

PERVASIVE RETAILING JOURNAL

A PUBLICATION OF FUJITSU TRANSACTION SOLUTIONS INC.

SELF-SERVICE SUCCESS AT THE FULL-SERVICE DELI

by Matt Volpi

For grocery stores and other merchants with full-service deli counters, this department represents one of the most profitable sections of their stores. However, deli departments are also one of the most-labor intensive operational areas, with customer associates handling preparation, order-taking and order fulfillment.

Deli managers are challenged with providing friendly customer service while also trying to move merchandise as quickly as possible to avoid losing potential business. As the customer queue begins to grow, retailers face the very real possibility that some shoppers may abandon their place in line and opt for a pre-packaged selection. They could skip deli items altogether or even make their next trip to a completely different retailer.

Many retailers have experimented with or fully implemented kiosk-ordering solutions to allow customers to continue their shopping trip while their order is being fulfilled. While some retailers and kiosk solution providers have found success, many other kiosk trials have been absolute failures. What separates a successful kiosk implementation from a lackluster one?

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DOWNSIDE UP: RETAIL TECHNOLOGY SPENDING IN THE 2008 ECONOMY

By Bruce Kopp

In 2002, the Internet Bubble burst, and the economy went right along with it. Stocks plummeted. Bankruptcies soared. Countless other businesses suffered short-term losses, and an outbreak of accounting scandals fueled widespread fear and uncertainty.

Like most other industries, the retail technology sector felt the squeeze of the period's rampant doubt and belt-tightening. According to IDC, in 2002, information technology spending in the retail industry declined 3.4 percent over the year before. This not only reversed several years of steady growth in the retail technology sector, but also caught many companies that depended on technology investment for their success – retailers and tech providers alike – off guard.

Now, just a few years after the Internet house of cards came tumbling down, the U.S. economy is once again in the midst of an economic downturn. But that's where the comparison ends. Despite a soft economic environment, the outlook for 2008 remains favorable from a retail technology investment perspective.

Not only are the reasons behind the current economic slowdown vastly different today than they were in 2002, a number of trends continue to fuel healthy demand for retail technology. Consider, for example, the following projections:

- Gartner predicts that Customer Relationship Management (CRM) software revenue will surpass the \$8.9 billion mark worldwide this year, a 14.2 percent increase over 2007

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TOUCH SCREEN TECHNOLOGY IMPROVES SERVICE AND REDUCES EMPLOYEE TRAINING TIME

By *Carla Merrill, Ph.D.*

Retail technology vendors have done much research regarding the human factors involved in touch screen technology, and have drawn several conclusions as it applies to the grocery market.

It's understood, for example, that the touch screen is generally faster and more accurate than using a keyboard – particularly for supermarket environments. Human eye-hand coordination is very refined with regard to pointing. With a touch screen, users control the surface they interact with, so target acquisition is quick and accurate.

We also know that grocers are focused on improving the customer experience as a point of differentiation. Here again, touch screen technology can have a positive impact. For example, a touch screen can enhance the shopper experience while they wait for large orders to be processed. What if the shopper could have a touch screen available to them – to use for accessing information such as the number of loyalty points they've accumulated, or to see the items in the transaction that have received a loyalty discount?

Likewise, customers could also see discounts as items are being rung up, rather than having to stop the cashier and ask if a specific discount had been applied to an item. Such a setup also would have a positive impact on speed and accuracy.

The challenge for solution providers is to understand what types of customer questions can slow the transaction process, determine what types of information are suitable for this kind of application, and then look for ways to translate that information to a screen that is visible to the shopper.

Employee training is also enhanced through touch screen technology. When store associates must read the point-of-sale terminal screen, process that information and then look at the keyboard, it slows the learning process. But with a touch screen, we can keep the user's focus on the screen.

Processing a WIC purchase is a great example – these transactions can be complex and even seasoned cashiers can be unsure if they've processed them properly. Touch screen technology has proven to help them move through a WIC transaction quickly and accurately.

