

# Moving from the Tactical to the Strategic Use of Technology

Bob Loeffler

## I.T. as Strategy

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

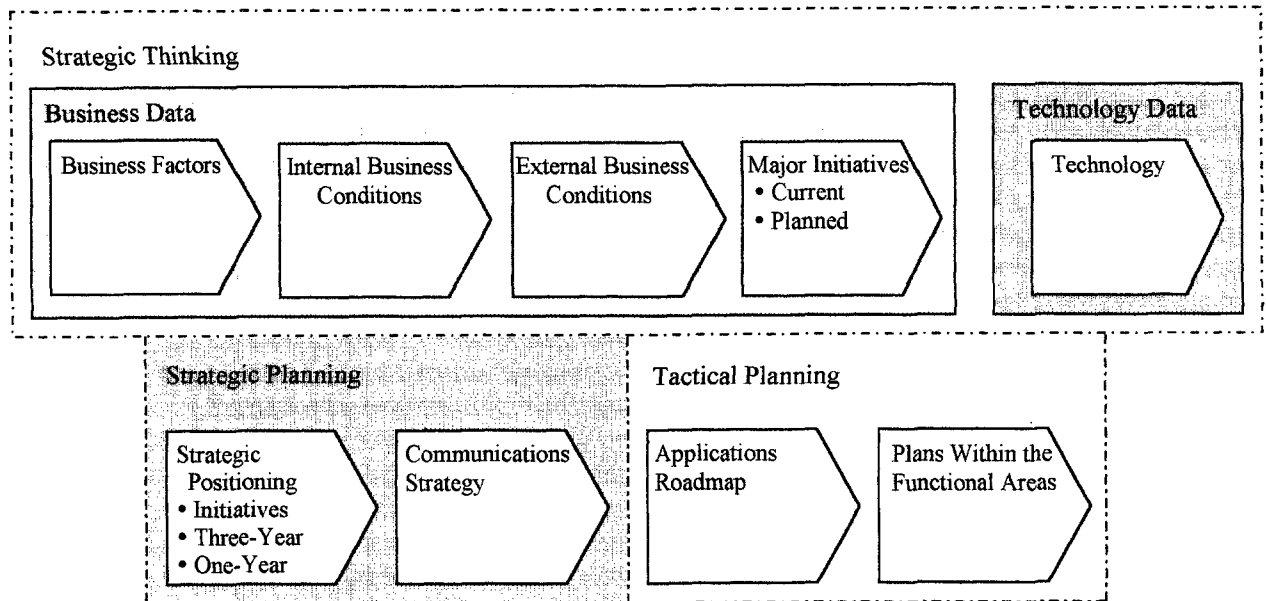
## Architecture Hardware and Software

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

## Architecture Objectives

- Avoid “Noah’s Ark”-I-Tecture
- Simplicity
- Power
- Speed

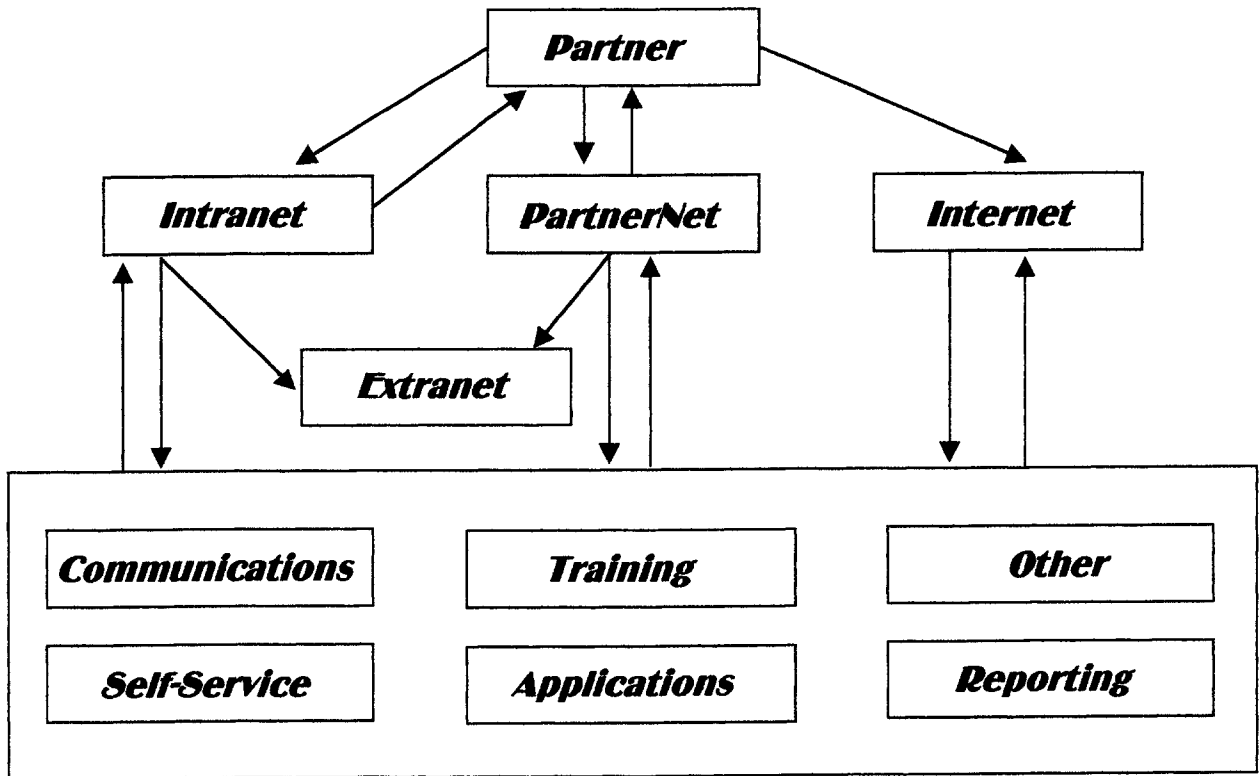
## I. T. Planning



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**

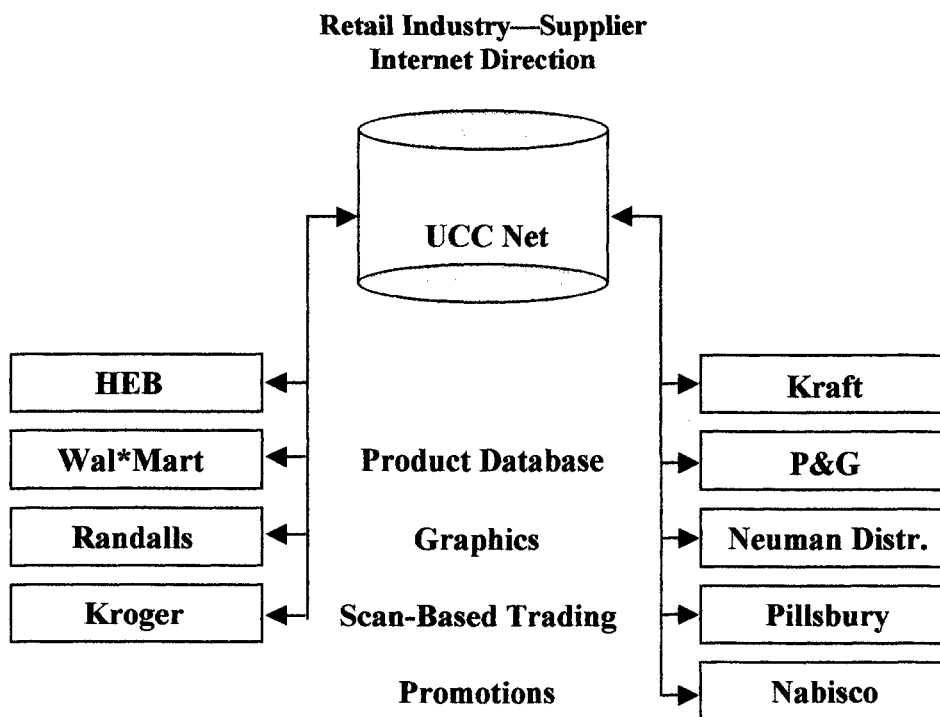
- Web Access at the Store Level
- Network Infrastructure
- Effectiveness and “Freshness” of Presentation to Create Excitement
- Capital Needed to Get and Keep Necessary Technology
- ISPM Partner Skill Sets to Develop Solutions in New Web-Based World

**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**

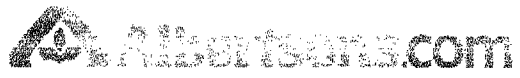
- Webvan.com
  - High Talent Management
  - More Than \$1 Billion in Investment Capital
  - Logistics Specialists—High Automation
  - Aggressive Deployment Schedule
  - Dallas Market Entry Next Year



- 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

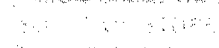
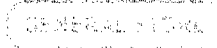


Why isn't all shopping like this?

