

Mission Accomplished: Teradata helps Office Depot, the world's largest seller of office products, fulfill its mission of understanding its customers at all touchpoints – leading to increased customer satisfaction and increased sales.

The Business

As the world's largest supplier of office products to individuals and to businesses of all sizes, Office Depot leads its industry in every distribution channel. Office Depot currently operates more than 950 retail stores and does business in 18 countries around the globe. From their brick and mortar presence, Office Depot has migrated into multiple channels, offering Internet shopping through its Web site, catalog shopping (with telephone

and fax services), and contract support, including customized Internet sites for corporate clients.

Founded in 1986, Office Depot has grown to its leadership position in the office products industry by creating a mission to bring the right product, at the right price at the right time to its customers, while at the same time being a compelling place to shop. The retailer enjoys top sales in the office supply industry worldwide. Its sales rose from \$10.3 billion in 1999 to \$11.6 billion in 2000 – a 13% sales growth.

With more than 2,000 trucks, 1,000 account managers, 60 local sales offices, 25 domestic delivery centers, eight regional call centers, and two state-of-the-art Internet sites, Office Depot has done a first-rate job of delivering on its mission.

As its customer base grew, Office Depot recognized the need for enhancing its technology systems to better meet the demand for detailed, targeted customer and inventory data. This would enable the retailer to truly gain a 360° view of their customers and their customers' buying habits across multi-channels.

The Challenge

"We had pioneered this industry and grown to more than 11 billion in annual revenue," explains Ingrid Kluth, Senior Vice President for Systems Development at Office Depot, "but we found that we wanted a more complete picture of our customers, specifically their shopping habits across our channels and how we could better service them."

The operational systems were being used to perform business intelligence and gather more information about customers. This had varying degrees of success, with problems arising from the quality of the data and the timelines of the analysis.

"The problem, from my perspective," states Kluth, "is that we had not segregated one type of computing from another."

Situation

> Office Depot needed to better understand its customers and their buying habits across all channels. A data warehousing solution was a logical step to achieving these goals.

Goal


> Implement a data warehousing solution that enables Office Depot to more efficiently deliver the right products at the right time, price and place to millions of customers around the world.

Results

> A Teradata analytical solution helped Office Depot better understand and serve its customers while simultaneously reducing inventory costs and increasing sales.

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Office Depot

Office Depot determined it was time to take Business Intelligence to the next level. Getting the right data warehousing solution and tools in place became a top priority.

The data warehousing solution would have to be up to the challenge of enabling Office Depot to better understand a business that is complex for several reasons:

- > Multi-channels by which customers are served (catalog, retail stores, Internet, and contract services)
- > Multi-uses of Office Depot's products and services by the same customers (for example, one customer might need Office Depot's products and services for work, family, home office, and volunteer activities)

"We wanted to completely understand our customers and how they were interacting with us, so that we could better understand how to serve them," said Kluth. "That's the key business challenge that we wanted to address with our data warehouse."

Market basket analysis – precisely comprehending a customer's needs at the time of purchase – would enable Office Depot to offer a set of products and services to fit those needs. For example, if a customer was purchasing a printer, Office Depot wanted to be able to offer related products, such as cables or printer cartridges, regardless of the channel selected.

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– Ingrid Kluth, Senior Vice President,
Systems Development, Office Depot

Discerning customers' reasons for choosing one channel over another, or a mix of channels, was critical. By capturing data from all touchpoints – catalog, Internet, and retail store – Office Depot could analyze, and better understand, its interactions with customers. This depth of knowledge would enable Office Depot to better fulfill its long-held mission: give customers the right products and services, at the right time, at the right price.

"The end result is we wanted the data warehouse to help us increase our sales and have more targeted sales with better information about our customer," Kluth explains. Office Depot wanted its data warehouse to help them offer 'fanatical customer service' so customers would enjoy their shopping experience and want to return. To accomplish this, the office supply retailer also wanted the data warehouse to help supply sales associates with the tools to understand and serve customers.

The Solution

Office Depot selected a Teradata® analytical solution, acquiring a 5-terabyte, 4-node Teradata Warehouse. During the first year, Office Depot increased the data warehouse size to 12 nodes due to its active use throughout the organization.

The Benefits

Thanks to implementing Teradata, Office Depot has increased its sales and reduced inventory costs.

The increased sales came from Office Depot using its Teradata solution to perform market basket analysis at its stores, Internet site, and call center. The analysis has developed the retailer's understanding of customer behavior as well as of what products work well in suggested selling.

Within the brick-and-mortar stores alone, the Teradata Retail Business Application for Market Basket Analysis paid for itself within the first year. Attachment rates (customers buying products offered through suggested selling) have increased by double digits since Office Depot's implementation of Teradata. Office Depot's Teradata Warehouse has 1,200 active users, with 2,000 more employees receiving market basket analysis reports. Such analysis has helped employees throughout the organization better understand customers – and that "helps us focus on our primary mission of serving our customers," says Kluth. "Important aspects of business, such as making money or reducing costs, are outgrowths of that mission."

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The Teradata Warehouse supports Office Depot’s mission by helping the retailer to analyze literally millions and millions of transactions and, from that analysis, to identify purchase patterns. It’s also helped Office Depot analyze how well it performs in customer service and suggestive selling across its various channels.

The result is that Teradata has given Office Depot the ability to make its customers’ experiences positive, impressive and memorable. Because their needs are met in a targeted fashion, customers want to return again and again to Office Depot.

The Teradata analytical solution has also helped Office Depot improve its bottom line by reducing inventory costs, thanks to the ability to use demand forecasting to accurately and precisely anticipate what amount of product is needed in which stores.

“We try to forecast accurately, keep minimum safety stock levels and bring products just in time to our customers,” says Kluth. “We take the history of demand for a period of time, for an area, for a set of customers, and track that in our data warehouse.” By being cognizant of these elements, Office Depot has been able to reduce its inventory to precise supply-and-demand levels.

Office Depot’s employees now have enhanced team focus with Teradata. “It’s brought a language to our company. It’s helped us communicate better with each other internally and it has focused our attention on the one source, the one book of truth, where all of our information is about our customer,” Kluth explains.

Furthermore, thanks to the Teradata Warehouse, operational systems are segregated from analytical systems, providing scalability and growth for business intelligence users.

Why Teradata

Teradata, a division of NCR, offered experience, expertise and proven technology in data warehousing – key factors that convinced Office Depot to turn to Teradata for its data warehousing solutions.

“The leader in the marketplace is Teradata,” says Kluth. “One of the critical success factors for us has been Teradata’s lengthy experience of installing very large data warehouses for the world’s top companies. We reviewed an impressive list of Teradata customers who are not just in retail, but in financial, communications and many other industries as well.”

The wealth of expertise that comes from delivering large-scale applications, for a wide variety of companies throughout the world, made Office Depot confident that its Teradata Warehouse could deliver results.

Service, support, and a reputation for superior people were also important factors in turning to Teradata. Now, Kluth says, Teradata professionals feel like a part of the Office Depot team.

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