Retail White Paper
By One Step Retail Solutions

May 2008

The 6 Biggest Challenges Retailers Face Today

A New Report for the Changing Economy

Using technology to not only survive, but thrive, in an ever-more-difficult retail environment.

Corporate Headquarters
22520 N. 18th Drive • Phoenix, AZ 85027
(623) 580-8181 Tel • (800) 266-1328 Toll-free • (623) 580-8182 Fax

www.OneStepRetail.com

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Introduction

One Step Retail Solutions previously published a widely read report titled "*The 5 Biggest Challenges Facing Independent Retailers*" which presented the results of extensive research into retail industry trends, the major challenges impacting retailers and how retail Point of Sale (POS) technology could be used to overcome those challenges.

Over the last year, while updating our research into the current retail environment, it became evident that the constantly changing technology landscape, in and of itself, has now become an additional source of concern for retail owners and managers. We also determined that small to midsized chains, especially those who wish to continue their growth, face an even greater set of challenges than single stores or large retailers.

In most cases, they have grown beyond the ability of the owner or single trusted manager to keep a close eye on operations, with a need for more robust POS and inventory control system than would serve a typical single store. However, unlike the large chains it is not feasible for them to retain a set of computer staff focused exclusively on keeping the systems up to date.

One Step has a unique vantage point, in that it has helped many retail clients grow from one or a few stores to reach the 20 to 100+ store range. These retailers have survived and expanded over the years, even through several earlier downturns in retail spending! A small chain owner may think that those stores are in a different category, but in fact they had to deal with the same set of challenges that other small retailers face.

Then what did they do differently - why have they been able to grow their businesses and maintain profitability at the same time? Most importantly, how can other small and midsized retailers take advantage of the work these bigger chains have done to get the same benefits at a fraction of the cost?

A critical part of the answer resides in how they made use of their retail technology as a tool to overcome their business challenges, leading to a more efficient and competitive business operation while at the same time better serving their customers' needs.

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In this paper we will cover the methods and best practices involved in selecting and using retail systems to obtain a strategic advantage for a retail organization, while at the same time minimizing the challenges posed by the management of the system itself.

We will begin with a review of some of the trends impacting the retail environment and a recap of the biggest challenges. We will also discuss one of the most critical elements for success – alignment of the organization's systems with business strategy and customer needs.

As part of the best practices, we will cover the technology tools and capabilities that the majority of retailers are focusing on as the next best sources of growth, and how a smaller company can get a jump on those trends. Lastly, we will provide an outline of the best practices used in identifying, selecting and successfully implementing a retail system that achieves the desired organizational improvement.

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The Current Retail Environment

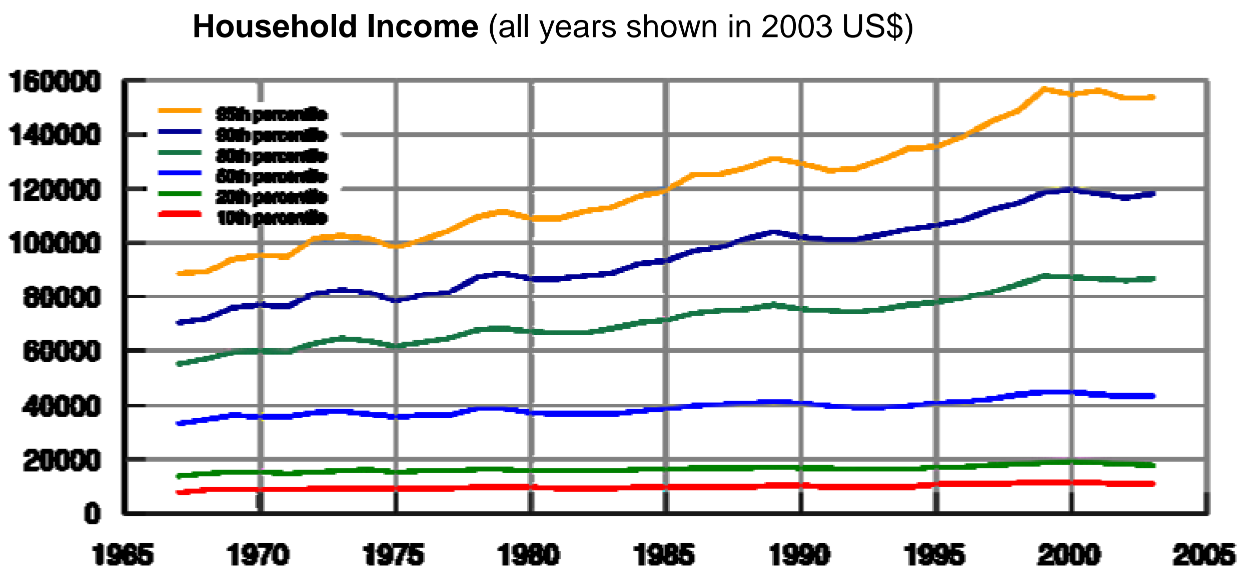
Our previous report explored a number of demographic and economic trends that have made retailing in the United States all the more challenging. We will begin with a review and analysis of these trends.

