

INFOSYS US ANALYST MEET

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Mr. Pravin Rao – Head - Retail vertical

Good morning. My name is Pravin. I head the Retail, CPG and Logistics practice. This was the first vertical that was set up in Infosys way back in January 2003. Today, it contributes about 12% of Infosys revenues. It has grown at a CAGR of 47% in the last 3 years. We work with about 69 clients. We have a very strong presence in the retail market across various segments - Grocery supermarket, department stores, specialty retailer. We also work with lot of marquee clients in the CPG and the logistic space. In the last couple of years, increasing percentage of our revenues has come from executing large scale business transformation program and large outsourcing deal.

As most of you are aware, in both retail and CPG space, it has been tough time for the retail and CPG clients. The rising fuel costs, the high energy prices, the increase in commodity prices have taken its toll. The consumer confidence is low and the outlook on consumer spending is also very weak, so this has definitely impacted both the retail and the CPG clients. Some of the areas where retailers are focusing on, one is of course they are looking at private labels. The margins on these private labels are pretty high, so they are trying to increase the percentage of sales on their private label and this in turn is posing a problem for the CPG companies because whenever retailers sell more of their private label, this comes at the expense of CPG brands. So these CPG companies are also trying to put lot more effort on improving their brand perception of various products. With aging population and increased life expectancy, there is lot of focus on safety, there is lot of focus on health and wellness, so there are quite a few initiatives in this space. Just like retailers and CPG companies, the logistics companies are also facing the brunt. They are also impacted by higher fuel prices and increase in labor prices. So some of the things they are focusing on is, of course trying to increase efficiency of the transportation operations. We are also seeing some innovative ways where logistics companies are actually doing the final assembly in the customer premises by which they are able to save about 50% of their transportation costs. They are also seeing lot of demand in emerging markets with growth being much higher in the emerging markets, so many of the 3PL providers are also focusing a lot of attention and lot of effort in expanding their presence in emerging markets like India, China etc.

To summarize, it has been a tough market for both retail, CPG, as well as logistics players and it is going to continue at least for the next 1 year. In terms of our engagement presence, we have a good presence across the value chain of retail and CPG. We work right from product development through merchandizing, store operations, logistics, supply chain. This slide actually shows our presence in some of our strategic clients, the breadth of our presence. As I mentioned earlier, in the last couple of years, a fair amount of our revenues have come from executing transformation programs. I will be talking about three or four case studies where we have actually partnered with our clients in their transformation journey. The first case study is about e-commerce transformation for a large broadline retailer. While there is slowdown in economy, the retailers continue to invest a lot in online channels because while brick and mortar retail is growing at 3% to 5%, the online channel is actually growing at 18%-20%. Retailers continue to invest in online channels and we have a very strong presence in this space. Even as we speak, we are executing about 6 to 7 large-scale implementation on e-commerce with some of our large retail clients. In this particular example, the clients had multiple e-commerce sites. These were built on legacy technologies. Each of the e-commerce sites had their own processes. So, with the result, the end experience for the end consumer was varying. At the same time, many of these technologies were old and they could not really cope up with some of the newer trends in e-commerce space and to top it, one of the platform providers, one of the technology providers was also going down. So, this retailer actually decided to look at retransforming their whole e-commerce platform and we were invited to play a key role there. When we were invited, the client had already made a choice on their e-commerce platform. So, we were given end to end responsibility of deploying this transformation. So as part of our solution, we developed multiple store fronts on the single platform. We were involved in talking to the business users, standardizing the various business processes. We tried to leverage the new technology platform futures to minimize the customization. At the same time, we also looked at, based on our experience, lot of best practices in the online space. We were able to introduce some of these best practices in our solutions and the whole solution was implemented in 16 months. This actually was a record in terms of the kind of e-commerce deployment we had done on this particular technology and total effort was about 2,000-person months of

effort and today the client has seen about 20% increase in the revenue from this new e-commerce site and this is primarily because of the improved user experience on this e-commerce site, the ability to look at newer futures on this new platform and in addition, they have also seen tremendous decrease in the operating costs because earlier they were working on three different e-commerce sites and had multiple processes. Today the standardization of processes and working on a single platform, they have been able to reduce their transaction costs to a large extent.

The second example is about developing an enterprise-wide information management system used by senior management and over 40,000 employees globally for decision making. So basically when I am talking about global information management, it is basically deploying a Decision Support System consisting of scorecards, dashboards, and decision cockpits. This was a very strategic initiative for the client as this fundamentally changed the way in which they were making business decisions. Historically, this client had grown rapidly internationally as well as through acquisitions. So as a result they had a variety of systems and processes in place. So lots of decisions were based on Excel reports, and lot of effort was spent in accumulating data through the Excel. One of the big challenges in this deployment was to wean the end users of the system away from Excel to use this newly deployed Decision Support Systems. There were multiple partners implementing this solution. We were the primary partner. We had overall responsibility for the program governance, the program management, the technical architecture definition as well as development of portals and reports. We also worked with ecosystem of ISV because business intelligence is rapidly evolving with lot of newer products in place, so we have worked with ecosystem of business intelligence, product vendors, to deploy the solution for the client. Right now, we have completed 6 months of initial pilot implementation where we have done proof-of-concept on the technology as well as the new workflows and Decision Support System and we are in a position now for the large scale deployment. This is going to be a 3-year to 5-year program where we will be deploying this across the globe and during the 6 months of this pilot implementations, we were able to actively involve users because it was very critical for users to own this system and move away from using Excel to start using the system. There was active involvement of users and we were able to provide lot of personalization features where users were able to personalize the dashboards and scorecards to their needs.

