

RTG Newsletter

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FROM THE PRINCIPAL'S OFFICE

We notice retailers upgrading and improving their information systems and technology (and I like to separate the two). In this issue, mark Lilien tackles an interesting question. Read on!

Bob Amster - Principal, RTG

Is retail technology in a rut? From where will the next big advance come?

By Mark Lilien, Consultant, Retail Technology Group

Eight years ago, the NASDAQ Composite Index broke 2000 for the first time. And it just broke 2000 again...after soaring to 5000 and plummeting to 1000 in the interim. Given that the NASDAQ is a strong proxy for technology stocks, does this mean that retail technology is in the doldrums right now?

IBM, certainly a tech powerhouse for software, hardware, and services, is around 76 dollars per share. A year ago it was at around 84 and five-years ago it was 105. For the last few years, the major tech growth stocks making news have been Asian outsourcers (Cognizant, Infosys), not software, hardware or telecom innovators. The score box:

	Today*	Year Ago	2-Years Ago	5-Years Ago
Microsoft	24	27	28	33
Dell	22	40	35	28
Oracle	15	14	11	16
SAP	44	43	39	39
Intel	17	27	23	30
Infosys	41	36	24	17
Cognizant	66	49	27	5
NASDAQ Composite	2060	2175	1800	2000

* Share prices (rounded) as of 8/9/06

Major technology innovation comes in fast-paced cycles. Client-server networks, the Internet, cell phones, Y2K and ERP solutions all grew quickly, in double and triple digits. They helped change society. They were huge, headlining, transformational, quantum-leap investments. Do you see any technology on the

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horizon with relevance to retail (and I suppose, what doesn't have relevance?) with comparable strength?

Retailers benefit from technology in two ways: they sell it (Comp USA, Best Buy) and they use it themselves (POS solutions, CRM, RFID).

Certainly RFID and CRM have major potential to be the "next big thing," but are they giant-size leaps forward? Any Big Picture Potential on your radar screen? Or will technology, including retail technology, just stay in the doldrums for a few more years? Will we just have step-change improvements (HDTV, Wi-Fi cell phones, Vista) instead of "true breakthroughs"?

Technology innovation is suffering from The Law Of Diminishing Returns. One simple example: spreadsheet software. When VisiCalc first arrived in 1979, it was a revelation! It was the first major spreadsheet software package. Others followed it: Lotus 1-2-3 (1983) and then many versions of Excel (1984). I didn't feel the same excitement when Excel version 8 replaced version 7, did you? Each Excel update has some new features, but the major productivity enhancement was really delivered by VisiCalc.

Big Leaps Forward can be easily recognized: they create significant new industries (the internet); they demand major new work skills (desktop publishing); they are radical new computing platforms (client-server); or they wreck major industries (film cameras and film processing). RFID and CRM aren't likely to qualify. Biometrics will become increasingly important, especially due to security concerns, but will biometrics really start a leading new industry? Or will it be analogous to bar code scanning: ubiquitous but not an enormous new employer.

Where does this leave retailing and retail technology consulting? It means that retailers will find it much harder to get big cost reductions and sales increases using new technology, since the new technology won't be A Great Leap Ahead. It means that retail tech consultants have to work harder to prove their worth. The Internet, Y2K, and ERP installations were the Full Employment Act for retail tech consultants. That federal law is now repealed. You can't get away with Big Promises (also known as Big Lies) so easily anymore.

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This topic (Is retail technology in a rut?) was recently discussed at:

http://www.retailwire.com/Discussions/Sngl_Discussion.cfm/11597

This writer challenged the readers of RetailWire.com to come up with their predictions of The Next Big Thing. You can read their responses. Only 19% thought retail technology was "powering ahead". Is it possible that the Big Tech Breakthroughs for the next 10 years will largely be in biotech, energy, or other non-computer-related fields? Or will something come up unexpectedly, out of left field, to start a new earthquake?

WHAT'S NEW

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Providing value to a discount retailer

Duane Wolter, CPA & Forensic Accountant, has been contracted by a billion dollar deep discount retailer to supervise its inventory accounting and control department, complete period closings and train and develop the inventory accounting team to maintain current systems. After completion of this priority task, Mr. Wolter will complete an analysis of the inventory control systems, and inventory costing systems to provide recommendations for streamlining its control and costing systems. The final effort will be to implement the new systems and procedural changes and train the staff to effectively use these new tools.

Gift Card Solution

Al Arzt is serving as the implementation project manager for an 80 plus outlet-store retailer of kitchen houseware products, assisting them to implement a gift card solution.

Fresh Produce Sportswear

We just completed a package selection project for this vertically integrated company in Boulder, CO. The company has selected _____ for its Host-to-POST solution to manage its growing retail business.

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Jeffrey New York

We recently completed a validation of the selection by this upscale retailer of fashion, footwear, fragrances and accessories of the Command retail package from Celerant Technologies.

NSRA

Bob Amster delivered a presentation on emerging technologies in retailing and participated in a panel discussion at this year's annual conference of the National Shoe Retailers Association, held in Las Vegas, NV on July 31st.

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