IBM

Target Markets
Grocery

Sales reference guide

Overview

Grocery retailers compete in perhaps the industry's most competitive segment. In fact, profit margins per product are narrower in grocery than in any other retail market. There are other unique conditions in grocery, too. These retailers track, sell and promote a wider variety of inventory than any other kind of store – literally hundreds of thousands of perishable items and consumer packaged goods. They turn this inventory over faster than other segments do. And their stores feature some of retail's harshest conditions: dust, dirt, grease, grime, food hazards, spills and rough handling from employees (slamming cash drawers, punching keys) and shoppers (ramming carts into checkout lanes). The grocery segment includes a diverse range of retailers, from single-store operations to massive multinational chains. *(For more detail on how grocery retailers vary, see the segment demographic matrix on page 7.)*

Pain points and market drivers

All retailers are up against the same trends driving the need for e-business on demand™ in retail. In the grocery segment, these trends are responsible for four pain points:

1. Rising shopper expectations

Grocery customers are notoriously fickle. They gravitate to low prices, regardless of which store offers them. They can be demanding, because shopping for groceries is an essentially mandatory activity. It can't be delayed or left undone, as opposed to shopping for computers, jewelry, sporting goods or fashion apparel. Grocery customers want low prices, a variety of products and brand names, fast checkout and attentive service at every point of contact (deli, bakery, point of sale (POS)). On demand grocery retailers must meet all of these needs, often on a 24x7 schedule.

2. Stronger competition

Grocery retailers are under attack from many new kinds of competitors. These include general merchandisers that have added grocery inventory (most notably, Wal-Mart and Target); Web-based home delivery services (which tend to attract affluent, high-spend customers that can afford delivery fees); and gas/convenience stores that offer more than basic convenience items. All of this is in addition to the normal price-based competition these retailers face from other local grocery stores.

3. Technology choices

Grocery retailers can use an incredibly wide range of technology to become on demand businesses, and the options can be overwhelming. Overall, they must determine whether it is more important to adopt the latest trend, or address more fundamental questions of multichannel integration, outdated POS systems or customer data analysis. Regardless of priorities, it is critical for grocery retailers to find solutions that are reliable, scalable and adaptable across the enterprise.

4. Economic uncertainty

Grocery is a volume-driven business. Profits come from multiplying extremely thin margins by thousands of items sold per day, and the only way grocery retailers can improve profitability is to increase sales volume or reduce operating expenses. This – in addition to wider trends of economic uncertainty – is why grocery retailers need to find solutions that will protect their investment in the technology, as well as solution partners that can be counted on for stable, long-term support.

Four imperatives for on demand grocery retailers

In an on demand world, grocery retailers need to address four key challenges:

1. Create a dynamic, customer-focused shopping environment

As new competitors enter the market, grocery retailers – especially large chains – are searching for ways to protect and build their existing share. Price wars have limited effectiveness, and due to an influx of new competitors, some grocery retailers are beginning to understand the appeal of e-business, kiosks, self-checkout, shopper data analysis and other advanced solutions. By creating a superior shopping experience, on demand grocery retailers can help increase loyalty and customer spend per visit. And by accurately anticipating what customers want, they can respond quickly with new brands, specials, and in-store services. They can also identify their best customers and market directly to them.

There are many offerings in the IBM Retail Store Solutions portfolio designed to help grocery retailers overcome this challenge. They include:

- *Wireless kiosks that deliver targeted incentives to loyalty card holders, or provide information about gourmet items, special offers, product comparisons and nutritional information*
- *Cart-mounted Web tablets that allow customers to place a deli or pharmacy order remotely and receive notice when it is ready for pickup*
- *Handheld personal shopping devices that help customers locate items*
- *Self-checkout lanes that offer a fast and convenient way to let customers serve themselves*
- *High-powered POS systems that help improve checkout speed*
- *Wireless POS systems that enable grocery retailers to add mobile checkstands throughout the store without recabling*

- *Applications from a vast global network of authorized IBM Business Partners that enable customer data analysis and other capabilities*
- *Customer loyalty programs, including the built-in loyalty functions of IBM SurePOS™ ACE and IBM VisualStore, that help grocery retailers identify and reward their best customers and build a database for marketing*
- *Customer-facing displays – driven by GUIs created via SureVision and ASTRA – that can be mounted at the POS and used to generate revenue through advertising, promotion of higher-margin specials or products, and delivery of special offers to loyalty card holders*

2. Maximize efficiency to help minimize costs

To minimize costs, on demand grocery retailers must manage stores, employees, and inventory with maximum efficiency. On demand retailers achieve this primarily through a common framework for store and enterprise-level management – the IBM Store Integration Framework. The IBM Store Integration Framework offers a complete infrastructure for streamlining business processes in retail. It is designed to integrate multiple points of service, including pervasive, consumer-focused systems driven by wireless technology. The Framework also helps establish a unified way to manage data in realtime for faster, smarter decision-making.