Growing gap between upper and middle/lower income households:

Since the late 1990s, incomes, on average, have declined by 2.5% among the bottom fifth of families and have increased by only 1.3% for those in the middle fifth of households. The top 20% of families managed an increase of 9% - however, in this upper group the improvement is not spread evenly - the top 5% accounted for nearly half of the total percentage increase.[1]

This has been an ongoing trend for several decades, as shown in the graph below and, despite efforts to change the fact, it will likely continue well into the foreseeable future.

Household Income (all years shown in 2003 US$)



Source: 2004 US Census Burea Data

[1] Center on Budget and Policy Priorities and the Economic Policy Institute analysis of census data

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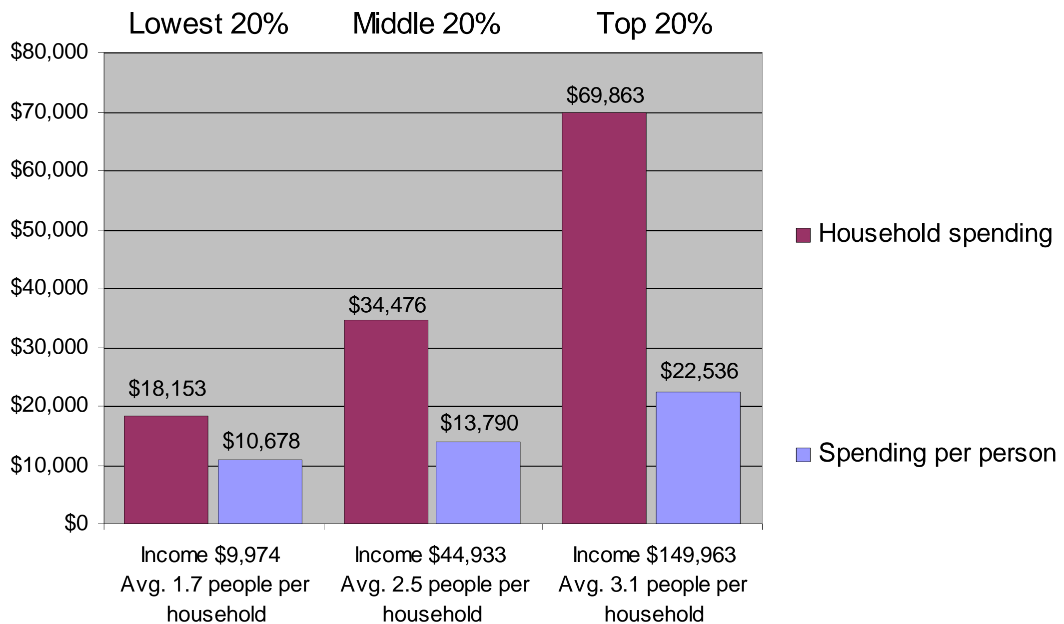
Household income alone does not provide a complete picture of consumer spending patterns. Lower-income households are often headed by retirees or single parents, so they tend to have fewer people per household. As well, they have money available to spend that is not reported as taxable income – examples would be retirement income, savings accounts, home equity or perhaps family aid for single-parent families with children.

In the chart below, we compare 2006 U.S. spending by household and household spending averaged per person per household for the bottom, middle and top quintiles of total household income. For reference, the total income and average number of people per household is shown below each category.[2]



The differences between income and spending for the middle and top groups are due to deductions for taxes and other outflows, such as retirement savings, which are not counted as monies spent. The U.S. class 'disparity' problem often cited by the media may not be as great as it seems judging by spending rather than household income.

Also, the prices on many consumer items have become much more affordable for the typical consumer, if we look at the prices as represented by the number of hours of work needed to purchase the item. This would be especially

[2] NY Times Article "You Are What You Spend", Feb. 10, 2008, based on Bureau of Labor Statistics data

