# Target Markets
*Specialty*

*Sales reference guide*

## Overview

Traditional specialty retailers concentrate on a limited number of complementary merchandise categories, providing a high level of service in an area typically less than 8,000 square feet. In contrast to department or discount retailers, specialty retailers focus on a narrow market segment or niche. By carrying a narrow variety but deep assortment, they offer customers a wider selection and stronger sales expertise in their respective categories. The physical store space is relatively small compared to grocery or general merchandise (which can run as high as 100,000 square feet) and they generally have two point-of-sale (POS) terminals per store (compared to 30 or more terminals in a department store).

Very large specialty retailers, known as 'category killers' in the U.S. (such as Home Depot or IKEA) are the exception – they provide a very deep assortment in a superstore format, and they usually operate more like mass merchants than traditional specialty stores.

Specialty retailers have unique needs because they market themselves differently than other stores. They focus on customer service (personalized selling from a highly knowledgeable sales force), the depth of assortment, and brand image, or the look and feel of the store. Many specialty stores are chains with hundreds or thousands of stores worldwide. Although 80 percent of the market is in North America and EMEA, two regions where specialty retail is growing rapidly are LA and AP. *(For more details on how specialty 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 specialty segment, these trends are responsible for four unique pain points:

**1. Rising shopper expectations**
The rise of Internet shopping has created an expectation among shoppers that specialty stores provide a deeper and more diverse selection than ever before, in terms of real and virtual inventory. These consumers expect dynamic shopping environments, in which they can ask any associate about any product and receive an expert response. They also expect retailers to have integrated multiple channels, so they appreciate being recognized whether they're in the store, on your Web site, or ordering by phone.

**2. Stronger competition**
Specialty retailers must compete against a growing number of department stores with exclusive brands, mass merchants, discount stores and online stores with no brick-and-mortar locations.

**3. Technology choices**
In terms of the technology specialty retailers can use to become on demand businesses, the options are overwhelming. These retailers 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 retailers to find solutions that are reliable, scalable and adaptable across the enterprise.

**4. Economic uncertainty**
Decreased consumer spending hits specialty retailers hard. Combined with wider trends of economic uncertainty, lower consumer spending is an indicator that specialty retailers should be careful to choose 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 specialty retailers

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

### 1. Energize the customer experience from end to end

Specialty shoppers tend to equate the image of the store with the quality of the merchandise. The in-store environment also helps specialty retailers differentiate themselves from competitors. As a result, store appearance (including brand image, interactivity, and in-store services and/or entertainment) is as important as selection, and it is equally critical to protecting market share. Creating a dynamic, exciting sales environment can also help build brand loyalty and motivate spending. On demand specialty retailers must also be able to learn about customer preferences from multiple touchpoints, identify the best customers and market directly to them in multiple channels. When these customers visit the store, they receive personalized assistance and one-to-one promotions. Inventory is tailored to their needs, and retailers deploy new technologies that make the in-store experience memorable.

There are many offerings from IBM Retail Store Solutions that are designed to help specialty retailers address this first challenge. They include:

- *Web-enabled POS systems that help maintain a single view of the customer in a multichannel environment*
- *Wireless kiosks that enable customers to find product details or search 'virtual inventory'*
- *Handheld personal shopping devices that help customers locate complementary products and accessories*
- *Self-checkout lanes that offer a fast, engaging way to complete the purchase*
- *Applications from a vast global network of authorized IBM Business Partners that enable customer data analysis and other capabilities*

- *POS systems with contemporary, stylish designs that are available in several shades, with color-matched peripherals that create a more uniform, attractive POS*
- *Compact POS systems that help save space and fit well in just about any POS environment*

### 2. Improve back-end efficiency to help reduce bottom-line costs

To minimize costs, on demand specialty retailers must be able to manage stores, employees, and assortments 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 helps specialty 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*
- *IBM POS solutions that support a wide range of industry-standard systems management protocols, allowing specialty retailers to perform software upgrades, status checks and other maintenance tasks on POS terminals from a central location. This eliminates the time and expense of completing these tasks manually on every POS terminal in every store*
- *Solid POS systems that are extremely reliable and offer excellent longevity for strong IT investment protection*

- *POS systems engineered according to open standards, which give specialty retailers more choices for computing platforms, operating systems (OS) and POS applications (including software from IBM Business Partners that has been tested to run on specific platforms)*
- *IBM hardware with high residual value that allows specialty retailers to sell old systems into the used and refurbished market for considerably more than competitive offerings*
- *IBM pricing and financing options that can be customized for different-sized specialty retail operations, from boutiques to large chains*

### 3. Empower your employees to raise the standard of service

Specialty retailers must ensure that sales personnel have the specialized expertise customers demand. But high employee turnover makes it difficult to maintain a highly knowledgeable staff. In fact, specialty retailers have trouble finding, training and retaining employees, as well as improving their performance over time. That's why the on demand roadmap includes technology designed to help maximize employee productivity, make it easier for employees to deliver attentive and responsive customer service, and minimize the time and money spent on training.

