

RIT BULLETIN

Retail Information Technology Bulletin

JULY/AUGUST/SEPTEMBER 2008

AS ECONOMY SLOWS, INTEREST IN RETAIL TECHNOLOGY RISES

RIT Experts is an international consulting firm that specializes in retail technology strategies, best practice research, and sourcing the right solutions.

Our services are concentrated in the following areas:

- Retail (Financial) Performance Improvement
- Best Practice Research, and Presentations and Workshops
- Retail Technology Advisor, Strategic Planning and Audit
- Business Model and Process Optimization
- Retail Technology System and Technology Search
- Project Management and Implementation

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Despite the economic downturn, with soaring fuel prices and declining retail sales in many sectors, Q3 2008 was fairly active for retail technology. There were announcements of booming revenues and profits at companies like SAP, HP, Oracle, and IBM. It seems that retail CEOs are positioning themselves through technology to weather the impending downturn.

Aside from announcements of agreements and implementations, most of the activity this quarter centered on store and payment solutions, with a number of innovative new technologies introduced to enhance the customer experience. And surprisingly, RFID seems to have finally found its legs, with a new mandate at Sam's Club and several innovative related products.

◆ STORE & PAYMENT SOLUTIONS ◆

As retailers turned to solutions to speed check-out and enhance customer experience, vendors responded with innovative new applications to up the delivery. For example, overseas merchants introduced digital cameras to identify foods at self-checkout lanes, and a number of vendors, such as Fujitsu, introduced hybrid self-checkouts, incorporating elements from full service.

The innovation extended to the general store experience. Sephora introduced an interactive wall-mounted screen to take the guesswork out of finding the perfect scent, Wal-Mart launched its "Smart Network" to deliver relevant content to shoppers by store, screen, and time of day, and restaurateurs provided touch screens for customers to order, pay, and play while dining.

◆ RFID ◆

After years of debate, has RFID finally found its time in retail? Research indicates RFID is fuelled for a major comeback, with projections to hit \$9.7B in 2013. New research from the University of Arkansas at Fayetteville also indicates that accuracy at the item level is near 100% on some items.

Retailers are moving beyond case and pallet tagging. Sam's Club led the way with a new mandate that uses Electronic Product Codes to tag merchandise and deliver a superior in-store experience through enhanced merchandise tracking.

Technology vendors introduced innovations to address security concerns including a device by California-based Verayo to make RFID chips unclonable and an on/off switch for RFID tags by UK-based Peratech.

◆ AGREEMENTS ◆

A number of agreements were announced during the period, including:

- Les Schwab selected Tomax Retail.Net and Customer Experience Architecture solutions
- Blockbuster and NCR announced they will pilot branded DVD vending machines
- Wal-Mart selected the Oracle Business Intelligence Suite
- Wet Seal selected Oracle Retail Merchandising, Optimization, and Store Applications
- 1-800-Flowers selected Blackberry for its latest mobile offering

STORE AND PAYMENT SOLUTIONS

SELF-CHECKOUT FINDS OVERSEAS SUCCESS

While the United States struggles to get customers to use self-checkout lanes, overseas merchants are experiencing greater success with lanes that use digital cameras to identify foods by comparing items with an image database, and making self-checkout theft much more challenging with multi-chute automated tunnels.

Still, self-checkout is only gaining popularity in pockets throughout Europe, Asia, and Australia.

Retail Technology Analyst Björn Weber describes the fully automated tunnel scanner as being in response to things that have discouraged some consumers from even trying the machines such as 'red alerts' on unexpected items. — *Storefront-Backtalk*

SELF-CHECKOUT PERFORMS DOUBLE DUTY

New self-checkout systems are demanding attention from retailers and consumers for the best of full and self-service options.

Fujitsu Transaction Solutions has added cashier support to its Hypermarket U-Scan Genesis Payment Station. The concept joins the payment station with the company's iPad handheld mobile computer and any standard checkout conveyor belt.

This capability splits the transactions into itemization and tendering. Customers unload items onto the cashier-operated conveyor, where the cashier scans items using an iPad or an integrated Metrologic scanner/scale. The customer then tenders payment at the payment station.

As a result, customers are pulled forward in the queue 40 to 50 percent faster and spend less time waiting in line. — *NetWorld*

SEPHORA MAKES SCENTS OUT OF INTERACTIVE TECHNOLOGY

Sephora, an international beauty specialty retailer, has introduced a new technology that takes the guesswork out of finding the perfect scent.

