

January 2010



Boston Retail Partners

# 11<sup>th</sup> Annual POS Benchmarking Survey

## Optimism in the New Decade

*Sponsored by:*

**EPICOR**

**IBM**

**micros** | **RETAIL**  
Datavantage + Fry + CommercialWare + eOne

# 11<sup>th</sup> Annual POS Benchmarking Survey

## Optimism in the New Decade

**Boston Retail Partners**  
<http://www.bostonretailpartners.com>

## EXECUTIVE SUMMARY

---

---

*“Can I open my eyes?”*

*“Is it over yet?”*

Two questions Boston Retail Partners (“BRP”) posed in this year’s 11<sup>th</sup> Annual POS Benchmarking Survey seem to communicate it best.

Seventy-five percent of this year’s survey respondents had an overall more positive view of the economy today than they did at this time last year. Many retailers feel the worst may finally be behind us, and noted somewhat improving business trends. Many also have a positive view of the current and future economic conditions and business prospects.

Over half of the retailers surveyed also feel positive about their current business prospects, and most feel the retail industry outlook is better than that of the overall economy. Perhaps the S&P retail index also reflects this sense, which paradoxically hit its highest level in more than 15 months in late December 2009.

BRP, along with our sponsors, is pleased to present this survey of the retail point-of-sale (“POS”) and store system technology trends. In this paper, we examine a number of areas critical to retailer success – customers, the associates available to assist them, and the technology to support the shopping experience.

We sincerely hope you enjoy reading it.

***Boston Retail Partners surveyed more than 500 U.S. Retailers for the 11<sup>th</sup> Annual POS Benchmarking Survey. Online responses were received between November 19 and December 31, 2009. Respondents were generally C-level executives or VP/Directors of Store Systems.***

***Boston Retail Partners is an innovative and independent retail management consulting firm dedicated to providing superior service and enduring value to our clients. Boston Retail Partners combines its consultants' deep retail business knowledge and cross-functional capabilities to deliver superior design and implementation of strategy, technology, and process solutions. The firm's unique combination of industry focus, knowledge-based approach, and rapid, end-to-end solution deployment helps clients to achieve their business potential.***

## TABLE OF CONTENTS

EXECUTIVE SUMMARY .....	2
TABLE OF CONTENTS.....	3
SPONSORS.....	4
INTRODUCTION.....	5
CUSTOMERS LEAD THE WAY.....	7
CUSTOMER SERVICE.....	7
CUSTOMER LOYALTY.....	8
ANCILLARY CUSTOMER SERVICES .....	9
ASSOCIATES ARE KEY .....	10
TRAINING .....	10
STORE EXECUTION MANAGEMENT .....	10
CUSTOMER INFORMATION.....	10
TECHNOLOGY AS THE TOOL FOR SUCCESS .....	11
POS HARDWARE.....	12
OPERATING SYSTEM .....	12
POS SOFTWARE.....	13
STORE NETWORK .....	13
BUSINESS PROCESS OUTSOURCING.....	14
MULTI-CHANNEL INTEGRATION .....	14
AUXILIARY TOOLS.....	15
FUTURE VISION .....	17
ENTERPRISE SELLING.....	17
MOBILE IN-STORE SERVICES .....	18
NON-TRADITIONAL MARKETING.....	18
CONCLUSION.....	19

## SPONSORS

### EPICOR

Epicor Retail Store brings efficiency and customer service excellence to all retail locations, with:

- A complete in-store system, including feature-rich POS
- Real-time central features such as CRM, stock locate, order management and returns management
- A full complement of back office modules including employee maintenance, electronic journal, reporting, and administration applications
- Extensive mobile functionality, including interactive customer messaging
- Integration to central data to support multi-channel sales, returns, and loyalty rewards
- A flexible configuration tool that streamlines changes to business rules

Developed in the Microsoft® .NET™ framework with n-tier architecture, Epicor Retail Store is highly extensible and interoperable and offers multiple deployment options, including thin and thick client and enterprise store. For more information visit [www.epicor.com/retail](http://www.epicor.com/retail) or contact [retailinfo@epicor.com](mailto:retailinfo@epicor.com).

### IBM

IBM, with more than 30 years of retail POS experience, is a leader in providing the retail industry with a full range of innovative product offerings, ranging from point of sale systems and self service solutions to software and services. These real-world solutions can deliver a variety of benefits including enhancing the customer experience, boosting employee productivity, empowering end users and increasing revenue potential. The IBM SurePOS family of point-of-sale and Self Checkout solutions delivers industry-leading technology, including deep sleep and Remote Management Agent, that provides exceptional energy and cost savings while improving business and IT operational efficiency.

### micros® RETAIL

Datavantage + Fry + CommercialWare + eOne

MICROS Systems, Inc. provides enterprise applications for the hospitality and retail industries worldwide. Over 310,000 MICROS systems are currently installed in table and quick service restaurants, hotels, motels, casinos, leisure and entertainment, and retail operations in more than 130 countries. Its retail division, MICROS-Retail, offers point-of-sale solutions to retailers of all sizes including the flagship Xstore™ Java POS, Store21, Tradewind, and CWStore. The MICROS hospitality division offers several POS hardware and software solutions including: MICROS 9700 HMS, MICROS 3700, MICROS e7, and Symphony. MICROS distributes its products through subsidiaries, independent dealers/distributors, and company-owned sales and service offices worldwide.

## INTRODUCTION

It has been another challenging year in the retail world – the economy struggled and consumers continued to watch their pocketbooks very closely, always expecting more value for less money, time, and hassle. Retailers continued to shed overhead and reduce expenses while attempting to improve customer service and seek new ways to differentiate themselves from the competition in an environment of weak consumer spending. With this backdrop, our POS Benchmarking Survey has picked up a hint of optimism. Retailers appear to have a more positive outlook for the coming year, and those who have managed to survive the past 18 months are beginning to see a light at the end of the tunnel.

For the past ten years, LakeWest Group conducted the POS Benchmarking Survey of U.S. retailers and published their findings and results. Filling the gap left by their former company, Boston Retail Partners is pleased to continue the tradition with this 11<sup>th</sup> Annual POS Benchmarking Survey. Along with our industry-leading vendor sponsors, BRP conducted an online survey of more than 500 top U.S. retailers. This paper summarizes the results and key findings of this survey, offers insight and observations into the store-level tactics and strategies retailers have utilized to survive the last few years, identifies the priorities and initiatives that are currently underway, and addresses what these top retailers envision for the near future.

The retailers we surveyed include retailers beyond specialty, such as grocery, restaurant and convenience, but for the purposes of this paper we have continued our focus on analyzing responses from the specialty retail segment. Of the specialty retailer responses, the breakdown in size based on annual revenue included a combination of Tier 1, 2, and 3 retailers. (EXHIBIT 1)

With the economic downturn at top of mind, we asked survey respondents what specific steps their organization had taken to adjust their business to current market conditions. (EXHIBIT 2)

When this question was asked last year, the responses were overwhelmingly focused on reducing expenses and improving inventory efficiency. Interestingly, this year we saw an additional emphasis on enhancing customer service. In today’s economic environment, retailers realize that driving customer loyalty is a high priority.

Nearly two-thirds of the respondents indicated that reducing store payroll and improving customer service were necessary to ensure the organization’s survival through difficult times. Most of the steps taken relate to two major areas:

1. **Reducing costs**, including reduction of store payroll, capital expenses, and energy consumption. This is not surprising as most organizations instinctively focus on cost as a first line of defense.
2. **Enhancing the customer experience** through improvement of customer service, increased focus on customer relationship marketing and loyalty, and further pricing initiatives. Seemingly contrary to reducing store costs, retailers also know that customers expect the same or better service. We witnessed this in the holiday season with an increase in retailers soliciting customer feedback to improve the overall shopping experience.

Looking more closely at this paradox, how does an organization improve customer service while reducing store payroll at the same time? How can reducing the number of associates available in the store offer customers the shopping experience they seek? Can we interpret this to mean respondents are working to identify creative and innovative ways to satisfy customers in cost effective ways?

Beyond cost control and enhancing the customer experience, retailers are finding that the answer to these questions lies in a third major element of the successful retailer’s equation, the effective use of technology. By leveraging technology, top retailers are finding ways to reduce overall expenses while maintaining high levels of customer satisfaction across stores, websites, and catalogs.

EXHIBIT 1  
What was your company's gross annual revenue last year?