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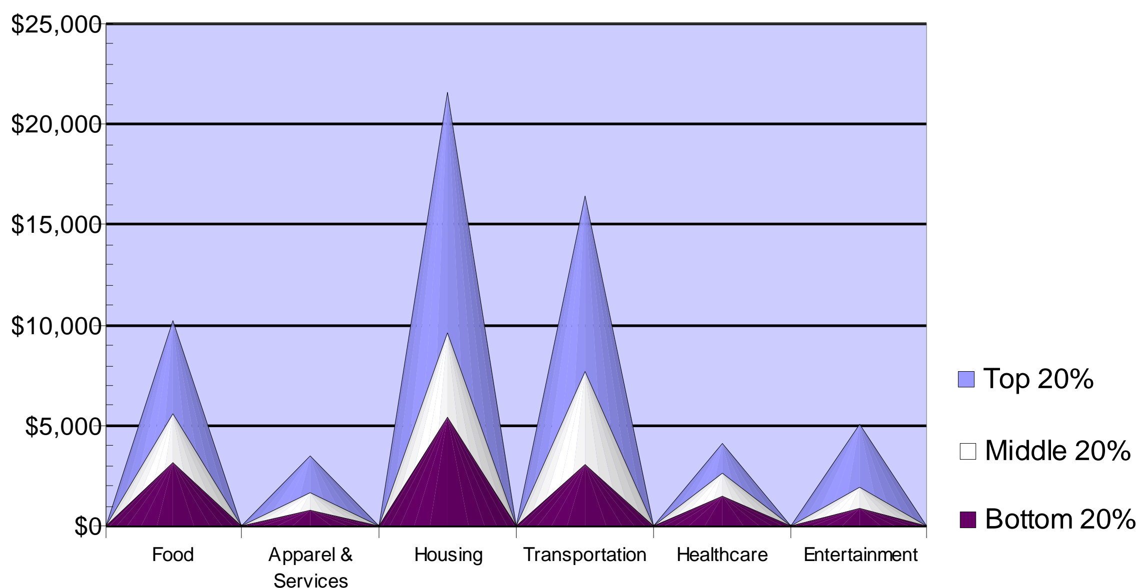
true since the constantly declining real cost of many consumer goods enables the typical consumer to buy more with the same or less income. The NY Times article referenced above pointed out that "at the average wage, a VCR fell from 365 hours in 1972 to a mere two hours today. A cell phone dropped from 456 hours in 1984 to four hours. A personal computer, jazzed up with thousands of times the computing power of the 1984 I.B.M., declined from 435 hours to 25 hours."

So where do people spend their money? Let's take a look at recent spending patterns by household for a selected group of items (note, these figures are for households – if graphed on a per-person basis the spreads would be much closer):



Source: Bureau of Labor Statistics 2006 data

One additional factor to consider is that as incomes rose over the decades many families found themselves in ever-higher tax brackets, offsetting part of the increased income. Some estimates put the increase in tax burden for an average middle class wage-earner as having risen from around 30% in the sixties to more like 40% today. This could even exceed 50% in high-tax states such as California.

The now 'richer' middle class might not have been feeling quite as well off as they should have based on their gross pay levels, which may have played a role in accelerating some of the other consumer trends we mention next.

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Continued expansion of big box & discount chains, new retail players:

Although the performance of some of the Big Box chains has recently started to slow and a few are shutting stores, they claim a substantial and increasing proportion of retail sales in many categories. Many of the luxury-brand manufacturers, particularly those based in Europe, have seen success with their own branded retail stores and continue to increase their US retail presence on a regular basis.

Brand switching, erosion in consumer brand loyalty:

Private labels have nearly achieved "brand parity" with name brands. For many consumers (82%) store brands have closed the gap with national brands, and shoppers now perceive private labels to be "identical to" (33%) or "close to" (49%) name brands.[3] Examples abound in almost every category – Wal-Mart's Ol'Roy dog food, 7-Eleven's private-label Santiago beer, Home Depot's Hampton Bay brand of ceiling fans – where the private brand meets or exceeds sales of the name brands they compete with. Even fashion brands are under attack – in late 2007 Dillard's announced its plan to drop Nautica men's sportswear in favor of its own private label merchandise.

Move to upscale or brand merchandise to avoid competition:

An example would be J.C. Penney and others who focused on a higher end segment in order to better compete with Target's fashion and Wal-Mart's low prices.

Growth in number and types of media, media fragmentation:

First cable, then Internet, now Internet TV and individual content – the number of options vying for the consumer's attention has skyrocketed. In television alone, A.C. Nielson reports that in 2006 the average U.S. home had more than 104 channels available, up from 61 in 2000. Based on Census Bureau data, the following chart demonstrates the changes occurring in annual media usage:

[3] August 2006 Pulse Report, survey of 1048 respondents conducted by Hartman Interactive