Offerings from IBM Retail Store Solutions that help retailers address this key challenge include:
- *Web-ready kiosks that can handle time-consuming tasks (such as gift registry), 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 gaps in inventory via realtime messages*

- *Touchscreen technology and intuitive graphical user interfaces (GUIs) 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 specialty retailers need to automate labor scheduling and training*

### 4. Operate a resilient enterprise

In specialty retail, downtime can quickly erode customer loyalty and reduce revenue. On demand retailers are equipped with in-store solutions that help maintain high rates of uptime and help protect the integrity of customer and transaction data. Operational resilience also depends on choosing an experienced technology partner. By choosing IBM, specialty retailers can rely on a proven track record in specialty retail, combined with world-class service and support. IBM understands the full range of needs in specialty retail, and has experience with a wide range of specialty retailers, from global brands to smaller chains and individual boutiques.

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 specialty retailing – even in the most demanding environments*
- *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*

## 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.

### Hardware

*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 SurePOS 500 Series*
The IBM SurePOS 500 Series offers the performance, compact design and durability specialty retailers require. Offered with innovative infrared touchscreen technology, the system features a 2GHz Intel® processor and broad OS support that includes Linux, Microsoft® Windows® and IBM PC DOS 2000. Flexible configurations with a wide choice of options look good in any décor.

*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 specialty 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, Microsoft Windows and IBM PC DOS 2000.

*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 all 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.

*IBM Kiosk*
The IBM Kiosk provides a unique platform for self-service that can help specialty retailers enhance the shopping experience, attract new customers and improve customer traffic. Inside, it is Web-enabled and multimedia-ready, with ample processing power and multiple peripheral options. Outside, it features a sleek, durable enclosure and touchscreen display.

*IBM Self Checkout*
This flexible and complete line of IBM Self Checkout systems helps specialty 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 10" or 12.1" nontouch, flat-panel color displays.

### Software

*IBM Business Partner Applications*

IBM Business Partners provide expertise and specific knowledge sets required to develop highly customized and targeted software for specialty retailers worldwide. These applications enable you to integrate a wide range of capabilities at the POS to help increase customer satisfaction, improve information capture, and reduce customer wait-time. They also include Ready for IBM Retail Innovations solutions pretested for use with IBM POS and IBM Kiosk technologies.

*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 @server™ 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.

*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.

### 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 | Description | Example |
|---|---|---|
| IT leaders | Sophisticated retailers who understand IT issues and integrate IT into business strategy. They know what they want a POS system to do and are willing to pay for the right solution. These retailers are typically pursuing the integrated multichannel retail model. | The Gap Boots JPL Department Store MotherCare |
| Traditional specialty | Retailers who do not have terribly complex IT needs, but still want high-quality POS systems that keep pace with the industry's standard offerings. | Limited Too Monsoon Rosebys Vodafone |
| Entry specialty | Retailers who view store IT as an expense that needs to be minimized, and therefore want the 'bare bones' technology for an equally 'bare bones' price. | 1- or 2-store chains CTN customers (EMEA Business Partner) |
| Category specialists | Retailers with a fairly complex POS environment who are still seeking to minimize POS expense because the technology is used across several (up to 30) checkout lanes. | Home Depot IKEA TRU |

## Suggested solutions

| Segment | NA | EMEA | AP (SBCS) | AP (DBCS) | LA |
|---|---|---|---|---|---|
| IT leaders | SurePOS 500 Series | SurePOS 700 Series | SurePOS 500 Series | 4674 | SurePOS 500 Series |
| Traditional specialty | SurePOS 500 Series | SurePOS 500 Series | SurePOS 500 Series | 4674 | SurePOS 300 Series SureOne |
| Entry specialty | SurePOS 300 Series SureOne | SurePOS 300 Series SureOne | SurePOS 300 Series SureOne | SurePOS 300 Series SureOne | SurePOS 300 Series SureOne |
| Large specialty | SurePOS 700 Series SurePOS 300 Series | SurePOS 700 Series SurePOS 300 Series | SurePOS 700 Series SurePOS 300 Series | SurePOS 700 Series SurePOS 300 Series | SurePOS 700 Series SurePOS 300 Series |

## Market view of IBM

IBM has been involved in the specialty segment for more than 10 years and customers worldwide, including two-thirds of the top 50 retailers, depend on IBM to keep their stores running smoothly. Overall, IBM is seen as a market leader that provides reliable, high-quality solutions that tend to be more expensive than competitive offerings. Specialty retailers believe we have an excellent understanding of their needs and concerns, as well as the worldwide specialty retail market. They have responded well to the introduction of the IBM SurePOS 600 Series, which is targeted at specialty retailers that need powerful yet stylish POS solutions.

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