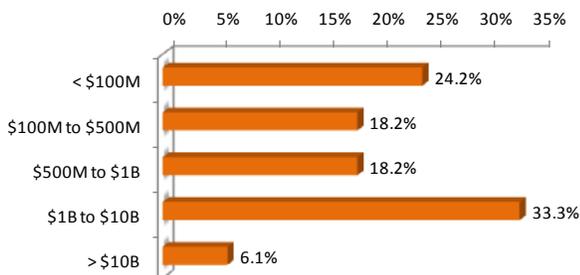
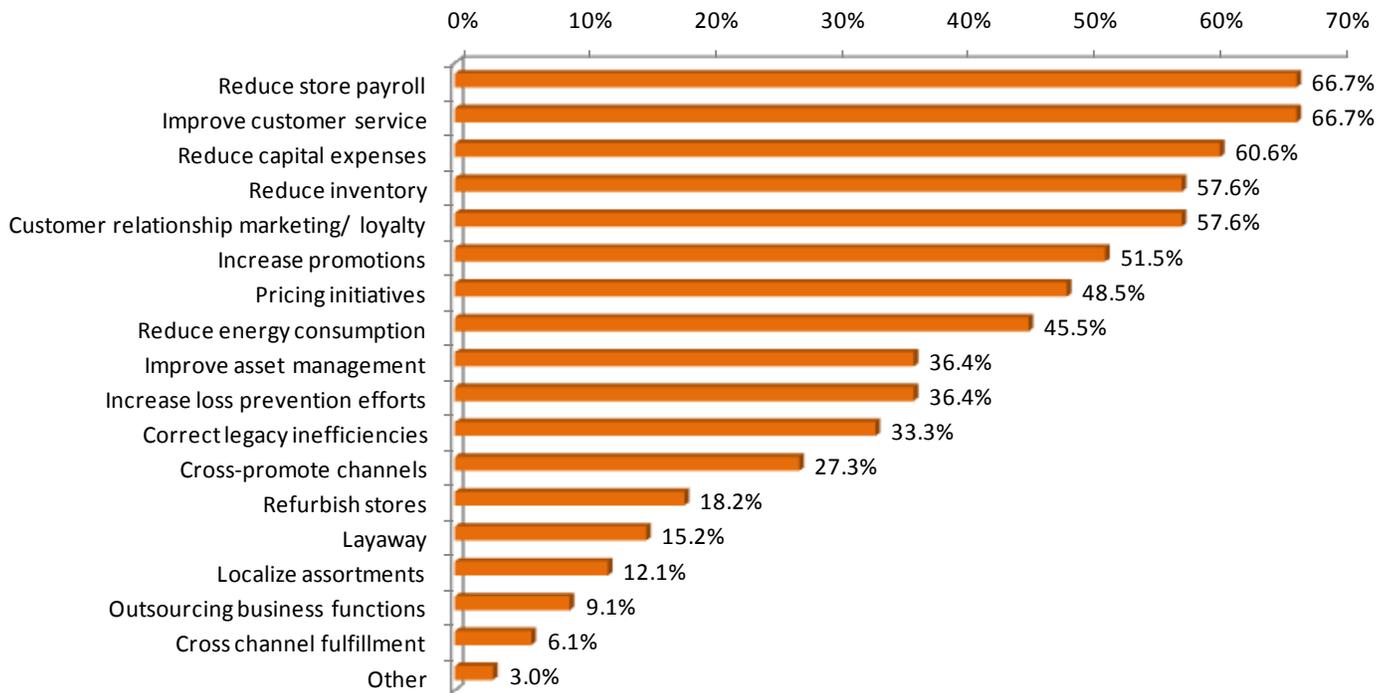


EXHIBIT 2

What steps has your organization taken to overcome the difficult economic conditions?



Over the past decade, retailers have come to view the retail point-of-sale terminal (POS) as not only a calculator in the check-out lane, but also as a new and potentially powerful marketing tool. Retailers are using receipts as coupons, touchscreens as suggestive selling tools, and signature capture devices as marketing messages. These efforts help to drive increased sales, but equally important, the customer information they capture and make available can be an ideal way to enhance customer satisfaction and begin to build customer loyalty.

This year we saw a number of creative ways retailers used technology to keep customers shopping:

- American Eagle Outfitters took advantage of its flagship store in Times Square, installing a 25-story tall digital sign and allowing customers the opportunity to have their picture and a brief message displayed on the screen – they also encouraged shoppers to share this experience via Twitter and Facebook.
- Build-A-Bear launched its virtual world, where a child can purchase their toy in-store and use the

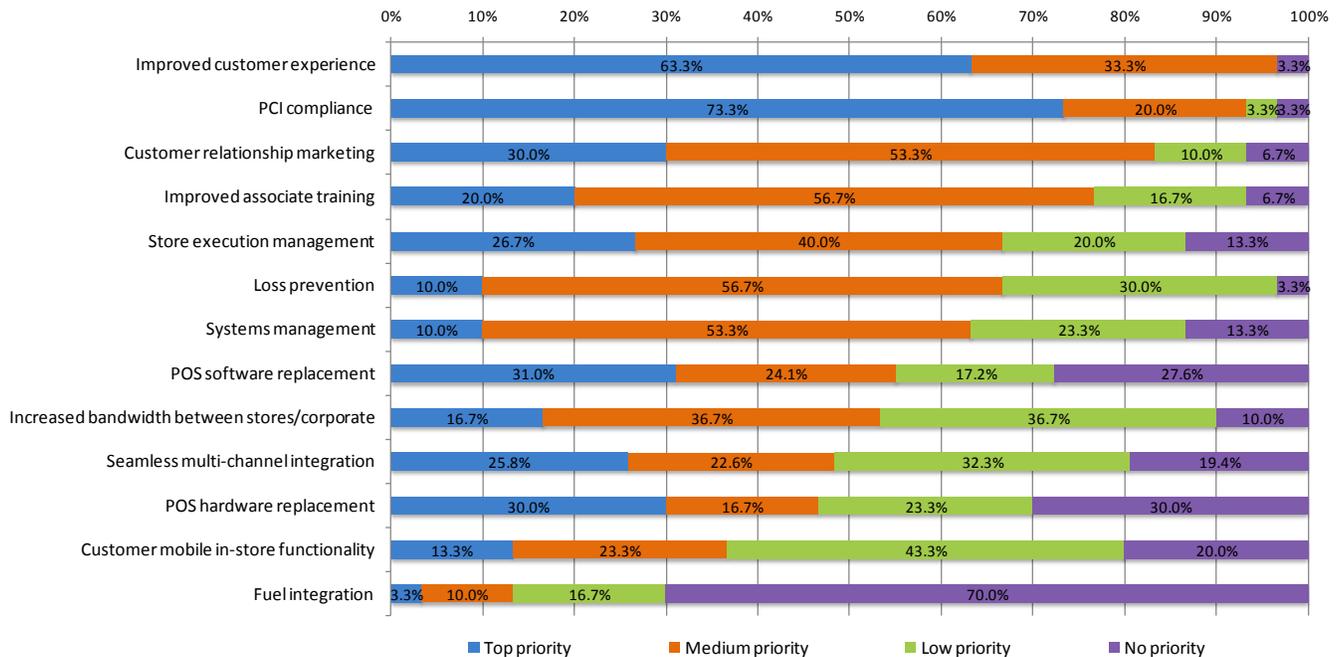
special code on its birth certificate to create an online, virtual replica.

- Macy's understands that gift recipients don't always have a receipt, and can feel uncomfortable about going back to the gift-giver to ask for one. Macy's can now affix a bar coded label on gift items so they can easily be returned for full credit - solving yet another sticky etiquette issue.
- Kraft's iFood Assistant application for the iPhone has been successful in getting users to pay its usage fee by providing shoppers with tools to help them save time and aggravation in deciding what's for dinner.

Looking beyond the past, we also asked this year's survey respondents to identify the POS and store system focus areas for their organizations over the next two years. As in the past and in no particular order, these priorities fall under three main areas: (EXHIBIT 3)

EXHIBIT 3

What priority at store level would you assign to the following over the next two years?



**CUSTOMERS**

- Improve the customer experience
- Enhance customer relationship marketing

**ASSOCIATES**

- Improve associate training
- Utilize store execution management

**TECHNOLOGY**

- Replace POS hardware/software
- Ensure Payment Card Industry (PCI) compliance
- Enhance loss prevention tools
- Improve seamless multi-channel integration

**CUSTOMERS LEAD THE WAY**

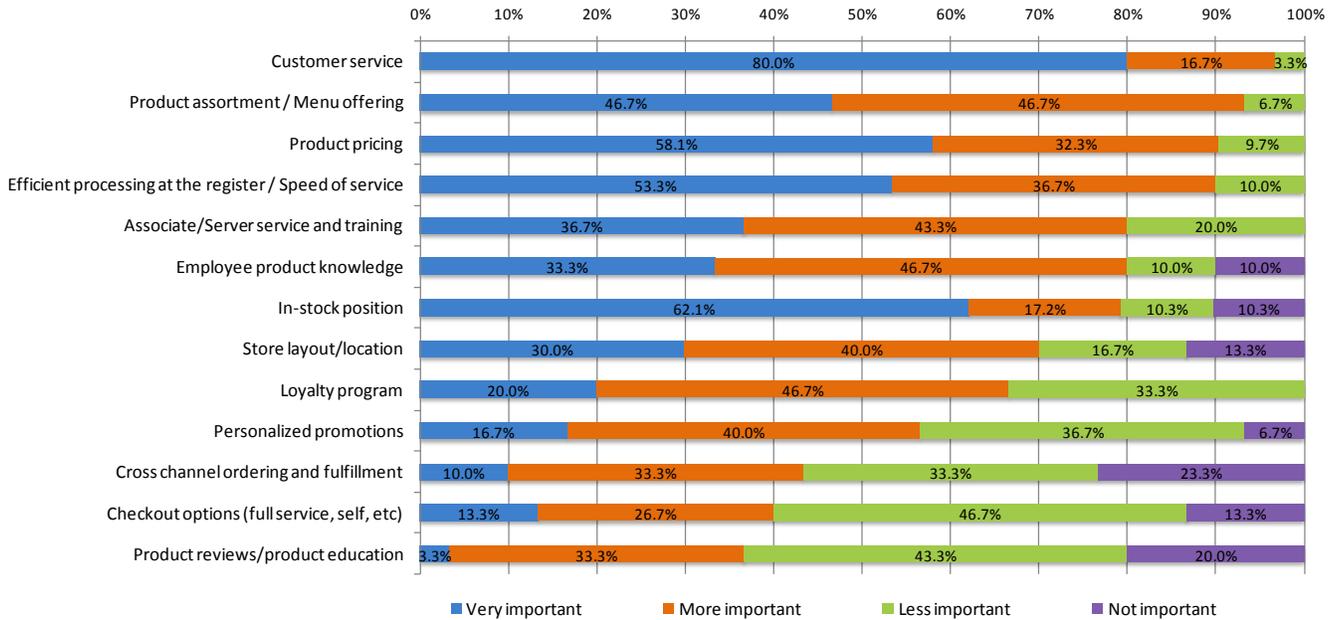
**CUSTOMER SERVICE**

Not surprisingly, customers want good customer service. Unfortunately good customer service is like the taste of a fine wine - it means different things to different people and retailers are challenged to understand what their customers really expect. 80% of our survey respondents indicated the importance of customer service, however what that really means (store associates, product assortment, pricing which supports the company strategy, etc.) appears to be somewhat elusive. (EXHIBIT 4)

Looking over past survey results:

