



Multichannel Marketing Drives Demand for Integrated Product Data

BY KARLENE LUKOVITZ

For multichannel retailers, the ability to manage product information across sales channels, suppliers and internal users has become a make-or-break in competing effectively, driving sales, improving retention, streamlining operational costs and, ultimately, profitability.

Ecommerce has spurred many to significantly expand product assortments, SKUs and suppliers. At the same time, many are leveraging Internet capabilities to target prospect segments with more vertical, customized offerings—particularly higher margin products (the “long-tail” opportunity).

But these marketing opportunities come with challenges. More suppliers, more SKUs—and the more robust, accurate information and timely fulfillment needed to convert and retain ever more demanding online consumers. It all makes non-automated, unintegrated methods of capturing, maintaining/updating and sharing product information increasingly problematic.

The core problem: Historically, product information has been housed in various systems that weren’t designed to share master data, even for the same product or supplier, points out Daniel Fisla, a master

data management (MDM) consultant with Adastra Corp., a provider-independent consultancy specializing in creating business solutions for medium- to large-size global companies. Further, data collection, rather than enterprise-wide data quality, has been the focus.

Typically, various types of user-specific product data are dispersed across internal systems and departments—in varying formats that thwart efficient sharing. These may include enterprise resource management (ERP), customer relationship management (CRM) and product life-cycle



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management (PLM) systems, as well as the frequently separate catalog and web production functions (content management or CMS systems), physical stores, buying/merchandising, marketing/sales, inventory and warehouse/fulfillment.

Over the past decade or so, this has resulted in a constellation of “pain points” for merchants. These start with mounting costs associated with inefficient, redundant processes. But it’s the huge potential for lost sales/revenue opportunities, particularly in ecommerce, that tends to galvanize retailers to seek out better solutions for managing product information.

By the early- to mid-2000s, a growing number of solution providers had begun developing product information management (PIM) solutions designed to address multichannel retailers’ specific needs.

PIM refers to technologies and processes that enable a single repository of product information, starting with automated information collection from suppliers and other feeds (plus information added by retailers themselves). This information can then be automatically synched and updated/maintained within the central hub, and distributed across the organization and back out to suppliers/partners as needed.

Bottom line: By providing “a single version of product truth,” the right PIM solution should enable a merchant to deal with the volume/complexity of product information needed for daily operations and strategic marketing. It should fill in capability gaps resulting from much of this information being housed in existing systems that weren’t designed to handle com-

plex product data and workflows.

“Retailers sometimes think they need a CMS, when in fact they need a PIM,” observes Tim Toews, senior consultant with provider-independent solutions consultancy FitForCommerce. “If you have time-to-market challenges, insufficient product-attribute information for consumers, or fulfillment problems, a PIM can help address those.”

Potential Marketing, Cost Benefits

While the actual benefits/results of implementing a PIM solution vary by company, these are the benefits most cited by consultants, users and providers:

***Enhanced operational efficiencies:** The near perfect accuracy and consistency of product data updated in near real-time minimizes costly errors—such as pricing or product-attribute errors that can make their way into online stores, and marketing of out-of-stock items. (For example, if an ERP is handling inventory management, interfacing it with a PIM enables the retailer to communicate accurate inventory status to all marketing channels.)

Minimizing redundant internal processes and enabling efficient sharing of consistent product data should allow for reallocating staff/staff time within various departments to more productive, marketing/sales-enhancing activities. It should also facilitate more productive, strategic internal collaboration.

Benefits can extend all the way through to the warehouse. For ex-

ample, access to accurate product dimension/weight data can assist inventory space management and shipping-cost calculations. Accurate, consistent product information also helps streamline and improve the accuracy of invoicing, strategic business planning and financial reporting.

***Reduced time-to-market:** All retailers are pushing to get new or enhanced products into their marketing channels/vehicles as quickly as possible—not only online, but for seasonally-oriented and “micro” print catalogs and other promotions.