Touch screen is also great for produce look ups. Cashiers don't have

to turn away from the screen to look at a cheat sheet or guess what type of produce is in front of them – they just match items to a photo on the screen.

As grocers consider transitioning to touch screen, they'll need a POS system that's fully functional with keyboard, touch screen, or both. Then, as they roll out touch screens, they can maintain a foot in both worlds as cashiers self-teach and get comfortable.

Going forward, as self-service technology continues to gain a stronghold throughout the retail arena, supermarkets

are exploring the idea of deploying kiosks throughout the store, especially in departments such as the deli and bakery to give customers control of the ordering process.

What if customers could also use this technology to download their grocery lists or check on their prescription from across the store?

Surely, grocers will employ touch screens to engage shoppers beyond the checkout lane and train employees in a faster, more efficient manner.

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THE NEW POWER SHOPPERS

CUSTOMERS WANT TO CONTROL HOW THEY SPEND THEIR TIME IN THE STORE. YOU CAN HELP – AND WIN THEIR LOYALTY IN THE BARGAIN

By Keith McNamara

Around 1985 the term “power shopping” materialized, literally. The pop-culture expression described shoppers’ aggressive purchasing pursuits in the quest for “stuff.” Tills routinely rang with credit, not cash.

Retailers banked on the loose habits of consumers who spent without conscience to further validate their social status. The infamous 1980s economic boom was in full force.

But the following recession and more than 20 years of lessons learned have impacted behaviors and created a new breed of consumer. Today’s

research confirms that shopping is less about rank and more about control – of time, value and convenience. Fortunately, grocers are in a unique position to embrace current consumer trends and advance with them. Through the adoption of available Pervasive Retailing™ technology, grocers can redefine “power shop” and translate that ‘80s fad into 21st century profits.

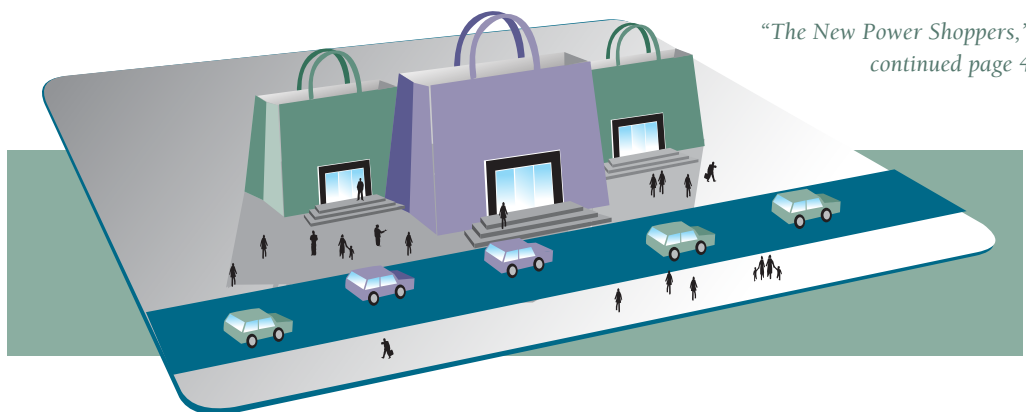
Power shopping is no longer a manic act, but rather a state of being. For grocers, this means leveraging the technologies available to effectively and profitably manage their business while pro-

viding an exceptional shopping experience. At the core of a grocer’s market strength, a sophisticated POS application can withstand and adapt to the changing tides of customer and retailing trends. Innovations to further the shopping experience will continually be improved. The key is a system that produces minimal boundaries when adopting technologies that further empower the customer.

*Power shopping is no longer a manic act,
but rather a state of being.*

One major regional retail chain is finding deployment of deli kiosks in its stores to be extremely successful. The self-service units give shoppers the power to better manage and control their time and orders. The grocer also can promote specials, new arrivals and product pairings. This up-sell tactic strengthens sales of high-margin items.

