



# Shell Delivers the New Face of Fuel Retailing with Business Objects

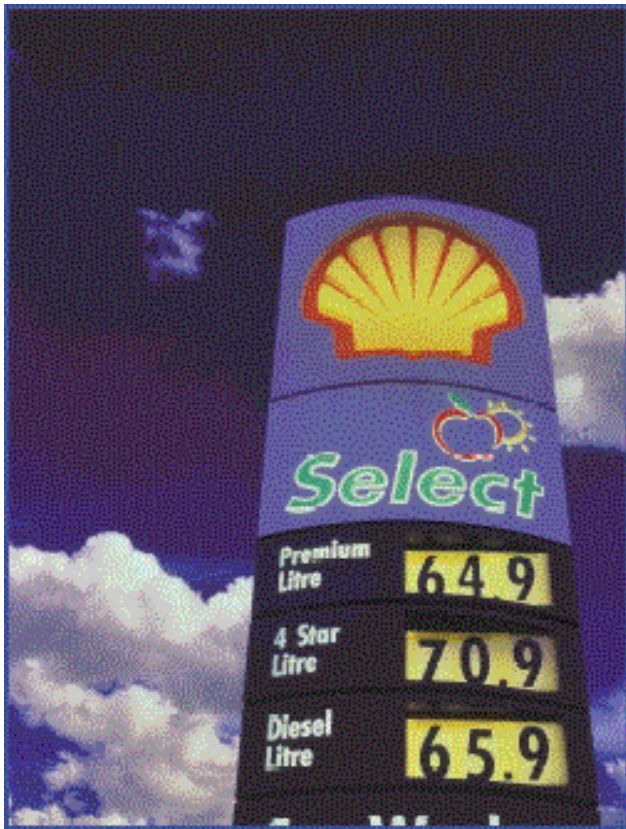
To address the growing competition for retail fuel sales globally, Shell International has embarked upon the development of Category Management Business Solution (CMBS) based on the category management solution from JDA, Shell Services International's Kalido data warehouse and BusinessObjects. CMBS is enabling Shell to refine its product offering, improve its brand and enhance customer relationships with targeted promotions.

## Leveraging Customer Interactions

As companies expand into non traditional markets, the barriers between retailers are blurring, creating and exploiting new market dynamics. In the UK, the supermarket chains have managed to attain around six percent of the fuel market since they moved into this sector a few years ago. This has led the fuel retailers to address their sales of non-fuel products. Sales of these products have increased over recent years and, since they offer higher profit potential than fuel, there is a clear demand to maximise these sales.

The Oil business within Shell International is one of its five key divisions. With a retail network of almost 50,000 outlets stretching across 125 countries, the business has annual sales of \$100 billion. The development of CMBS started in 1996 with a clear vision, explains Norman King, Programme Manager for CMBS. "By managing the retail business in a more disciplined fashion, Shell can leverage the huge number of daily customer visits," he says. "To achieve this, Shell needs to create a retail mindset. In practice this means instituting the right retailer agreements, building the retail network and developing the retail brand."

## Addressing the Challenge



This developing retail mindset has to be underpinned by rapid access to accurate, relevant information that can drive supplier negotiations, product profile and promotional activity. The Open DataBase Merchandising System™ (ODBMS®) category management application from JDA, while delivering the core category management functionality had two key weaknesses. Edwin Alford, Global Implementation Manager for CMBS explains, "The category managers need transaction level sales information to support, for example, basket level analysis. ODBMS only supports reporting on summary level data and the reporting functionality was not adequate to meet the diverse needs of the category managers." He adds, "We had to investigate other ways of using ODBMS – and so looked for a data warehouse and reporting tool."

Kalido, developed by Shell Services International (SSI) and based on Oracle with close integration to BusinessObjects was the chosen data warehouse platform. Kalido is a packaged, generic data warehouse that has the flexibility to evolve in line with business needs.

"Kalido was exactly what we needed," says Alford. "It can store transaction level information and BusinessObjects provides the flexibility to meet the needs of the category management business."

## Delivering Business Information

Category Management Business Solution (CMBS) has now been rolled out across seven countries, including Germany, UK and

Netherlands, polling information from 2,500 sites, with 100 head office users. Indeed, the company believes its data warehouse in Germany is one of the world's largest NT based data warehouses, holding 350 Gb of data, with up to 15 million records loaded daily.

Point of Sale (POS) data is captured and polled daily to a central directory where it is validated and then loaded into Kalido and, aggregated, into ODBMS. Category Managers use BusinessObjects to access both ODBMS and Kalido data.

## **BusinessObjects**

There are a wide range of user requirements. While some need the summary level data within ODBMS, others are keen to use BusinessObjects ad hoc functionality against Kalido's transaction level data. Alford explains, "One of the reasons we like BusinessObjects is the ability to present users with a graph as the front of their report. Depending on their information needs, users can take the graph and use the drill down and slice and dice functionality, without restructuring the query.