PIM should eliminate most or all manual, redundant product information onboarding/inputting for buyers/merchandising by integrating suppliers’ varying formats and inputs (electronic feeds/exchanges, as well as spreadsheet/flat-file supplier information) into the retailer’s system.

In production as well, automated syndication of the latest, accurate product data to the CMS should eliminate manual inputting, corrections and updating of product data. That helps minimize the proofing/corrections cycles required for print, and enables delivery of ecommerce-ready content to digital channels.

Streamlined workflows translate to faster time-to-market for new catalogs, new product introductions (NPIs) and merchandising strategies across channels. Experts say that the time between when a new product is onboarded into the system and when it’s transaction-ready for various channels frequently drops by 40% to 80%.





One large merchant that realized an 80% reduction saw NPI time-to-market drop from two weeks to two days.

***Assortment growth:** Commercial PIMs are scalable—capable of managing many millions of SKUs—and providers are developing solution iterations that manage ever larger numbers of SKUs, with more associated product attributes.

In ecommerce, in particular, this means the ability to market exponentially larger numbers of products (to leverage specialized/long-tail and international opportunities, for example). One merchant, for instance, doubled its SKUs from 800,000 to 1.6 million; another increased its annual NPIs by 300%.

***Enhanced cross-selling/upselling and marketing analysis:** PIMs also handle large numbers of complex product data groupings/relationship associations, enabling enhanced cross-selling/upselling in ecommerce and other channels. Once cross- or upselling rules are established (these can be adjusted/expanded), they are syndicated across channels.

Another benefit for cross-/upsells and sales in general: Call-center CSRs no longer have to consult multiple systems to answer customers' product questions and suggest relevant (in-stock) additional purchases.

PIM solutions generally don't link to customer transactional data such as credit card information—and thus don't generate real-time analytics for marketing, or demand forecasts. But they do capture by-customer relationships with products (specific product purchased, price). That information can be fed into systems that analyze merchandising/pricing/offers and help guide buying and marketing decisions.

***Data globalization:** Enhanced ecommerce marketing by country and within-country segments, through automated translation of pricing/currencies and product metrics. Another, emerging capability: one-click copy translation via inte-

gration with third-party automated translation engines.

***Brand consistency:** Enhanced ability to ensure that a retailer's brand—and the product brands it offers—are consistently presented across all channels.

***Data consolidation in M&A's:** Ability to expediently integrate an acquired company's or brand's product information into the acquirer's systems/processes.

***Media assets management:** In ecommerce, enhanced, up-to-date media assets translate to sales. PIMs can manage/update images and video/multimedia assets for feeding into the CMS and syndicating to ecommerce and other functions/departments. Emerging capabilities also enable manipulation of media assets within the PIM, if desired. These may include auto-generation of watermarks and images of specific resolutions and sizes, and one-click color swatching/changes.

***Additional functionality/collaboration with vendors:** Automated product data onboarding and vendor self-service yield operational benefits and channel insights for vendors, as well as retailers. This should enable more time for (better informed) collaboration between the partners. In addition, some newer PIM solution iterations offer portal capabilities that include social media tools where retailer and vendor staff can post comments and share information.

***Enhanced online discovery:** Search is ever more crucial in driving ecommerce—and increasingly, consumers are searching by a variety of product attributes. The more accurate your product data, the more likely consumers are to find and purchase the product on your site.

***Leveraging consumer insights:** Some PIM/MDM solutions can now capture feedback from customers/prospects. This can be used to help analyze the demand for and pros/cons of specific products, to hone product offers/presentations, and to make marketing decisions.

When Does It Make Sense to Invest in a Commercial PIM Solution?

As is always true with IT solutions, there is no simple answer to this question. Size, in some respects, does matter. But there are also other key factors involved in determining whether a commercially marketed, on-premise enterprise PIM solution is a viable investment for a given company. Moreover, on-premise enterprise solutions are not the only provider-based option.

To date, adopting licensed, on-premise enterprise PIMs has been most common among large (\$500 million and over in annual sales) and medium-size (\$250 million to \$500 million) multichannel merchants. However, consultants cite a growing number of cases in which companies with between \$50 million and \$250 million in annual sales have been able to cost-justify an on-premise enterprise PIM.

