

# Retail Tech: What Went Wrong? What's Going Right?



by Matt Pillar

Our annual report on retailers' 2011 systems successes, failures, and spending priorities for the coming year provides a unique look into the state of the industry.

As the economy goes, so goes retail. Sure, in terms of share of GDP, our industry doesn't carry nearly the ground-shaking heft of the fraught-with-trouble government, financial, manufacturing, and real estate sectors. But, when the 46% of our national GDP composed of those collective sectors staggers, we certainly suffer the consequences. Retail is a most unfortunate victim to slumping consumer confidence, impulsive (increasingly compulsive) saving, poverty, and certainly unemployment, given our industry's standing as the employer of 18.3 out of every 100 American workers. That's the largest single chunk of the workforce, bigger even than big government, making a chronic unemployment rate of more than 9% all the more painful.

As you read the report that dominates this month's issue, it's important to consider the data in the context of this economy. It's also important to understand the source of the information we've gathered and our methodology and timing for aggregating it.

With help from Penn State University, we designed a Web-based survey and pushed it out to *Integrated Solutions For Retailers* subscribers and users of [retailsolutionsonline.com](http://retailsolutionsonline.com). The survey asked three sets of questions: multiple-choice questions that gauged retailers' operational and technological preparedness and competency; open-ended questions designed to gather opinions from retailers on the worst mistakes they and their peers and competitors made this year; and finally, multiple-choice questions about what technology and operations solutions they'll deploy in 2012.

We collected responses from Aug. 16 through Sept. 13, 2011. As in years past, it was our intention to publish a report that neither chastised nor praised specific brands or individuals from the retail or vendor communities. That's difficult to do when you're presented with candid feedback to a question like, *What was the worst technology, systems, or operations investment made by any retailer this year — your company*

*included?* Rest assured, however, that we've upheld our promise of anonymity in the following pages.

Once again, as a resource for our readers, we've compiled lists of vendor solutions providers for the three top-rated 2012 investments in each of the six categories we report on. Those categories are:

- Marketing & Operations Solutions
- In-Store Hardware
- In-Store Software
- Supply Chain/Logistics Solutions
- Cross-Channel Retailing Solutions
- Loss Prevention/Security Solutions

It's a large industry with many players, and we acknowledge the inevitability that a vendor or two may have been missed on our lists. We went to great lengths to keep these lists as fair and comprehensive as possible, but we're happy to learn about players that deserve a spot in the report.

This year, we gathered responses from 267 individual retail executives across the nation. They represent a cross-section of business sizes and segments. Responses that could not be verified as true retailers were eliminated. For more information on our survey takers, see the sidebar on the following page.

To determine retailers' successes and failures in 2011, we began by asking respondents to what extent they agreed or disagreed with a series of positive statements (e.g. "*My company has maintained adequate staff levels*") in an effort to gauge their satisfaction with the decisions they and their companies made in 2011. Topics ranged from merchandise-level maintenance to systems integration to workforce management and several points between. We followed these statements with a series of open-ended questions asking retail executives for specifics on what they, their peers, and their competitors did *wrong* this year. We made our determination

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of 2011's biggest mistakes by measuring the rate at which retailers disagreed with positive performance statements and identifying common trends in the responses to our open-ended questions.

To determine how 2012 solutions budgets will be allocated, we simply asked retailers what their investment plans looked like for next year, asking them to choose spending priorities from a comprehensive list of 56 options, divided by discipline into the aforementioned six categories. The three top-scoring options in each category were deemed "best investments for 2012."

We also gathered some colorful and insightful commentary that we've included throughout the report on the following pages. We hope you find this data helpful and use it as a resource for your own 2012 planning.

## Technology Enablers Coming Into Place

The impact a struggling economy has on the retail industry sat firmly in the foreground of this report in 2009 and 2010, and based on the facts and opinions gathered in our 2011 survey, that simply refuses to change this year. That said, the early open-ended questions in our report revealed optimism regarding the steps retailers are taking to make the most of economic circumstances that are largely beyond their control. We'll begin our report there, with an analysis of the responses we received from our readers when we asked them to gauge their agreement with the statement, *My company's technology portfolio is well-rounded; we're not overly deficient in any single area.*

As shown in Figure 1 on the following page, exactly half of our survey responders indicated that they have a well-rounded technology portfolio with no glaring deficiencies. While that means a significant percentage of retailers can't agree with the same statement (you'll read more about that in the ensuing pages), the 50% figure marks an improvement over the 2010 response, when 47.4% expressed confidence in their technology portfolios. What's even more encouraging is that 67.8% of our survey takers directly correlate their technology portfolios to store success. That's how many agreed or strongly agreed that their companies have invested in technologies that will help their stores succeed, a marked improvement over the 61.7% who made that assertion last year.

## Who Responded To Our 2011/2012 Retail Technology Survey?

We count the owners of thousands of small mom-and-pop shops, executives from hundreds of regional retail brands, and an average of 26 executives at each of the 100 top retailers (by revenue) among our subscribers. Our responses pulled from the entire cross-section of segments and sizes, including service-based retail, grocery, sporting goods, accessories, department stores, and more. Responders came from the executive level, ranging from discipline-specific managers (directors of LP, distribution, merchandising, store operations, and marketing) to the C-suite (CMOs, CIOs, CFOs, and CEOs).

Among the notable brands participating this year were:

- 24 Hour Fitness
- Brown Shoe
- Camping World
- CVS
- Goodwill Industries
- Luxottica
- Modell's Sporting Goods
- REI
- Sony Electronics
- Spartan Stores
- Stage Stores
- Talbots
- Target
- The Clark's Companies
- Victoria's Secret
- Yankee Candle

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Among those who disagreed with the aforementioned statements, three common themes were repeated in their reasoning: a lack of resources to fund technology investments, inadequate integration of systems, and poor associate-level execution. The lack of investment resources was far and away the most repeated response to the question, *If you disagreed with any of the above statements, why?* More than half of those responses cited budget constraints, and half of those who cursed their small budgets said the cost of new technology is too high. One small specialty retail store owner summed up the majority of responses to this question with a simple statement, alluding to a recession that's far from over in the minds of small business:

***“The recession has kept us from investing any additional funds — we’re on a maintain-only budget.”***

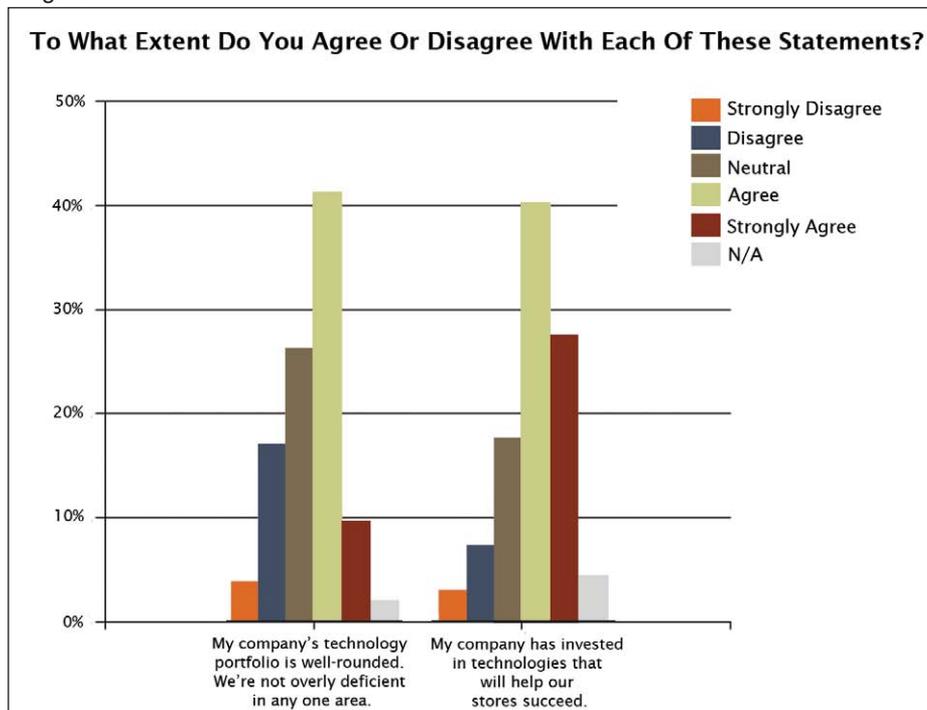
Many retail executives lamented that they’ve extended the life of store hardware and software beyond its