Recent data from BIGresearch’s *Simultaneous Media Survey* for the Promotion Marketing Association Coupon Council revealed that 86 percent of U.S. consumers use coupons. Interestingly, 54 percent of 18- to 24-year-olds



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PERVASIVE RETAILING TRENDS

ITEM-LEVEL RFID TAGGING MEANS DOLLARS AND SENSE TO RETAILERS

According to a new study from Aberdeen Group, retailers have started to translate item-level RFID investments into measurable benefits compelling many retailers to adopt RFID in 2008. According to the study, customer satisfaction has improved 12 percent, and among retailers implementing RFID, 78 percent have increased inventory turns by an average of 5.4 percent. More than 76 percent have increased same-store year-over-year sales. These benefits have driven 44 percent of retailers surveyed to implement RFID, while 40 percent are planning to deploy the technology.

SOURCE: ABERDEEN GROUP

WINDOWS-BASED POS TERMINALS DROVE \$3.8 BILLION IN SALES IN 2007

POS terminals running Microsoft Windows operating systems drove \$3.8 billion of the \$5.56 billion North American Retail POS Terminal Market in 2007, IHL Consulting reported in its *2008 North American Retail POS Terminal Study*. Overall shipments increased five percent in 2006, with specialty stores, quick service restaurants and supercenters providing the greatest growth, and department stores showing the only negative for the year. These trends are expected to continue for 2008.

SOURCE: IHL CONSULTING

PERVASIVE RETAILING TRENDS

FORRESTER RESEARCH: ONLINE SALES TO CLIMB DESPITE STRUGGLING ECONOMY

Although retail industry sales are expected to experience sluggish growth, Americans continue to flock to the Internet for clothing, computers and even cars. Forrester Research's *The State of Retailing Online 2008* says online retail will continue to be a bright spot in the retail industry, with sales climbing 17 percent this year to \$204 billion. Apparel (\$26.6 billion), computers (\$23.9 billion) and autos (\$19.3 billion) will be the three largest sales categories.

SOURCE: FORRESTER RESEARCH

AMR RESEARCH: AVERAGE SOA SOFTWARE AND SERVICES SPENDING REACHED \$1.4 MILLION IN 2007

Companies adopting service-oriented architecture (SOA) spent \$1.4 million on software and services in 2007, according to an AMR Research spending report. The *SOA Spending Report 2007-2008* says the primary drivers for SOA investment were to meet the need to change investments faster, cheaper and with less risk (22 percent), to meet requirements of individual projects (18 percent), and to reduce IT costs through reuse (17 percent). SOA adoption and spending largely varied across vertical industry, location and size of company.

SOURCE: AMR RESEARCH

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were influenced to purchase a grocery product for which they had a coupon. This is the same generation that has been nurtured to adulthood on a constant diet of instant gratification, thanks to technological conveniences.

Coupons take some amount of effort on the part of the shopper to clip, collect and carry. Shoppers tend to be very protective of their coupons and get hit with "clipper's anxiety" in the checkout line: Will I remember to give the cashier my coupons? Will the cashier see my

*If you create customer satisfaction,
you have the catalyst for a basic loyalty
business model.*

coupons? Will the cashier scan them quickly or will others behind me have to wait? The satisfaction – or relief – comes when the shopper has visual validation that his or her efforts have paid off.

Grocers can restore a customer's confidence with a device that gives the shopper the scanning power along with instant gratification. A coupon-control scan device lets shoppers scan their coupons and receive visual confirmation of savings on a digital screen. With this process, the shopper is in control, anxieties are eased and the experience is more enjoyable. These are all reasons to keep coming back for more.

Grocers have also ubiquitously adopted loyalty cards to foster customer allegiance. Since their inception, these programs have typically offered only general discounts at the checkout for purchased items. Many of these programs have yet to provide customers with any real significant value that encourages loyalty.

Although shoppers consistently use a grocer's card, they are not necessarily card-loyal. Research by ACNielsen and others have shown that shoppers continue to sign up and carry the cards to receive at-register discounts. Approximately two-thirds of U.S. households now participate in one or more shopping programs.