- Others



HomeGrocer.com NO LINES. NO CARTS. NO FASSEL.



streamline.

- HEB.Com???? Or Not????



**Let's Shop Online**

Experience the convenience of shopping on the web.

Come visit the following sites:

**E-Retailing Mission (Warm & Fuzzy)**

- Leverage Web Technology to Make Shopping Easier
- Provide Customers Easy Access to Information That Will Assist in Purchasing Decisions
- Provide Customers With a More Convenient Shopping Experience

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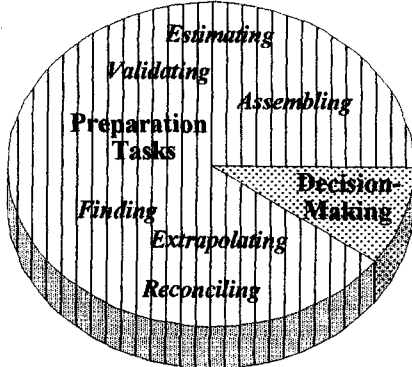
- Pharmacy is going live.
  - Online Rx Refills
  - Product Information
  - New Rx Requests



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

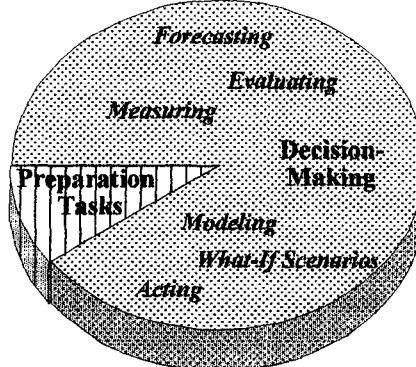
- A Paradigm Shift

**Current State**



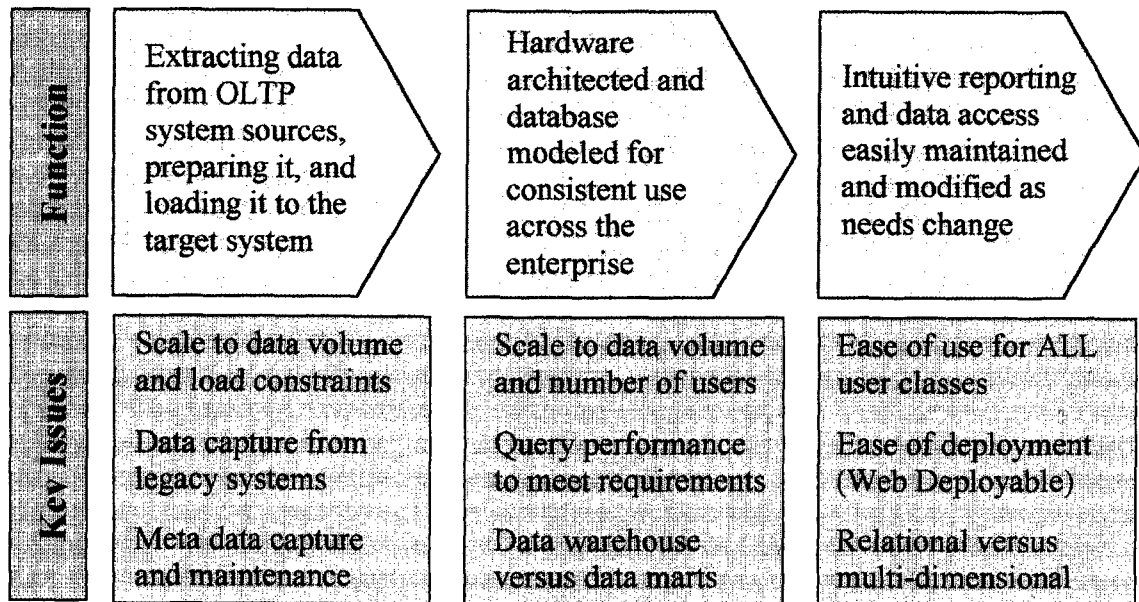
- Barriers Preclude Use of Facts
- Action in the Absence of Knowledge
- No Measurement of Decision Impact