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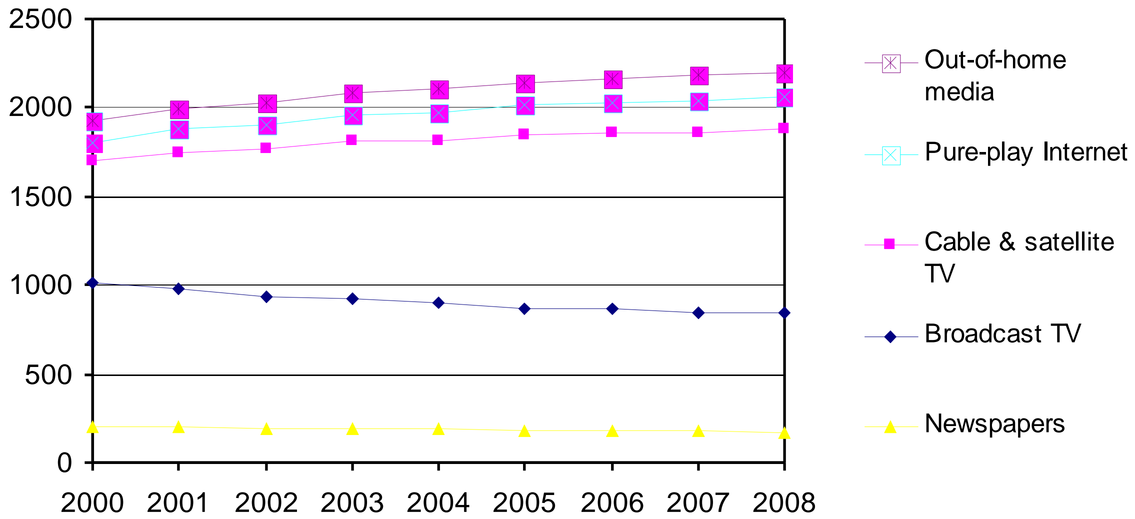

It is important to note that there are considerable differences in media usage based on demographic factors such as age and income. Younger consumers tend to spend less time reading newspapers and much more time on the Internet. Newspaper readership tends to increase with the age of the consumer and amongst the more highly educated and/or more affluent population.

Summary

All of the above-mentioned market forces have been occurring over an extended period of time, and thus most store owners and managers would be fairly well aware of their existence. However, when the impact of these trends is viewed as a whole and extrapolated into the future, the retail landscape starts to look rather different as compared to a decade or two earlier. A growing number of retailers may in fact be chasing after the same or fewer consumers in certain target segments.

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The Six Biggest Challenges

Based on extensive industry research, One Step has compiled the most frequently referenced set of problems that retail managers deal with on a daily basis, which tend to fall into six categories:

1. Inventory management issues
2. Employee problems
3. Shrinkage
4. Increase in multi-channel shopping
5. Targeting and keeping customers
6. Keeping up with changing retail technologies

Inventory management

Studies published in the California Management Review indicate that inaccurate inventory records alone cost companies, on average, 10% of profits a year! Knowing what to buy, when to buy it and when to mark down or clear underperforming products has always been a key part of remaining competitive in the retail environment. Poor financial performance is the obvious result of carrying too much stock or too many slow-moving items.

However, being too lean on inventory can be almost as bad – studies indicate that retailers lose about 3.4% of potential sales due to the desired products being out-of-stock!

Employee problems

Employee costs remain high, largely due to turnover rates. According to the Bureau of Labor Statistics, the employee quit rate in the Retail Industry was 33.4% for 2007, which is one of the highest rates amongst all industries. If you add to that another 16.5% for layoffs and discharges and 3.8% for other separations, well over half of all retail employees are replaced each year! While this improved slightly (down 2.1%) from the year before, it has remained at or above 50% since 2000.

In addition to the direct costs of hiring and training new employees, there can be a substantial indirect impact on profitability due to poor customer satisfaction. A satisfied customer will tell an average of two people. However,

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typically 96% of unhappy customers will not complain to the establishment, but they will tell five to ten other people about their bad experience.

Nearly 7 out of 10 shoppers cite poor service as the reason they stop doing business with a company. Add to that the estimate that it costs about five times more to acquire a new customer compared to keeping an existing one, and it becomes clear that employee issues can have a significant impact on a retailer's bottom line.

Inventory shrinkage

It is estimated that U.S. retailers lose more than $41 billion each year[4] to shrinkage (theft), due to the following reasons:

• Shoplifting	32%	$13.3 Billion
• Administrative error	14%	$5.8 Billion
• Vendor Fraud	4%	$1.7 Billion
• Employee Theft	47%	$15.1 Billion

Only about 5% of total retail theft losses result in a recovery, which means that $95 out of each $100 stolen is gone for good. If a retailer were able to drop their shrinkage from 2% to 1% of sales, it would have about the same net impact as a 40% increase in sales. Thus, the camera systems prevalent at Target and other retailers and their aggressive stance on prosecuting employee and customer theft.

Multi-channel shopping, Targeting and keeping customers

Many retail marketers feel that the previously-mentioned increase in media fragmentation offers benefits such as the ability to target specific consumer segments in a much more focused manner, to capture consumer attention for longer periods of time and track their behavior in ways that were never possible before.

However, one must have the tools and knowledge required in order to take advantage of this trend. The tools need to be simple enough to be used by the typical retail employee, yet full-featured enough to support the actual use of the customer data and increase sales though better on-line and offline marketing and promotions.