- Customer service overtook last year’s winners, product assortment and in-stock position, which retailers indicated as having the highest influence on where customers shop. Customers have become more stringent with their spending and as products become commoditized, seem to be looking for a better experience and environment in which to spend.
- We took notice that the importance of in-stock position has dropped, after leading the survey when this question was asked last year. We wondered if the reason for this shift might be related to an increased emphasis on enterprise selling (selling current inventory via cross/up-sell and offering inventory visibility across all channels and partners). Some retailers are quite successful in enhancing customer service by giving the customer options in out-of-stock or out-of-assortment situations. Enterprise selling (discussed at greater length later in this paper), is a great example of how retailers are utilizing technology to enhance the shopping experience.
- Another area that remained high in this section of our survey was the importance of a fast, efficient checkout experience. This has been a top priority for customers throughout the history of this survey –

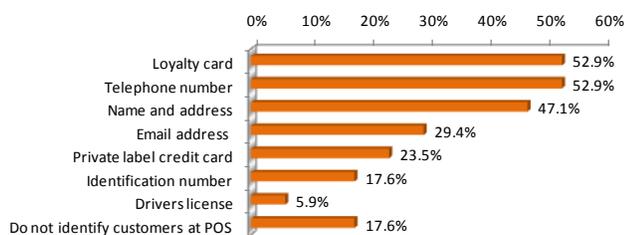
EXHIBIT 4  
How important do you believe the following are to your customers?



customers are looking for a fast, efficient checkout process when they are ready to purchase items, whether online, at the store, or through a call center. Nothing saps the enthusiasm of a positive shopping experience more quickly than getting stuck in a slow checkout process.

This year we learned that more than 80% of retailers can identify their customers at the POS and more than half utilize loyalty cards to identify those customers. (EXHIBIT 5)

EXHIBIT 5  
Which of the following methods are utilized to identify customers at the POS? (Specialty Retailers)



Perhaps a new goal for retailers should be to identify the customer before they reach the checkout. For example, if a retailer can identify the customer when they begin shopping rather than when they are finished, technologies such as real-time couponing, guided or suggestive selling (perhaps based on previously identified purchases or preferences) would provide an immediate opportunity to increase spending and customer loyalty.

## CUSTOMER LOYALTY

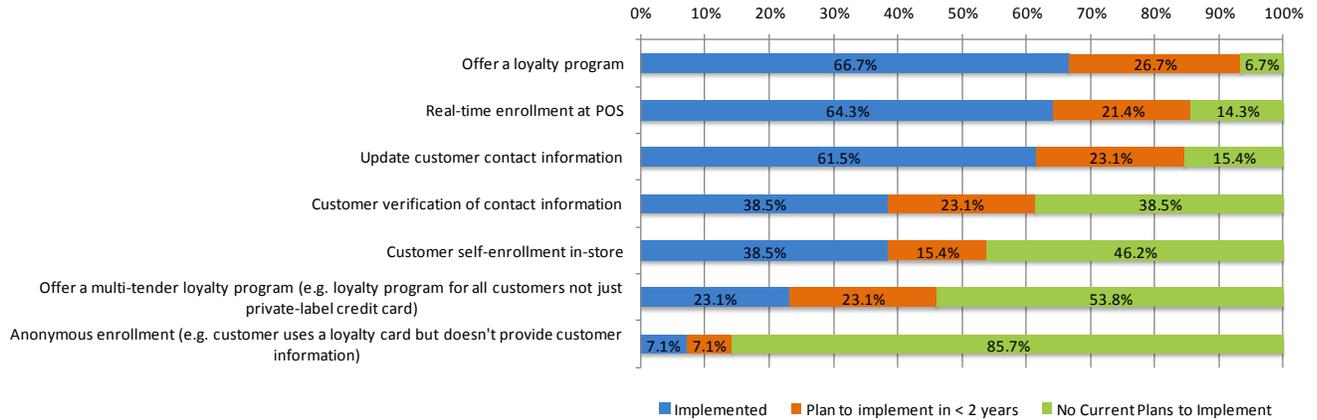
Recognizing the contribution that the best customers make to their business, many retailers have further emphasized loyalty programs. Nearly two-thirds of survey respondents currently offer a loyalty program to their customers and another 25% plan to implement loyalty programs in the next few years.

Pioneered by the airlines, loyalty programs offer retailers a way to segment customers and provide personalized promotions and incentives, while also gathering critical buying information to tailor promotions and assortments. Retailers understand these programs can be leveraged to encourage frequent visits and larger purchases, but are beginning to think of them as opportunities to create a more personalized customer experience. Creative retailers are leveraging loyalty programs to deliver personalized promotions, products, and services in ways that deliver a unique and meaningful experience that further drives brand loyalty.

Using technology to streamline these programs, more than half of the survey respondents offer real-time enrollment at the POS to capture customer information easily and efficiently. Replacing older methods where customers manually filled out forms for later data entry, this presents an opportunity to reduce or eliminate data reliability issues while taking immediate advantage of the customer's interest in the loyalty program. (EXHIBIT 6)

EXHIBIT 6

What is the implementation status of loyalty program enrollment features? (Specialty Retailers)



Once enrolled, customers expect store associates to use this information to enhance the shopping experience in meaningful ways. Balancing what information to give to associates and how to get it to them before the customer leaves the store has been a challenge. Many retailers surveyed are looking to expand and enhance their loyalty program offerings by giving their associates the ability to look up points or purchase balances, current offers or discounts, and point redemption information.

With the amount and types of customer data available to retailers, including POS data, website visitor data, social networking member data, etc., the challenge today is to figure out how to gather and analyze this data and be able to act on it across all selling channels.

Less than 25% of retailers offer a multi-tender loyalty program and over half have no plans to implement one. We think this is an important opportunity that many retailers are overlooking to gain additional customer insight. What opportunities are being missed with only a limited view of the customer?

One area that appears to be gathering interest is the ability to offer customers real-time point redemption where a customer can utilize accumulated points to offset all or a portion of a current sales transaction. In addition to gathering the customer's preferences and shopping history, real-time point redemption, look-up of special pricing or promotions, and "best customer" recognition programs all seem to be getting more attention as techniques which personalize the shopping experience and drive sales. (EXHIBIT 7)

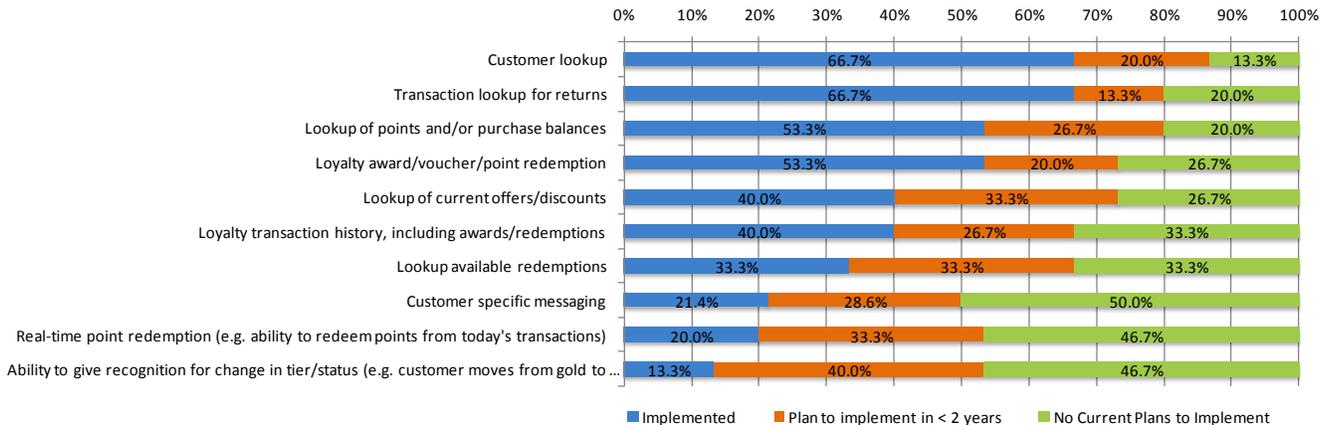
**ANCILLARY CUSTOMER SERVICES**

Retailers can enhance the customer experience by offering customized services such as special ordering. Two-thirds of the respondents currently offer this service which provides customers with access to items not currently available in the store.

This year we also noticed resurgence in layaway programs. Long abandoned as a casualty of cost cutting

EXHIBIT 7

What is the implementation status of loyalty program store information features? (Specialty Retailers)



and easy credit, many retailers brought these programs back to allow customers (many with reduced disposable incomes) to pay for their items over time. It will be interesting to see if these once popular programs remain relevant in 2010.

## ASSOCIATES ARE KEY

Unfortunately, one of the biggest complaints retailers hear from customers is that associates are not knowledgeable about the products they sell and, even worse, many don't seem to really care about helping customers. With product information now easily available via the web, associates need to be even more knowledgeable to answer questions from today's more informed customer.

In traditional retail environments, the most important customer interactions are performed by the most inexperienced staff. Store associates can have a more dramatic impact on the shopping experience than any other single factor. Nearly everyone has witnessed a bad shopping experience because of associate ignorance, neglect, or indifference. All successful retailers realize the importance of their associates and work hard to ensure that their associates have the tools necessary to enhance customer service levels.

## TRAINING

In addition to selecting the right people, associate training can have the largest impact on your customer's shopping experience, and in many cases has differentiated a retailer from its competitors. A renewed emphasis on associate training surfaced a few years ago in our survey results and it continues to gain momentum. Leveraging fewer store associates is especially critical as retailers have reduced both spending and the overall number of full-time associates available to assist customers.

When we asked this year's respondents about spending levels on store training, 20% plan to increase spending while two-thirds plan on the same spending levels as last year.

## STORE EXECUTION MANAGEMENT

Efficient store operations depend on management having visibility into tasks, priorities and labor schedules, as well as employee skills and availability. Store execution management offers the tools to provide visibility and regular and frequent review of in-store activities to help ensure customer service levels are met.