intended life span and have now fallen woefully behind on their upgrade schedules. Still more drew the connection between this reality and the integration struggle, telling us that they’re running multiple versions of store systems across their enterprises and are subsequently struggling to connect the data dots. Some executives went so far as to point a finger at the solutions provider community for moving too fast with software development, a theme that was encapsulated well by an IT exec who said:

***“Technology is changing so quickly, and the time and effort involved with rolling out technology to the masses takes time and coordination. Once a project is rolled out, something less expensive and/or more integrated comes along. The amount of time it takes to recoup the expense of IT projects is such that newer and more cost-effective technologies will have been developed during the rollout.”***

We suspect that the trend toward Software as a Service (SaaS)-based applications delivered via the cloud, which,

Figure 1



# Can Your Software Handle \$20 Million Growth?



Richard Schwarz, MIS director

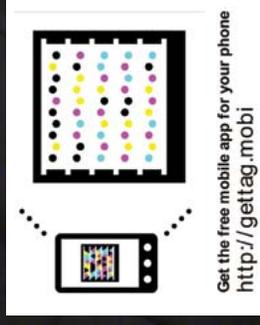
William A. Nowicki, CFO

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in theory, enables a seamless and less expensive software upgrade path, will alleviate some of this pain in the future. As RSR's Brian Kilcourse aptly commented on the cloud in his recent writing, "While retailers ponder, Silicon Valley invests." In fact, Cisco's Summer 2011 CloudWatch report revealed that 60% of United Kingdom retailers — who have a reputation for being a step ahead of their U.S. counterparts in terms of technology — have no plans to move applications to the cloud. Says Kilcourse, "The idea of throwing a critical business function onto 'the Internet' [which Kilcourse contends has mistakenly become synonymous with the cloud], which many view as a great uncontrolled digital wilderness of hackers, spammers, texting teens, and sexting congressmen, seems fundamentally irrational."

Point solution integration also presents a challenge in the cloud, and as for that hardware total cost of ownership (TCO) issue, you certainly can't shorten the hardware life cycle in cyberspace. Regardless of whether their hardware and software systems pass muster, several executives cited room for *execution* improvement among associates as a harbinger of success. One IT executive from a major national drugstore chain echoed several survey takers when she said:

***"The success of the store does not depend solely on new technology. It depends on how you use it. Used correctly, technology should create helpful, courteous, and knowledgeable employees on the floor, who are willing and able to direct and assist customers."***

## Merchandise Mix Improves, Staffing Needs Work

Next, we asked retailers about what's on their shelves and who's staffing their stores.

This year, 71.2% of our responders agreed with the statement, *My company has maintained the right mix of merchandise* (22% strongly agreed). Last year, 67.6% agreed with that statement (16.5% strongly), and 5.3% disagreed, matching the level of disagreement this year.

These statistics from the executive suite aren't too far off from the store-level sentiment on merchandising revealed by our annual *State Of The Store Manager Report* (July). In that study 66.7% of store managers agreed with the statement, *Promotions and merchandising decisions are made with our customer demographic in mind*, 58.3% agreed that *Corporate makes the right promotions*

### RESOURCE:

**Providers of the top IN-STORE HARDWARE solutions priorities in 2012**

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Dell	www.dell.com/business
DigiPos	www.digipos-systems.com
Direct Source	www.directsource.com
Fujitsu	www.fujitsu.com/us/services/retail
HP	www.hp.com
IBM	www.ibm.com
Ingenico	www.ingenico-us.com
Logic Controls	www.logiccontrols.com
Micros	www.micros-retail.com
NCR	www.ncr.com
PartnerTech	www.partnertechcorp.com
Posiflex	www.posiflexusa.com
Radiant Systems	www.counterpointpos.com
TDX Tech	www.tdxtech.com
Toshiba TEC	www.toshibatecusa.com
UTC Retail	www.ultimatetechnology.com
Wincor Nixdorf	www.wincor-nixdorf.com

### PAYMENT TERMINALS

Elavon	www.elavon.com
Equinox Payments	www.equinoxpayments.com
Ingenico	www.ingenico.com
Merchant Warehouse	www.merchantwarehouse.com
NCR	www.ncr.com
VeriFone	www.verifone.com
ViVotech	www.vivotech.com

### PRINTER PROVIDERS

Avery Dennison	www.averydennison.com
Bixolon	www.bixolon.com
Brother Mobile Solutions	www.brother-usa.com
CDW	www.cdw.com
CognitiveTPG	www.cognitivetpg.com
Datamax-O'Neil	www.datamax-oneil.com
Direct Source	www.directsource.com
Epson	www.epson.com
Intermec	www.intermec.com
Lexmark	www.lexmark.com
OkiData	www.okidata.com
SATO Labeling	www.satolabeling.com
Seiko	www.sii-thermalprinters.com
Source Technologies	www.sourcetech.com
Star Micronics	www.starmicronics.com
Toshiba TEC	www.toshibatec.com
Zebra	www.zebra.com

### MOBILE DEVICES FOR STORE ASSOCIATES

AML	www.amltd.com
Apple	www.apple.com
AT&T	www.att.com/builtforbusiness
CDW	www.cdw.com
CipherLab	www.cipherlab.com
Datalogic	www.datalogic.com
Datamax-O'Neil	www.datamax-oneil.com
Direct Source	www.directsource.com
DLI	www.dataltd.com
ExaDigm	www.exadigm.com
Honeywell	www.honeywellaidc.com
Ingenico	www.ingenico-us.com
Intermec	www.intermec.com
Janam	www.janam.com
Mobile Demand	www.ruggedtabletpc.com
Motorola	www.motorola.com
Motion Computing	www.motioncomputing.com
Opticon	www.opticonUSA.com
Panasonic Solutions	www.toughbook.com
Partner Tech	www.partnertechcorp.com
PAX Technology	www.pax.us
Psion Teklogix	www.psion.com
Radiant Systems	www.counterpointpos.com
Research In Motion	www.blackberry.com
Sprint	www.sprint.com/4G
VeriFone	www.verifone.com
Verizon	www.verizonbusiness.com

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and merchandising decisions for my stores, and 62.5% of store managers said *Corporate takes my opinion on promotions and merchandising decisions into account.*

Some of the commentary we received on the merchandise mix front indicates that retailers are getting creative and strategic with merchandise sourcing and allocation in the e-commerce age. For instance, one exec told us he's spreading the burden of improving his merchandise mix.

***"We are still adding to the merchandise mix and will achieve this over time. We're running a partnership with a couple of companies that allows us to offer more selection to our merchandise and does not impact our bottom line."***

On the other hand, we learned that retailers have some ironing out to do in terms of the actual e-commerce engines they're running. While 63.6% agreed that their

companies are actively investing in store and e-commerce systems and technologies (12% disagreed), those investments clearly have room for improvement. Case in point, one general retail exec's comments represented those of many in the survey when he said,

***"Our business is in the midst of a digital shift, and we are working through and dealing with it. Our product mix is changing at the store level, but it's not happening fast enough at this point."***

And many reiterated a need for new and upgraded e-commerce systems.

