

RTG Newsletter

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FROM THE PRINCIPAL'S OFFICE

As we draw near the end of 2007, and closer to the NRF Annual Conference (the "BIG Show"), I want to share what we think are the application categories that deserve close attention. Next to each, there is a brief explanation of why the category is important. Some of our fellow retailers are still struggling to join the 21st Century, and much of this may not apply to them, yet. But if you already have the core systems of the typical retailer, then these can be great profit builders.

We also mention two concepts in which we believe strongly and which we think the retail industry should begin embracing. See you in New York in January!

Bob Amster - Principal, RTG

The Top 8 Applications for the next year (in alphabetic sequence)

By Bob Amster, The Retail Technology Group

- **Assortment Planning** - goes one level deeper the merchandise planning. It refines the overall planning into the assortments by category. When combined with Visual Merchandising (below), it also gets closer to solving a problem that many retailers have not yet solved productively: how to reconcile the plan with the physical space available by store.
- **CRM** - What could be more important than Customer Relationship Management? We place marketing & advertising campaign management, and loyalty programs, across all channels, under this umbrella. Retailers have to reach out to their better customers and keep them. Retailers also reach out differently to their marginal customers, to convert them into better, more loyal customers. Finally, retailers should not waste dollars marketing to the wrong demographics. Knowing who these shoppers are maximizes the value of every advertising and marketing dollar spent.
- **Digital Signage** - continues to be one of the most exciting retail technologies. When well executed, digital signage can create excitement in the store. It can enhance the store brand and individual national and international brands. Digital signage can be used to deliver paid advertisements,

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entertainment, product information, store information, and ongoing promotion information. It's a winner all around, with a compound payback.

- **Kiosks** - They're multipurpose. To name a few functions: private label credit card application, product information, loyalty membership sign-up & customer contact information changes, dispensing promo coupons, gift card re-loads, gift/bridal registry, plus all other capabilities of the retailer's Web site. If the retailer can create compelling reasons for shoppers to use the kiosks, the ROI can be very high.
- **Price Optimization** - Surprisingly, it has not been universally adopted. It includes initial pricing, markdown pricing, promotional pricing and zone pricing. We believe that price optimization holds huge profits for retailers. (The first markdown is the cheapest. We don't know what Seventh Avenue genius said it, but he was right.)
- **RFID (item level)** - We continue to insist that the potential value of item level - when implemented in the appropriate circumstance and environment - RFID is underestimated by the industry. Among the many benefits of this technology are: increased integrity of perpetual inventory, reduced timing of information, identification and prosecution of gray-market diversion, loss prevention, serialized item tracking, and speed of check out. Item-level RFID is especially adoptable in a high-ticket retail environment.
- **Visual Merchandising (apparel)** - is capable of assisting in the development of assortments by store foot print, digital communication of store layout and floor sets in a timely, colorful, manner, uploading to merchandise planning systems, and the development of a numerical relationship between assortments and the limitations of physical space in the stores. It's especially effective when the retailer has already established an Intranet. A minority of apparel retailers has figured it out and they're making more sales with fewer markdowns.
- **Workforce Management** - A powerful aid to accomplish three important objectives: maximizing the payroll dollar, providing customer service when it's needed, and keeping store

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associates happy. Are your store managers still scheduling with Excel and Post-It notes?

...And Two Concepts to embrace

- **Hosted Software Applications** - Comes in a few forms, including software as a service (SaaS), on-demand, application software provider (ASP), etc. We believe strongly in the further adoption of this concept for two main reasons, although there are more. The first is that it enables the small and medium size business to take advantage of a sophisticated set of applications for *not* the big solution price. Under these models businesses can *pay-as-they-grow* and compete with their larger counterparts from the start. The second reason is that the core business of the retailer is, and has always been, to buy product at a good price, and sell as much of it as possible at a profit, period. It is *not* to develop every bit of software required to run the business and it is not to create mini empires of data centers, computer operators and DBAs whose job is to keep servers running, to remember to expand disk space every so often, make sure that the back-ups were done and turn the lights off a night. These are just distractions from the true task at hand.
- **Multi-Channel Integration** - This one gets a lot of ink and lip service (like lipstick) but regrettably, we still see Web sites of major retailers that convey little or no connection with their stores or catalogs. The successful co-existence of a store, a Web site and a catalog is defined by how much traffic any one of the three can drive to the others.

The connection between the channels should be transparent to the shoppers, and should not be a sales prevention device. The functions that can be offered in all three channels should exist in all three channels. Whatever function makes it easier for the consumer to shop at one of the three channels should be enabled to the extent possible, by the other two channels. All retailers that have made a decision to conduct business in two or more channels would be well served to embrace this concept. Do your stores, web site, and catalog all sell and redeem gift cards? Can online purchases be returned to your stores? Do your stores collect e-mail addresses? Do your ads get e-mailed?

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WHAT'S NEW

Visit our Web site!

Obtain more information about us at
www.RetailTechnologyGroup.com.

In the News

Mark Lilien was quoted in The Sacramento Bee (about getting a new brand onto grocers' shelves), InklingMarkets.com (about expected retail stock performance in the 4th quarter), Private Label Buyer (about Wal-Mart), Supply Chain Digest (about distribution center automation), UFCW8.com (about unions and Wal-Mart), FloridaTrend.com (about speeding up checkout lines), and daily in RetailWire.com.

Highland Consumer Fund

We have been providing due diligence services to this newly formed \$300MM venture capital fund on the state of information systems and business process of target companies.

Chanel USA

We are very proud to have been selected by this prestigious upscale designer/retailer to provide a seminar on the retail store of the future.

Coach

We continue to provide system design and project management services to this successful retailer of leather products. We are happy to work for a retailer that - for the second year in a row - was named the number one High-Performance retailer!

Pharmaca

We continue to work with this rapidly growing integrative pharmacy on the selection and implementation of a wide-ranging CRM solution.

SuitePlay!

We continue to work with this successful retailer of entertainment furniture for the home, including pool tables, air hockey, bars, card tables and home entertainment seating. Most recently, we have been involved in the selection of CRM and

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Loyalty solutions, as well as the selection and implementation of a Gift Card program.

Canada Post

Robert Lawson is on assignment at Canada Post, assisting on their next generation POS system.

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