Best-in-class retailers are taking advantage of "closed loop" task management systems to first assign and subsequently confirm the completion of store-related tasks. Building on these capabilities, many larger retailers make use of computer-based intelligent forecasting techniques to anticipate store labor requirements enabling differentiated in-store experiences for customers and managing store employees both in the back room and on the selling floor. Use of these store execution management tools continues to gain ground as retailers focus on making stores more efficient.

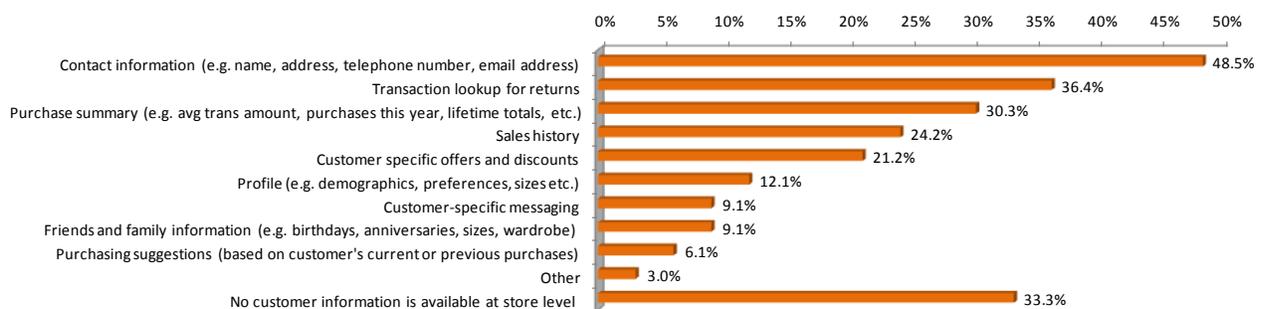
## CUSTOMER INFORMATION

Our survey shows that almost 65% of retailers offer some customer information to their associates at the store level. Customer contact information continues to be the information provided most often, however we have also noticed an increase in the amount of transaction-related information provided to associates. This trend seems to be well-aligned with the use of technology as a tool to support the overall customer experience. (EXHIBIT 8)

Looking back, we see a shift happening as to where in the shopping process customer information is becoming

EXHIBIT 8

What customer information is available at store level?



available. As previously mentioned we believe the earlier the better, and nearly 20% of survey respondents agree. This has expanded in the last few years as retailers seem to realize the importance of providing customer information to associates in the selling process. Supporting suggestive selling, personalized service, and promotions by having this information available before checkout would seem to have an immediate impact.

Of the survey respondents, another third of the retailers offer some customer information at the checkout. It will be interesting to see how retailers take this to the next level by putting customer data into customer-facing applications. (EXHIBIT 9)

## TECHNOLOGY AS THE TOOL FOR SUCCESS

“Retail is Detail” and technology will continue to be an area of considerable focus for retailers in the coming decade. Successfully and efficiently analyzing and managing a barrage of information at the store-level has become mainstream for successful retailers as they strive to use this data to offer better service and more shopping options while keeping expenses in check. Technology is a perfect companion to the selling process, and one of the better tools retailers utilize to differentiate themselves. Retailers also realize that

technology is often only as effective as the people and business processes which it enables.

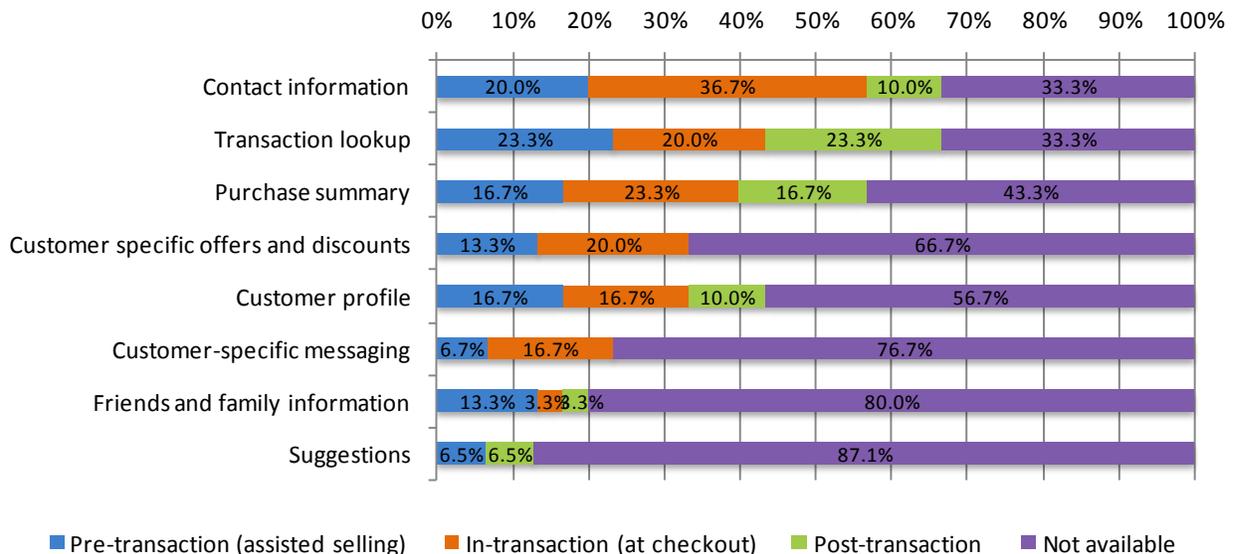
Far from being on the bleeding edge, more than half of this year’s respondents classify themselves as mainstream adopters of technology with only 20% identifying their organization as an early adopter. Is the typically conservative retail industry ready to take full advantage of innovative technology?

Trying to sense a change in the wind, we were interested to see how retailers are beginning to consider their use of technology as a strategic advantage. Sales transactions and customer data gathered at the POS was an obvious place to start.

BRP believes that the combined impact of PCI compliance, Customer Relationship Management, loyalty programs, the desire to reach across selling channels to complete the sale while the customer is in the store, self-service kiosks, self checkout, and even handheld shopping assistants, which allow a customer to control when and how they engage with a retailer, all combine to create a perfect storm for store systems upgrades.

As these customer service initiatives gain momentum, information will need to be delivered across a variety of operating platforms and networks driving significant store system upgrades.

**EXHIBIT 9**  
What is the earliest point at which customer information is available at store level?

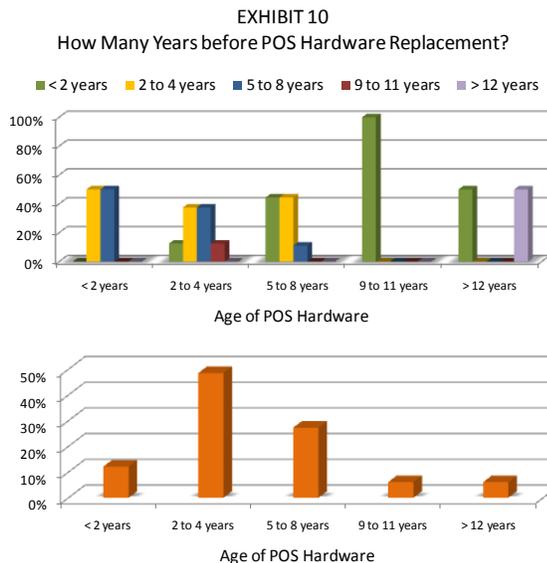


## POS HARDWARE

Customers want fast, efficient processing at the checkout. They expect immediate debit/credit/gift card authorization, seamless check processing, 100% scanning rates, price accuracy and of course, a well-trained and happy associate helping them through the process. Satisfying the customer has become more difficult, and the POS system has taken center stage as an important part of successfully meeting customer expectations.

In this year's survey, we noticed a somewhat renewed interest in the upgrade or replacement of POS systems. Perhaps retailers are beginning to realize their POS systems are unable to support new or advanced functionality to ensure a competitive checkout experience for the customer. We also know that older POS applications often reach the end of their useful life, hitting the retailer with a double whammy of low functionality and high maintenance costs.

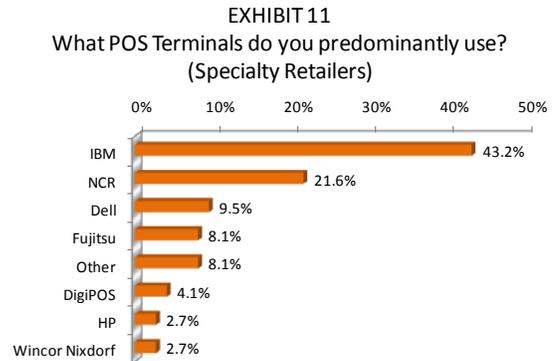
Of the retailers surveyed, nearly half are running POS hardware that is 2-4 years old with another 30% utilizing hardware that is 5-8 years old. When we asked the respondents how long they planned to utilize their current POS hardware, more than 60% indicated they would be looking for new POS hardware in less than four years. (EXHIBIT 10)



On the spending side, nearly half of our respondents plan to increase their POS hardware investment in 2010, either through enhancements to their current hardware or through replacement. We recognize that a certain amount of pent-up demand from the last few years is likely pushing this POS investment.

Many retailers have reached the end of their hardware lifecycle and need to replace it to keep up with customer demands, while others move to newer technology as a way to enhance business while holding the line on equipment maintenance expense.

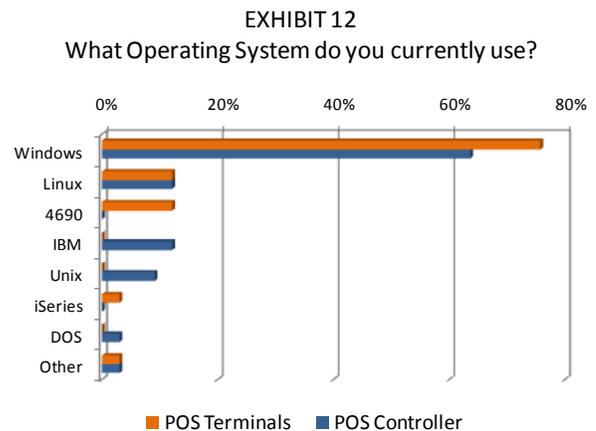
The hardware market continues to look very similar with IBM as the dominant player, with NCR in the number two spot. A few smaller players like Fujitsu, Dell, DigiPOS, Wincor Nixdorf, and HP continue to make inroads. (EXHIBIT 11)



## OPERATING SYSTEM

While we have not tracked operating system age in past surveys, the age of current operating systems track pretty closely to POS hardware with more than 40% utilizing an operating system that is 2-4 years old. When asked about the replacement of their current operating systems – nearly 45% of respondents plan to replace their current system in less than two years. Since more than 75% of retailers currently run Windows on their POS terminals, it seems a number of retailers are planning to move away from this Microsoft product.