[4] National Retail Security Survey (2007) University of Florida

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Keeping up with changing retail technologies

It has become clear from recent surveys of retailers that keeping up with changing retail technology has become, in and of itself, a 'sixth' challenge for many small retailers by reason of increasing complexity and maintenance requirements! This is, in fact, composed of several different issues which form an interrelated whole:

- Islands of automation: Instead of a single integrated system, many retailers have built up their current retail system in 'pieces', starting first with the POS register interface. Other parts, such as the accounting package, inventory databases, or credit card terminals and processing modules, may be added or changed over time. Each product, and each version of each product, may have different ways of doing the same thing and require training on its use.

- Windows-based systems: While Windows standardization has helped in some respects, the complexity of maintaining Windows systems and security still remains as a never-ending process.

- Disparate products: When a store grows to multiple registers and/or locations, different models or brands of computers, software, servers, and peripherals (registers, printers, bar-code scanners, card readers, displays, etc.) may be installed. Each of these components may need regular version updates or patches installed to keep them running and talking to each other. Worse, sometimes a new version of one piece of software cannot be installed until later versions of the other products are available!

- Complex systems: In an effort to remain competitive and sell new versions, over the years software vendors tended to regularly add new features and capabilities, but the systems were designed by engineers rather than based on end-user skills. While some current retail systems are built to be intuitive and simple for the typical new retail employee to use, many of the older systems have advanced capabilities that go unused due to the inability to figure out (or keep up with) the training.

Training issues (and costs) are further compounded by the high retail employee turnover mentioned earlier. Plus even a computer systems pro can find the above to be a frustrating environment, let alone the typical small retail owner!

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Overcoming the challenges to achieve growth

When a company starts to add more locations, the challenges become increasingly complex due to the size of the organization, and it is all the more important to have a system in place to avoid the mounting costs of inefficient operations. Multiple surveys have shown that the larger the retailer is, the more likely they are to have one or more retail systems installed. At the same time the technologies need to be planned, designed and supported in such a way as to make the system part of the solution and not another source of problems!

Midsized retailers who have managed to grow did so with the help of effective retail automation to overcome these challenges and maximize their margins and profits. Research suggests that a properly implemented retail system can lead to a 10% to 25%+ increase in net profits. Successful retailers were thus able to make use of the increased profitability to more easily fund their expansion!

Feedback from our fastest-growing retailers indicates that they are now working on strategic uses of technology that further fuel their growth by attracting new customers and selling more to existing customers. The most frequently mentioned strategic technology initiatives include:

- Customer Relationship Marketing tools
- Electronic (e-mail & online) marketing
- Adding or improving e-commerce sales
- Integrated real-time in-store and online inventory
- Electronic gift-cards and on-line gift-card sales
- Security and PCI compliance for their credit card data
- On-line gift registries and payment
- More robust customer loyalty programs
- Faster, more detailed reporting and analysis to adjust to consumer demand and promotional response
- Tighter vendor supply chain integration
- Tighter integration of their various software tools or change to a single system to fully enable the above

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As one might observe, the above features mostly revolve around improved customer satisfaction and increased sales, not just cost savings. This trend is seconded in a 2007 Gartner report, in which the analyst wrote:

> "POS applications have moved well beyond the automation of everyday retail sales transactions … retailers of all sizes no longer see POS technologies as merely cost-cutting applications, but as key tools to driving revenue growth by enhancing the customer experience and retaining customer loyalty."

In summary, being in an already competitive position, the more successful retailers now intend to make full use of the best tools available to go out and take market share from someone else! However, the marketing approach and tools for a given company needs to be built around and support the company's strategy and plan to compete, which in turn needs to be properly in place. How to accomplish that is discussed in the next section of this report.

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Success – Where to Start?

High-growth companies usually have a pretty clear idea of who they serve and how they as a company can and will serve those customers better than the competition. Also, their customers have a solid positive 'brand' image for the retailer based on a combination of their experiences, and even the employees are able to express what makes their employer different and their own role in that result. While this may either seem obvious or the importance of it overstated, it is one of the most basic elements of success. The companies that grew had a plan in mind as to where they were headed and why, and built their actions around that.

There are several key concepts that are fairly straightforward but which can be extremely useful when working to identify and create a competitive advantage for a given company. Managers at the biggest retailers are generally familiar with these concepts and are pretty good at using them, but even they occasionally make disastrous miscalculations (we will highlight several notable examples shortly). Thus, we feel it is important for us to briefly discuss these concepts and their application to success.

Alignment and linkage

Alignment refers to the fact that a company's form (people, organization, location, materials) needs to support the function, the function needs to support what the company produces in line with its strategy, and the strategy needs to be developed based on what the competitors are doing and how the company can serve its target customers better than the competition. When these things match in a way that works well, they could be said to be aligned.