Beyond annual sales, the other key factors determining the ROI for investing in a commercial PIM solution (whether on-premise enterprise or other) include the following:

***SKU count and assortment diversity:** 1 million or more SKUs demand sophisticated PIM capabilities. (Some PIM solutions can scale to 50 million or more SKUs to accommodate companies with wide product-category assortments/large SKU numbers, such as department store chains.) SKUs of 250,000 to 1 million are considered to be in the medium range, and those under 250,000 in the smaller range.

***Product complexity:** Even if they fall into the mid- to smaller-ranges in terms of SKU counts, some merchants (e.g., electronics, fashion, automotive parts/accessories) are marketing products with complex attributes that require providing consumers with far more than typical SKU information.

***Relationships between SKUs:** The more relationships there are between products/product categories, and the more complex these are, the more a PIM solution pays off. For example, product relationships



need to be intelligently defined and linked in order to effectively market and cross-sell/upsell apparel and accessories, or compatible electronics systems/enhancements.

***Number of channels:** The more channels, the more marketing and operational benefits realized from syndication of accurate, consistent product data across those channels.

***Process complexity and go-to-market demands:** The more pressure to minimize go-to-market time (due to market competition and/or contractual obligations with vendors)—and the more departments/staff involved in getting NPIs and marketing efforts to the transaction-ready stage across channels—the more a PIM pays off.

***Number of vendors/onboarding complexity:** The larger the number of vendors and the more onboarding formats/channels being used, the more benefits from PIM. PIMs can also facilitate drop-shipment, and rationalize differing/conflicting information on the same product as provided by multiple vendor sources.

***Globalization:** International e-commerce exponentially increases product information system/management demands. Automated currency and product metrics conversion, and copy/language translation, should slash staff coordination time and

other costs, and enable quicker time-to-market and a better consumer experience.

“Plug-In” Enterprise and “On-Demand” Solutions

PIM solution providers are offering an increasing number of prebuilt “plug-in” solutions for integrating a PIM solution on an on-premise, enterprise basis with existing systems. These are designed to be faster, less costly alternatives to traditional customized integrations. However, consultants caution that all PIM tools must be customized/tailored, to some degree, to each unique business/technology scenario. (“Plug-and-play” should not be taken too literally.)

In addition, some solution providers offer “on-demand” or cloud-based/SaaS solutions. These are designed for companies that don’t want to invest in the IT staff/expertise to support ongoing maintenance/ updating of the complex relationships between a PIM and other systems in a company, and/or want a faster, more “turnkey” PIM solution.

With on-demand, the solution provider sets up the hardware, software and network infrastructure needed, works with the user to customize a data model for capturing all attribute, workflow and ven-

дор onboarding needs, and implements the system. Thereafter, the provider does ongoing administration of the hardware/ infrastructure, while the user can further customize workflows or data models using tools within the PIM.

While some large and mid-size retailers opt for on-demand solutions, they’re often particularly attractive to smaller (\$50 million and below) merchants, who can start with one or two applications (e.g., just online, or just print and online), and expand functionality to other channels/media as warranted over time.

Monthly subscription fees for on-demand PIM solutions can range anywhere from \$6,000 to \$50,000, depending on SKU and system-user numbers, as well as the fee structures and capabilities of individual providers, reports one source.

Build vs. Buy

Occasionally, integrating highly specialized, internally developed existing systems/processes with commercial PIM solutions presents challenges, causing a merchant to weigh the alternative of developing a proprietary solution to address product information needs.

However, the ability to find viable commercial solutions has expanded, along with the number of commercial PIM providers and platforms available. Further, consultants emphasize that it’s become extremely difficult to objectively ROI-justify internally built solutions. Such solutions require costly, ongoing maintenance/upgrading, and their capabilities/scalability limitations translate, sooner or later, to lost marketing/sales opportunities. In comparison, commercial solutions can in some cases (depending on system complexity and user base) begin yielding ROI in 18 months or less—and continue to yield cost and marketing advantages over time.