While stores and executive suites seem to be on the same page in terms of merchandising efforts, we see a glaring disconnect between the executive suite and store management on the labor issue. Last year 61.4% of the executives in our survey agreed with the statement,



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## Are your customers satisfied? Do you even know?

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*My company has maintained adequate staff levels* (12.6% strongly). This year's agreement with the statement was relatively unchanged at 60.4% (45.2% agreed, 15.2% strongly agreed, see Figure 2 below), though fewer disagreed (12.4% disagreed in 2010, 10.8% this year). However, while executives in this survey seem content with staffing levels, when we asked the same question of store managers in our previously mentioned store manager survey, they give us a wildly different response. Managers tell us 3 to 1 that good employees are hard to find, and more than half say they're hard to retain. They also tell us that labor budgets are largely flat (46.2%) or down (28.2%) while store workload is up (70.9%).

Of course, not all execs are blind to the plight of store-level staffers. One footwear brand executive who disagreed with the notion that his stores are adequately staffed represented a majority of that disagreement when he said,

***“Staff levels are tight both on the front line and in the corporate office as a response to the current***

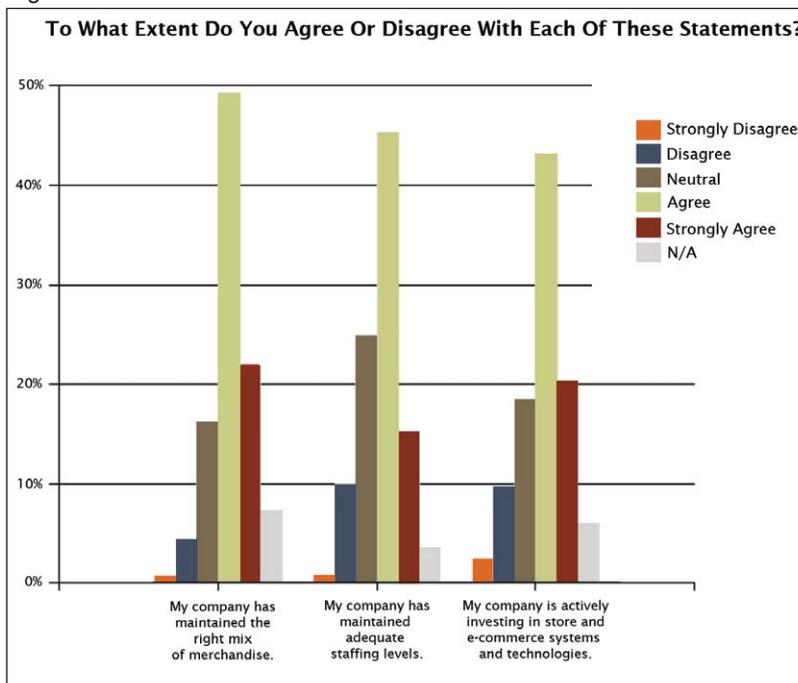
***economic environment. The constant pressure to maintain and increase margins has us doing more with less.”***

Other retailers echoed the woes brought about by the economy, reflecting on their own contributions to the historically high and sustained unemployment rate.

***“Recession combined with minimum wage increase has forced us to cut hours and staff. We are not investing in anything new or for the foreseeable future. We're holding our own for now.”***

***“The preparation, from actual physical preparation to the additional staff training, takes much more time than in previous quarters. As with every retailer that I know of, we have also cut payroll dollars. The difficult thing is to balance the man-hours absolutely needed for prep and not take so many hours from the floor that it compromises customer service.”***

Figure 2



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With a clear look into our survey responders' take on their merchandise assortments (good) and staff levels (bad), we shifted our attention to the ugly. We asked for candid responses to the questions, *What was the worst technology, systems, or operations investment made by any retailer this year — your company included? Why was it a mistake?*

## Tumultuous Tablets And Slippery Smartphones

No question, Steve Jobs' last gift to the world is a major hit and commerce enabler in the hands of consumers. However, we're getting a different read from early retail adopters of iOS devices — and to be fair a few other tablets and smartphones too —when placed in service for store managers and associates. In fact, trouble with new mobile devices, mainly tablets and smartphones, handily topped the list of the worst mistakes of 2011. Ironic isn't it, in this, the year of mobility? Fortunately, the disappointment with new mobile devices is not tied to the devices themselves, nor does it rile retailers to anywhere near the anger level of that second-most-cited mistake of 2011, a perennial favorite, the enterprise retail planning (ERP) implementation gone long and wrong. The gripes about tablets and smartphones focused primarily on the fact that the market is saturated with half-baked applications, and retailers that adopted early expected fully baked apps when the devices reached their stores. Other prevalent themes surrounding dissatisfaction with mobile devices included difficulty controlling access and device management. Said one IT budget holder,

***"I feel that many technology items are being rushed in order to be able to compete. While staying up to date and current is important, rushing new products out that aren't completely ready can only hurt the company image. The growing pains are the main reason that I don't purchase first-generation anything."***

And as we mentioned, those much-maligned ERP software vendors are apparently still good at tricking retailers into believing



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ERP is a quick and painless initiative. The unabridged responses to the “worst mistake” question that follow illustrate the gnashing of teeth that retailers experience at the hands of ERP:

*“Launching a custom ERP system with the expectation that minimal user participation was needed. Subsequently, the physical processes did not mirror usability of the system.”*

*“Slow deployment of new ERP system; vendor unable to support our initiatives.”*

*“I can't say enough about how horrible a choice this was, but I am not completely sure if it is the system or the underestimation of the resources that it would require to make it work the way we need it to. Many times, we've been told 'it can do that,' and what we should hear is 'it can do that with months of customization and millions of dollars.' ”*

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Alliance Data	www.alliancedata.com
American Express	www.americanexpress.com
Bit9, Inc.	www.bit9.com
BSG Clearing	www.bsgclearing.com
Chase Paymentech	www.chasepaymentech.com
Cybera Inc.	www.cybera.net
CyberSource	www.cybersource.com
Discover	www.discoverbiz.com
Elavon	www.elavon.com
Element Payment Services	www.elementps.com
First Data	www.firstdata.com
First National Merchant Services	www.firstnationalmerchants.com
FIS	www.fisglobal.com
Fiserv	www.fiserv.com
Givex	www.givex.com
Global Payments	www.globalpaymentsinc.com
Heartland Payment Systems	www.heartlandpaymentsystems.com
Equinox Payments	www.equinoxpayments.com
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Innovative Merchant Solutions/Intuit Inc.	www.innovativemerchant.com
Kount Inc.	www.kount.com
Litle and Company	www.litle.com
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Mercury Payment Systems	www.mercurypay.com
Motorola	www.motorola.com
PNC Merchant	www.pncmerchant.com
S1	www.s1.com
SafetyPay	www.safetypay.com
Sage Payments	www.sagepayments.com
Shift4	www.shift4.com
Star Networks	www.star.com
TD Card Services	www.shopperscharge.com
TSYS	www.tsys.com
UIC USA	www.uicusa.com
Vantiv	www.vantiv.com
Verifi	www.verifi.com
VeriFone	www.verifone.com
VISA	www.visa.com/merchant
Wells Fargo	www.wellsfargo.com/biz/merchant
World Pay	www.rbsworldpay.us