Other ways IBM Retail Store Solutions can help grocery retailers take out costs and operate more efficiently include:

- *Upgradeable POS platforms with expansion options for memory, ports, peripherals and wireless capabilities that allow retailers to add new capabilities at the POS without always having to repurchase hardware*
- *POS systems from IBM are engineered according to open standards, which gives grocery retailers more freedom to select a platform, operating system and POS applications. By choosing IBM hardware, they are not restricted to IBM software, the IBM operating system (OS) and IBM peripherals. This allows retailers to select the best, most affordable configuration*

- *IBM creates POS systems that enable smooth migration to new software. This is a plus for grocery retailers because it allows them to keep proven POS hardware in place and roll out new software (such as SureVision or ASTRA for graphical user interface (GUI) operation, for example) with little downtime*
- *We accommodate a variety of tools for remote, centralized systems management of POS systems. By maintaining systems and software from a single point, grocery retailers eliminate the time and costs associated with physically accessing every POS system in every store*
- *IBM hardware has high residual value. When grocery retailers are ready to buy new POS hardware, they can sell their old systems into the used and refurbished market for considerably more than competitive offerings*
- *IBM offers a range of pricing and financing options that can be customized for different-sized grocery operations, from small independents to large multinational chains*

3. Equip employees to deliver outstanding service

Grocery stores are stressful places to work. Cashiers are under pressure to work quickly and accurately, while dealing with a nearly limitless variety of customer questions, complaints and special requests. As a result, most grocery stores have very high employee turnover. New employees must be trained, which takes time and costs money. They must also be closely supervised, which places demands on the store manager's schedule. That's why the on demand vision includes technology designed to help improve employee productivity, make it easier for teams to deliver attentive and responsive customer service, and minimize the time and money grocery retailers spend on training.

Offerings from IBM Retail Store Solutions that help retailers address this key challenge include:
- *Self-checkout systems that enable retailers to serve customers more efficiently, without adding labor*
- *Web-ready kiosks that can handle time-consuming tasks (such as item location), freeing up employees to focus on customer service*
- *Kiosks dedicated to broadcasting updates to employees about important changes in store layout*
- *Handheld devices that can be used to notify managers of schedule conflicts or stock-outs via realtime messages*
- *Touchscreen technology and intuitive GUIs – including those developed with SureVision and ASTRA – that help make training sessions shorter, so retailers can handle high turnover periods more easily. These offerings also improve ease of use at the POS, which promotes employee job satisfaction*
- *IBM POS and back-office systems can run the software grocery retailers need to automate labor scheduling and training*
- *IBM POS systems can be configured to run back-office software for managers and administrators, enabling them to stay productive while remaining available to customers and cashiers*

4. Operate a resilient enterprise

Every minute of downtime costs grocery retailers profits. This is why grocery retailers value consistency and reliability so highly, and are reluctant to replace hardware, software or peripherals that work well in their stores, even if they are outdated. Operational resilience also depends on choosing an experienced technology partner. By choosing IBM, grocery retailers can rely on a proven track record in grocery, combined with world-class service and support. IBM understands the full range of needs in grocery retail, and has experience with a wide range of grocery retailers, from global brands to smaller chains and single-store operations.

Specific offerings from IBM Retail Store Solutions that help address the fourth challenge of on demand retailing include:
- *Retail-hardened POS systems designed to withstand the operational rigors of grocery retailing – including excessive dirt, dust, food hazards, spills, vibration and rough handling*

- *Open infrastructure that allows retailers to add new components and replace current technologies easily and cost-effectively*
- *Store-based and Web-based tools that help safeguard personal transaction data and help ensure security of information*
- *Systems management tools that can be used to monitor enterprise-wide operations and route alerts automatically, reducing the burden on IT teams*
- *The IBM 4690 OS is designed to excel in high-volume retail environments, especially grocery stores. This proven OS is less likely to crash or hang than generic operating systems. By installing the 4690 OS, grocery retailers can increase uptime across the enterprise*
- *IBM POS software for grocery, including IBM SurePOS ACE and IBM VisualStore, use intuitive interfaces to help cashiers spend less time completing the sale and more time attending to customer service needs*
- *IBM equips POS solutions with fast processors and thermal receipt printers, both of which help accelerate the checkout process and minimize customer wait-time*

Solutions overview

The building blocks of the retail on demand vision are found in this portfolio of retail-hardened POS products and next-generation store technologies from IBM Retail Store Solutions and authorized IBM Business Partners.

