Moving from the Tactical to the Strategic Use of Technology

Bob Loeffler

I.T. as Strategy

- Architecture and Infrastructure
- Planning
- E-commerce
- Knowledge Management

Architecture Hardware and Software

- Open
- Extendable
- Time Left in Life-Cycle
- Popular
- Reasonably Priced

Architecture Objectives

- Avoid "Noah's Ark"-I-Tecture
- Simplicity
- Power
- Speed

I. T. Planning

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Bob Loeffler is chief information officer and president, H.E Butt Grocery Company, Pantry and Dallas Divisions.
E-Commerce

- With Employees
- With Suppliers
- With Customers

Employee Communications

- New Product Notice/Set of Instructions
- Pick of the Week/Items to Push
- Employee Discount Programs
- Digital Video Segments
- Polls and Surveys

Self-Service

- Electronic Net Check Advice
- Online Expense Reporting
- W2 Info, W4 Data Change
- Vacation/Sick Information
- Flex Account Balances
- Job Postings and Self-Nomination
- Open Enrollment
- Address/Personal Information Change
- Savings Plan Transactions
- Credit Union Transactions
Training

- CBT Courses Delivered Via Internet
  - PC Basics
  - PeopleSoft Web Interface
- CBT Courses Delivered Via In-Store Machine
  - Retail Basics—Making More Cents
  - Produce Test
  - ACR Training Modules
  - Alcohol Sellers Training
  - Orientation Modules

Key Constraints

- Web Access at the Store Level
- Network Infrastructure
- Effectiveness and “Freshness” of Presentation to Create Excitement
- Capital Needed to Get and Keep Necessary Technology
- ISPM Partner Skill Sets to Develop Solutions in New Web-Based World

Reporting

- Plan-O-Gram Changes, Cut-In Instructions
- DSS Report Access
- Daily/Weekly Sales Reporting
- Budgeting/Reporting
- Publish/Subscribe Setup for Reports
  You Are Authorized to See
- Knowledge Management

E-Commerce With Suppliers

- Shortcomings of Electronic Data Interchange
- Tactical Use of Internet With Suppliers
- Industry Strategic Use of Internet With Suppliers
E-Commerce With Customer Competition

- Webvan.com
  - High Talent Management
  - More Than $1 Billion in Investment Capital
  - Logistics Specialists—High Automation
  - Aggressive Deployment Schedule
  - Dallas Market Entry Next Year

- Peapod.com
  - 10 Years of Experience
  - Limited Capital for Growth
  - Unprofitable Model in Texas
  - Moving Toward Centralized Distribution

- Albertsons.com
  - Home Delivery of Non-perishables in Texas
  - UPS for Statewide Distribution
  - Currently Testing in Dallas

- Others

- HEB.com??? Or Not????
Mission (Cynical Version)

- Take the Hassle Out of Shopping!
  - Let people who absolutely have a miserable time shopping at our stores
    get out as quickly as possible or not go at all.

Digital Strategy: The Real Opportunity

- Create a New Channel of Distribution
  - Store Pickup
  - Home Delivery
  - Mail Delivery

- Support Our Existing Infrastructure
  - "Pre-shopping" Tools
  - Brand-building
  - Kiosks
  - Community

- Both—"Clicks and Mortar"

Long-Term Planning and Analysis

- Research Full E-Commerce
  - What kind of fulfillment system do we employ?
  - What do we outsource?
  - Should we host the architecture?
  - Can we extend our brand by selling additional categories?
  - One-to-One Marketing—How do we capture and leverage customer data?
  - Central Market, Pantry, Mexico?

- Should we create an "HEB.com" organization?

In the Meantime . . .

- Customers are screaming for coupons!!

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SAVE.COM
- Pharmacy is going live.
  - Online Rx Refills
  - Product Information
  - New Rx Requests

Fact-Based Decision-Making (Knowledge Management at H-E-B)

- A Paradigm Shift

**Current State**

- Barriers Preclude Use of Facts
- Action in the Absence of Knowledge
- No Measurement of Decision Impact

**Future State**

- Barriers to Facts Are Low
- Action Based on Facts
- Measurement Leads to Improvement

- Functional Infrastructure Model

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<thead>
<tr>
<th>Function</th>
<th>Extracting data from OLTP system sources, preparing it, and loading it to the target system</th>
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</table>
| Key Issues | Scale to data volume and load constraints  
Data capture from legacy systems  
Meta data capture and maintenance |
| Hardware | Architectured and database modeled for consistent use across the enterprise |
| Intuitive reporting and data access easily maintained and modified as needs change |
| Ease of use for ALL user classes  
Ease of deployment (Web Deployable)  
Relational versus multi-dimensional |
- Implementation Model

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<thead>
<tr>
<th>Activity</th>
<th>High-level business process mapping and requirements gathering</th>
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<tbody>
<tr>
<td></td>
<td>Create business data flow and decision-making model</td>
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<td></td>
<td>Benchmark requirements and model against leading firms, both inside and outside industry</td>
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<tr>
<th>Key Issues</th>
<th>Capture both strategic vision of business unit leaders and tactical needs of operational managers</th>
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<td>Model data to cross function boundaries by examining points of integration and by using lowest level of relevant data</td>
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<td>Look for new applications of techniques and/or technologies proven in other firms and/or industries</td>
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- Define and Prioritize Work

- Segment decision model into 3–6 month projects
- Quantify both value to the organization and difficulty of implementation
- Difficulty of remaining projects should decrease and value should increase

![Graph showing Business Value Index vs. Difficulty Index]

- Five Key Success Factors

1. Senior Executive-Level Sponsorship
   *(Must have significant cross-functional responsibility.)*

2. Projects Driven by Business Needs, Not IS
   *(Don’t assume that if you build it, they will come.)*
(3) Front-Loaded Planning to Ensure Data Accuracy, Integrity, and Cross-Functional Integration
(Design quality in rather than to inspect defects out.)

(4) Access Tools Must Be Easy and Functional
(Stride for a 10X increase in ability to assimilate data.)

(5) Deliver Real Business Benefit Early
(One Meal at a Time. Don't Try to Cure World Hunger.)

I.T. as Strategy

- Led by Senior Management
  - May need NERD program!
  - I.T. must be topic of discussion at every meeting

- Requires MONEY!
  - "Rolling Thunder," not the "Big Bang"
  - Generate savings to pay for next moves

- Will Determine the Winners and Losers by 2010