If you create customer satisfaction, you have the catalyst for a basic loyalty business model. The key: determine what program incentives will develop and maintain loyalty. Propelling the

shopping card to the next level is a pursuit worth exploring if it generates repeat business. Personalizing the programs is a fitting next step.

For example, provide specials and offers to customers based on their product buy-

ing trends. Send e-mail sale notifications to individuals whose buying behaviors match products on sale. Then to truly reward loyal customers, create levels of loyalty to achieve (bronze, silver, gold) and offer additional discounts and/or incentives at each level.

Cautiously, the privacy issue should be considered if data-mining is part of a customer-specific loyalty program. Allowing customers to opt in to any personalized offering is a possibility. The flip side is to offer and promote compelling loyalty program incentives that will generate mass adoption.

Fortunately, today's technological advances provide endless opportunity to implement these concepts or future innovations. Successful 21st century "power shopping" is only as strong as the technology that supports it.

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- Gartner also says radio frequency identification (RFID) revenue will surpass \$1.2 billion in 2008, an increase of more than 30 percent over the 2007 total of \$917 million
- According to a Forrester Research study, online retail sales will grow 17 percent this year to a formidable \$204 billion
- As far as the retail industry is concerned, a study by Enterprise Management Associates (EMA) cites retail as one of the specific sectors that will increase technology spending in 2008. More specifically, 58 percent of respondents in retail, wholesale and distribution said they plan to increase IT spending this year.

2008 PRIORITIES

When times are difficult, technology spending is usually perceived as a safe investment. This doesn't mean, however, that purchasing behavior doesn't change at all. It does, and it does so until the market has had enough time to demonstrate and absorb a positive turnaround.

In a down economy like the one we have today, short-term realities tend to dominate the nature of purchasing and investment decisions. Retailers, like everyone else, want ways to build their bottom lines and protect their investments *now*, not at some foggy point in the distant future.

Given the current retailing environment, three significant trends will fuel retail technology spending, not only through the remainder of 2008, but throughout 2009 as well:

1. Retailers will focus more heavily on upgrading their current systems, rather than purchasing completely new sites
2. Solutions that yield maximal return for minimal investment dollars will outpace those that require longer-term ROIs
3. Retailers will continue to invest in emerging technologies that build customer satisfaction, loyalty and competitiveness.

MAKING THE UPGRADE

Most retailers today are on their second or third generation of technology. Consequently, they already have existing resources they can build upon to achieve their growth and profitability objectives in the short term. And that's exactly what's taking place.

The emphasis today is on upgrading systems to produce results that are exponentially higher than what the retailers' existing systems are capable of delivering.

Suppose, for example, a retailer's printers presently print five lines per second. By upgrading the system to produce 20 lines per second, the retailer now has a four-fold increase in productivity for a relatively minimal investment.

As another example, a retailer currently has a key entry system that requires an average of eight seconds to complete a transaction. By replacing the key entry option with a touch screen solution, the transaction now takes a mere 3.5 seconds to complete. Productivity not only increases by more than 100 percent, the retailer has also paved the way for happier customers, more transactions and higher revenues.

Such upgrades are easy to make and practical in any economic environment, but in a down economy, strategic upgrades with clearly defined benefits become a managerial imperative.

Demand is particularly high for technology that delivers immediate cost-cutting functionality without the need for heavy up-front investment.

IT'S PAYBACK TIME

In a soft economy, retailers also look for ways to shorten their technology ROI and payback time more aggressively than they do in a healthy economic environment.

As a result, the sooner retailers can put cash in their pockets, the sooner they're likely to make a purchase decision this year.

Demand is particularly high for technology that delivers immediate cost-cutting functionality without the need for heavy up-front investment. For example, consider a retailer with 1,500 stores, each of which has four self-checkout lanes. To keep the self-checkout lanes running smoothly, each store must keep roughly \$2,000 in cash per self-checkout register, which translates to a \$12 million cash outlay for the 1,500 registers system wide.

By adding a bill recycling feature at each station, the retailer now has a self-checkout machine that can recycle its own cash. The upgraded self-checkout system now handles the same amount of traffic with about one-tenth of the cash originally required to do so.