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Cashier Live	www.cashierlive.com
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Cegid	www.cegid.us
Celerant	www.celerant.com
Chaindrive	www.chaindrive.com
COREsense	www.coresense.com
Cougar Mountain	www.cougarmtn.com
Epicor	www.epicor.com
Fujitsu	www.fujitsu.com/us/services/retailing
IBM	www.ibm.com
Intuit	www.intuit.com
Island Pacific	www.islandpacific.com
JDA	www.jda.com
JDS	www.jds.com
Jesta	www.jestais.com
Magstar	www.magstarinc.com
Manthan Systems	www.manthansystems.com
Micros	www.micros-retail.com
Microsoft	www.microsoft.com
NCR	www.ncr.com
Onevue	www.onevue.com
Oracle	www.oracle.com
PCMS	www.pcmsdatafit.com
RDT Systems	www.rdt-systems.com
Radiant Systems	www.counterpointpos.com
Raymark	www.raymark.com
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AJB Software	<a href="http://www.ajbsoftware.com">www.ajbsoftware.com</a>
AT&T	<a href="http://www.att.com/builtforbusiness">www.att.com/builtforbusiness</a>
Bold Software	<a href="http://www.boldsoft.com">www.boldsoft.com</a>
Cegid	<a href="http://www.cegid.us">www.cegid.us</a>
Celerant	<a href="http://www.celerant.com">www.celerant.com</a>
CPI Card Group	<a href="http://www.cpicardgroup.com">www.cpicardgroup.com</a>
Epicor	<a href="http://www.epicor.com">www.epicor.com</a>
Fifth Gear	<a href="http://www.infifthgear.com">www.infifthgear.com</a>
First Data	<a href="http://www.firstdata.com">www.firstdata.com</a>
Givex	<a href="http://www.givex.com">www.givex.com</a>
Global Bay	<a href="http://www.globalbay.com">www.globalbay.com</a>

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Junction Solutions	<a href="http://www.junctionsolutions.com">www.junctionsolutions.com</a>
KARMACRM	<a href="http://www.karmacrm.com">www.karmacrm.com</a>
Magstar	<a href="http://www.magstarinc.com">www.magstarinc.com</a>
Manthan Systems	<a href="http://www.manthansystems.com">www.manthansystems.com</a>
Microsoft	<a href="http://www.microsoft.com">www.microsoft.com</a>
Oracle	<a href="http://www.oracle.com">www.oracle.com</a>
QlikView	<a href="http://www.qlikview.com">www.qlikview.com</a>
SAP	<a href="http://www.sap.com/retail">www.sap.com/retail</a>
SAS	<a href="http://www.sas.com">www.sas.com</a>
Sprint	<a href="http://www.sprint.com/4G">www.sprint.com/4G</a>
Take 5	<a href="http://www.take5solutions.com">www.take5solutions.com</a>
Verizon	<a href="http://www.verizonbusiness.com">www.verizonbusiness.com</a>

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Another favorite mistake in recent years points back to merchandise, but it's not a question of *what* as much as it is a question of how much to order and how much to subsequently mark it down. A sampling of commentary on the topic from our survey:

**"It seems like the majority of the retailers are ordering too much merchandise, and with the**

**economy being as bad as it is, they are not selling the items. It is good for the consumer; they have to keep the items on sale to clear them out; they are just breaking even or even losing money on those deals."**

**"Markdown optimization — the proposed markdowns did not conform to our budgets."**

We wanted to get a little more insight into what causes bad decisions in retail organizations, so we probed a little more with our next question.

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### CUSTOMER EXPERIENCE MANAGEMENT

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Acxiom	www.acxiom.com
Bold Software	www.boldsoft.com
CFI Group	www.cfigroup.com
Empathica	www.empathica.com
Fifth Gear	www.infifthgear.com
First Insight	www.firstinsight.com
ForeSee	www.foreseeresults.com
Givex	www.givex.com
ICC Decision Services	www.iccds.com
LivePerson	www.liveperson.com
Medallia	www.medallia.com
Mindshare	www.mshare.net
Nexvu	www.nexvu.com
Oracle	www.oracle.com
Pitney Bowes Business Insight	www.pbinsight.com
Predictive Intent	www.predictiveintent.com
SAS	www.sas.com
Shop Local	www.aboutshoplocal.com
SMG (Service Management Group)	www.smg.com
TeaLeaf	www.tealeaf.com

### MERCHANDISING

Argility	www.argility.com
ChainDrive	www.chaindrive.com
daVinci	www.davinci-retail.com
DemandTec	www.demandtec.com
Epicor	www.epicor.com
Island Pacific	www.islandpacific.com
ITR Software	www.it-res.com
Junction Solutions	www.junctionsolutions.com
KWI	www.kwi.com
Magstar	www.magstar.com
Maple Lake	www.maplelake.com
MID	www.midretail.com
Netezza	www.netezza.com
Onevue	www.onevue.com
Oracle	www.oracle.com
Planogramming Solutions	www.planogrammingsolutions.com
SAP	www.sap.com/retail
SAS	www.sas.com
Tomax	www.tomax.com

## Slashed Budgets Cut Deep

Before you give up the budget fight, consider what our survey responders told us when we asked them, *Has your company pulled back on any spending or resources that resulted in negative consequences this year? If yes, what have you pulled back on, and what were the consequences?*

Far and away the most cited cutbacks were staff and payroll, and the resulting consequence was a decline in customer service. More than 40% of the responses we received to this

### MARKETING/PROMOTIONS

1010data	www.1010data.com
Bronto	www.bronto.com
Experian	www.experian.com/retail
Facebook	www.facebook.com
Fifth Gear	www.infifthgear.com
First Data	www.firstdata.com
Frank Mayer & Associates, Inc.	www.frankmayer.com
Fusion Retail Analytics	www.fusionretailanalytics.com
Givex	www.givex.com
Gladson	www.gladson.com
Honeywell Scanning & Mobility	www.honeywellaidc.com
hybris	www.hybris.com
IBM	www.ibm.com
iGoDigital	www.igodigital.com
Inmar	www.inmar.com
Intel	www.intel.com
Junction Solutions	www.junctionsolutions.com
Knotice	www.knotice.com
Listrak	www.listrak.com
Lyrus	www.lyris.com
MyBuys	www.mybuys.com
Netezza	www.netezza.com
Planogramming Solutions	www.planogrammingsolutions.com
QlikView	www.qlikview.com
SAS	www.sas.com
Shopatron	www.shopatron.com
Shop Local	www.aboutshoplocal.com



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# Retail Tech: What Went Wrong? What's Going Right?

question lamented associate and labor hour cuts as those resulting in the most detriment to the business in 2011. Among the responses we heard on staff and payroll cuts were:

*“We had to slash the payroll budget. Our employees quickly became overworked and productivity dropped.”*

*“We reduced the hours of each employee to save money on payroll, but now we don't have enough reliable and knowledgeable people on the floor and on the registers. Installing a self-checkout lane made the problem worse and cost us shoppers.”*

*“Time and labor hours have been cut, reducing customer service, which is also the best deterrent to theft.”*

## RESOURCE:

### Providers of the top **LOSS PREVENTION/SECURITY** solutions priorities in 2012

#### EMPLOYMENT SCREENING/BACKGROUND CHECKS

Asurint	<a href="http://www.asurint.com">www.asurint.com</a>
Edge Information	<a href="http://www.edgeinformation.com">www.edgeinformation.com</a>
LexisNexis	<a href="http://www.lexisnexis.com">www.lexisnexis.com</a>
Orion Systems	<a href="http://www.orionsys.com">www.orionsys.com</a>
Wonderlic	<a href="http://www.wonderlic.com">www.wonderlic.com</a>