Linkage – refers to the fact that the best companies determine what things (metrics) they need to measure along the various functions of the company to make sure that each functional area is doing its part and doing it well in support of the overall company results. These Key Performance Indicators (or KPIs) are used by most retailers, with the common ones being Turn and Profitability.

However, the most successful companies (using retail systems to enable the process) are able to look at specific items or categories, and go beyond looking back at 'how did we do' in the past and more towards 'how should we be doing' and 'are we on track to meet that at the current moment'? This allows for

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continuing improvements in quality and efficiency and a much more rapid response to negative or positive changes in the metrics.

The second part of linkage that is important for a store owner (at least those who don't want to work themselves to death) is that the store employees and managers are:

- Engaged and care about what is happening
- Aware of what performance the store is trying to achieve
- Supported by the proper tools and resources
- Able to have some positive influence on the KPIs
- Recognized for this in a way that is meaningful to them

Strategy – How to compete

Most independent retailers have had time to start adapting their own business models and merchandise to the changing retail environment, and setting their strategy to remain in business. Retail owners usually have given at least some (if not a great deal!) of thought towards what they offer that makes them different and how they hang on to their customers.

The three 'generic' methods of competing, as well summarized by Michael Porter[5] , are: Lowest Cost Producer; Differentiation; and Focus. These may also be used in some combination, such as the lowest cost for certain upscale products (Costco or Trader Joe's in food, for example). Lowest cost is fairly self-explanatory, although it may not be a viable option as a stand-alone strategy for most independent retailers – it is more often used in combination with focus and differentiation (as with the European retailer H&M, example on page 18 of this report).

Some of the elements that may be used (individually or in some combination) to create differentiation for a given retailer would include:

- Faster service
- Better or more personalized service
- Convenience in service or location, on-site service or delivery
- Higher quality items, better style or brands
- Wider selection
- Hard-to-find or specialty items

[5] Porter, Michael E., Competitive Strategy, Free Press, 1980

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- Design and/or manufacture own brand of products
- Promotions or discounts when and where it matters
- Services that add value (extended warranty, custom name engraving, etc.)
- Loyalty/frequent buyer programs

Focus would come from defining specific target markets or segments of customers that your company is better geared to serve or that are underserved by your competitors. This can be seen in the high-end shops on Rodeo Drive, as well as the location focus Wal-Mart maintained for decades by building their stores in smaller cities underserved by most other retailers.

In fact, the ability to compete may be derived from going against the norm in using differentiation and focus. An example of this would be American Apparel. By designing and manufacturing their goods themselves in a warehouse in Los Angeles, they claim they gain efficiencies and much shorter response times as compared to outsourcing and importing from multiple vendors in various countries. The “Made In America” label sold in their own retail stores forms a key part of American Apparel’s brand image differentiation! They are not the lowest-cost producer, but they don’t necessarily need to compete on low cost based on their focus (people who want to buy American).

Execution

Strategy is only as good as it can be executed – when more than one company attempts to compete head-to-head with the same strategy, those with the most effective ability to execute their strategy will be the ones left standing! While some big retail consumer goods brands are struggling, the apparel and accessories company VF continues to build on years of growth and strong returns with brands such as North Face. In regard to what they did to lead to that growth, Mackey McDonald (chairman and former CEO of VF) said “We realized we didn't have to come up with brilliant ideas - we needed brilliant ways of executing good ideas."

K-mart tried unsuccessfully for years to implement a strategy to overtake Wal-Mart as the low cost producer. They lacked the ability to execute this effectively in many key areas of their operations and merchandising, not the least of which was the integrated computer systems that provided linkage from POS to inventory and back into their supply chain and marketing groups. K-Mart thus struggled for years caught in the middle, not being either cheapest or best in some aspect that mattered to the consumer!

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In an effort to boost sales numbers against competitors such as Target, even Wal-Mart has recently tried to move into areas such as upscale fashion. They went so far as to co-host with Elle the New York Fall Fashion Event “Rock the Runway” in 2006. The recent closing of their fashion divisions would tend to indicate that they did not do a good job of matching their strategy with one or more aspects of their customers’ needs and/or their ability to execute (such as a mismatch of their brand and fashion, or perhaps a lack of buyer experience in the area).

Resources

Perhaps even more of a wake-up call for other retailers comes from the fact that Wal-Mart’s fashion styles were for sale this year, not just a preview of the year to come, which they could manage due to their scale and logistics/supply chain skill. However, at least several European-based fashion chains boast that they now have the capability to mimic successful runway designs and have them available in as little as 30 days! Plus, they have the proper store brand image AND category expertise to be formidable competitors in the segment. One such example is H&M.

Based in Sweden, H&M has 1,500+ stores in 28 countries. They entered the US market in 2000 and now have more than 145 US stores, of which 31 were added in 2007 alone. With its own team of in-house designers and purchasers, H&M is able to quickly copy successful fashions and sell their brand in their stores (including a move into footwear in 2007). They are thus not dependent on pricing set by fashion brands, but are still able to maintain tight control on both quality and pricing throughout their supply chain. A good strategy matched with the resources to enable successful execution sets the stage for their 72% growth in the past five years, and all self financed!