The Scentsa Fragrance Finder is an interactive wall-mounted screen that acts as a GPS for zeroing in on fragrances, allowing shoppers to search by brand, name, and bestsellers.

The information is updated daily and there are currently more than 5,000 scents inventoried.

The technology, which won praise from the Fragrance Foundation's FiFi for Technological Breakthrough of the Year, is virtually maintenance-free and requires no down time for program rebooting. — *STORES*

WALMART GETS 'SMART' WITH NEW NETWORK

Wal-Mart has unveiled a revolutionary in-store media referred to as "Smart Network".

Described as the first "shopper-intelligent network at retail", Smart Network deploys response measurement and message optimization technologies "to enable delivery of the most relevant content to shoppers -- by store, by screen, and by day."

Stephen Quinn, Chief Marketing Officer of Walmart Stores U.S., said the group developing the project made sure the network was "value-added" for customers.

The length of the messages is purposely kept short and continually changed up, and the sound around the messages is modulated and speakers are directed so only the person viewing is hearing the message. — *RetailWire*

MODERN-DAY DINERS FIND FLAVOUR FOR TECHNOLOGY

Automation is a key trend in the restaurant industry, and UK-based Inamo and US-based uWink are leading examples.

At Inamo, diners use their table, which turns into a large computer screen, to order from an illustrated menu, pay their bill, summon a taxi, and play interactive games with fellow diners.



Similarly, uWink allows diners to order and pay for their meals via touch screens, play games, and watch movie previews.

This innovation not only has the ability to foster fun and interactivity, and increase the perception of convenience and efficiency, but also has the added bonus of reducing labour costs. — *Chicago Tribune*

CONTACTLESS PAYMENT REACHES NEW INDUSTRY HEIGHTS

After two years of growth in contactless payment, new consumer research is indicating that nine percent of the U.S. population has a contactless credit or debit card.

In 2007, the number of open network contactless cards in circulation reached \$35 million, nearly doubling from \$19 million in 2006.

A survey from the Smart Card Alliance showed that 92 percent of contactless users thought it was both fast and easy.

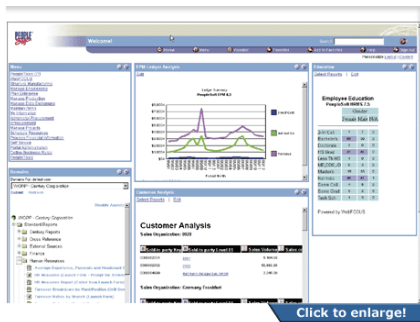
Retail acceptance of contactless is also strong and growing, with over 75,000 retail locations across the United States accepting contactless payment. — *RIS News*

AGREEMENTS AND IMPLEMENTATIONS

STAPLES UPGRADES SOFTWARE TO MANAGE TALENT

Staples, an office supply retail chain, has upgraded to PeopleSoft Enterprise Human Capital Management 9.0 in order to roll out a long-term strategy to better deploy, monitor, and manage talent.

The company is also running an Oracle Database and will deploy PeopleSoft Enterprise Time and Labor to reduce gross payroll costs through automated time capture and pay rate calculations. — *RIS News*



WebFOCUS Open Portal Services enables quick and cost-effective access to real-time business intelligence through the PeopleSoft Enterprise Portal.

LES SCHWAB IMPLEMENTS FLEXIBLE AND ADAPTABLE SOLUTIONS TO MEET CUSTOMER SERVICE REQUIREMENTS

Les Schwab, a leading tire and automotive service retailer, has selected Tomax's Retail.net and Customer Experience Architecture (CXA) solutions to help the company meet its unique customer service requirements with flexibility and adaptability.

Retail.net will help Les Schwab balance the demand-driven retail continuum, and provide timely, relevant, and actionable information to improve retail results. — *Tomax*

BLOCKBUSTER AND NCR TEAM UP IN DVD KIOSK PILOT

Blockbuster Inc., a leading provider of media entertainment, and NCR Corporation, a leader in self-service and assisted-service technology, have entered into an agreement to deploy Blockbuster-branded, state-of-the-art DVD vending kiosks in a pilot program that could be the first step of a national rollout of thousands of units.

The kiosks will initially offer DVD rentals with a possibility for future applications that include digital downloads, and other services such as sales of DVDs and video games.



Analysts project that DVD vending kiosks could grow by more than 60 percent over the next three years, and consumer spending on movies from vending machines during that same period is expected to grow from \$197 million to more than \$760 million. — *NCR*

WET SEAL CHOOSES ORACLE TO HELP INCREASE PROFITABILITY

Wet Seal, a chain of fashion apparel and accessories stores, has selected Oracle Retail merchandising, optimization, and stores applications to help increase profitability through more effective pricing and inventory management.

