

METRO Group Sold on Business Value of RFID and Networking Technology

Executive Summary

CUSTOMER NAME
METRO Group

INDUSTRY
Retail

CHALLENGE

- Simplify business processes
- Get more value from customer data
- Strengthen competitiveness in expanding global marketplace

SOLUTION

- NVO technology for “Future Store”
- Share information with suppliers, employees, business partners
- RFID, wireless LANs, and IP telephony

BUSINESS VALUE

- 30 percent more customers
- Increased customer satisfaction
- Improved productivity and efficiency

Headquartered in Germany, **METRO Group** was created in 1996 as the result of a merger of several retail companies. Based on its successful performance in Germany, the group expanded into foreign markets and today is the third-largest retailer in the world, reporting a turnover of EURO€56.4 billion during 2004. The company claims 2400 outlets in 30 countries and an employee base of 250,000. Besides retail supermarkets, METRO Group operates cash-and-carry stores, consumer electronics stores, and department stores.

Faced with increasingly complex and costly business processes as it expanded deeper into Europe and Asia, the company invited the **Cisco Systems® Internet Business Solutions Group (IBSG)** to sit on its Global Leadership Council and help implement a cutting-edge retail business strategy that relies on advanced network technologies and **radio-frequency identification (RFID)** to increase cost-efficiency and **customer satisfaction**.

In an effort to strengthen its competitiveness, derive more value from customer data, and simplify its business processes, the company implemented a new strategy called METRO Advanced Retailing, a global Innovation and Transformation Management Framework aimed at helping METRO Group become the world’s most successful **networked virtual organization** serving retail consumers.



Prepared by Cisco Systems, Inc.
Internet Business Solutions Group

The key components of Advanced Retailing are NET.CONNECT, an initiative that links METRO Group to suppliers in an environment of near-continuous interaction, and NET.WORKING, an employee portal that provides a seamless e-working environment. In 2003, the company also launched an innovative initiative called **Future Store Initiative**, guided by Cisco and several other technology and consumer packaged goods industry leaders.

“WE HAD TO FIND A WAY TO USE TECHNOLOGY TO GENERATE A SEAMLESS FLOW OF INFORMATION AND MERCHANDISE TO GUARANTEE THAT THE CUSTOMER WILL FIND THE RIGHT PRODUCT IN THE STORE AT THE RIGHT TIME AND THE RIGHT PLACE.”

Zygmunt Mierdorf, CIO, METRO Group

BUSINESS CHALLENGE

Zygmunt Mierdorf, METRO’s CIO, says the challenge faced by his company is managing the data from millions of daily customer transactions on a real-time basis. This requires the best information and networking technology in a business environment notorious for its low margins. “We have to be very cost-efficient,” he says.

Additionally, his company increasingly finds itself coming up against savvy competitors and smart customers looking for the best value. “That creates a lot of complexity in our business,” he says, “and to cope with it we have to standardize our business processes globally, we have to network our people together so they can run their businesses more efficiently, and we have to connect more closely with our business partners, suppliers, and service providers.”

Historically, METRO Group has kept its customer transaction data in data warehouses and functional silos for internal use, but Mierdorf notes that more value is generated by sharing information with suppliers, employees, and business partners in an interactive mode.

“We have to put more transparency in our business to enable our suppliers to react in real time to make sure we don’t run out of merchandise,” he says. “We had to find a way to use technology to generate a seamless flow of information and merchandise to guarantee that the customer will find the right product in the store at the right time and the right place.”

SOLUTION

The answer, according to Mierdorf, was to become “the world’s most successful networked virtual organization serving retail customers.” To help realize that vision, METRO Group began a collaboration with the Cisco Internet Business Solutions Group (IBSG). In fact, IBSG was invited to sit on the company’s Global Leadership Council, a group of executives from operations, business units, and cross-functional organizations within the enterprise who meet quarterly to create a common vision about what it means to be a networked virtual company. “We have IBSG members participating on a regular basis, acting as a sounding board and helping us develop the best strategies for transforming our company into a networked virtual organization,” Mierdorf says.

Tomorrow's store ... now

METRO's "Future Store" is a shining example of how an enterprise can apply an NVO technology architecture to transform an industry, in this case the retail industry. Gerd Wolfram, managing director of METRO Group Information Technology, says "Future Store" is all about process innovation. In one store in Rheinburg, Germany, METRO Group brought together leading-edge technology, including personal shopping assistants for customers, smart shelves, and information kiosks, in a grand pilot program to test their viability in a real-life retail setting.

Personal shopping assistants, tablet PCs mounted on shopping trolleys, help guide customers through the shopping process, enabling them to receive personalized promotions while shopping, utilize forwarded shopping lists from their home computers, scan products for pricing, and quickly locate chosen products in the store. Smart shelves utilize RFID, [wireless local-area networks \(WLANs\)](#), and [IP phones](#) to automatically track inventory and notify store personnel when items need to be restocked. Information kiosks offer customers in-depth facts about products with the touch of a screen.

"THE TECHNOLOGY CISCO BRINGS US IS VERY INNOVATIVE, VERY ROBUST. WE ALSO HAVE TRUSTED CISCO ADVISORS—IBSG—WHO HELP US IN THE PLANNING AND ROLLOUT."

Gerd Wolfram, Managing Director of METRO Group Information Technology

"With those new technologies," says Wolfram, "we have been able to establish better and closer relationships with customers. It's very interactive. They come more often and spend more money in the store. Normally 2500 to 3000 customers visit a store daily. With the opening of "Future Store," the number of customers has increased by 30 percent."

Based on the success of "Future Store," METRO Group rolled out similar technologies to more than 20 of its stores in late 2004. "It improves business," according to Wolfram, "and makes communication more convenient for our employees and our customers. Staff now is able to react faster to customer needs. It was all done very seamlessly with the help of Cisco technology."

BUSINESS VALUE

"Customers vote with their feet," says Hans-Joachim Körber, president and CEO of METRO Group. Networking technology has helped his company become a learning organization, he says, one that uses transaction data to become more interactive with customers. "We really try to monitor our customer base to follow their buying patterns so that we can make more specific offers to customers. We are working very hard on data mining to be more competitive and, at the end of the day, to make our customers happier." At the same time, Körber adds, networking technology offers the promise of improving [employee productivity](#) by allowing them to spend more time with customers.

METRO Group's foray into networking technology also has benefited the store's supply chains. Mierdorf says that, "Historically, we had people sending information to suppliers who added their information and changed the sales forecast a little. The process went back and forth until we came up with a joint forecast. Now we link people together so they can work with all the available information at the same time and come up with a result much faster and with much better quality and efficiency."

Convenience And Customer Satisfaction

At the “Future Store” in particular, the business value of an NVO technology architecture has been undeniable. “We have 30 percent more customers,” according to Wolfram. “Those new customers generate improved sales in the double-digit range. People using the technology like it. We offer them a more convenient atmosphere, so they spend more money than before.”

“What we see in the future,” says Wolfram, “is that IT becomes more and more strategic for our business. It creates simpler and more efficient processes, and creates more competitiveness. In the end, we have a better relationship with our customers, and that’s what the future of retail is all about.”

MORE INFORMATION

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