

Event Summary

IBM Store Systems User Group - May 19-22

Reno, Nevada

Navigating around Mars and Venus to reach the “store of the future” may be the easiest challenge retailers face today, or so the theme of the 25th Annual Conference of the IBM Store Systems User Group suggests. As the demand for improved customer satisfaction accelerates and as executives focus intently on ROI, those responsible for providing technology to make it all happen often find themselves squeezed somewhere in the middle. As a result, IT experts from leading and diverse retail companies around the world found themselves motivated to share their successes as well as their IT issues and concerns at the recent meeting of the IBM User Group in Reno, Nevada.

“While we all have IBM in common, we are retailers first,” stated Jill Fisher, board president of the IBM Store Systems User Group; “and here you will find a level of sharing that I believe is unmatched in any other venue,” she added. “This ... our Silver Anniversary .. will be no exception.”

“We have a new world of opportunity,” suggested Tom Peterson, IBM Retail Store Solutions’ General Manager, in his opening session perspective. Referencing the conference theme of ‘25 years of Partnership and Progress’ he said: “The future is a journey we will take together and you will help shape it.”

Over 400 attendees at the “Store Systems University 2002, Reno Campus” began their 3-day journey by taking an irreverent look at the relationships between IT professionals and their internal customers through the eyes of Andy Laudato, Senior Vice President, CIO, Pier 1 Imports. “Disconnects between IT and executives often come from using made up words, like ‘recontextualize’, and fancy phrases or acronyms,” he remarked during his session “*IT is from Mars, Users are from Venus*”. His solution to this universal problem: “A strategic plan is the best way to get everyone on the same planet.” Andy said. “Make sure there is a business reason for every project,” he suggested. “Because,” he concluded, “successfully employing technology to achieve business results will make fast friends of business and ‘geeks.’”

Keith Harrell, guest speaker, set an energetic pace for the conference with his high octane presentation that urged all present to have a “superfantastic” time at “Reno U”. A former IBM marketing executive turned professional speaker, Keith exuberantly ran through a packed main tent, exclaiming the virtues of a positive attitude, staying motivated, and “stretching yourself.” The old adage “you never get but one time to make a first impression” took on new energy with Keith’s “make performance count” lessons, taken from his own life stories.

A high level business overview of the IBM Retail hardware product plans presented by Bob Henshaw, WorldWide Business Manager for Hardware, kicked off the technical portion of the first day program. Bob graphically described how IBM builds a purpose-optimized platform for retail (POS) on PC technology and open standards. He then reviewed the refresh of the popular IBM SurePOS™ 500,

SurePOS 600, and IBM SureOne™ systems. He claimed the SureOne and the new IBM SurePOS 300 are “positioned to win in the small to medium-sized retail POS space.”

Julie Roberson, IBM WorldWide Business Line Manager for Software, gave User Group members an anxiously awaited update on the IBM Point of Sale software portfolio. Julie presented the centerpiece of the software strategy -- “MerchantReach™” -- IBM’s “framework” for integrating technologies. This approach, Roberson commented, “allows us to focus on functionality, not just replacement. It’s not about one size fits all,” she added. “It gives our customer more choices and makes it easier for them to embrace leading edge solutions.” Ms. Roberson concluded with a strong endorsement of ISV applications, and a commitment to the 4690 operating system. She further described the 4690 OS as “ideal for retail, and strategic to IBM as we continue to define and steer its future.”

IBM’s Kiosk solution, presently piloting in the Virgin MegaStore, Times Square, New York intrigued the audience as Kellie Martin, VP of Operations, Virgin Entertainment gave a close-up view of the challenges, solutions and the lessons learned. Where usage is a major factor in measuring the success of the kiosk concept, the Times Square system, which allows customers to preview individual CDs and DVDs, now processes an average of 3700 scans in one day. Use of the IBM Kiosk, installed in other Virgin stores, runs as high as 80%. “IBM’s own brand attributes of easy maintenance, cost effectiveness, high availability and reliability sold us,” Ms. Martin explained, “but specifically, IBM fit our IT strategy. Virgin is a brand that stands for ‘Value, Quality, Innovation and Fun.’”

Along with the good news about IBM POS solutions for retail, came the disturbing findings of the 2001 *National Retail Security Survey*. The new study shows that the annual financial impact of inventory theft -- or “shrinkage” -- cost the nation’s retailers over \$33 billion last year -- a 3% increase over 2000. “During a time of soft retail sales, said Richard Hollinger, Ph.D, who directs the Security Research Project at the University of Florida, “this report should encourage retailers to look beyond the selling floor to increase and protect profits,”. According to the study, loss prevention experts estimate the number one source of retail shrinkage in 2001 -- over \$15 billion (45%) -- was due to employee theft. Shoplifting losses were over \$10 billion (31%) with administrative error and vendor fraud making up the rest of the loss . “Employee theft was the highest ever-- nearly \$1500 per apprehended employee,” claims Hollinger. “Building a ‘culture of honesty’ can help reduce employee dishonesty and increase profitability,” he stated. “Start by encouraging honesty and setting personal examples,” he explained. “But most importantly, recognize that employee theft is a management problem, not a law enforcement problem.”

A second report to Users Group attendees was the announcement of Long Drugs as the first retail establishment to announce plans to implement the ARTS IXRetail Price Schema .The international pricing standard, developed by the Association for Retail Technology Standards (ARTS) -- a part of the National Retail Federation (NRF) -- makes it possible for a variety of devices and applications, using differing platforms, to communicate price lookup (PLU) information using nonproprietary standard messaging. Richard Mader, Executive Director of ARTS led the development of the XML schemas and message sets. Mader explained: “It took an economic reason to get retailers’ attention on pricing standards,” he said. “With the multitude of proprietary structures and interfaces they are

beginning to use, retailers realized that no one would do business with them if they couldn't get real-time item price information from their store systems."

Michael Crahan, Manager of the POS System Group for Long Drug anticipates that the new standard will significantly enhance his instore capabilities. "We needed an interface between our new pricing system and our 4690 Point of Sale, and did not want to develop *another proprietary* interface." He added, "by introducing the price schema, we will also simplify the interface for new technology, such as wireless handheld devices, the mobile printing of signs and labels, and eventually the next generation of Point of Sale."

With conference attendees firmly embracing industry standards, attention turned to "The Store of the Future" and a panel of retail experts who voiced their concerns and excitement about the challenges that face each of them. "There's no question that our customers are becoming more technically literate," stated Marc Saffer, Vice President, Information Technology, Footstar, Inc. "As a result," he added, "they have increasingly higher expectations." The panel wrestled with issues ranging from personalization and CRM in multi-channel retailing to handheld devices.

"We need to thoroughly evaluate technical AND customer issues as we implement new advances and be prepared to handle them," stated Karen Paramore, Director Store Technology, Pier I.

"It's about the INFRASTRUCTURE," Jill Fisher, Technical Program Manager of Sears concluded. "The technology will be there, no question," she said, "but what it takes to support it is a different issue."

The "Store Systems University" will re-convene in May, 2003 at the Miami "Campus" to debate the issues and recognize the accomplishments of the next IBM Store Systems User Group graduating class.