Wet Seal will use the applications to streamline the point-of-service experience and deliver better customer insight to merchants and managers charged with executing price markdowns, promotions, and inventory management. — *RIS News*

1-800-FLOWERS.COM INC. GETS USER-FRIENDLY WITH BLACKBERRY APPLICATIONS

1-800-Flowers.com Inc. has chosen BlackBerry for its latest mobile offering.

The retailer has created an application that BlackBerry users can download to their mobile devices to order gifts, allowing them to scroll through product listings, which include information and images, and click on images to buy.

The application integrates with standard BlackBerry applications to ease data entry, and also stores and encrypts password-protected customer and payment information to speed purchases.

A mobile browser is not required, and users can review and purchase products via the mobile web-linked application that resides on their phones. — *Internet Retailer*

WAL-MART SELECTS ORACLE FOR DATA INTELLIGENCE AND ANALYSIS

Wal-Mart has selected the Oracle Business Intelligence Suite, which includes Oracle Retail Merchandise Financial Planning and Retail Item Planning, to provide comprehensive data intelligence and analysis across its operations.

Wal-Mart will use the system to administer its logistics, transportation, category management, and finance, as well as human resources, real estate, merchandising, store and club operations and other business resources.

"Technology and analytics are essential to help us be more responsive and effective in serving Wal-Mart customers and Sam's Club members," said Rollin Ford, Executive Vice President and CIO of Wal-Mart. — *RIS News*

RFID

RFID GAINING NEW TRACTION AMONG RETAILERS

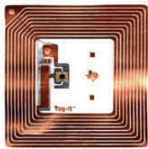
RFID is gaining new traction among retailers such as American Apparel, Wilson's Sporting Goods, and Tesco, indicating that RFID implementations are about to hit record highs in the near future.

RFID is fueled for major growth and is projected to hit \$9.7 billion by 2013, according to analyst firm ABI Research.

According to the 2008 Retail Tech Trends Study from RIS News, RFID is on most retailers' to-do lists. Study respondents indicate that 10 percent are currently in RFID projects and double that figure plan to start new projects within two years. — *RIS News*

SAM'S CLUB RFID MANDATE TO BENEFIT MEMBERS

Sam's Club, a division of Wal-Mart, has set a new RFID mandate that uses Electronic Product Code (EPC) to tag its merchandise.



According to John Simley, Wal-Mart's Director of Media Relations, the benefits of EPC tag technology fall primarily to the member of the club. "There is a better in-store experience through perpetual inventory, since we can trace and locate the product more concisely."

Tagging also helps reduce electrical and fuel consumption, as well as perishable spoilage. "This all contributes to sustainability efforts," says Simley. "Anything we can do to reduce costs is passed onto the customers to keep prices down." — *RIS News*

EUROPEAN UNION MAKES STRIDES WITH RFID

Interesting RFID initiatives are underway in the European Union (EU).

The SMART Project, which is currently making progress on building a complete RFID application platform, could transform retailing, suggests the EU.

For example, if one product is selling well at store A but selling poorly at Store B, RFID-powered inventory systems could initiate the transfer of the product from one store to another.

The initial pilot phase will test both back-office functions and consumer aspects, and once the results are back, SMART will integrate the indicated improvements in the system and run a second pilot test in 2009. — *Computer Weekly*

NEW RESEARCH SUGGESTS NEAR 100% RFID ACCURACY

New research by the University of Arkansas at Fayetteville's RFID Center suggests that electronic tracking of some retail items is nearly 100 percent accurate and could be implemented at reasonable prices.

The study focused on the use of RFID tags on apparel and shoes and found the process of tracking products and taking inventory to be far faster and more accurate than with hand-held bar code scanners.

In one comparison test with a circular rack of apparel, a researcher with a bar code scanner took nine minutes to read 97 items. The RFID scanner, by comparison, read the same items in seven seconds. — *NWAnews*

CALIFORNIA COMPANY MAKES RFID CHIPS UNCLONABLE

California-based Verayo offers technology it says can make RFID chips unclonable.

Verayo produces small electronic circuits, called PUFs (Physically Unclonable Functions) that are applied to other integrated circuits.

PUFs take advantage of slight inconsistencies in how ICs are produced to create a unique digital signature for each chip.