“Over the years, many companies—including large multichannel merchants—have tried to develop and implement their



own enterprise PIM solutions,” says one consultant. “But there is tremendous expertise involved in importing information across vendor formats, validating and formatting data, and so forth, before you can achieve customized distribution to various channels and enhance workflows and efficiencies.

“Internally developed solutions nearly always fall far short of the capabilities possible through providers that have spent many years and millions of dollars developing solutions,” he continues. “Not to mention the system flexibility and ongoing maintenance required to adapt to consumers’ changing channel preferences and other marketplace changes. Today, large retailers looking at re-engineering their systems, as well as medium-size and even smaller retailers, nearly always benefit over the long term from finding the right commercial solution. Systems development is not their core competency. They want to focus on the business of retailing.”

Consultants also note that mid- to smaller-size companies tend to overestimate the initial costs of commercial PIM systems. Today, depending on the company’s size, complexity and needs, even enterprise, premise-based PIM solutions, implemented on a tiered or priority-needs basis, might initially cost \$500,000 or less.

ROI Analysis

Most retailers already have some idea of the time required for specific tasks or functions within departments (such as information onboarding and corrections in production), or can determine these times by tracking them and calculating estimated productivity benefits using average salaries. Data-quality benefits can be projected by using metrics for key factors such as the costs of returns (time spent on various functions, as well as reshipping costs), and costs of non-revenue-yielding customer contacts. In some cases, a company can realize savings from decommissioning one or more legacy systems.

Retailers need to dig deeper to try to accurately quantify what are likely to be more significant benefits, such as increased sales/conversions, margins and retention rates resulting from better, more consistent product information and media assets for prospects/customers, wider assortments, and faster time-to-market. Quantifying the broader, major long-term benefits of enhanced enterprise integration and data governance can be even more challenging.

Some Key Best Practices

Covering the complex topics of the vendor selection and implementation processes is beyond the scope of this summary.

However, on the provider-selection front, some key research/resources include Ventana Research’s Product Information Value Index; The Information Difference’s MDM Landscape reports; and Gartner’s Magic Quadrant and MarketScopes research, including Magic Quadrant for Master Data Management Customer Data Solutions.

One of many resources/white papers available (including through various consultants’ and providers’ sites) on the tool selection/implementation processes is “Successful Product Information Management Implementations” (by Adastra’s Fisla).

A few key points and best practices stressed by consultants and providers:

*A PIM will have implications/benefits for all areas of an organization. This makes the support of C-level management—and the involvement/collaboration of both IT and all key business managers—critical to the success of the selection and implementation processes.

*Even for larger retailers, deployment in phased increments is generally recommended. Identify the company’s biggest pain points or areas of largest value/benefits and deploy those capabilities first. Measure results/benefits, and then proceed to other high-priority capabilities.

*Defining and formally documenting, in

detail, all existing functional/business and technical requirements, users, workflows and business rules—as well as all systems in which product information exists and the associated formats—is crucial. This is the foundation for determining detailed requirements/needs/gaps for the provider RFP process and ensuring that the chosen provider has all of the information it needs for successful implementation.

Fisla says that deployment problems or unmet expectations/goals are nearly always caused by insufficiently detailed upfront requirements analysis, perhaps coupled with an insufficient proof-of-concept stage.

Toews stresses that the PIM selection process is an excellent opportunity for a company to analyze every aspect of its current workflows and operations—an analysis that can yield important benefits in and of itself. (He also cautions first-time users of automated workflows not to make the common mistake of making workflows too complex.)

*Organizational planning is required, including an organizational roadmap and retraining plan tied to defined functions and performance metrics.

*Data governance issues are critical. As Toews points out, virtually every department/function can claim some “ownership” in product information master data, and each has its own perspective. Some experts also strongly recommend, in addition to creating access policies, designating a “data steward” who has responsibility/authority for defining specific products and their key attributes, and setting up procedures to ensure the accuracy of the data that populates those definitions. (This might be taken on as an additional area of responsibility by an existing manager.)

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