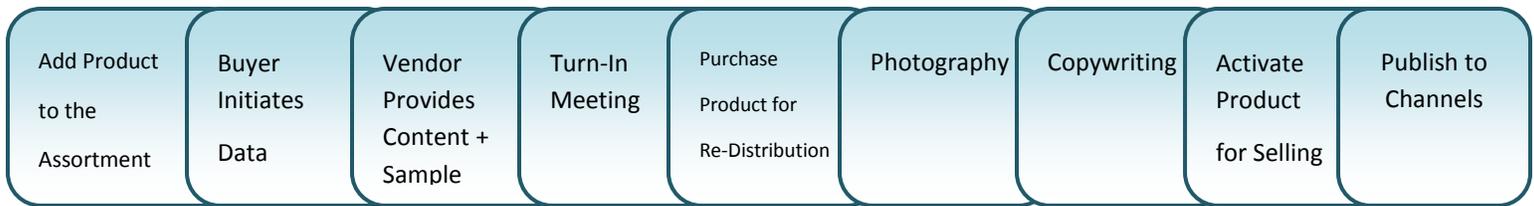
Publishing

- ∞ How can edited content be redeployed from one channel, such as a catalog, to another channel, such as a website?
- ∞ Synchronization of all content, for example product information, an MSDS, and an image, so that it is available in the channel when needed

Issues such as these are frequent talking points when FitForCommerce engages with customers on eCommerce platform and re-platforming projects.

Very few eCommerce platform providers have credible PIM functionality as part of their standard platform. Inevitably, someone in a requirements meeting for a new platform will say something like “We need a PIM!”. More often, FitForCommerce is considering procurement of a PIM along with the ECP and, in one recent engagement, FitForCommerce delayed ECP selection to address PIM selection.

The examples that follow are from conversations FitForCommerce has had over the past 18 months with customers who have encountered these problems and trends. FitForCommerce also interviewed customers who have made a PIM decision while considering an ECP platform decision.



Product-to-Publish business processes encompass all the tasks a retailer must execute in order to make a sellable product visible to a customer. These tasks are normally executed cross-functionally and will engage a number of people and systems. A multichannel retailer engaged in eCommerce might have a process that looks like this when adding a product to a catalog or website:

- ∞ Add product to the assortment
- ∞ Buyer initiates data request
- ∞ Vendor provides content and sample
- ∞ Turn-in Meeting
- ∞ Purchase product for redistribution
- ∞ Photography
- ∞ Copywriting
- ∞ Activate product for selling
- ∞ Publish to Channels

Most retailers experience a number of pain points in this prototypical example which describes a complicated workflow that may involve people from merchandising, the vendor, marketing, the art department, channel operations and IT. Also, the systems and data may range from an ERP, a Data Warehouse, customized Excel spreadsheets, Access data bases, or external partner systems.

One common pain point is the lack of a formal proofing or QA process that validates that the information associated with the product meets corporate, branding, compliance, SEO and other standards. A PIM can assist with data quality validation because it includes functionality to automatically transform and normalize data using industry or customized company standards. Additionally, many PIM systems include user-scripting functionality which can establish validation rules that stop or transform invalid information at the time of data input.

Synchronization between product availability in the supply chain and product visibility- say, on a website- is another common problem. Does a product become available for sale in your eCommerce channel before its content has been created, enhanced, proofed and approved; or is your consumer-ready content on your site but no product available in a distribution center to fulfill orders. PIM systems can use modern automated workflows to alert managers and even external systems to these types of customer service issues before they become problems that your contact center must resolve with the customer.

Lumens.com curates 17K products (yielding 150K SKUs) from over 300 suppliers. Lumens aims to be the web's best shopping experience for modern lighting, fans, furniture, and home accessories for contemporary living. Richard Tawney, Lumens' Director of eCommerce & Online Marketing, managed the implementation of a PIM in conjunction with a re-platforming initiative. Rich explains that Lumens' old process to manage the assortment "wouldn't accommodate the number of SKUs and vendors" that Lumens merchandises on their website and that "operational efficiencies" that a PIM enables, such as tasks, automated workflows, and data validations, were important considerations in replacing a legacy CMS system with a PIM.

Rich also notes that the PIM is "creating a new organizational dynamic" at Lumens. Accountability for product information and content is spread across a number of teams, but the PIM has become a tool to consolidate and drive efforts to make robust product information a shared and achievable objective at Lumens.