Standard reports answer queries on sales performance, market performance and the breakdown of revenues and profit between fuel and non-fuel business. Alford adds, "With Kalido and BusinessObjects we have one solution to support the diverse needs of the category managers within Shell." Such needs span high level information, such as the total tobacco sales across the retail network – to refined ad hoc queries, such as "what is the impact of removing tobacco from all sales?".

Indeed, while the category managers have a full suite of reports available to them, in practice they tend to use the ad hoc functionality of BusinessObjects. "They find it very easy to take the standard reports and create ad hoc queries," he says.

## **BusinessObjects Set Analyzer supports Promotions Evaluation**

In addition CMBS now includes BusinessObjects Set Analyzer. Using a unique process called set-based analysis, Set Analyzer enables users to perform highly sophisticated queries and analyse very large and complex data stores. A 'set' is a customised grouping of specific customer, product or transactional data.

King explains, "We needed a tool to support promotions evaluation. Set Analyzer is a cost effective tool for critical evaluations of promotions." Indeed, Shell has gained significant insight into its promotions as a result. We have been able to demonstrate the profitability of specific promotions by interrogating the data appropriately. This information has often surprised the operating company," he says.

## **Quantifying Business Benefits**

This is just one of the many benefits that Shell has gained from the implementation of Category Management Business Solution (CMBS). One tangible benefit has been the ability to sell data to suppliers. "With the granularity of data that sits within Kalido, certain operating companies are now selling data to suppliers for significant amounts of money," says King.

The information is also enabling Shell to address the key retail issues associated with improved brand management, improved profit margin and enhanced promotional understanding. Recent analysis of implementations in both Netherlands and Germany has revealed significant benefits in margin and turnover improvement, better deals with suppliers and improved product master file management, which reduces working capital.

"The 80:20 rule applies: 20 percent of products deliver 80 percent of sales. With this information, Shell can clearly identify which products are not selling; categories can be refined and products that do not sell, or take up too much stock room can be removed from the list. Category managers are now managing fewer products and retail sites have less stock to worry about," says Alford.

Supplier negotiations have been transformed by the availability of data. "With this information category managers can now undertake fact-based negotiation with suppliers which has resulted in some significant changes to pricing structures," says King. Improved supplier negotiations include tiered rebates based on sales achieved over a specified amount. Normally suppliers budget substantial amounts of money for paying these rebates, but rely on retailers to invoice them. Without this information, retailers do not have the information to invoice for such rebates.

## **Improving the brand**

Promotions are a fundamental part of the whole retail package and are key to delivering customer benefit and enhancing brand value. Category Management Business Solution (CMBS) enables promotions managers to rapidly identify the success – or otherwise – of a promotion, rather than relying on supplier feedback some three months after the campaign has ended. With Key Performance Indicators built into a promotion, Shell can ensure each promotion is profitable: if not, the supplier has to remove the stock and promotional activity from the retail outlets.

According to King, the ability to analyse this key sales information has enhanced the sophistication of the retail business, leading to

significant up-skilling across category management. "As a result, we are seeing increasingly sophisticated use of CMBS, which will include significant basket analysis in the future," he says. For example, in one country laws on cigarettes are changing which may mean cigarettes can only be purchased from tobacco shops. "Basket analysis will allow category managers to assess the impact of removing cigarette sales from Shell outlets, and to plan how to maintain the sales of associated products."

Additionally, Shell has embraced the retail approach to trialling and implementing rapid changes based on key information. Recent wins include a trial sale of videos – one Highway store sold 110 in one day, resulting in a general roll out of videos to similarly located stores; and the development of own brand goods such as ice cream in the Netherlands which is likely to be extended to other countries.

## Global roll-out

Shell is in the process of rolling Category Management Business Solution (CMBS) to other operating countries globally, with potentially another 2,500 outlets and 100 users to be added in 2000. "The business case for adopting CMBS is very strong," says King. "Countries that have begun to use CMBS have paid back implementation costs within a year."

Critically, as the only forecourt retailer with accurate sales information, Shell is now viewed as a competitor to the supermarket chains rather than other fuel retailers. "This is a significant and dramatic change," says Alford.

King concludes, "The only way to improve sales is to encourage customers through the door. With good supplier negotiations leading to better prices for the customer and a well targeted range of goods and store designs creating strong brand image, Shell is improving customer satisfaction and exploiting the potential of its non-fuel retail business."

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Sarah A. Blanchard, Business Objects Account Executive, Eastwick Communications, 1735 Technology Drive, Suite 430, San Jose, CA 95110, gave permission to use this case study at DSSResources.COM on Tuesday, August 21, 2001. A PDF version was posted at [http://businessobjects.com/global/pdf/customers/CASE\\_STUDY\\_SHELL.pdf](http://businessobjects.com/global/pdf/customers/CASE_STUDY_SHELL.pdf). For more information check <http://businessobjects.com/>. Founded in 1990, Business Objects has over 13,100 customers in more than 80 countries. You can also check the JDA Software Group, Inc. web site <http://www.jda.com>. Founded in 1985, JDA is headquartered in Scottsdale, Arizona and employs more than 1,100 associates operating from 29 offices in major cities throughout North America, South America, Europe, Asia and Australia. This case was posted at DSSResources.COM on September 2, 2001.

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