Software

IBM SurePOS ACE for 4690 Operating System
IBM SurePOS Application Client/Server Environment (ACE) for 4690 OS provides a comprehensive set of features for supermarket and hypermarket retailers, plus many advanced functions, including electronic marketing. It is available only for grocery retailers in the Americas Group (AG).

IBM SurePOS ACE Electronic Payment Support
Electronic Payment Support (EPS) enables all standard electronic tender support, including credit, debit, EBT and Automated Clearing House. EPS also supports prepaid gift and phone cards.

IBM VisualStore
This all-in-one POS software is designed for supermarket and hypermarket retailers in EMEA, AP, Australia and New Zealand. It has very low POS hardware requirements and can run in a variety of operating environments, including Linux.

IBM Supermarket Application
The IBM 4680-4690 Supermarket Application (SA) is a POS application engineered for international and multinational supermarket and hypermarket retailers. It runs on IBM 4690 OS and Microsoft® Windows® 2000.

IBM SureVision GUI for 4690
IBM SureVision GUI for 4690 enables retailers to create a Java™-based GUI – for touchscreen operation or e-business integration – on 4690-based POS applications from IBM, even if they have been highly customized. SureVision was developed in AG, remains prevalent in AG and has a support team based in AG.

IBM 4690 GUI ASTRA
IBM 4690 GUI ASTRA enables retailers to create a Java-based GUI – for touchscreen operation or e-business integration – on 4690-based POS applications from IBM, even if they have been highly customized. ASTRA was developed in EMEA, remains prevalent in EMEA and has a support team based in EMEA.

IBM 4690 OS
Designed specifically for retail, the IBM 4690 OS is considered one of the most reliable operating systems available. It provides a solid, reliable and functional foundation for POS, back-office and e-business applications.

IBM Retail Environment for SUSE LINUX
The IBM Retail Environment for SUSE LINUX (IRES) is a service and support offering from IBM for the SUSE LINUX distribution. SUSE provides and distributes the Linux OS, which has been optimized for retail, including a support and maintenance model designed to work with IBM SurePOS and IBM eServer™ systems and IBM middleware.

IBM Store Integration Framework
IBM Store Integration Framework provides a reliable, store-level Web services architecture that helps connect consumers and employees to critical information in realtime. Based on open industry standards, the Framework provides the integration infrastructure for adding new software and hardware capability in the store.

IBM Store Integrator
IBM Store Integrator, a component of the Store Integration Framework, helps extend and enhance the capability of 4690 OS POS applications using Java tools. By opening the POS platform for extensions and business logic sharing, retailers can leverage the capability of their existing POS solutions to deliver unique and differentiating customer service on fixed or mobile devices.

IBM Data Integration Facility
IBM Data Integration Facility, a component of the Store Integration Framework, allows retailers to leverage realtime sales data for system-wide analysis.

Hardware
IBM SurePOS 700 Series
With processor speeds up to 2.4GHz and Intel® technology, the IBM SurePOS 700 Series delivers the speed and power to help grocery retailers support e-business, drive customer relationship management (CRM), accelerate training and captivate customers. It offers a range of choices in speed, size, color and connectivity, and runs IBM 4690 OS, Linux, IBM PC DOS 2000 and Microsoft Windows.

IBM SurePOS 300 Series
The IBM SurePOS 300 Series is the most cost-effective distributed POS system in the IBM portfolio. With processing power up to 1.2GHz, this space-saving system features thick-client or thin-client configurations, storage media options, high-bandwidth Ethernet and an open platform for OS and application software.

IBM SureOne
The IBM SureOne® system is a totally integrated POS system designed for budget-conscious retailers, and those who operate in areas where space is limited. Its compact, all-in-one design includes the tools retailers need to run a store, eliminating the need for complex systems integration.

IBM SureMark™ Printers
These fast, quiet, high-quality thermal receipt printers help retailers reduce transaction times, customize receipts with marketing messages, and maximize POS uptime. Some models also feature Optical Character Recognition (OCR) technology and a built-in scanner for accurate MICR reading and electronic check imaging. With these capabilities, retailers can take advantage of cost-effective Electronic Check Conversion (ECC) while minimizing the risk of administrative returns and losses from non-sufficient funds (NSF) checks.

IBM Kiosk
The IBM Kiosk provides a rugged, Web-enabled platform for self-service. It can help grocery retailers enhance the shopping experience, attract new customers to your store, and help improve customer traffic.

