

Falley's Food 4 Less stores stock up on innovative retail technology from IBM and TCI Solutions.



Highlights

- **Challenge**
Forge an efficient retail store environment comprising leading-edge information management and flexible business processes
- **Solution**
A modernized IT infrastructure featuring IBM SurePOS™ 700 systems and back-office software from IBM Business Partner TCI Solutions, Inc.
- **Benefits**
Helped enhance store productivity through fast, accurate transaction processing; improved process visibility resulting from storewide access to realtime information

A grocery retailer redefines its image—and its competitive niche

Operating over thirty supermarkets across Kansas and Missouri, Falley's, Inc. is a wholly owned subsidiary of Associated Wholesale Grocers (AWG; www.awginc.com)—one of the largest member-owned supermarket corporations in North America. Falley's employs approximately 2,600 people across its store, headquarters and warehouse locations. "Today, we operate twenty-seven Food 4 Less grocery stores and four conventional Falley's neighborhood groceries throughout eastern and central Kansas, and western Missouri," says Stan Edde, president of Falley's, Inc.

According to Edde, Falley's began to face an increasingly daunting competitive landscape in the late 1990s. "In addition to competition from high-end grocery retailers, such as Dillons, we have seen the arrival of thirteen retail supercenters over the past four years," he says. As a result of this trend, Falley's struggled to survive intensifying market pressures to lower costs and improve service, and was eventually purchased by AWG. Determining that the chain's business model needed a complete overhaul, the Midwest grocery cooperative brought in new leadership to reengineer its market image

and operations. “We wanted to redesign the store floorplans, service and operations to position Falley’s to compete in a niche between Dillons and the supercenters,” Edde recalls.

Working with AWG, Falley’s set out to reinvent its image from that of a bare-bones store operator to one of a chain of smaller, friendlier stores offering modern aesthetics, expanded product variety and top-notch customer service.

Business challenges that weren’t in the bargain

At the time the redesign initiative began, the Falley’s business model and its technology infrastructure were lagging behind the times for the grocery market. The Falley’s chain consisted of a collection of separate stores—each with its own proprietary business processes and technologies—acquired over the course of a decade. The resulting store environments comprised disparate, heterogeneous technology systems, which limited the company’s control of information, pricing, costs and sales. “Frankly, our store technology systems were out of date,” Edde says, “which made it impossible for us to operate as a unified enterprise.”

Moreover, the Falley’s business processes were characterized by manual steps that were inconsistent, time-consuming and costly. Pricing

was decentralized: Each individual store set its own prices using antiquated software. “We were simply not setting our prices as a chain, but instead as thirty-one independent stores,” says Edde. Payroll processing was similarly laborious, as employees punched a mechanical clock, calculated time by hand and then faxed their timesheets to a central accounting office for processing. Store staff didn’t even have access to PCs or e-mail. So all information exchange—both between the Falley’s central office and its stores, and with external vendors—was completed by fax and phone.

According to Edde, processing customer transactions was also inefficient—resulting in long check-out lines, increased labor costs and dissatisfied customers. “Our check-out systems were early-generation cash drawers that had not been supported or upgraded for several years,” he recalls. “Not only were ‘rings-per-minute’ rates slow, most cashiers could not cash checks, process credit card payments or accept food stamps.” Employees also lacked access to a centralized product price list, resulting in costly price errors on sales. When the systems went down, it could take days to get them serviced and running again—leaving stores with idle checkout lanes.

These inefficiencies also extended to the company’s back-office systems. When shipments arrived, the store receiver would sign for new merchandise; enter quantity and cost information into the store system; and send a paper invoice to Falley’s headquarters. The accounting department would then key the data into another billing system for processing. Moreover, lack of an integrated technology infrastructure and centralized business data inhibited Falley’s from using consolidated information to conduct reporting and improve its business efficiency. Edde explains, “We had no visibility into indicators of productivity and profitability, such as sales margins, pricing or transactions.”

“Our integrated store environment, built on IBM and TCI Solutions technology, provides us with precise, timely information to make informed decisions, as well as the flexible, reliable business infrastructure required to put them into action and improve productivity.”