**Future State**

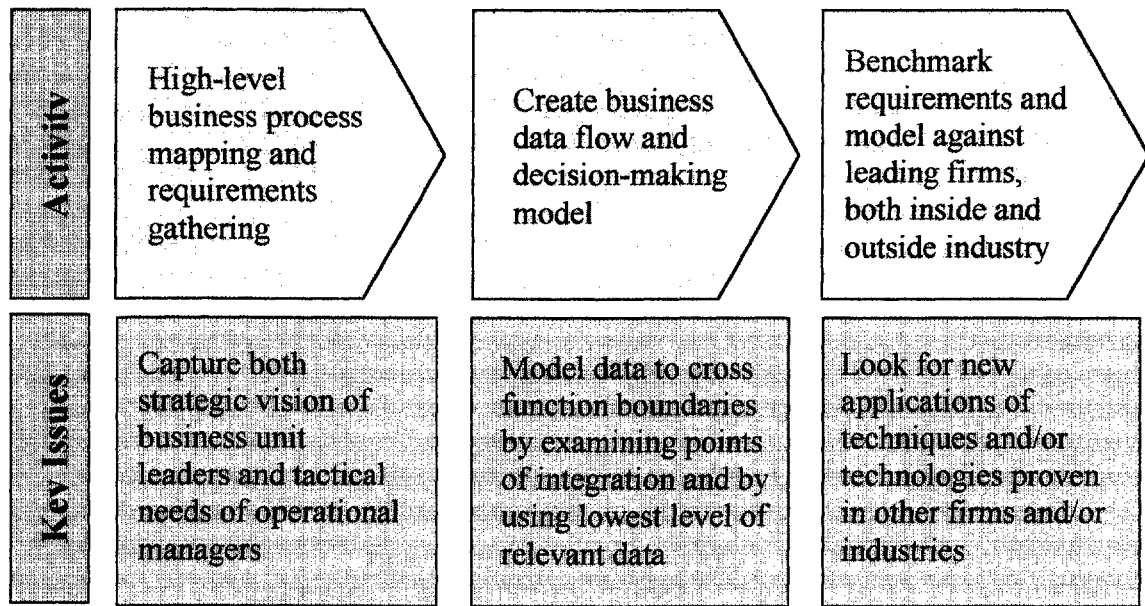


- Barriers to Facts Are Low
- Action Based on Facts
- Measurement Leads to Improvement

- Functional Infrastructure Model

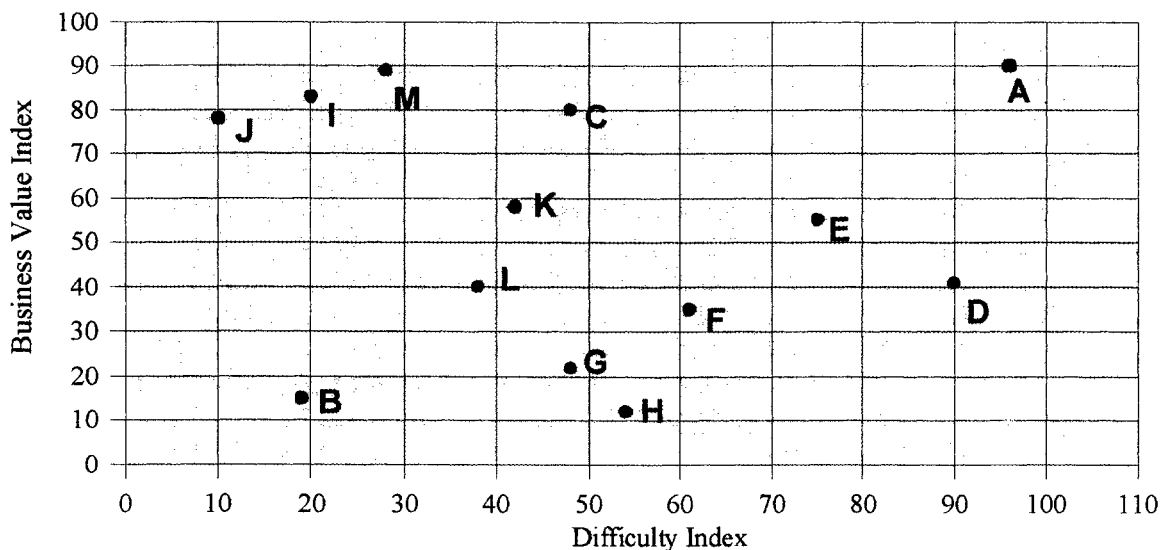


• Implementation Model



• 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



• 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  
*(Strive 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