#### VIDEO SURVEILLANCE SOLUTIONS PROVIDERS

3VR	<a href="http://www.3vr.com">www.3vr.com</a>
ADT	<a href="http://www.adtbusiness.com/retail">www.adtbusiness.com/retail</a>
Aimetis	<a href="http://www.aimetis.com">www.aimetis.com</a>
Agilence	<a href="http://www.agilenceinc.com">www.agilenceinc.com</a>
Alpha Security	<a href="http://www.alphaworld.com">www.alphaworld.com</a>
Axis Communications	<a href="http://www.axis.com">www.axis.com</a>
Bass Security	<a href="http://www.bass-security.com">www.bass-security.com</a>
Bosch	<a href="http://www.boschsecurity.us">www.boschsecurity.us</a>
Brinks	<a href="http://www.brinksinc.com">www.brinksinc.com</a>
BVI Networks	<a href="http://www.bvinetworks.com">www.bvinetworks.com</a>
Cisco Physical Security	<a href="http://www.cisco.com/go/physsec">www.cisco.com/go/physsec</a>
ClickIt	<a href="http://www.clickitinc.com">www.clickitinc.com</a>
Diebold	<a href="http://www.diebold.com">www.diebold.com</a>
DVTel	<a href="http://www.dvtel.com">www.dvtel.com</a>
Envysion	<a href="http://www.envysion.com">www.envysion.com</a>
EverFocus	<a href="http://www.everfocus.com">www.everfocus.com</a>
Genetec	<a href="http://www.genetec.com">www.genetec.com</a>
Honeywell	<a href="http://www.honeywellvideo.com">www.honeywellvideo.com</a>
i3 International	<a href="http://www.i3dvr.com">www.i3dvr.com</a>
Ionit	<a href="http://www.ionitusa.com">www.ionitusa.com</a>
IQinVision	<a href="http://www.iqeye.com">www.iqeye.com</a>
iVerify	<a href="http://www.iverify.us">www.iverify.us</a>
March Networks	<a href="http://www.marchnetworks.com">www.marchnetworks.com</a>
Milestone	<a href="http://www.milestonesys.com">www.milestonesys.com</a>
Mitsubishi	<a href="http://www.mitsubishi-imaging.com/security">www.mitsubishi-imaging.com/security</a>
Next Level Security Systems	<a href="http://www.nlss.com">www.nlss.com</a>
Niscayah	<a href="http://www.niscayah.us">www.niscayah.us</a>
NuTech National	<a href="http://www.nutechnational.com">www.nutechnational.com</a>
ONSSI	<a href="http://www.onssi.com">www.onssi.com</a>
Pelco	<a href="http://www.pelco.com">www.pelco.com</a>
Protection One	<a href="http://www.protectionone.com">www.protectionone.com</a>
Speco Tech	<a href="http://www.specotechnologies.com">www.specotechnologies.com</a>
Stanley Security Solutions	<a href="http://www.stanleysecurity.com">www.stanleysecurity.com</a>
Toshiba Security	<a href="http://www.toshibasecurity.com">www.toshibasecurity.com</a>
Tyco	<a href="http://www.tycoretailsolutions.com">www.tycoretailsolutions.com</a>
USS	<a href="http://www.universaleas.com">www.universaleas.com</a>
Vector Security	<a href="http://www.vectorsecurity.com">www.vectorsecurity.com</a>
Verint	<a href="http://www.verint.com">www.verint.com</a>
Wren	<a href="http://www.wrensolutions.com">www.wrensolutions.com</a>

#### TRAINING & AWARENESS/ETHICS PROGRAM SOLUTIONS PROVIDERS

Creative Options	<a href="http://www.creativeop.com">www.creativeop.com</a>
EthicsPoint	<a href="http://www.ethicspoint.com">www.ethicspoint.com</a>
Global Compliance	<a href="http://www.globalcompliance.com">www.globalcompliance.com</a>
LP Innovations	<a href="http://www.lpinnovations.com">www.lpinnovations.com</a>
One Touch Systems	<a href="http://www.onetouch.com">www.onetouch.com</a>
Orion Systems	<a href="http://www.orionsystem.com">www.orionsystem.com</a>
PCG Solutions, Inc.	<a href="http://www.PCGsolutions.com">www.PCGsolutions.com</a>

#### PAYMENT SECURITY

ACI Worldwide	<a href="http://www.aciworldwide.com">www.aciworldwide.com</a>
Amphion	<a href="http://www.amphion.biz">www.amphion.biz</a>
Brinks	<a href="http://www.brinksinc.com">www.brinksinc.com</a>
CashMaster	<a href="http://www.cashmaster.com">www.cashmaster.com</a>
Chase Paymentech	<a href="http://www.chasepaymentech.com">www.chasepaymentech.com</a>
Corporate Safe Specialists	<a href="http://www.corporatesafe.com">www.corporatesafe.com</a>
Cummins	<a href="http://www.cumminsallison.com">www.cumminsallison.com</a>
Diebold	<a href="http://www.diebold.com">www.diebold.com</a>
Discover	<a href="http://www.discover.com">www.discover.com</a>
Dunbar	<a href="http://www.dunbaramored.com">www.dunbaramored.com</a>
Earthlink	<a href="http://www.earthlink.com">www.earthlink.com</a>
Equinox Payments	<a href="http://www.equinoxpayments.com">www.equinoxpayments.com</a>
First Data	<a href="http://www.firstdata.com">www.firstdata.com</a>
FIS Retail Payment Solutions	<a href="http://www.fisglobal.com/retailsolutions">www.fisglobal.com/retailsolutions</a>
Global Payments	<a href="http://www.globalpayments.com">www.globalpayments.com</a>
Ingenico	<a href="http://www.ingenico.com">www.ingenico.com</a>
InstaKey	<a href="http://www.instakey.com">www.instakey.com</a>
Kaba Mas LA GARD	<a href="http://www.kaba-mas.com">www.kaba-mas.com</a>
Loomis	<a href="http://www.loomis.us">www.loomis.us</a>
MegaPath	<a href="http://www.megapath.com">www.megapath.com</a>
MEI	<a href="http://www.meigroup.com">www.meigroup.com</a>
MMF	<a href="http://www.mmfpos.com">www.mmfpos.com</a>
RedPrairie	<a href="http://www.redprairie.com">www.redprairie.com</a>
Rolland Safe	<a href="http://www.rslc.net">www.rslc.net</a>
RSS	<a href="http://www.retailssystemssolutions.com">www.retailssystemssolutions.com</a>
Sage Payments	<a href="http://www.sagepayments.com">www.sagepayments.com</a>
Sargent and Greenleaf	<a href="http://www.sargentandgreenleaf.com">www.sargentandgreenleaf.com</a>
Shift4	<a href="http://www.shift4.com">www.shift4.com</a>
Spacenet	<a href="http://www.spacenet.com">www.spacenet.com</a>
Stanley Security Solutions	<a href="http://www.stanleysecurity.com">www.stanleysecurity.com</a>
Tellermate	<a href="http://www.tellermate.com">www.tellermate.com</a>
Tidel	<a href="http://www.tidel.com">www.tidel.com</a>
VeriFone	<a href="http://www.verifone.com">www.verifone.com</a>
Visa	<a href="http://www.visa.com">www.visa.com</a>
Wilson Safe	<a href="http://www.wilsonsafe.com">www.wilsonsafe.com</a>
Wincor Nixdorf	<a href="http://www.wincor-nixdorf.com">www.wincor-nixdorf.com</a>
World Pay	<a href="http://www.worldpay.com">www.worldpay.com</a>
Volumatic	<a href="http://www.volumatic.com">www.volumatic.com</a>

# Retail Tech: What Went Wrong? What's Going Right?

The second-most consequential cutback was decisively on IT, with more than 34% of retailers responding that a lack of updated hardware and poor systems deployments or integrations set them back this year. Several of the responses we received regarding IT and systems cuts support our earlier findings regarding merchandising. Retailers, especially small ones, are spending as little money as possible on anything they can't put on the shelf and sell.