In this scenario, the retailer will save more than \$10 million in cash right from the start, while building upon the benefits of the stores' existing self-checkout offerings. Solutions like bill recycling that offer immediate payback for incremental investment on the retailer's part will continue to fuel much of the retail technology spending in the near future.

NEW TECHNOLOGIES, NEW OPPORTUNITIES

Short-term priorities notwithstanding, technology plays a more prominent role in retailing than ever before. The birth of the Internet, wireless communications, mobile computing and other technology-driven innovations are increasingly part of the norm as far as shoppers are



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- **Operational integration** By far the biggest hurdle when injecting a kiosk-based ordering system into a deli workflow is to ensure kiosk orders are being processed in a timely manner while still providing adequate service to those customers who have opted to wait in line and order at the counter. An integrated queue management solution – where kiosk orders and counter orders are treated equally in a first-in-first-out scenario – is the ideal method for solving this dilemma.
- **Customer marketing** A kiosk by itself on the retailer floor will generally not attract much traffic. Appropriate signage and other customer communication should convey the value proposition of using the kiosk – avoiding lines and saving time – and be reinforced by store personnel.
- **Location, location, location** Where to place a kiosk in the store is a constant debate: should it be in the deli area to handle overflow and line-busting scenarios, or near store entrances so orders are ready by the time customers reach the deli section? Ideally, kiosks should be located in both places to account for different interaction models. Regardless, the kiosks and their purpose should be clearly marketed with signage.

Other considerations to keep in mind with a kiosk-based ordering solution are single-function versus multi-function kiosks, loyalty program integration and order-ready notification options. These systems can create effective in-store marketing channels that promote both retailer- and national-brand products and services.

Kiosk solutions also offer unique insights into overall deli operations, so reports on usage, top sellers and even deli staff performance should be on the list of features for potential solutions. And for those worried about shrink from goods left out in the open, a well-marked, refrigerated pick-up case provides both an additional convenience for the self-service customer while also serving as reminder to those waiting in line that they have another option for placing their order.

When implemented correctly, deli kiosk solutions can contribute to sales lift, increased trips, overall customer loyalty and operational efficiencies. Once customers are used to placing orders this way, it becomes part of their routine and many won't be interested in doing it any other way. Kiosks are not just benefitting the self-service oriented customers – even those waiting in line will see the benefits of a properly planned and executed solution.

Matt Volpi is director of product management for Modiv Media Inc.

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concerned. In fact, consumers not only use technology to do much of their shopping today, they also expect to find it in the stores they frequent.

They will expect it even more in the years ahead. To remain competitive, retailers know they simply cannot afford to ignore trends and emerging technologies that are literally redefining the behavior of a new generation of consumers.

In particular, self-checkout, self-ordering kiosks and other self-service technology innovations are on the rise. Self-service is increasingly considered good service. And like the gas stations and ATM machines of yesterday, the retail stores of today are turning to self-service solutions to keep their customers happy.

According to the IHL Group, a leading retail and hospitality technology research firm, self-service kiosk transactions will surpass \$607 billion in North America this year and will more than triple to \$1.7 trillion by 2012. The IHL study, which includes self-checkout systems, ticketing kiosks, check-in kiosks, food ordering, postal systems and other retail kiosks, affirms the widespread adoption of service-service shopping behavior.

As a result, demand remains high in the retail sector for technology that provides strategic self-service solutions. As consumers continue to embrace the benefits of new technology, like self-service, online and mobile retailing solutions, no competitive-minded retailer will want to be left behind.

In the late 19th Century, one of the greatest American philosophers, Ralph Waldo Emerson, said, “Commerce is a game of skill which everyone cannot play and few can play well.” His words still ring true today, but in a culture that increasingly depends on technology to achieve its goals, a leader in the retail industry might want to update Emerson's famous quote for the times we live in:

Commerce is a game of skill which everyone cannot play, few can play well, and no one can win without the right technology.

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