Support Tools – Retail systems

Since the majority of multi-store retailers have had time to implement some type of retail POS system, the use of such a system alone is not likely to be sufficient for competitive advantage. The real question becomes - “Do all the components of the business, including the retail management system, support being the best at executing the strategy as compared with whom you are (and will be) competing?”

As discussed earlier, retail technology platforms have evolved beyond basic POS and accounting functions. In fact, newer systems can actually live up

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to the promise of what technology has held out from early on – integrated data across the financial, POS and inventory modules, powerful back-end tools such as easy-to-run reports for each manager, AND simple and highly intuitive user interfaces to greatly reduce training (and re-training new employees) costs and avoid errors.

The ability to make the tool fit the function rather than the reverse has never been higher – newer systems are much more flexible and easier to customize so as to support a given company's unique needs and requirements. At the same time, many powerful service features and advantages the big retailers have had are now already built into ready-to-run retail software without the need to custom program.

A key example would be Business or Inventory Planning modules that allow the manager or owner to plan inventory and stocking levels, specify price points and expected sales volumes, pre-plan discount levels and sale pricing periods, and run performance reports and adjust restocking levels automatically from headquarters. This would allow for single store, store group and/or regional variations by item or category. Other examples would be company-managed electronic gift cards and automatic gift receipts.

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Quantifying the Need for Change

Often the need for a new retail system starts showing up over a period of time, but the idea~~s~~ sits in the background as a ‘to do’ item. In other circumstances, a single serious event triggers the necessity to start evaluating products. Due to the informal approach in the first case or driven under the pressure of an emergency, the tendency is to just start reviewing whichever systems the staff may be familiar with, or to simply upgrade to a newer version of the same system already in use.

The end result can be the selection of a system that is NOT the best option for return on investment when support for future needs or growth is considered. A more sensible approach is to be pro-active, starting with the decision to use a formal review process, and the establishment of specific start and end dates. In the next section we provide a summary of the steps that a retailer would use to properly evaluate their need for, and value of, a new retail system.

Situation analysis

This would consist of an honest evaluation of your company’s current environment and its ability to compete now and into the foreseeable future, taking into account the previous review of strategy and execution. This can sometimes be referred to as a SWOT analysis (**S**trengths, **W**eaknesses, **O**pportunities, and **T**hreats), but there is much more information available in regard to the subject of strategy, such as the previously referenced text by Michael Porter. The primary points that would help you evaluate your strategy and identify how you compete revolve around:

- Customers – who are they, what do they want?
- Competitors (current & future) – what is their strategy, how do they compete, how do they execute, what do they do for the customer, what role do employees and suppliers play, how well is that working?
- Your company – Same as listed for competitors.
- Your plan – Goals and objectives short-term and long-term, growth, changes in merchandise, need for or add to distribution centers, etc.

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Gap analysis

A thorough situation analysis would then support an accurate and actionable gap analysis. This would consist of an honest assessment of where your company stands as compared to where you should be (or need to be). It would include a review of possible options or changes and the likely impact those would have. The end result would be an appropriate, well thought-out plan of action that properly assesses costs and resources, along with the information needed to support a decision and to execute the plan. The steps involved in a gap analysis would include:

- Initial assessment – Do we have a gap? Are we heading (or experiencing) underperformance as compared to where we would like to be?
- How big is the gap?
- What are the possible adjustments to the strategy, plan, ability to execute and resources used?
- Needs analysis, changes to retail system to support improvement
    - Look for efficiencies and cost savings
    - Six challenges – Look at all areas of improvement and cost savings
    - Include process improvement – what could we do with a new system – don't just automate an inefficient set of practices and procedures
    - Look to support the way users work rather than making users change to fit the system, unless change is the only way to get improvement
    - Include capabilities that will increase sales and new customer acquisition, as the growth companies are doing
    - Involve your managers and employees, get their suggestions
- Management practices – This is a good time to honestly evaluate the owner(s) and senior manager's approach. Adjustments may be needed in order to arrive at the next level of growth.
- Analyze future numbers, what do they look like if we continue, what would be the result if we make changes?
- Cost-benefit analysis – what are the costs of changing, what are the risks?
    - Get an accurate assessment of costs based on the need and expected outcome, including sufficient employee training, etc.
    - Look for ways to minimize risk – using the above processes and a thorough needs analysis are two good ways to minimize failures

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- Metrics – how will you measure success? What metrics are most important to closing the gap and determining if the change worked?
- Decision to move forward

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Action plan

Creating a written summary of the results from the previous steps is very valuable when communicating the plan to employees, vendors, bankers, etc. and as a tool from which to develop further planning. There is a considerable amount of information available on project execution best practices, which goes beyond our ability to present here. We can provide a summary of some of the most important elements:

1. Get a strong commitment from senior management as to moving forward. Make sure this commitment is always demonstrated. Lack of clarity or commitment will almost certainly undermine success.
2. Identify points that may threaten or cause resistance to change (being out of a job for example) and figure out how to offset those.
3. Communicate 1 and 2 to the team, be honest about what is being done, along with the importance of what is being done
4. Assign a specific individual to manage the project
5. Project should have specific actionable steps and results listed for each step, to be assigned to a specific individual or team
6. Steps should have due dates
7. If the work is conducted over a period of time, it should have checkpoints to identify if it is on/off track well before the due date

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System Review and Selection Process

Again, one of the most important factors in the success or failure of selecting and implementing a new retail system is a comprehensive, properly done and written needs analysis. This allows for a better demo process, helps to avoid overlooking key functionality and leads to a more accurate and objective evaluation process.

There are professional consultants available who specialize in performing unbiased systems needs definitions, and some vendors of retail systems have this capability, with the caveat that the vendor should not have a bias only to a single system! Some additional points to keep in mind when reviewing systems and vendors:

1. Short list to avoid wasted time and to provide your staff the time to truly see and get to know each vendor. Use the following criteria to do an early narrow-down to a few or several best choices:
    a. Compare vendor capability against mandatory functions on the needs analysis to screen out vendors without those capabilities
    b. Look for vendors with proven successful retail installations similar to yours
    c. Evaluate only vendors and systems who have the technology and success needed to remain in business well into the future
2. Consider proposals from resellers that carry and support more than one system. They should be able to tell you more about the strengths and weaknesses of each product, and they most likely would have evaluated other products on the market when choosing the systems they carry.
3. Look for a system that has the capability of full integration of all functional modules (or that fully integrates with existing software you would like to keep) that you may need now AND into the future.
4. Get references and go see actual installations with needs similar to yours. Include your functional staff too, and ask them to try out the features they are looking for. In some cases a vendor's demo in your facility is not an accurate reflection of how things work in a real application.
5. A key item for your future satisfaction is that support is rapidly available when needed (including evenings and weekends if relevant for your stores) and that problems get fixed in a timely manner. Ask the vendor:

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   a. How they provide support (number of staff, length of time with vendor)
   b. Their process for measuring support response and resolution times
   c. Ask if they track the response and resolution times on all incidents and if they can show you the averages over time
   d. Do they have an incident escalation procedure for unresolved incidents
   e. Are there guarantees for response times
6. Get a written proposal from each vendor that specifies how they will match or fulfill your needs assessment.
7. Make sure the performance you are looking for is specified (including service) and what your rights and options are if those are not met.
8. Ask that the written proposal includes not just all initial costs, but the cost of ongoing maintenance, upgrades and support for following years, and what rights the vendor has to adjust those over time. Ideally there will be a clear policy on when and how much the prices may be changed.

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About One Step Retail Solutions

One Step Retail Solutions has been servicing the technology needs of the small to mid-size retailer since 1985, with offices expanding across two coasts: Los Angeles, Phoenix, and New York. The company specializes in retail point of sale software systems that help retailers stay ahead of the game, be in control of inventory, and manage their business more efficiently.

One Step offers a variety of technology solutions that address different needs across different retail markets and industries. Since the company is not tied down to any single product, it is attentive to the solution – giving retailers what they need – adapted to the way they do business. Website: www.OneStepRetail.com

Recommended POS Solutions

Retail Pro

Retail Pro, headquartered in La Jolla, California, is the premier inventory control / POS software for independent specialty retailers and has established itself as the standard in retail management software for today's retailers worldwide. Widely known for its impressive scalability and adaptability, Retail Pro's application suite consists of POS and Store Operations, Merchandising, Payment Solutions, Planning and Business Intelligence. Retail Pro is unique as a standard system available in 19 languages and localized for use in over 75 countries around the world.

Counterpoint

CounterPoint SQL Enterprise delivers the power of Microsoft® SQL Server®—the industry standard for speed, stability, data integrity, and scalability—in a complete retail management solution that adapts to the way you do business.

Retail Teamwork

Retail Teamwork was developed by innovators in world-class retail solutions, creating solutions used in over 100,000 stores. It empowers retailers with the tools and information they need to succeed in the people business.

Microsoft RMS

Microsoft Dynamics Retail Management System (RMS) makes it easy for managers and store owners to perform daily tasks with less time and effort, and offers small and mid-market retailers a complete point-of-sale (POS) solution that can be adapted to meet unique retail requirements.

One Step Retail Solutions
Corporate Headquarters:
22520 N. 18th Drive
Phoenix, AZ 85027
(800) 266-1328 (Toll-free)
(623) 580) 8182 (Fax)

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