*“Our old POS hardware is at end of life, and we're having to scramble to keep the equipment running. We've had extended outages due in part to lack of replacement parts.”*

*“We've pulled back on new spending for anything except inventory.”*

Marketing and advertising were the third-most cited victims to the budget scalpel. Some 23% of retailers expressed the suspicion that cutting back on product promotion contributed to a lack of sales.

*“We have ceased all marketing campaigns and have lost untold sales by not reaching our target audience.”*

*“Pulled back on Web advertising due to financial stress. Believe that it may be negatively affecting sales with regard to getting new customers.”*



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# Retail Tech: What Went Wrong? What's Going Right?

## 2011: Good Decisions, Positive Payoff

While cuts have been inevitable for many, we received some enthusiastic responses to the question, *What was the best systems or operations decision your company made this year?*

It became clear in our analysis that mission-critical sales-oriented systems were in order this year. Of those who responded to the above question, 22% said new or overhauled POS systems were their best systems decision, followed by the implementation of brand-new or overhauled e-commerce systems at 12%. Social media investments and moving apps to the cloud tied for third at 10% each.

Among those citing social media investments as the best operations decisions they made in 2011, half lauded the hiring of a full-time social media manager. Others touted the benefits of Facebook and Groupon integrations.

Other popular and successful decisions last year included the integration of new tender acceptance and payment methods such as electronic benefit

transfer (EBT) (8%) and investments in mobile technology (8%). Half of those citing mobile deployment specified their pleasure with iOS devices.

In an effort to wring out all the positive energy we could, we drilled down on the question by inquiring, *Which corporate decisions had a positive impact on the bottom line at your company?* Strategic inventory management and merchandising decisions were by far the most-cited initiatives that had a measureable positive impact. Eighteen percent of our responders said inventory optimization carried the year for them, followed by investments in e-commerce at 10%.

Of those lauding inventory optimization, some said it resulted in the discovery of hot product lines, while others pointed to a focus on cutting slow-moving merchandise. Here's some verbatim insight from your peers' takes on their best bottom-line decisions of 2011:

***"Balancing stock levels to sales has helped us keep what is selling in the stores."***

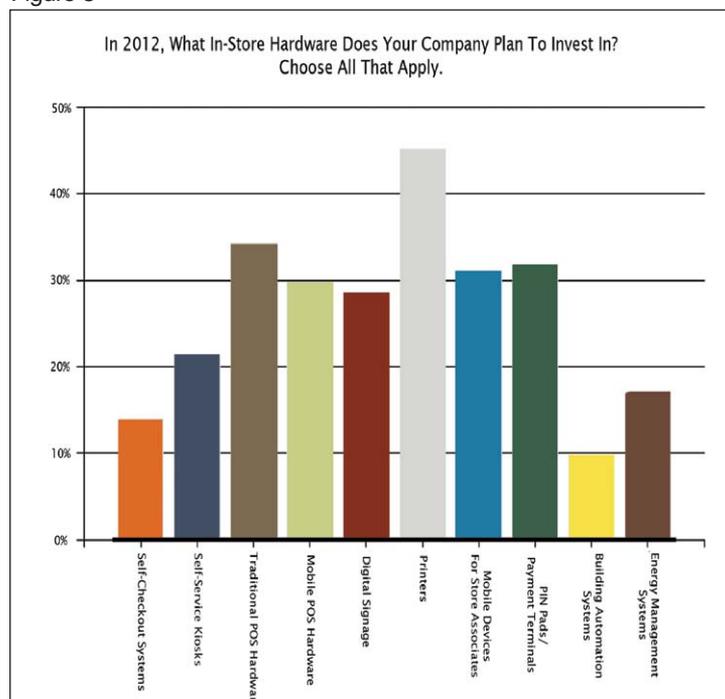
***"Changing the inventory mix to concentrate more heavily on a new department that has grown extremely well in sales."***

Retailers' 2011 successes give us a glimpse into their investment priorities for next year. Without any bullish predictions for a return to pre-recession levels of widespread retail technology spending, it's important to take a granular look at where retailers plan to invest.

## What's Next? Retail Priorities For 2012

In this section of the report, we'll dig into the solutions and technologies that retailers indicated they'll spend money on next year, as selected from 56 options across six broad categories. Refer to Figure 3 for more information.

Figure 3



## Retail Tech: What Went Wrong? What's Going Right?

### RESOURCE:

Providers of the top **CROSS-CHANNEL** solutions priorities in 2012

### E-COMMERCE

4-Tell	www.4-tell.com
Acquity Group	www.acquitygroup.com
Akamai	www.akamai.com
At Last Fulfillment	www.atlastinc.com
Avalara	www.avalara.com
Avexxis	www.avexxis.com
Boldchat	www.boldchat.com
Cactus Commerce	www.cactuscommerce.com
CDC eCommerce	www.cdcsoftware.com
Celerant	www.celerant.com
ChannelIQ	www.channeliq.com
COREsense	www.coresense.com
Demandware	www.demandware.com
Endicia	www.endicia.com
Eporia	www.eporia.com
Fifth Gear	www.infifthgear.com
FIS/Clear Commerce	www.fisglobal.com
FitForCommerce	www.fitforcommerce.com
Fry	www.fry.com
Global Response	www.globalresponse.com
Groove Commerce	www.groovecommerce.com
GSI Commerce	www.gscommerce.com
hybris	www.hybris.com
IBM	www.ibm.com
iGoDigital	www.igodigital.com
Intuit	www.intuit.com
iServe	www.iservedcs.com
Junction Solutions	www.junctionsolutions.com
LexisNexis	www.lexisnexis.com
Litle & Co	www.litle.com
MarketLive	www.marketlive.com
NetSuite	www.netsuite.com
Oracle	www.oracle.com
Predictive Intent	www.predictiveintent.com
Protiviti	www.protiviti.com
RedPrairie	www.redprairie.com
Retail Anywhere	www.retailanywhere.com
SpeedFC	www.speedfc.com
VeriSign	www.verisign.com
World Pay	www.rbsworldpay.us

### ONLINE PAYMENT

Accertify	www.accertify.com
Cybersource	www.cybersource.com
FIS Retail Payment Solutions	www.fisglobal.com/retailsolutions
First Data	www.firstdata.com
Kount	www.kount.com
LexisNexis	www.lexisnexis.com
PayPal	www.paypal.com
Planet Payment	www.planetpayment.com
VeriSign	www.verisign.com

### WEB DEVELOPMENT

7Strategy	www.7strategy.com
Adobe Scene7	www.scene7.com
Alexander Interactive	www.alexanderinteractive.com
Americaneagle.com	www.americaneagle.com
Bridgeline Digital Inc.	www.bridgeline.digital.com
Celerant	www.celerant.com
EY Studios	www.eystudios.com
Gorilla	www.gorillachicago.com
Micros	www.micros-retail.com
Weblinc	www.weblinc.com
@YourNet Connection Inc.	www.ync.net

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# Retail Tech: What Went Wrong? What's Going Right?