FitForCommerce also worked with a B2B company that has multiple end-to-end issues with product information and assortment customization for its larger customers. SKUs are set up in by CSRs in the call center and product managers; product is published to the website and multiple catalogs from a legacy CMS. This company is intrigued by the opportunity to extend their strong brand into B2C but, in the midst of consideration of a new B2C eCommerce platform, they decided they needed to fix their product content before moving into a new channel. They did not believe their current content, information, technology, and processes could reliably provide the richer, more consumer-friendly product information required to succeed in the B2C world. They are currently implementing a new PIM.

For Kitch Walker, Director of Marketing at Murdoch's Ranch & Home Supply, the company's decision to move into other channels highlighted the need for PIM functionality. Murdoch's legacy ERP system was built in the world where a 35-character product description was a perfectly acceptable way to represent product information. Of course, when Murdoch's wanted more compelling product information on signs in one of their 22 stores, 35 characters wasn't robust enough; thus a sign system was implemented that created informative and attractive store signs. Product data for flyers and inserts were in another system and ERP; signs and flyer "silos" of product information were increasing complexity and process friction. When the company decided to add an eCommerce channel, Kitch says that "The need for multichannel was driving the need for a PIM solution." Before they launched a new website, they deployed a PIM. Now, items added or changed by buyers within the ERP automatically trigger a set of workflows and product information – including unstructured data-like images. Embellishment processes of the PIM then feed the various selling channels with consistent product information customized for the needs of that particular channel: store, flyer, and website. Walker also adds that they implemented "PIM before the website because there was no compelling customer content."

Endless Aisles (Long-Tail Theory)

The growing sophistication of modern supply chains and the ability to seamlessly place orders for drop ship delivery has allowed retailers to increase their sellable assortment without investment in inventory. A retailer can sell literally millions of SKUs on its website but, notwithstanding the relative simplicity of fulfillment, the merchandising and assortment challenges are daunting. When a 9000 SKU/FTE metric reflects a well-optimized assortment content process, an organization may not be able to afford to scale its content team to match its assortment aspirations.

In a hyper-sized assortment, everything from product onboarding to content management must be assisted by automation. PIM systems can automate input product feeds from vendor partners and even provide a vendor extranet so that vendors can manage the initial stages of product onboarding, automated validation against company content standards, automatic normalization of important data such as color or unit of measure, and content enhancement by matching product information with syndicated content feeds. Automated workflow processes synchronize manual procedures and systematic updates to external systems so that your merchandised assortment is consumer-ready and sellable.

Lawson Products, a large B2B provider of industrial distributor of maintenance and repair supplies, also installed PIM in conjunction with re-platforming their B2B website. According to Jim Ryba, Lawson's Director Product Management, the company has an explicit Endless Aisle product strategy. They currently manage 480K SKUs, adding about 10K per month, working with 2,000 suppliers - many of which provide drop ship services. Jim believes that the PIM is enabling Lawson's growing assortment with minimal effort and that it would not be possible to scale the product team to match assortment aspirations without the automation and functionality of the PIM. Jim also said that Lawson believes the right sequence of PIM/ECP is to get product information right then address website technology.

Automated workflow processes synchronize manual procedures and systematic updates to external systems so that your merchandised assortment is consumer-ready and sellable.



The Systems Problem

Most retailers' automated systems have been built over a number of years and modified and patched as companies change strategy, make acquisitions, expand into new markets, and exit old ones. Legacy systems are intractable and hard to retire; point solutions are added to address a specific project or business problem, and each system needs its own data store in order to operate. ERP systems address this problem in an end-to-end manner, deploying a suite of applications over a common database, but they are expensive, complex and require months of commitment and priority from both businesses and IT. A PIM system offers a way to simplify the merchandising environment by consolidating product data from relevant production systems – and even departmental systems like Access – into a Single Source of Truth for product information. A PIM can hide the complexity of multiple systems, data stores, and interfaces, and provide a common management point for product information.

Before the implementation of their PIM solution, Lawson had multiple silos of data (some of which were discovered during PIM implementation). One of the goals of the PIM project was to replace these islands of product information with a single product information repository; as Jim put it, “a Single Source of Truth”. A single managed repository of accurate product information is important to Lawson, given, for instance, the customer publishing requirements identified by the company’s 850 salespeople that include catalogs, the B2B website, flyers and their ERP. In the future, Jim explains that Lawson plans to use its PIM to “publish” XML catalogs to customers’ internal procurement systems. Jim told us that the PIM has been “overwhelmingly adopted” by Lawson employees and is “viewed as an asset” rather than a G&A line item.