—Stan Edde, president of Falley’s, Inc.

An integrated, modern store environment

To transform its store environments—and ultimately the experience of its shoppers—Falley's determined that it had to get control over decision making across its enterprise. It needed to enable smooth, consistent information flow both within its stores and with external parties. Furthermore, the company recognized that by capturing and analyzing customer, sales and product movement data, it could gain leverage with its suppliers to drive down costs and enhance its margins. "We had to establish common data formats and integrate our back-office, POS and enterprise systems," says Edde, "thereby enabling us to focus decision making at the headquarters level."

Falley's implemented new "back-door" and front-end solutions, and centralized data and systems management within its headquarters. To begin, the company selected a back-office receiving solution, TCI Store, from IBM Business Partner TCI Solutions, Inc. (www.tci.com) to automate its processes for receiving shipments, recording data regarding item prices and quantities, and producing invoices. According to Edde, Falley's receivers use handheld devices to scan and count merchandise; the data is then

entered automatically into a store database, which is next synchronized with a central data system at the company's headquarters.

To resolve its inventory management challenges, the company implemented another TCI Solutions offering, TCI HQ—a rules-based pricing system that allows Falley's to automate pricing and purchasing processes. "TCI HQ lets us maintain a master product file, so we have total control over the cost and price of every item across our stores," says Edde. "Now stores can stock and sell only items that we have logged into our central accounting system," he says. "We control the cost, retail price, target margin and rules for future pricing—that's a major change from how it was done before."

To redesign its POS systems, Falley's installed IBM SurePOS™ 700 Series terminals connected with IBM SureMark™ printers at its checkout locations. Each store's POS systems are supported by two IBM @server® xSeries® 205 controllers running IBM 4690 OS and the IBM SurePOS Application/Client Server Environment (ACE) application. The IBM SurePOS ACE application integrates data across enterprise systems, including the POS, and provides comprehensive capabilities, such as electronic marketing, checkout support and data management.

"Using IBM SurePOS ACE software, we can now conduct reporting to gain insight into our business processes," explains Edde.

Checking out the benefits of improved retail processes

Falley's has already completely remodeled thirteen of its groceries—including five recently purchased stores—into modern, customer-service-focused establishments—as well as updated technology across its entire store chain. According to Edde, the company expects to fully remodel its remaining twenty-one stores within five years and is already experiencing business improvements as a result of its enterprisewide technology enhancements.

The grocery's new POS systems enable faster, more accurate transaction processing. "We more than doubled our total sales per POS per week," says Edde. As a result, Falley's has been able to redirect resources toward customer-focused improvements, such as express checkout lanes, without having to add new equipment or personnel. The company reports improved availability of its front- and back-end systems. "With the new IBM-based infrastructure, we have virtually zero downtime or hardware issues," Edde says.

Falley's also benefits from a standardized data management approach, as well as automation of key processes—from receiving to pricing to reporting. This is helping the company to increase its sales margins, reduce operating expenses associated with maintaining disparate systems and increase control over its processes. "For Falley's, the overarching benefit is our ability to operate as a single unit and leverage business information to improve our operations enterprise-wide," Edde states.

Taking stock of future opportunities

According to Edde, the IBM solution has been so successful that AWG anticipates extending the prototype store environment to its network of eight hundred member stores. Specifically, the company intends to leverage its subsidiary's new fully Web-enabled infrastructure to provide its other member stores with capabilities enjoyed by many of its high-end grocery store and supercenter competitors. "Our smaller chain and independent grocer members will be able to drive down costs in the face of stiff competition," he says.

Equipped with flexible business processes, effective information management and a powerful, reliable underlying infrastructure, Falley's anticipates taking advantage of new retail technology innovations, such as advanced reporting capabilities and biometrics. "We are working on leveraging our new access to information and solid infrastructure to expand our visibility into POS, store and enterprise productivity, as well as new biometric identity verification capabilities," Edde concludes.

For more information

To learn more about the IBM SurePOS 700 Series and additional POS solutions from IBM, contact your IBM sales representative, or visit:

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