

Retail and Technology: Overview

The Customer and the Retail Experience

Special points of interest:

- Retail competition is fierce
- Transformation Will Happen
- Retailers are Facing the Challenge
- Spending in the industry is on the rise

If you were to ask retail executives what keeps them awake at night you would undoubtedly get varying responses. There is one response however, that you could always count on: "Retail competition is Fierce!"

A number of factors may drive customers away from one store and directly to a competitor. This is one of the core reasons for the substantial customer loyalty declines and floundering financial stability found in the retail industry today.

Now more than ever, customer expectations drive the retail experience. Customers demand low prices and high-levels of service at their convenience. They have become accustomed to sales and discounts, and they have come to anticipate that their preferences will be known by service personnel.

Customers today assume that any retailer can provide real-time inventory and order status information. And, they expect that the same products will be available online and in-store and that they can return unwanted goods at their preferred location.

To win in this arena, retailers must compete more aggressively than ever and deliver a more compelling,

memorable shopping experience at a personalized level. All the while, containing costs, remaining stable and growing brand loyalty.

With consumers more accustomed to the quick convenience of shopping on the Internet, bricks-and-mortar retailers have to hustle like never before. According to analysts, retailers increasingly find that new technologies are often the only way to keep costs down while offering customers a better shopping experience. Add changing demographics, and the time is ripe for shopping to get a tech infusion.

Analysts are also saying that "At long last, retailers have a genuine opportunity to integrate their store and enterprise apps, supported by cheap network capacity and thin-client, single-instance point-of-sale applications. This integration will offer the possibility of new levels of multi-channel service along with tightly targeted offerings to customers".

To facilitate the retail point-of-service transformation, analysts believe that WLAN implementations will continue to accelerate in this



vertical as retailers continue to leverage new technologies for building "smarter stores" to differentiate the customer experience.

We can look forward to a shopping experience quite different from anything we see today. Transformation will take place and those players that can tackle the transformation issues, un-complicate the lives of retailers, while increasing conversion rates, will be the winners. Technology must become a strategy.



targeted technology solutions

Transformation Will Happen

This transformation must not only enable technologies at the store level quickly, without interruption, and affordably, it must also involve enterprise level mobility. Never before has the quality of interaction with store personnel and the store environment been under such scrutiny.

Studies have shown that some 40% of customers entering retail establishments and who are not engaged meaningfully, exit without buying.

Retailers know that meaningful engagement is key to success however they also know that to take advantage of every touch-point can be an expensive proposition. Consequently, they rely on the development of intelligent value chains that place technology where it is needed most and where it will drive up the customer's commitment and thus drive up switching costs.

This year an estimated 100 million US shoppers will be looking for a more meaningful and therefore integrated, shopping experience. Moment to moment information must be available to 'save the sale'. This means real-time access to the supply chain, back office access to transaction data, and down-stocking information to the receiving area.

Today's store must not only have access to corporate enterprise applications but also must have store enterprise applications of their own. The store must no longer have a dotted line connection to the corporate enterprise, they must be incorporated into the enter-



prise. This means re-shaping IT in order to revolutionize the customer experience

The question then that burns on the minds of retail executives today is not 'What must I do' but rather 'How can I do this' and 'how quickly'.



Business Drivers

Financial Stability

Today's retail executives are called to action on three fronts:

- The financial stability of their business
- Visitor-to-buyer conversion rates, and
- Brand growth and expansion

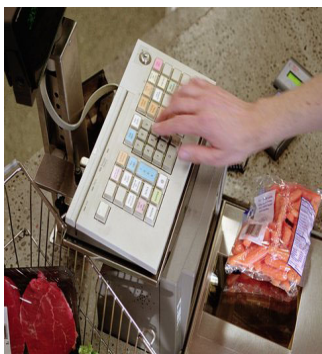
With these three business drivers in front of them, retailers must survey the possible business initiatives and opportunities that will empower them to face today's challenges as well as to stay on top of trends and the future growth of their brands. If there were a buzz word for this era in retail, it would most likely be 'Strategy'. Much like the game of "Survivor" today, where to be successful, the survivor must create a strategy that will not only help him/her stay alive, conserve their energy for the next challenge, but also will build trusted alliances that will take them to the final 3. So what are some of those strategy options and opportunities?