Murdoch’s Kitch Walker also emphasizes the company’s desire for a Single Source of Truth for product information. Murdoch’s maintains 112K SKUs, from 1500 suppliers, with 60K active depending on seasonality and other factors. A store manager can add a product to a store’s assortment, based on local needs. Assortment churn is about 15-20% per year. Siloing information based on application requirements creates inconsistency and errors and the centralization and automation of their PIM system has brought order and consistency to a complex and dynamic assortment. Ultimately, customers, employees and the company’s bottom line all benefit.

Richard Tawney, from Lumens, believes one of the reasons to start a PIM project before implementing a new ECP is because “it’s important to get the data architecture and content modeling right” before designing the front-end website, given the tight linkage between front-end navigation and browsing effectiveness and product data structures and taxonomies. Rich also notes the power of managing product information at the attribute level rather than sifting through the unstructured data that their legacy CMS supported.

Multiple Classifications

A PIM system will maintain your company’s base classification or taxonomy. However, there are a number of reasons why your base hierarchy may not be suitable. For example, you may want to add a virtual “Green” category to your website that highlights products made from recycled materials. Your largest B2B customer may require a specialized printed or PDF catalog for its internal users, classifying the product according to the customer’s standards – not those represented by your base classification. The customer may even want to use their own product identifiers rather than your standard nomenclature or they may want data included that is only available from a data pool on the GDSN. A PIM allows alternative classifications and assortments to be created for these special situations and allows these re-factored assortments to be published in a variety of ways: In design for printing, a website for eCommerce, a flat file feed to a customer, or an XML dataset for your customer’s internal procurement system.

All the companies FitForCommerce spoke with have a base taxonomy but have requirements for multiple classifications for publishing, whether to a website, a catalog, and an exported data feed or other output requirements.

FitForCommerce worked with one B2B supplier who will create a custom assortment, including a hierarchy, for any customer which can be represented in a printed catalog or a custom assortment on their B2B site or both. One of the reasons they are implementing a PIM is to streamline this process in which using their current legacy processes is straining under customer demands for this popular service.

Lawson Products, another B2B supplier, also creates custom printed and electronic catalogs for its larger B2B customers. In fact, they will source a non-standard, special order product upon customer request. According to Lawson's Jim Ryba, this is a common B2B service and Lawson is now managing these special orders within the PIM in order to track special order product history that will help to inform future decisions on whether to move a special order product into the standard assortment.

Also, Lumens has its own multiple taxonomy requirements. The breadth, variability and complexity of their assortment create a need to simplify classifications for certain categories so customers have an easier time finding – and buying – a product.

ROI Components

A PIM will likely require a significant investment of your company's financial and human resources. FitForCommerce has seen clients justify their PIM investment using some obvious (e.g., sales increase) and not-so-obvious metrics (e.g., reduction in non-revenue generating calls to the Contact Center).

Examples of ROI include the following:

Reduced returns due to better product content and attribute information

Web stores manifest the physical details of a product through product information and product content and a system which enables more seamless correlation of relevant product data, including attractive images, pertinent videos or product instructions provide the customer with more up-front information to judge the suitability of a purchase. Returns not only reduce revenue and customer satisfaction, they also generate transaction costs (e.g., Reverse Logistics, Inspection, Put-away, Appeasements, and Reshipping). Returns are costly and a reduction in them may, by itself, justify investment in a PIM.

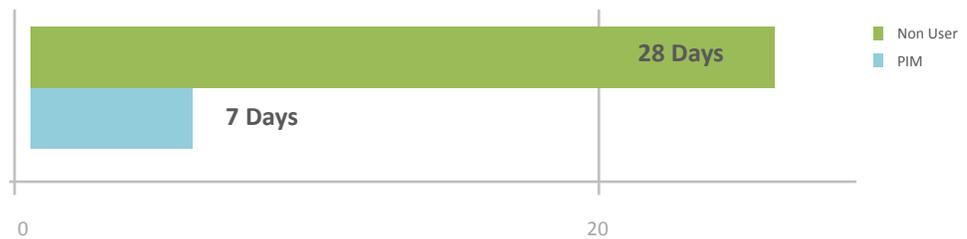
Reduced service calls to the contact center

The vast majority of Contact Center calls by customers who can purchase from a website are for production information or questions. Improving self-service product information that allows the customer to answer questions without resorting to a phone call or a chat session will reduce the service load on the contact center and provide for lower costs or allow agents to do more revenue generating tasks (e.g., Outbound Selling).

Reduction in cycle time for Product-To-Publication business processes

A PIM enables speed-to-market because it assists with automating and automatically managing the sometimes complex and error-prone manual Product-to-Publication workflows. Being able to market a new product four times faster than the competition has economic value that can be used in an ROI calculation.