## Store Hardware: Printers, PIN Pads, And Payments

Planned retail hardware purchases will change little next year, with printers and traditional POS once again leading the pack. This year, however, PIN pads and payment terminals scored considerably higher than at the same time last year, when 23.2% called them a purchase priority. This year they just edged past mobile devices for store associates in a statistical dead heat for third place at 31.7%. Digital signage slipped to sixth this year, though the percentage calling it a priority climbed from 26.1% in 2010 to 28.7% today.

Printer adoption is being driven by two factors — the first and most important an upgrade cycle that's been prolonged by the economy. Had we returned to pre-recession consumer confidence and retail IT budgets recovered accordingly, we suspect printers would have dropped to second place for 2012, falling behind POS for in-store hardware investments.

The second factor contributing to the printer priority is the now ubiquitous functionality they afford in terms of color, graphics, and messaging capabilities. Many retailers are trying to speed up their printer upgrade schedules in an effort to add

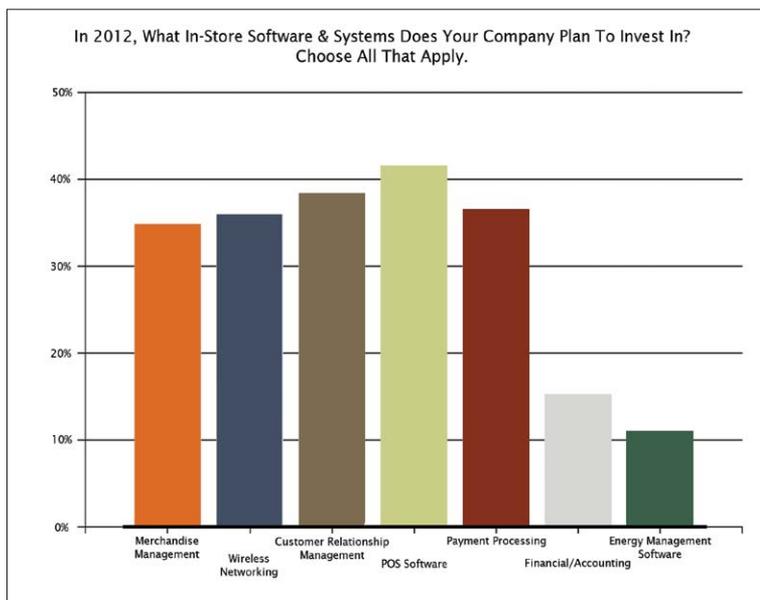
marketing and promotions to basic hardware life cycle justification as their rationale for adoption.

## In Stores: Wireless, Merchandising Investments To Climb

In-store software spending plans are also in a relative holding pattern, with POS, CRM, and payment processing ranking first through third, respectively, again this year. As noted in Figure 4 below, the big news in 2012 is the jump in wireless networking intentions, up to 36% from 29.7% in 2011. This is no doubt an indicator of mobile momentum, that being driven by internal initiatives for mobile POS and customer service as well as customer-facing applications that require Web access such as quick response (QR) code campaigns.

Merchandise management also made a significant gain, likely fueled by retailers' newfound and somewhat forced experiences with inventory optimization. Heading into 2011, only 23.8% planned to invest in merchandise management systems, but in 2012 it's on the priority list of 34.8% of our readers. Our findings in this category certainly support the open-ended responses to the question, *Which corporate decisions had a positive impact on the bottom line at your company?*, referenced earlier in this report.

Figure 4



### Avoid this classic oops!

"Our email system was drawing from our sales system, which created duplicate emails to the same customers, which led to removal of customers from numerous emails; no one checked to make sure duplicates would not be generated."

— director, services retailer

# Retail Tech: What Went Wrong? What's Going Right?

## Shifting Priorities In LP/Security

We're in the midst of incredible advances in video surveillance technology, which is why video surveillance investments lead the pack of planned loss prevention and security expenditures for the third straight year. Heading in to 2010, 51.4% of retailers planned to invest in video surveillance solutions, a figure that declined to 43.2% last year but climbed back above 47% for 2012. Reduced cost of megapixel technology, the pace of migration to Internet protocol (IP) cameras, and seemingly unlimited integration with POS and operations initiatives are driving home the value of video.

Training, awareness, and ethics programs maintained a second-place standing on the LP/security priority list, up to 37.7% from last year's 29.6%.

Payment security shook up the top three, jumping from

### There Are No Guarantees

*"We invested in a new credit card processing company that guaranteed savings; ... they were a disaster, cost us more, we switched back, and now we're in a legal battle to get out of the contract."*

— owner,  
independent jeweler

fifth place with a weight of 23.7% in 2010 to a tie for third with employee screening/background checks

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# Retail Tech: What Went Wrong? What's Going Right?

this year (both selections at 28.9%). Employee screening/background checks made the climb from sixth place on the priority list at 21.5% last year (see Figure 5 at bottom of this page).

## Supply Chains: Fine-Tuning The Forecast

Another tough year in the forecast means another good year for forecasting and replenishment solutions providers. More than 39% of retailers plan to spend here in 2012, up from 34.6% this year. The category sits behind inventory management for the third straight year, which is also up in weight to 55.8% this year as compared to 52.6% last year. These figures are down from a 2009 recession-fueled high of 61.2%. See Figure 6 on facing page.

This kind of sustained interest in inventory optimization is driving huge advances from the vendor community. We're seeing unprecedented visibility into the nuances of supply chains, enabled

by business intelligence engines that leave no savings opportunities to the imagination.

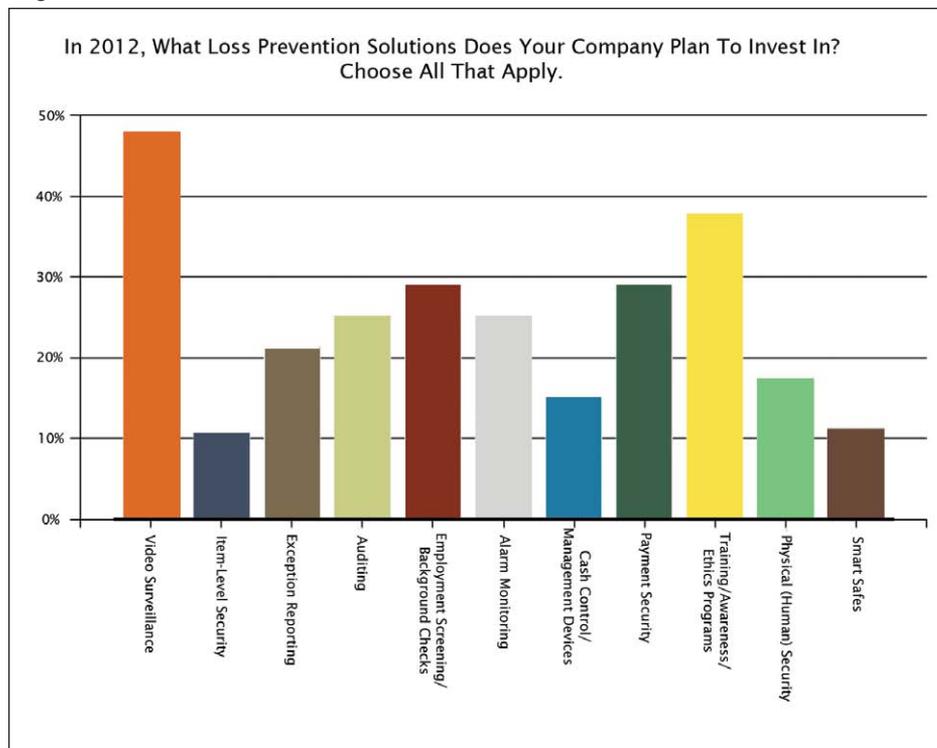
Private-label initiatives climbed out of a three-way tie for fifth place on the supply chain priority list in 2011 to a solid third-place position this year. Twenty-six percent of retailers indicate intentions to invest in margin-boosting private label practices next year, up from 18.4% in 2011.

