Competitive Intelligence Report

Inovis Aims to Share POS Data

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May 24, 2006

Current Perspective:

Positive

Vendor Importance:

Moderate

Market Impact:

Moderate

Summary

Event Summary

May 22, 2006 — Inovis and afterBOT Inc. announced a strategic partnership to give retailers and suppliers greater visibility of point-of-sale (POS) activity across the supply chain. The joint solution, which integrates Inovis Catalogue, Inovisworks and afterBOT's TransAccess platform, will enable retailers and suppliers to link real-time POS data with accurate item attribute information in the Inovis Catalogue.

Analytical Summary

• Current Perspective: Positive on Inovis' partnership with afterBOT to come up with a new visibility application, as this is the sort of service that could expand Inovis' revenue stream.

• Vendor Importance: Moderate to Inovis as it needed to expand into more value-added services, although it isn't clear when this partnership will start bearing fruit in terms of revenue.

• Market Impact: Moderate on the market as hosted network vendors and integration vendors will likely be spurred into their own expanded visibility applications. Partnerships will likely be key.

Target Markets

ASPs, B2B Communities, End Users, Global 2000, Systems Integrators, Third Party Implementers, Web Portals

Perspective

Current Perspective: Positive

We are taking a positive stance on Inovis' partnership with afterBOT to provide real time visibility into POS data, combined with Inovis' product descriptions from its Catalogue. This is just the type of value-added service that Inovis needs to help expand its revenue base out of

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EDI transactions and its general Catalogue business. Although afterBOT is small with only a few implementations, Inovis has the customers and hosted network to give it much wider exposure and credibility.

Integration vendors of both the hosted network (EDI) and B2B variety have been attempting to expand further into the retail supply chain verticals for the past few years. Beyond simply automating transactions, these vendors have attempted to bring better visibility into transactions, most notably orders, ASNs (advance ship notices), and forecasts. SeeBurger, Axway, webMethods, and a few others have come out with specific visibility oriented suites in this space. GXS, Inovis, and Sterling have to some extent debuted better visibility, again around orders.

Inovis is attempting to take this one step further by providing real time POS data. While this falls out of the range of an EDI and catalog vendor such as Inovis, its partnership with afterBOT provides a good fit with a technology provider that is in need of a customer base and a scalable hosted platform. The new service will provide a view into POS data that can be segmented by store location, by product or products. Data from multiple retailers can be viewed potentially, if they sign up for the service. Inovis will provide access to exact product item description in its catalog through a Web Service interface. It is also likely that Inovis will host what will become a shared service. Matching POS to standard product descriptions is a big help to managers who are trying to decipher data. Inovis' infrastructure can provide the scale needed to support such services.

Tempering enthusiasm for this is the fact that afterBOT is a small company with only a few implementations under its belt. Before Dillards, its experience was in the groceries vertical with Smart & Final, where Inovis is only a marginal player currently. Suppliers will get the most benefit from a system where multiple retailers are on the same system. However, that will take time as only one retailer is signed up currently. The exact look and feel of this application is not yet set. The two firms should come up with an interface that can be replicated as well as demoed. Better ROI numbers versus present methods should also be developed. The two firms have to overcome obstacles that have stymied plans to share POS data in the past. For one, the two firms have to assuage retailer concerns about sharing proprietary data. They also have to make this cost effective for both the initial integration and set up cost, and the recurring charge for services. Again, better ROI numbers and repeatable software/methodology will help.

Users and vendors should expect that visibility will be the new application pushed by both hosted network players and B2B Integration. POS is one portion of this picture that will likely be provided in partnership with other players. However, expect more visibility with applications in regards to inventory, orders, returns, and SLA compliance.

Positives and Concerns

Competitive Positives

• Inovis forms a partnership with afterBOT to provide a next generation visibility service for retailers and retail suppliers. The service will combine "real time" point of sale data with Inovis' product item description, culled from its Catalogue (formerly the QRS Catalogue). The new service already has one pilot customer, Dillards, and scores of potential customers among Inovis' retailers and suppliers in the GMA (general merchandise apparel) space.

• In particular, the new service will provide a view into POS data that can be segmented by store location, by product or products. If more than one retailer participates, there is the possibility that suppliers can view what is happening in real time (once a day) with products across

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different stores, which would be a big leap forward. Although afterBOT has been marketing this technology for a few years (to Groceries), the partnership with Inovis will give it credibility and an entry into a much larger group of possible customers who have relationships with Inovis.