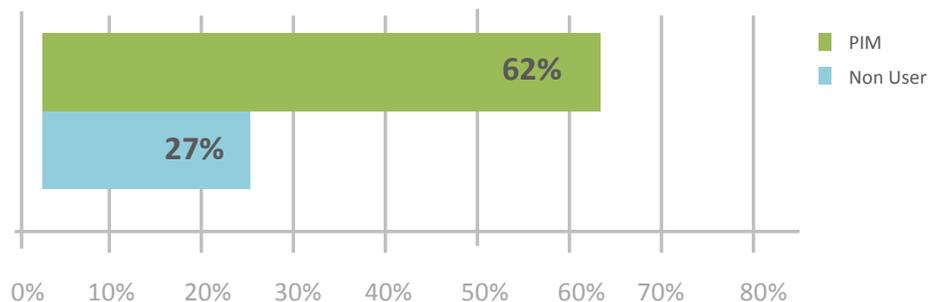
FASTER PRODUCT LAUNCHES

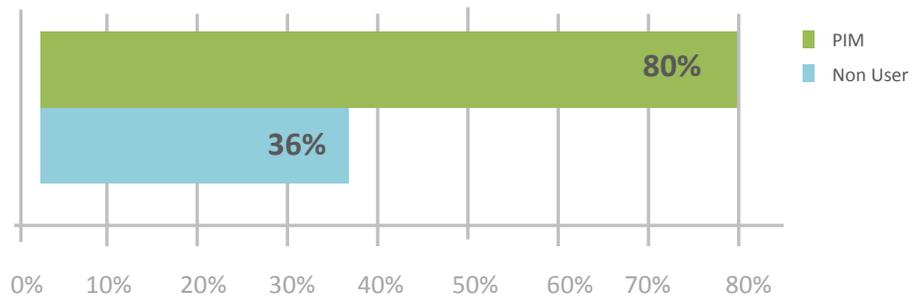


Increased sales and margins due to better product information and larger assortments

Today's consumer expects rich content that is associated in meaningful ways with product information, attributes and images. Websites that can meet these expectations experience higher conversion rates. Coupled with a long-tail strategy, using automation to effectively merchandise SKUs in the endless aisle, retailers have seen significant margin growth as well.

35% HIGHER ECOMMERCE CONVERSION RATES



44% HIGHER MARGINS WITH A LONG-TAIL STRATEGY**Other ROI Components**

Depending on your business model (e.g., B2C, B2B, Multichannel), the state of your IT infrastructure and applications, and the nature of your products, there are other interesting areas to search for returns:

- ∞ Reduced headcount to manage SKU onboarding
- ∞ Reduced time to publish recall or other compliance notices
- ∞ Retirement of multiple product management legacy systems
- ∞ Increased sales due to ability to respond to complex customers' data requirements

According to Gartner Research, Product Information Management (PIM) is a classification of software products that support the global identification, linking and synchronization of product information across heterogeneous data sources. PIM products reconcile product master data, create and manage a central database system of record, enable the delivery of a single product view of data and support data quality and compliance through monitoring and corrective-action techniques.

Conclusion

Consumer interaction between businesses and other consumers is changing on a daily basis. Most of these changes are occurring online; for example, there is Facebook, Twitter, and now Pinterest. What will be next? Businesses today have to rethink their eCommerce initiatives and come up with a strategy that connects both online and offline together - fast. As more sales channels are created, it gets harder to manage the data within them. Maintaining the data for multiple channels in a centralized place helps deploy these strategies more quickly and efficiently.



This white paper is made possible by the support of Heiler Software.

About Heiler Software: Turning Data into Business

Heiler Software is a leading provider of Enterprise Product Information Management (PIM) and Enterprise E-Procurement solutions. Heiler Software enables retailers, manufacturers, and distributors to manage all of their product data from a central data source for all communication channels and languages.

Heiler Software supports large, multinational companies in e-procurement. Our industry-independent catalog solution safeguards the automated, cost-saving procurement of products and services as well as their integration into the supply chain.

Worldwide, more than 300 corporate and SME companies rely on Heiler solutions. Customers include Saks Fifth Avenue, Coca Cola, General Motors, and PUMA. Heiler Software AG (WKN 542990) was founded in 1987. The company has its main offices in Stuttgart, Karlsruhe (Germany), Detroit, Michigan (USA), Toronto (Canada) and Sydney (Australia) and employs approximately 120 people. Heiler is listed on the Frankfurt stock exchange in the General Standard Segment.

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