Financial Stability	
Observations	Business Initia-
<ul style="list-style-type: none"> • Diverse Brands under one ownership • Differing management needs based on Brands • Unstable environment - unable to deliver to the customer or make numbers • Changing economic projections for the sector/brand • Financial difficulties • Losing Brand share • Many store and IT Formats 	<ul style="list-style-type: none"> • Private Equity Buyouts • Stabilize store environment • Assortment changes • New marketing strategies • Brand Mergers • Outsourcing • Reorganization • Store closings

"Past studies have shown that some 40% of customers entering retail establishments who are not engaged meaningfully, exit without buying"

Facing Today's Challenges

Through these business initiatives, retail executives will be looking to create a financially sound brand with secure, stable, and consistent store operations. They will be looking toward technology solutions that will create intelligent value chains to offset the rising costs of fuel, inventory, and labor.



Retailers will be focused on cost containment strategies that may involve mergers, private equity buyouts, reorganizations, outsourcing and even store closings. They need a *strategy* to survive.

Customer Conversion

Next, they will be looking at their stores to determine what is working and what is not in an effort to attract and retain increased customer loyalty.

Old, out dated stores will require remodeling and long over-due upgrades in store technology to enable the use of competitive tools and to provide for today's demanding shopper. With decreasing margins, economic instability, and the decline in customer loyalty, once again, retail executives are faced with not *What* to do but rather *How*?

They must again contain the cost of all this progress through reduction in the number of formats, equipment and procedures they are supporting. They will be looking for creative strategies that will allow them to make use of technology that reduces costs but also creates a more interactive, exciting customer experience.

Retailers will need to know what the customer wants, when, where and how. This means that they must add value-based operations without further complicating the lives of store personnel or adding to their labor expense. These value-based operations will likely involve new store infrastructure designs including in-store servers and data devices that

will allow for enterprise enabled transactions, quick data storage and access, as well as content management tools.

They need a *strategy* to take on the challenge.

Grow the

Customer Conversion	
Observations	Business Initiatives
<ul style="list-style-type: none"> • Store is confusing to customer • Can't find what they want • Customer gets frustrated • Customer alone, no sales help • Out of date stores (aesthetics) • Out of date equipment • Out of date technology – slow • Lack of competitive technology • Displays are not fresh or well kept • Too many exit points for the customer • Redundancies in data collection • Space issues • Technology not working or unusable 	<ul style="list-style-type: none"> • Store remodels • Store upgrades • Assortment expansion • Multi-channel business • Customer centric Process re-designs • Intel initiatives • Supply Chain initiatives • Store-within-store initiatives • Store enterprise initiatives

Brand

Retailers next look to initiatives that will grow their brands. Before deciding on aggressive new store opening strategies, retail executives must ensure the stability of their formats. Once stable, they will be looking for repeatable, scalable procedures that can be replicated on a large scale while reducing risk.

Retailers want little or no impact on business, on time, and on budget delivery. Many will be considering mergers across their brands and/or acquisitions to better position their brands which will also involve consolidating formats, equipment and processes. They may add assortment to the mix that require new technology or processes.

Many are looking for an

“This year an estimated 100 million US shoppers will be looking for a more meaningful and therefore integrated, shopping experience.”

international strategy which continues to give them control to maintain their

brand but with the flexibility to do business in different cultures. They need a *strategy* to win.



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Retail Industry Advisory for Technology Sellers

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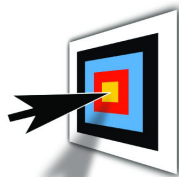
At Targeted Technology Solutions, we know that behind every successful, retail technology venture lays a matchless blend of talent, attitude, and tools. It is our belief that deep industry knowledge and exposure brought to bear on technology solutions, can bring retailers and technology providers together in more positive and fulfilling ways. Serving the Retail Industry over Thirty years!

Industry Spending is on the Rise

Grow the Brand	
Observations	Business Initiatives
<ul style="list-style-type: none">• Aggressive, innovative company on the move• Anticipated growth in Retail sector• Hot or new lines of business• Retail spending up• Changes in competition	<ul style="list-style-type: none">• International Expansion• Domestic Expansion• Assortment expansion• Mergers and Acquisitions• Stabilize store environment• Store Upgrades• Store remodels• New Marketing Strategies

Summary

The simple truth, as described in the 'Customer and the Retail Experience' section is that transformation WILL happen. Technology strategies are needed in every sector and at all levels of retail. With an IT budget of \$26B for 2006 and expectations of continued growth, the retail industry is in the market for technology solutions. Solutions that will lighten their load, keep them current, and provide future direction as the industry and needs of the customer continue to grow and evolve.



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www.YourRetailAuthority.com