



The 21st-Century Toolbox

by Lisa Horn

The right tools can help tech-savvy retailers streamline operations, produce ROI and separate themselves from the competition.

Many decades ago, general stores used the trusty pencil and paper to keep track of sales, inventory and expenses. While today's retailers can survive using handwritten receipts and basic electronic spreadsheets, they lose much efficiency and power that today's tools provide — and their lack of technological prowess may negatively impacts their stores' image and branding.

“Any retailer who has suffered or gone out of business due to competing with Wal-Mart or Best Buy can tell you the ramifications of being a laggard when it comes to continuously evaluating and adopting new technologies,” says Mike Hrabe, co-founder of software provider Quantum Retail. “Retail is a tough and competitive business, and gaining an edge is critical when supporting mer-

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chants and marketing, as well as enhancing the customer relationship.”

Miriam Works, owner of Works Consulting, says retailers must stay current on technology advances for two reasons. “First, staff time represents one of the biggest expenses for retailers,” she says. “With outdated or poorly functioning equipment or software, staff is not empowered to use time efficiently. Staff frustration leads to turnover and, therefore, increased costs.

“Second, customers prefer to shop in stores where their experiences are pleasant and efficient and in which the staff is relaxed and positive. Outdated equipment or technology leads to longer lines, frustrated customers and staff, and inaccurate sales processing and reporting.”

INVESTMENT CONSIDERATIONS

How much should be spent on technology? There’s no magic formula or ratio, so ask yourself what you want to achieve with the investment and if it provides the value desired. “Too many retailers spend an overwhelming portion of their budgets supporting existing systems as opposed to innovating with new technologies and sciences,” Hrabe says.

Alan Guinn, CEO and managing director of The Guinn Consultancy Group, says retailers must develop long-term plans when making technology purchase decisions. “Be sure that the true long-term objectives can be met and the plan is a true part of a concerted growth strategy using IT resources,” he says. “Assess the amount to spend by looking at expenditures in terms of return on investment. If the return achieved exceeds the cost incurred, find a way to fund the expenditure.”

Many of today’s tools leverage existing systems and optimize their results, Hrabe says. “This allows for quick time to value, less risk and less spend — the ROI is nearly instan-

taneous. With minimal spend, retailers can improve inventory turn, reduce excess inventory and at the same time delight their customers with better choices and higher service levels.”

PURCHASE DECISIONS

Point-of-sale systems are often the most important investment retailers can make, so be thorough and careful in choosing a vendor. Works recommends working only with a company that provides technical and hardware support for all hours that the store will be open, as well as pre-opening and closing hours.

“Many retailers believe their staff can handle point-of-sale technical questions on their own once their staff is trained on the system,” she says. “This is a mistake, however, especially for start-up retailers. Online or telephone support is a critically important tool to have available for staff at any time they may need it.”

Retail consultant Cinda Baxter says it’s

essential to choose store systems that support and clarify the revenue side of the business. “Streamlining isn’t enough; good technology needs to produce revenue,” she says. “And I’d love to see more POS systems, even in smaller stores. The ability to track inventory would make figuring open to buys, turns and ROI analysis exponentially easier.”

Regardless of the technology choices made, emphasis must be placed on deploying systems that enable best practices and processes. “Where possible, retailers should look for solutions that support exception-based management and workflows,” Hrabe says.

Ultimately, retailers can compete more effectively with big-box stores through using the latest tools, Baxter says. “By combining traditional options with more cutting-edge offerings, they’re able to move in the marketplace with much more freedom and speed than stores that don’t plug into what’s new.” **IS**

To Purchase or to Lease?

The answer to whether you should make a capital outlay for new technology or lease it is probably one that you shouldn’t try to determine alone — instead, ask your financial adviser.

“Based on your specific business model, your accountant can explain whether depreciating computer equipment long term or leasing that equipment in short bursts is more cost-efficient and tax-friendly,” suggests retail consultant Cinda Baxter.

For Cathy Zuniga, owner and manager of Paperie & Co. in Dallas and Garland, Texas, making an outright purchase was the right way to go. “We bought our computers along with a point-of-sale system,” she says. “As systems and needs change as the business grows, I can upgrade easier as the years go by. Plus, computers have been so inexpensive it makes no sense for us to lease.”

However, consultant Alan Guinn steers his clients to leasing wherever possible. “There are tax benefits to leasing, and there’s an even larger issue of obsolescence of equipment,” he says. “Today’s top computer will lose value before it’s turned on the first time, and peripherals may be outdated within a year. It goes to the aspect of keeping your retail establishment as current as possible with technology. Leasing preserves capital, offers a tax benefit and helps avoid keeping that old asset ‘just one more year.’”

PROTECTING YOUR PRODUCT SUPPLY



In today's climate of economic uncertainty, there's a chance that some companies — including your suppliers — may go out of business. While suppliers filing bankruptcy and leaving you in a lurch can happen in any economy, it's more important than ever to be smart when purchasing merchandise

for your store. How can you protect yourself and reduce financial risk in the event a supplier goes out of business before delivering your product?

Andrew A. Magwood, senior associate at Wood, Smith, Henning & Berman LLP, says, there's very little a retailer can do to recover funds paid up-front for orders if the supplier closes for financial reasons. "If the supplier is in bankruptcy, you have little chance of recovering anything," he says. "And if the supplier simply closes, it most likely has no remaining assets to get, even if you're successful in obtaining a judgment against it."

To reduce your risk, negotiate to pay

upon delivery. If this isn't an option, consider using a credit card — but only once you've investigated the card's policy for challenging charges if the supplier doesn't deliver as promised. "Especially before placing large or seasonally critical orders, perform credit checks on your suppliers and check the Dun & Bradstreet listings," Magwood says. "While not foolproof, this will help give the retailer a certain understanding of the state of the supplier."

Finally, always have a few backup vendors with whom you have a good relationship to ensure you can meet the demands of your customers — and hopefully delight them in the process. — *Lisa Horn*

WHAT YOU CAN LEARN FROM THE COMPETITION

Have you done any shopping lately — in your competitors' stores? Naturally, you should check out what direct competitors are doing, but also visit retailers outside your product category for a fresh perspective. Small stores can benefit from visiting larger outlets to see what could be tailored to a smaller scale and budget. Conversely, large stores may benefit from visiting small stores to see what's offered in terms of personal touch.

"A competitive analysis is important for every business," says Paul Rauseo, managing director of the George S. May Intl. Co. Management Consultants. "It's not just to see what other stores are doing but also what they're doing better, worse and differently from your organization." — *Lisa Horn*

Secret Shopper Checklist

This checklist for secret shopping outings will help you capture the elements that take a store from good to great.

MERCHANDISE

- What items are featured?
- For direct competitors, do any products duplicate what you offer?
- What are the pricing strategies?
- Is there a sale or other special offers?

DISPLAY

- What kinds of racks, shelves or other display techniques are used?
- How is lighting used to enhance the merchandise?
- Is the floor plan easy to navigate?

CUSTOMER SERVICE

- Are you greeted upon entering the store?
- Are you told about any specials or given a coupon or flyer?
- When engaging employees in conver-

sation, are they well versed in product knowledge?

MUSIC

- What kind of music is being played and does it match the product category and demographics of the typical shopper?
- Is it unique to this location or could it be found anywhere?
- Is the music selection on display?

SIGNAGE

- How is signage used at the front of store to attract customers?
- Is it used effectively throughout the store to highlight particular products?
- How does it support the overall brand at the cash wrap?

PACKAGING

- What type of gift bags, tissue and boxes are used?
- Is packaging customized or generic?