That aside, the predominant POS operating system remains Windows by a wide margin. (EXHIBIT 12)

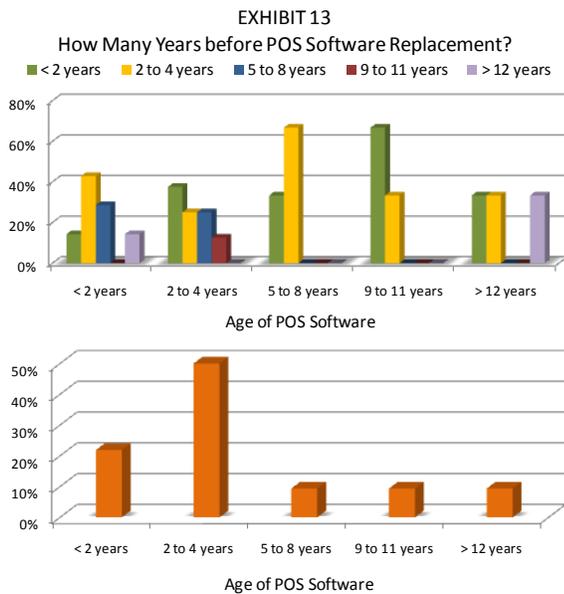


We have been expecting to see a shift towards Linux, but perhaps with retailers continuing to push off upgrading their hardware, we will need to wait a bit longer to see this shift occur in a more significant manner.

Nearly half of retailers see a migration to .Net as the prevailing store systems development platform in the next 2-5 years, followed by Java and Windows.

### POS SOFTWARE

It seems that the days of running the same POS software solution for 10-15 years are long gone. Half of our respondents are running software that is 2-4 years old, and only 25% are utilizing software that is older than five years. Despite the relative newness of POS Software, more than 65% plan to upgrade their POS software in less than 4 years. (EXHIBIT 13)



Also, on the bright side, nearly half of the survey respondents indicated they planned to increase spending on POS software, POS services, and consulting in 2010.

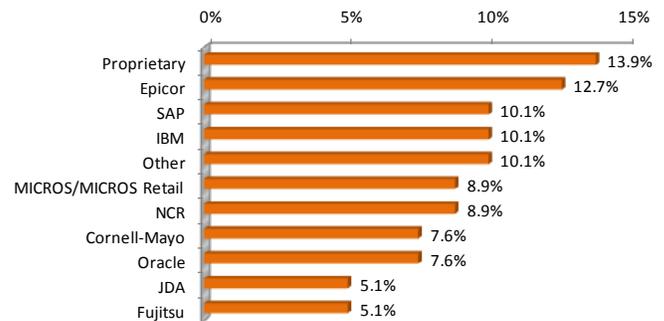
One certain area driving POS spending is PCI compliance. The Payment Card Industry Security Standards Council (PCI SSC) was formed in 2004 and not long after, the major credit card issuers aligned their individual policies and released the Payment Card Industry Data Security Standard (PCI DSS). Retailers have been scrambling ever since then to meet an evolving set of standards while customers become increasingly more concerned about their private information. No retailer wants a breach of privacy and this drives equipment and systems upgrades

in store systems. Nearly all the retailers surveyed plan on the same level of investment or increased spending in the next year to ensure compliance.

PCI compliance also seems to be driving new and improved payment options with nearly half of the retailers planning to increase spending in this area. We see an increased focus on contactless payment options, signature capture, and debit card handling in the near future. These payment options also offer an opportunity to interactively collect and display loyalty program information, offer suggestive selling, and create personalized promotions.

Many retailers continue to run proprietary POS software, which can be defined as software that is homegrown or that has been modified so much it is virtually unrecognizable from the original. This market share of proprietary software has remained relatively significant over past years and it will be interesting to see if this changes in light of other POS replacement trends. The rest of the market remains quite fragmented with Epicor, SAP, IBM, MICROS, and NCR also enjoying significant shares. (EXHIBIT 14)

EXHIBIT 14  
What POS Software do you predominantly use? (Specialty Retailers)



### STORE NETWORK

In past surveys we have noted network connectivity as an essential building block for newer store functionality such as multi-channel integration, CRM, centralized returns management, and loss prevention applications. Timely and accurate data transmission is critical to support decision-making based on sales, inventory, and customer information gathered. There is also the issue of connectivity speed between the POS and credit or stored value card provider – the speed of this connection directly impacts the speed and efficiency at the register. Most retailers already have secure, persistent, robust,

real-time networks in place. When asked about their store networks, most retailers do not plan any increased spending over the next year.

### BUSINESS PROCESS OUTSOURCING

This year, we also asked survey respondents about alternative business process and technology models which could provide value or streamline operations. Business process outsourcing involves the contracting of selected business functions or operations and responsibilities to a third-party service provider for a fee basis.

Network support and depot maintenance are the two areas that are most often outsourced with over 40% of the respondents currently outsourcing these functions. (EXHIBIT 15)

### MULTI-CHANNEL INTEGRATION

Currently, nearly 80% of our survey respondents offer two or more shopping channels for their customers. While many retailers have made progress in this area, they also recognize an opportunity to offer consistent pricing, policies, and functionality across the store, web, and catalog channels, as well as some emerging channels

such as kiosks and mobile devices. Many of the retailers surveyed note plans to expand functionality in the next two years, offering better multi-channel integration and supporting the use of technology to provide better service.

Perhaps the goal of seamless multi-channel integration offers customers the best of both worlds – the ability to bring rich content and open community product reviews from the web directly to the store selling floor and offer tech savvy customers the ability to research products online, then locate and organize a nearby store pick-up. With an ability to offer a deeper product catalog online, assortments are no longer as constrained by space or to a lesser extent, carrying cost. Retailers also recognize the value of these integrated transactions because it allows them to broaden their view of the customer’s needs and expectations. Leveraging data from the shopping experience, a retailer is able to get a breadth and depth of customer information that has not been available through traditional shopping. Through the integration of these channels, a shopper’s purchasing patterns, buying habits, and preferences become more transparent. (EXHIBIT 16)

EXHIBIT 15

What is the outsourcing status of the following: (Specialty Retailers)

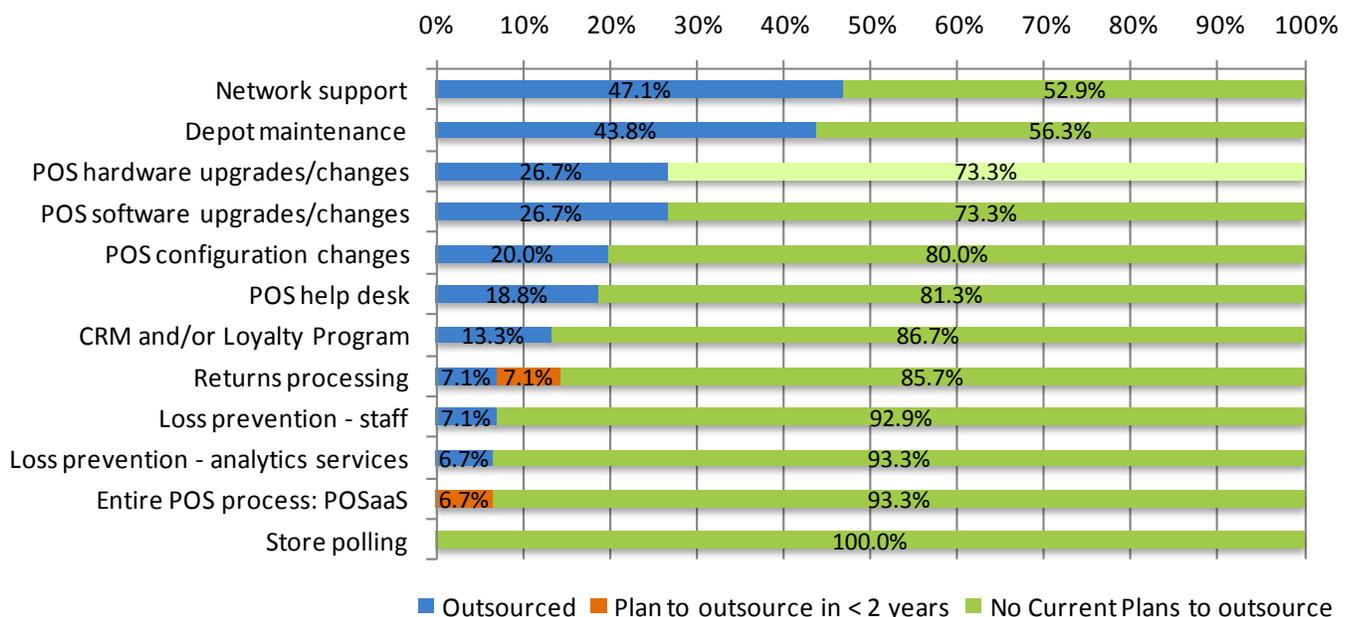
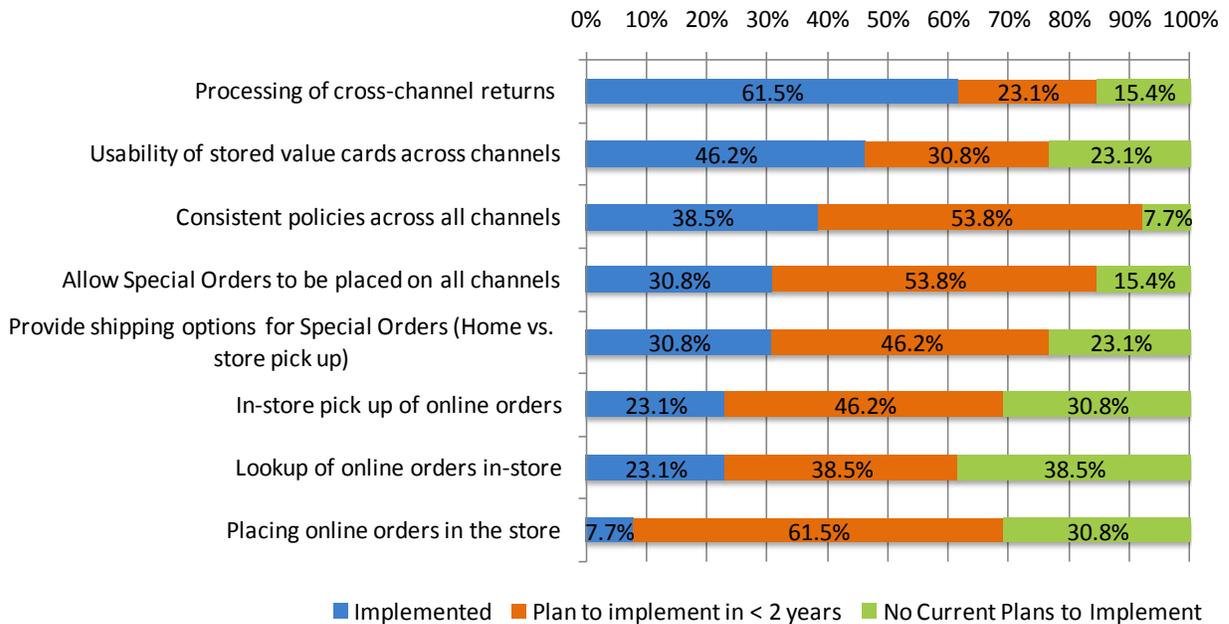