## Operations: Time & Attendance Climbs

Back in 2009, only 16.1% of retailers in our survey planned on investing in time and attendance software the following year. That climbed by a mere percentage point in 2010, but at 28.6% headed into 2012 it's the fastest mover of our current survey. We attribute the jump to the improvement in the correlation between sales, traffic, and labor data and retailers' realization of the real savings in alignment of these variables.

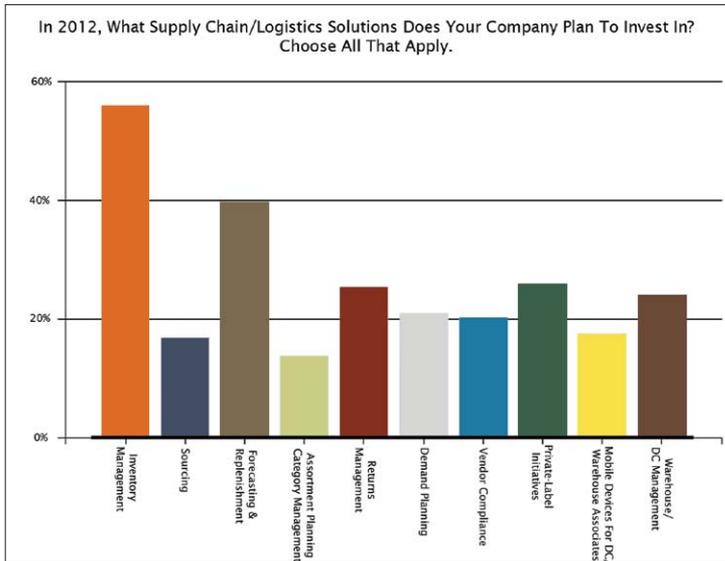
Of course, with 64% of retailers indicating their intent to invest in marketing and promotions, this

Figure 5



# Retail Tech: What Went Wrong? What's Going Right?

Figure 6



## Troubled By Tunnel Vision?

“Our biggest mistake? Investing in systems focused only on compliance without benefit to the core business. Investing in anything that doesn’t improve the customer experience or sales is a mistake right now.”

— director of retail apps,  
national outdoor equipment retailer

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# Retail Tech: What Went Wrong? What's Going Right?

option dominated the operations category again this year. This was foreshadowed in the first half of this report, when retailers indicated that slashed advertising and promotions budgets adversely impacted performance this year.

Merchandising and customer experience management round out the top three operations spending priorities

at 40.9% and 37.8%, respectively. Here's where the vendor community has got it wrong, at least for now. We'd all like to subscribe wholeheartedly to the "it's all about the customer" mantra, but in this reality, it's all about the sales and the savings. To many, too much focus on the customer seems too circuitous a route to the sale and nowhere connected to the savings.

## RESOURCE:

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ChainDrive	www.chaindrive.com
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DiCentral	www.dicentral.com
Epicor	www.epicor.com
Erply	www.erply.com
Esri	www.esri.com
Honeywell Scanning & Mobility	www.honeywellaidc.com
IBM	www.ibm.com
Insight Group Holdings Inc.	www.insight-holdings.com
Intermec	www.intermec.com
Intuit	www.intuit.com
Island Pacific	www.islandpacific.com
ISRA	www.israsolutions.com
JDA	www.jda.com
Jesta	www.jestais.com
Junction Solutions	www.junctionsolutions.com
JustEnough	www.justenough.com
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Manhattan Associates	www.manh.com
Netezza	www.netezza.com
Open Bravo	www.openbravo.com
Oracle	www.oracle.com
Profitect	www.profitect.com
QlikView	www.qlikview.com
Quantum Retail	www.quantumretail.com
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Tomax	www.tomax.com
Valogix	www.valogix.com
Verizon	www.verizonbusiness.com
Wavelink	www.wavelink.com

#### FORECASTING/REPLENISHMENT

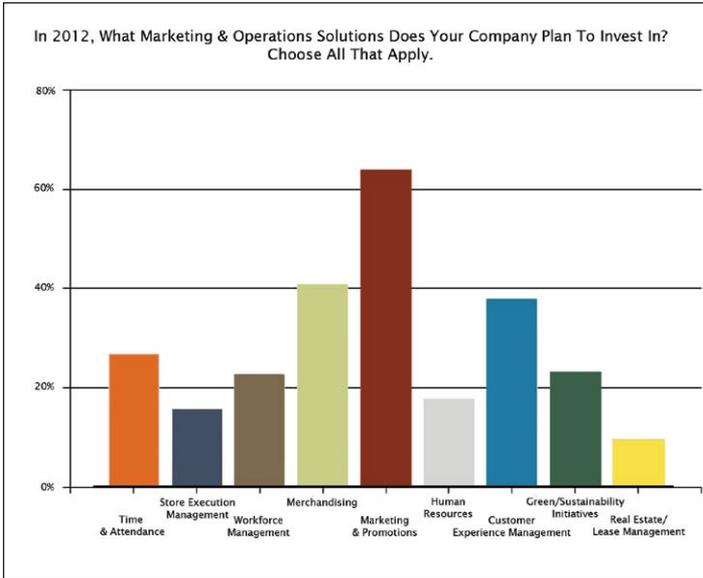
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Quantum Retail	www.quantumretail.com
RedPrairie	www.redprairie.com
SAP	www.sap.com/retail
SAS	www.sas.com
Tomax	www.tomax.com

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Tradestone	www.tradestonesoftware.com
Tyco	www.tycoretailsolutions.com

# Retail Tech: What Went Wrong? What's Going Right?

Figure 7



Sustained interest in inventory optimization is driving huge advances from the vendor community.

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# Retail Tech: What Went Wrong? What's Going Right?

## E-Commerce Leads Cross-Channel Initiatives

As e-commerce sites continue to compare to — and in some cases crush — single-site store sales, retailers are pumping money into e-commerce development. Also motivating the 57.9% of retailers who are planning e-commerce investments for 2012 (up from 54.9% last year) is the Forrester-reported fact that pure-play e-commerce players are pumping more than three times as much money (as a percentage of revenue) into technology investments than are their brick-and-mortar counterparts.

Web development once again ranked high on the survey, coming in second with 50.3% of retailers planning to invest here. But that's where the resemblance to last year's survey

stops. Online payment applications, which was a fourth-ranked priority in 2011 with 22.5% of retailers interested in investing there, jumped past customer development for the third-place spot at 30.2%. For its part, customer development maintained a consistent showing, hovering in the neighborhood of 30%.

## Conclusion: Solutions That Save Give Way To Solutions That Sell ... But When?

This three-year efficiency binge we've been on may never stop, but it will eventually give up some room to tech spending that focuses more on market and customer development and a little less on holding the lines. Just don't ask us when that's going to happen. As we mentioned from the outset, the retail industry is by

no means the master of its own destiny — at least not when the government, financial, real estate, and manufacturing sectors are upside-down in so many ways. Throw in the volatility of election-year politics, and crystal balls serve well as anchors.

That said, the momentum we see in e-commerce and Web platform development is telling; retailers are increasingly building systems around their fastest-growing channel, and the best ones are using those systems wisely to reinvigorate stores via endless-aisle-style service. Despite the nation's economic troubles, our retail industry clearly presses on in development of a blueprint for the cross-channel future. That will serve us well when the money flows again. ■

Figure 8