According to Vivek Khandelwal, Verayo's Director of Marketing, PUF technology could be applied to any type of chip or anything with a "digital heartbeat". The main opportunity is to enhance RFID systems used for product authentication. — *RFID Update*

RFID 'ON/OFF' SWITCH INCREASES CONSUMER SECURITY

U.K. firm Peratech has developed an on/off "switch" for RFID cards that could protect cardholders from being hacked.

The technology is embedded into a circuit and gets built into a smart card during the lamination process. When compressed, it acts as an RFID signal conductor.

RFID readers can easily be hacked and RFID-based cards, cloned with little effort, making RFID-based passports, credit cards, and other contactless cards vulnerable to identity theft and other types of fraud.

When Peratech's RFID on/off switch technology will be incorporated into smart cards is unclear. "It's not in credit cards or door-access cards now...we're talking to RFID card vendors," the company spokesperson says. "We want to create an awareness that protection for this problem is here." — *Dark Reading*

CRM AND LOYALTY

BEST-IN-CLASS RETAILERS UTILIZE CUSTOMER LOYALTY PROGRAMS

According to a new report, "Responsive Customer Loyalty: Creating Customer Commitment in Retail," from the Aberdeen Group and Vesdia, best-in-class retailers use loyalty offerings to help increase revenue and create optimal customer buying behavior.

According to the report, retailers without a loyalty program have poor sales and customer retention results compared with retailers that operate a loyalty program.

Best-in-class retailers report an average year-over-year same store sales increase of 7.4 percent, and best-in-class retailers report improved repeat customer orders by an average of 21.8 percent. — *RIS News*



INDUSTRY NEWS

RETAIL INFO SYSTEMS ANNOUNCES LEADING HARDWARE VENDORS IN RETAIL

Retail Info Systems News announced its 2008 LeaderBoard winners, providing critical insight into the leading hardware vendors in retailing.

These rankings measure customer satisfaction of IT vendors operating in the retail vertical.

The six categories measured include: POS Units, Peripherals, Kiosks, Networking, Back of Store, and RFID.

Top honors went to Hewlett Packard (POS Unit and Back of Store), Epson (Peripherals), NCR (Kiosks), Cisco (Networking), and Motorola (RFID Technology). — *RIS News*

RETAILERS TURN UP THEIR NOSES AT ECONOMIC DOWNTOWN

In spite of the economic downturn, and despite cutbacks in other areas, retailers are investing in technology at pre-downturn rates.

Recent earning calls by major IT companies such as SAP, HP, Oracle, and IBM confirm the conclusion by reporting booming revenue and profits.

According to Bill McDermott, President and CEO of Global Field Operations for SAP, "CEOs are putting technology on the short list of capital investment. They are putting their corporations in a position to build muscle mass during a down time. CEOs want to position themselves to win against their competitors, and technology can make this happen." — *RIS News*

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- Tomax
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- NCR

ANNOUNCEMENTS

RIT Experts is delighted to announce that Rick Boretsky and Tony Carter have joined our team as Senior Consultants.

**Rick Boretsky**

Rick has over 20 years of experience in the North American Retail Sector.

As an IT leader, Rick has led the design, development, and implementation of major retail applications.

Rick's membership with senior management teams has contributed to his expert knowledge of Merchandising and BI technologies along with head office, store, and warehouse business processes.

**Tony Carter**

Tony has spent the greater part of his working life in the Retail Industry.

With 20 years of experience in leadership roles and a wealth of knowledge in project management, Tony has acquired a thorough understanding of development methodologies and project process improvement, applying his expertise to the planning and implementation of innovative technological solutions in a retail environment.

Meet the Rest of Our Team...**Rena Granofsky**

RIT Experts is founded under the leadership of Rena Granofsky, a seasoned veteran with more than 25 years experience in retail technology, and formerly Senior Partner of Technology at J.C. Williams Group, an internationally renowned retail consulting firm.

An expert on retail and technology best practices, Rena lead research into the retail sector impact, as part of the private Think Tank on IT and Competitive Advantage spearheaded by Thought Leader Don Tapscott of New Paradigm Learning Corporation.

**Tim Martin**

Tim has over 25 years of experience as an IT leader in the Retail Sector. An investor in several well-known hard good chains, Tim has also been an active member of senior management teams, and has built and managed help desks, development groups, and supporting IT infrastructure.

As an independent consultant, Tim has provided store technology support and services to many leading specialty retail chains, specializing in store technologies and field-level business process improvements.

RIT Bulletin contains a sampling of Retail Technology news gathered from leading IT news sources and is a publication of RIT Experts.

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