EXHIBIT 16

What is the implementation status of multi-channel services?  
(Specialty Retailers)



**AUXILIARY TOOLS**

Retailers are also looking at auxiliary tools to enhance functionality at the checkout and throughout the store. More than half of our survey respondents currently utilize touchscreens and signature capture devices at the checkout, thus enhancing the process.

To help manage their inventory, more than 40% of retailers utilize wireless technology and another 20% plan to utilize this technology within two years. Other areas where retailers have shown interest include mobile sales devices (40% plan to implement within two years)

and ePaper signage which none of the retailers surveyed currently have implemented, but nearly 30% plan to implement within two years. (EXHIBIT 17)

Using technology as a tool to manage their associates, nearly three-quarters of the respondents currently have store portals implemented in their organizations. (EXHIBIT 18)

We noted that some retailers continue to struggle with the implementation of kiosks and self-service price checks, and it appears some retailers have abandoned these auxiliary tools altogether. Implemented and utilized correctly these devices can offer customer

EXHIBIT 17

What is the implementation status of the following auxiliary tools at store level? (Specialty Retailers)

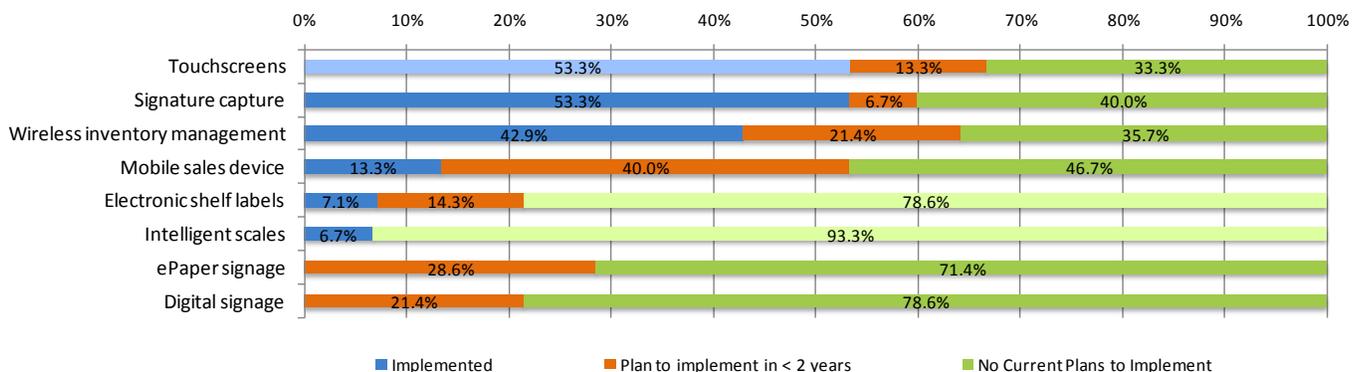
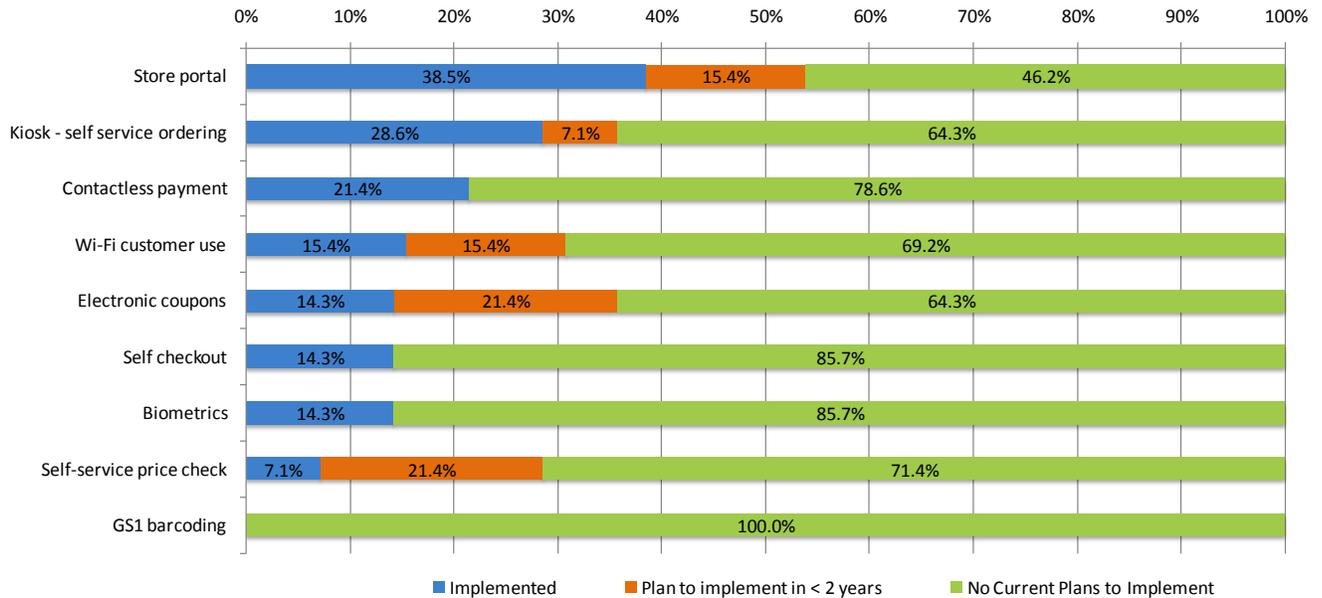


EXHIBIT 18

What is the implementation status of auxiliary tools at store level?  
(Specialty Retailers)



assistance without the need for an actual physical store associate.

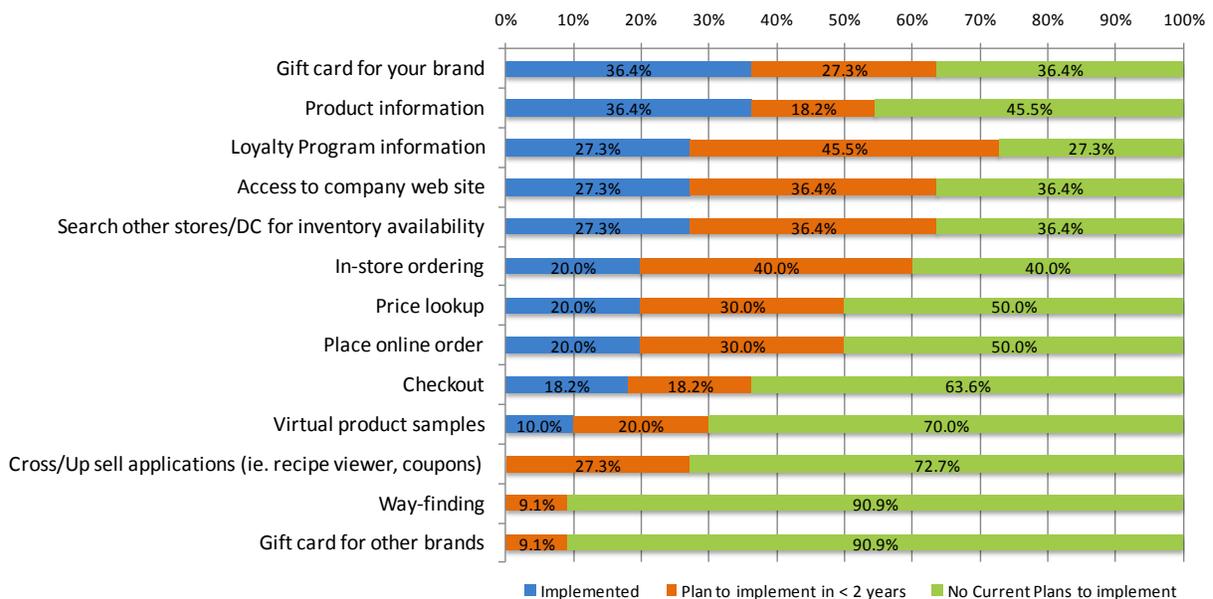
Other areas we noted as moving forward include electronic coupons and in-store Wi-Fi networks for customer use, which a number of retailers plan to implement in the next four years.