The third example is about a retailer which is growing very rapidly in both North America as well as internationally and one of the things is as they grew and opened more and more stores, they deployed infrastructure and systems based on the user requirements with the result today they have again a multitude of systems and business processes and they are not able to take care of or support their rapid growth. The client actually decided to embark on a transformation initiative. They decided to transform their whole business by implementing an ERP package. Oracle was the product choice and we were selected as an implementation partner. We were involved right from coming up with a global template for standardizing their business processes across all their businesses as well as geographies. Right now, currently, we are rolling the solution out in EMEA region. Once the solution has been implemented in EMEA, the roadmap is to deploy this North America as well as in Asia Pacific.

The last example is about deploying a mobility solution with a large international retailer. Retailers are today increasingly using mobility solutions to improve the productivity of their store operations and in this specific case, the retailer had invested in mobility technology but it was not well leveraged with the result, the people in the store used to spend 15-20% of their time in the back office and spending less time in interacting with the consumers. So, as part of our solution, we developed a technical architecture using Smart Client Technology. We were able to automate lot of process using mobile technology and also over a period of time, we were able to deploy this in their Warehouse Management System using a new mobile technology and we were able to port some of their existing applications to new technologies. In the last 1 year of implementation, client has seen about nearly \$ 12 to \$ 15 million savings and this has been primarily through improvement in store operational efficiencies.

So over the last few years, we have invested a lot in building our domain competency and capabilities and this is actually endorsed by both our clients as well as industry analysts. Recently, we won the Partners of Progress award at Sears Kmart. This is the second year in a row we are winning this award. This award was given to about less than 1% of the 40,000 plus suppliers that Sears Kmart has. Likewise about a year back, AMR wrote about some of the cool technologies in the retail and CPG spaces and two of the technologies they talked about were solutions that Infosys was focusing on. One was around unstructured search and the second one was around new product introductions built on a SAP platform. Likewise, in a independent survey conducted by AMR, Infosys was rated No.2 in sales and operations planning in the CPG space and over 50 of our clients participated in this survey. The other thing is in RIS news, Infosys was

ranked as a leader in customer satisfaction in retail. We were the only offshore player which was ranked amongst the leaders and this was based on strength of domain knowledge, breadth of services, the quality of services etc. We continue to contribute to lot of our thought leadership and point of views of many of the leading industry journals and magazines.

Last slide, again, I am getting signs that I have just one more minute. So, Kris talked about Shopping Trip 360. Again, over the last 2 to 3 years, we have focused on coming up with solutions and Shopping Trip 360 is our latest offering. This has been officially launched this week both in UK, India as well as in US. I am sure some of you would have probably seen the demo which is at the back. This is a technology or this is a solution which enables real-time visibility for retailers and CPG companies on store-shelf activity as well as shopper activities in the store. It actually creates an ecosystem where a shopper, a retailer and the CPG brand can collaborate in real time and in our mind we have seen lot of point solutions but this is probably the most comprehensive solution in this space we have seen where real-time collaborations can happen and the retailers, the CPG brand as well as the consumer can benefit from this activity. The solution provides the ability for retailer to understand the shopper activity to make decisions based on the shopper activities, like opening a new check out line if there is lot of concentration of shoppers or understanding the availability of products in the shelf, particularly the promotional products or the fast moving products where you don't have to actually use high-cost RFID tags for having this visibility. Similarly on the CPG side, the footfalls of the shopper will help in CPG brands to understand the efficiency of promotions, what are the attractive areas in the shopping place which would be useful for their promotional activities and the consumer is able to get personalized attention from both the CPG and the retail brands. They are able to download shopping lists when they are in the store through their cellphone. They can use cellphone as a personal shopping concierge. Retailer and the CPG companies can use personalized promotions for cross-selling and up selling to the shopper as well. So, this solution actually addresses the need for both and it is a win-win for retailer, CPG brands as well as the end consumer. So, with this, I end my presentation, thank you.

Joe Foresi

Hi, I just wanted to ask about, we have heard about some weaknesses on the retail front as well as some of the financial services sectors. Wonder if you could talk about that. Are you seeing any and if so, maybe you could be specific about which areas and how systemic it is?

Pravin Rao

I think speaking from the retail side, the only people who are doing well are, really are value retailers like Wal-Mart's, Costco's of the world. The department stores are bleeding and luxury retailers are also not doing very well. The CPG companies also get indirectly impacted because of lack of demand and this is true of North America, whereas in Europe so far we have not seen much of a slowdown at least at this stage. Having said that, in terms of IT spend, we have not actually seen any major reduction in the IT spend. In few of the retailers, we have seen some cuts in IT, but the budgets have actually stayed flat. There has been lot of prioritization on the IT initiatives and some of the areas where we have seen growth, of course, we are seeing quite a bit of growth in the European side but even in North American, some of the retailers have not leveraged the offshoring very aggressively. So we are seeing some growth in at least 3 or 4 retailers, who are actually looking at offshore aggressively for the first time. In most of the other clients, at least in some of our strategic clients, we are actively involved in many of their major initiatives. To that extent, the impact is contained but from whatever we have seen talking to our clients, they expect that at least this whole year, they expect similar trend, the rest of the year. They are definitely very watchful on the kind of trend and they continue to prioritize where they want to spend. Again, some retailers have taken very drastic cut but majority of the retailers are really prioritizing, not really scaling down on some of the programs but being very selective about the programs they want to pursue.