IBM Self Checkout
This flexible and complete line of IBM Self Checkout systems helps grocery retailers improve customer satisfaction, reduce costs through flexible labor management, and meet a growing demand for fast self-service.

IBM SurePoint™ Solution
IBM touchscreen displays incorporate infrared technology to help improve image quality and maximize accuracy in user interaction. Because the touchscreen's fixed optical alignment lasts throughout the life of the display, no time-consuming recalibration is necessary. These products are durable and sealed to help protect against the inevitable dust and spills in retail. You can also choose nontouch, flat-panel color displays.

Service and Support
National Retail Services Center
The National Retail Services Center (NRSC) is a services group within IBM Retail Store Solutions that can help retailers implement the retail on demand vision and roadmap while helping minimize the time and risk typically associated with customization and complex solution integration. The NRSC specializes in integrating and implementing store-level solutions delivered through IBM and IBM Business Partners.

Segment demographics and buying behaviors

Segment	Stores	Terminals per store	Description
Independent	1 to 10	1 to 15	Predominantly concerned with upfront purchase price. POS systems must be easy to use, with very little IT complexity or systems integration. Long-term reliability is very important.
Regional chain – low price leader (Sav-A-Lot)	10 to 100	5 to 15	Less concerned with upfront costs. More focused on long-term expenses, such as operating costs and training costs. Overall system reliability is important.
Regional chain – value-added (Wegmans)	10 to 250	5 to 20	Although their first priority will be the day-to-day operating costs, these retailers are open to systems with new capabilities for e-business or loyalty. System reliability is a basic expectation.
National chain (Kroger)	250 to 1,000+	10 to 30	Focused on operating costs first, they also appreciate the ability to use e-business strategies to improve sales and customer loyalty. Ongoing training costs are a major concern.
International chain (Royal Ahold)	500 to 1,000+	10 to 30	These large-scale retailers are looking for POS systems with powerful e-business capabilities, low training costs and low overall IT costs for global or multinational rollout and maintenance.

Suggested solutions

Today, the recommended lead-in solution for grocery customers is IBM Self Checkout[1] (specifically, the scan and bag systems) and IBM Kiosk. (For recommended POS solutions in each segment, please see the chart below.) There is also a growing number of Ready for IBM Retail Store Innovations solutions developed especially for the IBM Kiosk in grocery. These applications include deli order, item location and many others.

Market view of IBM

IBM has been involved in the grocery market for nearly 30 years. IBM patents in this segment – such as the bar code – are numerous. IBM customers include grocery retailers from more than 80 countries. Overall, IBM is seen as a provider of high-quality solutions that tend to fall on the upper end of the cost spectrum. Grocery retailers believe IBM has an excellent understanding of their needs and concerns, as well the worldwide grocery retail market.

Segment	North America	EMEA	AP (SBCS)	AP (DBCS)	LA
Independent	• SurePOS ACE Independent Grocer Bundle (includes ACE, EPS, SurePOS 700 Series, SurePoint Solution, SureMark Printer)	• ISV application • SurePOS 300	• ISV application • SurePOS 300 • SureOne	• SureOne • ISV application	• SurePOS ACE • SurePOS 700 Series
Regional chain – low-price leader	• SurePOS ACE • SurePOS ACE EPS • SurePOS 700 Series • SurePoint Solution • SureMark Printer	• VisualStore • SurePOS 700 Series	• VisualStore • SurePOS 700 Series	• VisualStore • SureOne • SurePOS 700 Series	• SurePOS ACE • SurePOS 700 Series
Regional chain – value-added	• SurePOS ACE • SurePOS ACE EPS • SurePOS 700 Series • SurePoint Solution • SureMark Printer	• VisualStore • SurePOS 700 Series	• VisualStore • SurePOS 700 Series	• SureOne • ISV application	• SurePOS ACE • SurePOS 700 Series
National chain	• SurePOS ACE • SurePOS ACE EPS • SurePOS 700 Series • SurePoint Solution • SureMark Printer	• VisualStore • SurePOS 700 Series	• VisualStore • SurePOS 700 Series	• VisualStore • SurePOS 700 Series	• SurePOS ACE • SurePOS 700 Series
International chain	• SA • SurePOS 700 Series • SurePoint Solution • SureMark Printer	• SA • SurePOS 700 Series	• SA • SurePOS 700 Series	• SA • SurePOS 700 Series	• SA • SurePOS 700 Series

IBM.

[1] EMEA Self Checkout solutions are only available in the following
countries: UK, France, Germany, Holland and Netherlands.