Despite some evidence of implementation difficulties, many retailers offer additional services through kiosks in

their store environments. Of the kiosks installed today at the retailers surveyed, 30% are utilizing them to offer company gift cards, loyalty program information, and product information. Many of the retailers we surveyed have plans to implement additional functionality in the next two years, specifically offering further loyalty program information, in-store ordering, access to the company website, the ability to search other stores or distribution center for inventory availability, and the ability to order online. This additional functionality

EXHIBIT 19

What is the implementation status of the following kiosk services? (Specialty Retailers)



offers the retailer a great way to capture potentially lost sales and expand current sales by offering additional inventory without needing physical space for the products, although a critical piece of the success of kiosk implementations involves associate training to ensure that they will direct customers to kiosks and assist them to meet customer satisfaction. (EXHIBIT 19)

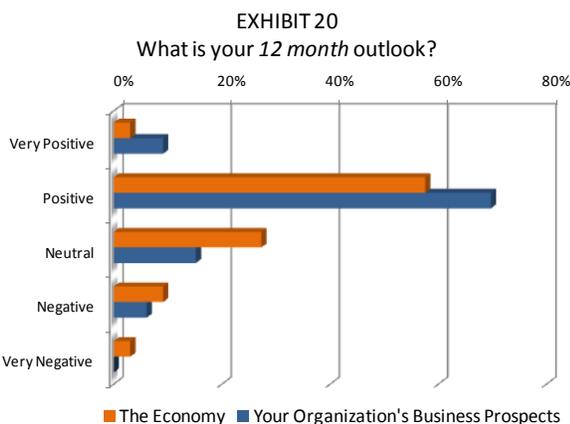
## FUTURE VISION

With this backdrop of Customers, Associates and Technology, we've seen that retailers view each component as an important piece of the puzzle. 2009 has been very difficult for all but a few, and the risks of failure have frankly never been greater.

It was once said that retail is a very simple business run by very complex people. That said, balancing the benefits of great customer service against the higher costs of associates and the assumed risks of technology have never been more important. For the survivors, fewer competitors provide opportunities for greater market share, even if the market is also constricted. As always, there will be more than a few well-positioned retailers who will emerge in 2010 as much stronger companies.

So what does the future hold?

Looking forward to the next 12 months, the outlook from our survey is quite positive, with more than 60% of retailers viewing the economy with a positive or very positive outlook for 2010. (EXHIBIT 20)



In addition, more than two-thirds of the survey respondents have a positive outlook regarding their organization's business prospects in 2010.

Based on what we have learned, BRP believes there are three areas of particular interest as we look to identify how tomorrow's top retailers will successfully compete. We are fairly certain you'll be seeing and hearing more about these over the next few years.

## ENTERPRISE SELLING

Enterprise selling refers to matching customer needs and wants against the current inventory. Enabling this are cross/up-sell protocols offering real-time inventory visibility across both internal selling channels as well as through vendor partners. The ability to utilize technology to see across channels and sources, and the ability to offer the customer a larger product assortment than is available in the store, has become a critical tool offering high customer service without increasing the number of store associates.

Currently 35% of retailers utilize some form of enterprise selling to generate a percentage of their business. BRP's survey indicates that more than 60% of retailers plan to utilize enterprise selling in the next two years. Generally retailers who have implemented enterprise selling expect a 5-10% increase in sales and have a strategic advantage over the competition. Retailers currently utilize enterprise selling services at the POS in a few ways – two-thirds of the respondents utilize it for cross-source inventory lookup while nearly 40% utilize it for cross-source sales and holds. Some project it could generate as much as 20% in additional business when fully deployed and it will be interesting to see this area grow in the future. (EXHIBIT 21)

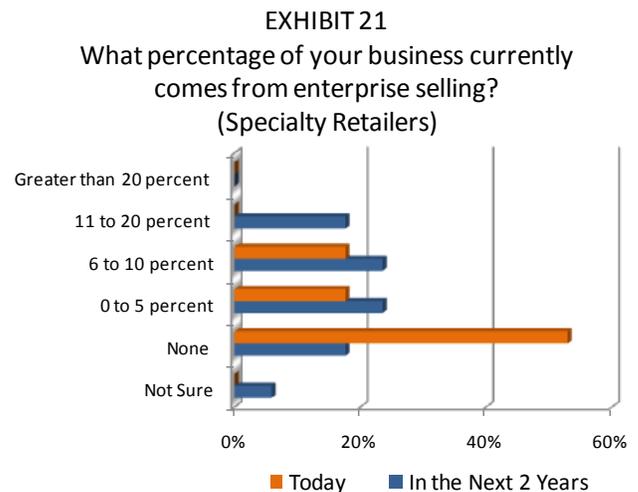
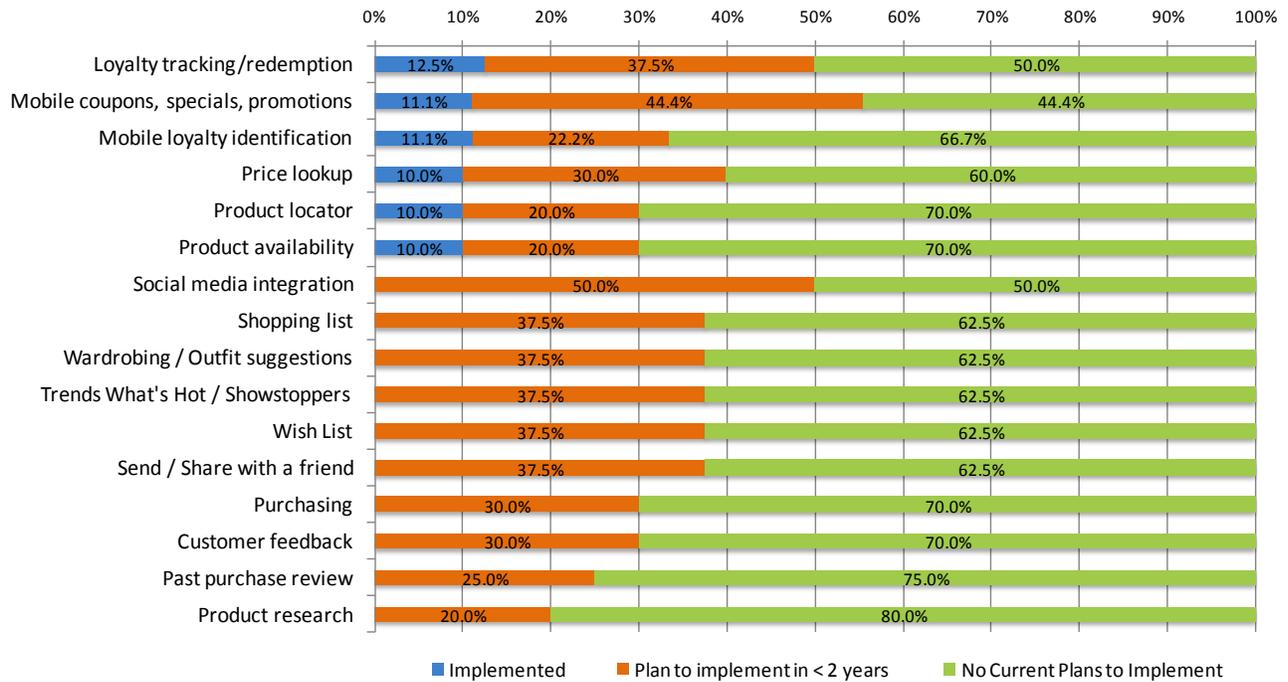


EXHIBIT 22

What is the implementation status of the following mobile in-store services? (Specialty Retailers)



## MOBILE IN-STORE SERVICES

The second area where we have noticed additional interest is in-store services through a mobile application. Mobile commerce – or m-commerce – has generated a lot of talk over the past few years as retailers have tried to utilize this new channel to gain and keep customers. In its beginnings, m-commerce was generally thought of as a subset of e-commerce and retailers jumped in by reworking their website so to work on a mobile device. Mobile commerce has many more possibilities and we are starting to see retailers truly using it as another different channel for customers to shop. (EXHIBIT 22)

The best examples we've seen are the ever-increasing number of iPhone mobile shopping applications. Retailers such as Wet Seal, Barnes & Noble, Whole Foods Market, and The Gap now offer their own applications to provide users with a unique branded shopping experience.

Technology providers have a nearly endless list of possibilities for this technology. Retailers could offer real-time CRM and personalize the shopping experience far beyond what customers currently expect. Retailers could push analyzed and summarized customer data collected back to the customer through a mobile phone application triggered when the customer walks in the

door. The customer could be reminded of the great red skirt she purchased last month, shown a collection of accessories and matching blouses available in her size and entice her to purchase with a personalized coupon based on these items.

Other areas where mobile in-store devices can be useful include providing the customer a store layout to ease the shopping experience, the ability to locate specific products, the ability to check prices and product information and perhaps even the ability to call for assistance while in the fitting room. Generation X and Y customers will expect this level of service as they become an increasingly significant portion of overall retail spending.