• Additionally, retailers will be attracted to the service because they will be able to view what is happening across their own stores on a product by product basis. They can then share that with suppliers as a value-added offering to help supply chain efficiency. Previous efforts using extranets or e-mailed spreadsheets were less interactive and less up-to-date as a service application.

• Inovis will provide access to exact product item description in its catalog through a Web Service interface. It is also likely that Inovis will host what will become a shared service. Matching POS to standard product descriptions is a big help to managers who are trying to decipher data. Inovis' infrastructure can provide the scale needed to support such services.

• For its part, afterBOT has built up the technology elements to gather the POS data from proprietary systems and data warehouses. In addition to its Dillards pilot, it has also automated a similar system for Smart & Final in the groceries space.

Competitive Concerns

• afterBOT is a small company with only a few customers (although the customers of Dillards are in the hundreds). Before Dillards, its experience was in the groceries vertical with Smart & Final, where Inovis is only a marginal player currently.

• Suppliers will get the most benefit from a system where multiple retailers are on the same system. However, that will take time as only one retailer is signed up currently.

• The exact look and feel of this application is not yet set. Dillards is the first customer, and as such, the interfaces are likely to be custom at this point. Having an out-of-the box interface cuts down on development time and gives vendors something to demonstrate to potential customers in order to show value.

• The retail supply chain industry has had a dream of sharing real time POS data with partners, but has been stymied due to the difficulty of extracting and displaying it, concerns about letting proprietary information get into the wrong hands (i.e., another retailer), and in general the cost associated with this. This solution addresses some of these concerns but not all. Security, for example, was not addressed particularly strongly by the vendors.

• There are current "low tech" solutions in place now, involving e-mailing spreadsheets or displaying POS information on secure portals or extranets. While this solution is an advance, the two firms did not give reasons for customers to move to this system (pricing was not discussed).

Recommended Actions

Recommended Vendor Actions

• The two firms should build a repeatable interface or portal, where users can drill down (or up) into data on products, locations, and retailers and perform ad hoc queries. This would cut down on development for new customers, and provide a valuable sales demo that would attract users.

• As new retailers sign up for the service, the firms need to have not only the same interface/portal, but repeatable methodologies, and formats that would allow suppliers to view and aggregate POS data.

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• The two firms should give more detail on how security is provided in a hosted setting and how retailers can limit access to authorized suppliers viewing authorized products and locations.

• The two firms should come up with some bottom line benefits and ROI to retailers and suppliers. This should include the cost of sharing this data through extranets and spreadsheets, and the cost and benefits of the new system. Included in the calculus should be the cost of not having enough merchandise in place, or too much.

• Pricing should be tiered by retailer/suppliers, number of products, and the type of data that is viewed. This would make it attractive for those who want only limited amounts of data.

Recommended Competitor Actions

• Competitors in the hosted network space (e.g., GXS, Sterling, etc.) should also consider better visibility applications relating to POS and ordering transactions. Ideally, suppliers should be able to view activity from a variety of retailers from the same interface.

• Competitors in the integration space who target the retail supply chain market (e.g., webMethods, IBM, SAP, etc.) should also consider partnering to provide better visibility into supply chain activities relating to orders. They should partner to provide integration of POS data into these visibility applications.

• In general, integration players should consider partnering with a hosted provider so they can offer hosted B2B for hub activity and/or visibility applications.

Recommended End User / Customer Actions

• End users in the retail supply chain, especially suppliers, should encourage the development of applications that share real time (once a day) POS information from retailers. They should commit to purchasing the service and helping pilot the application. This will drive supply chain efficiency.

• Retailers should also welcome the development of these applications as a well informed supply chain will help reduce stock outs, or overstocking. Visibility into orders can also reduce errors and returns. Retailers can always charge suppliers for access or ask them to share the cost.

• While getting real time POS from multiple retailers may be difficult, suppliers should encourage standard interfaces and formats that could help this happen. In certain verticals (e.g., GMA) where one vendor such as Inovis has a large market share, it might make sense to encourage retailers to have that vendor provide the common interface.

• Both retailers and suppliers need to get more information on security to prevent competitors or others from gaining access to real time POS data. There should be multiple layers of security and access.