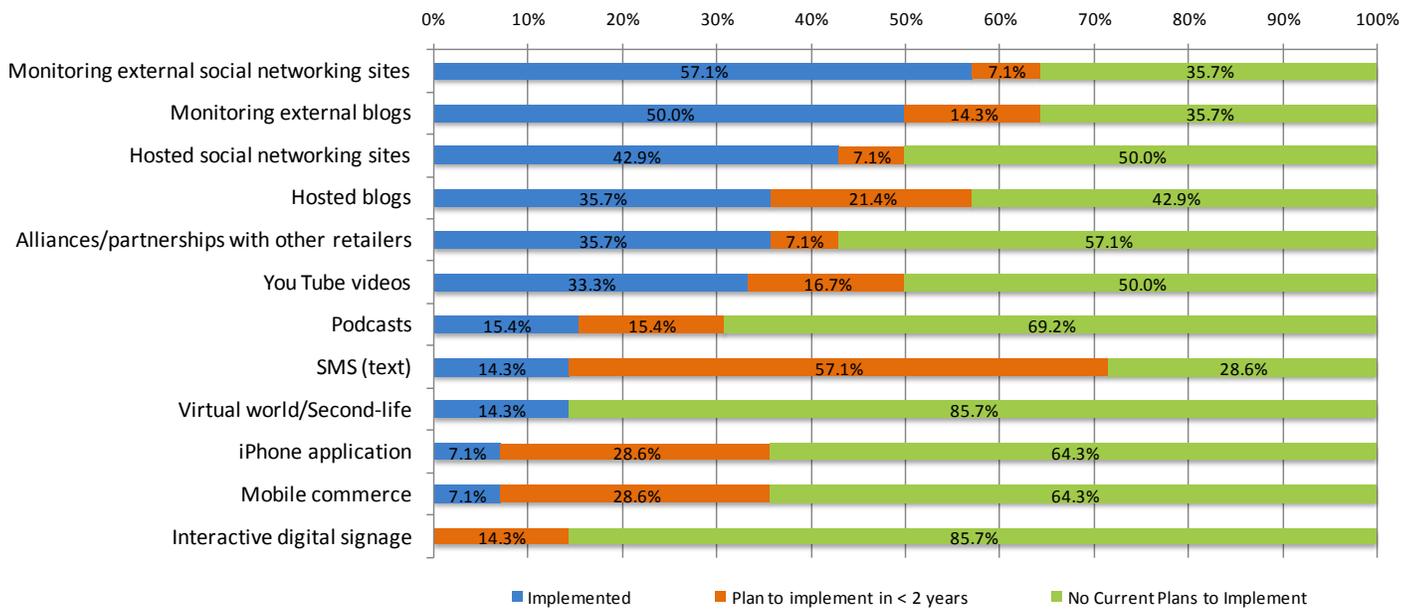
## NON-TRADITIONAL MARKETING

The final area of particular interest is the growing use of non-traditional methods for marketing. Whether for the store, the website, or the brand, use of these techniques has increased tremendously in the last few years. Retailers such as Dell, Zappos and Express have embraced social networking sites and view them as a cost effective and successful marketing tool.

Social networking sites provide messaging to promote new products, list store events, and provide customized offers available for purchase. Today most of these

EXHIBIT 23

What is the implementation status of the following "non-traditional" marketing methods?  
(Specialty Retailers)



customized offers are redeemed through a code sent to the user's phone, but in the near future perhaps an emailed bar code symbol could be scanned on most any mobile device.

Nonexistent a few years back, social networking sites are now actively monitored by 60% of retailers, and more than 40% even host their own social networking sites. Retailers are finding that YouTube videos, SMS texting, hosting blogs, and even virtual worlds can help them to market to their customers better and more effectively and help them compete in these challenging times. (EXHIBIT 23)

business executives were among the most optimistic out of a number of other industries (e.g. Automotive).

As long as there are customers, retailers will continue to strive to meet their needs and exceed their expectations. BRP believes the trends we have outlined in this survey define a decidedly optimistic outlook for the retail industry as a whole. We also recognize that the willingness and ability to take advantage of these technologies will be a critical success factor for those who will emerge from difficult times as stronger competitors.

## CONCLUSION

***"The pessimist sees difficulty in every opportunity. The optimist sees the opportunity in every difficulty." - Winston Churchill, British prime minister***

It appears that the worst may be over, however as we emerge from this recession, most agree that the retail industry has been forever changed.

In AMR Research's quarterly spending survey (November 2009) nearly one-quarter of the 984 business executives surveyed planned increased IT spending in the first quarter of 2010, the highest level since November 2007. Perhaps reflecting how bad it really was in 2009, retail

For more information, please contact:

**Walter Deacon**, Principal; Boston Retail Partners; Independence Wharf, 470 Atlantic Ave, 4th Floor, Boston, MA 02210; (781) 337-2060; [wdeacon@bostonretailpartners.com](mailto:wdeacon@bostonretailpartners.com)

***Boston Retail Partners is an innovative and independent retail management consulting firm dedicated to providing superior service and enduring value to our clients. Boston Retail Partners combines its consultants' deep retail business knowledge and cross-functional capabilities to deliver superior design and implementation of strategy, technology, and process solutions. The firm's unique combination of industry focus, knowledge-based approach, and rapid, end-to-end solution deployment helps clients to achieve their business potential. Headquartered in Boston, Boston Retail Partners serves all retail segments and channels.***

Recent Boston Retail Partners Articles in the News include:

***Six Key Drivers for POS Upgrades in 2010, RIS News, October 13, 2009 – available at [www.risnews.com](http://www.risnews.com) or [www.bostonretailpartners.com](http://www.bostonretailpartners.com)***

***Boston Retail Partners would like to acknowledge our survey sponsors, Epicor, IBM and Micros, for their assistance in conducting the 11<sup>th</sup> Annual POS Benchmarking Survey.***

## **EPICOR**

**Epicor Retail Store** is an integrated suite of applications that brings efficiency and customer service excellence to all retail locations by meeting a full range of in-store technology needs. This complete, feature rich in-store system includes:

- Point of Sale
- Mobile Store
- Returns Management
- Promotional Events Management
- Payment Authorization/Settlement/Polling
- Store Operations
- Inventory Management
- Time and Attendance
- Electronic Journal
- Learning Management System
- Configuration Tools

Developed in the Microsoft<sup>®</sup> .NET™ framework with n-tier architecture, Epicor Retail Store is highly extensible and interoperable. It offers multiple deployment options, including thin and thick client, as well as enterprise store, where the server functions are held in a central location.

Epicor Retail Store offers full mobile functionality on wireless devices, enabling you to extend your operations and services beyond the cash-wrap and manager's workstation. This enables you to work more efficiently and enhance the customer's shopping experience. The mobile functionality also allows interactive messaging on customers' mobile devices, transforming the POS into a powerful marketing tool that engages customers with actionable sale information, special promotions, merchandise updates and a wide range of offers.

In all these ways, Epicor Retail Store enables retailers to:

- Empower store personnel to deliver an optimal customer experience with informed service and fast, efficient transactions, while driving sales
- Provide management and associates with on-demand information and reporting at the store level
- Create, manage and execute both item- and transaction-based promotions at the store, including multi-deal processing
- Fully support multi-channel and international retailing
- Drive down costs, through pre-configuration, streamlined integration with other solutions, and flexible deployment options
- Reduce risks with proven functionality and standards such as XML, Web Services, and IXRetail
- Improve business agility by enabling a consistent, easy-to-customize interface and simple, in-house configuration changes

For more information, please visit [www.epicor.com/retail](http://www.epicor.com/retail) or contact [retailinfo@epicor.com](mailto:retailinfo@epicor.com).



The IBM SurePOS family of point-of-sale and Self Checkout solutions delivers industry-leading technology including deep sleep and Remote Management Agent that provides exceptional energy and cost savings while improving business and IT operational efficiency.

#### [SurePOS 700™ Series](#)

The SurePOS 700 is the industry's premier point of sale solution for retailers who demand maximum performance, manageability, and adaptability to transform their business to a highly differentiated and customer-focused enterprise. Unique features help reduce solution cost and complexity while providing a scalable design to enable retailers to operate an efficient and resilient business.

#### [SurePOS 500 Series](#)

IBM SurePOS 500 with advanced touchscreen technology provides the ultimate retail-optimized point-of-sale tools to provide powerful functions to energize the customer experience.

#### [SurePOS 300 Series](#)

The IBM SurePOS 300 Series is the affordable, planet-friendly point-of-sale solution for mid-market retailers who want to enhance the customer experience, increase employee productivity and improve operational efficiency. With the smallest footprint in the IBM portfolio, this POS has the versatility and performance retail demands. Breakthrough energy efficient technology and retail systems management help create a sustainable, green business and reduce costs.

#### [Self Checkout](#)

Creates a dynamic, business-driven infrastructure, where retailers can respond quickly and flexibly to business opportunities and customer demands. IBM Self Checkout solutions not only give customers superior service and visibility to price and product information, they also enable stores to align their physical and IT assets with their changing business conditions.

For additional information please visit - [www.ibm.com/products/retail](http://www.ibm.com/products/retail).



MICROS is the global leader in the restaurant industry with more than 310,000 installations worldwide. MICROS is the only full systems solutions provider for all market segments with a global distribution and service network in place for major chains, regional chains, local independents, table service, and the quick service market. MICROS provides restaurant information systems comprising hardware and software for point-of-sale (POS) and operational applications, as well as a suite of back office applications that include inventory, labor and financial management, and other centrally hosted enterprise applications. For large enterprises MICROS provides a scalable solution to manage the very large and very complex operational requirements associated with hotels, casinos, airports, theme parks, stadiums and cruise lines.

MICROS-Retail, the retail solutions division of MICROS Systems Inc., is the leading provider of comprehensive, end-to-end, best in class solutions for the worldwide retail and direct markets. MICROS-Retail offers a full suite of solutions in a choice of deployment options. Rich functionality, support flexibility, and successful experience in demanding environments explain why hundreds of retailers around the world rely on MICROS-Retail to strengthen their businesses and deliver results. MICROS-Retail solutions are installed in over 19,000 stores in 30 countries. MICROS-Retail analytic solutions process data at a corporate level for an additional 60,000 stores.

MICROS-Retail, offers point-of-sale solutions to retailers of all sizes including the flagship Xstore™ Java POS, Store21, Tradewind, CWStore, InStorePlus, and ARS POS. The MICROS hospitality division offers several POS hardware and software solutions including: MICROS 9700 HMS, MICROS 3700, MICROS e7, and Symphony. MICROS distributes its products through subsidiaries, independent dealers/distributors, and company-owned sales and service offices worldwide.

For additional information on hospitality systems visit [www.micros.com](http://www.micros.com) and for retail-specific solutions visit [www.micros-retail.com](http://www.micros-retail.com).