

How Retailers Can Capture Their Share of Sales in a Tough Economy

This whitepaper shares some of the experiences of SalePoint, Inc., a retail systems company, as it supports its retail clients during the 2009 holiday season. It discusses the focus and emphasis of certain retailers as they attempt to make 2009 a profitable year, survive the "great recession," and position for improved business in 2010.

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We at SalePoint have an interesting perspective since we have been providing systems to retailers now for over 23 years. We have seen many holiday sales periods in both up and down economies. We have enjoyed with our clients the rapid expansion of retailers as they grew their chains during good times. Conversely, we have mourned the loss of retailers as they contracted and sometimes failed during periods of recessions.

The current "great recession" has offered challenges that we have not seen before. The quick and dramatic threat of failure of the United States financial institutions, the high degree of business failures and unemployment, the drastic change in the availability of business and consumer credit, the evaporation of perceived wealth of homeowners as the housing bubble burst, and the high degree of uncertainty presented by the many changes being discussed or adopted by the Federal and State Governments as they address the realities of the "great recession" and its causes.

While many business and financial executives would like to think that they are good at managing their businesses, most did not see the speed and severity of this economic downturn. Those that were highly leveraged and had too much inventory on hand either suffered significant losses or went out of business as credit was no longer available to them. There have been survivors and some segments that have done well during the recession. Inherent in those examples are lessons for us all.

Some of the lessons that we have learned from our retail clients that might be of benefit to other retailers are:

- 1) With the high rate of unemployment and lack of availability of affordable credit to consumers, some retailers have focused on how to provide their customers with alternative means of financing their purchases. Many who had not offered layaway now do so and have seen a good number of their customers use the service. A wide array of payment options is also important with integrated authorizations to ensure accuracy.
- 2) Several of our retailers have enhanced the promotional and deal capabilities of the retail systems that we provide to them so that they can offer new and exciting promotions to their customers. Customers today are shopping for discounts and value. These retailers saw the need to provide even more sophisticated promotions and adjusted their systems accordingly. We have seen an increase in use of "bounce back coupon" promotions, mix and match pricing, and more aggressive permanent markdown strategies to move inventory and keep customers coming back to their stores.
- 3) With limited credit and resources available to them, many retailers adopted new techniques to allow them to maximize their inventory investments. These techniques include better forecasting techniques, more emphasis on merchandise planning and allocation, and business intelligence reporting to allow better analysis of the data from their stores.
- 4) Some of our customers have used our systems to apply merchandising decisions on a regional geographic or store basis understanding that the demand and merchandising is region specific. This has allowed them to refine their inventory and merchandise by region and produced improved results.
- 5) Fraud and theft dramatically increase during recessionary times and the current "great recession" is no exception. Some of our customers have implemented CCTV integrated with our Point of Sale solutions to improve their internal security processes to reduce operational errors and fraud and improve profits.

- 6) Keeping close to the Customer is important for most retailers. We have seen several implement loyalty and CRM programs to capture detailed information about who is shopping in their stores and what they are buying, and create add on or subsequent purchases.
- 7) Retailers recognizing the current market trend showing increase in the volume of gift cards sold have implemented gift card capability in their retail systems. Customers during this tough economy want to give flexibility in their gifts and assure that the recipient gets value and something they want versus the traditional gift giving.
- 8) Due to the strong growth of online shopping and competition from large online retailers such as Amazon, retailers are implementing online shopping sites with consistency of branding, pricing, and products between their stores and the online site.
- 9) To contain costs and improve efficiency, retailers have shown an interest in work force management solutions. Store labor costs continue to be one of the most important and controllable store costs. In addition retailers are renegotiating store leases to lower rents and have worked closely with their vendors and partners to reduce cost.
- 10) Retailers are relying more than ever on partners they trust and rely on to deliver their mission critical solutions in a timely and cost effective manner. Retailers have been reacting quickly to stay ahead of the challenges and they need their partners to do the same.

Summary

Retailers continue to seek new and different ways to offer choices to their customers, reduce stock levels, increase sales and drive their business in a tough economy.

NRF's Big Show in New York in January 2010 is an ideal place to learn what successful retailers are doing. SalePoint will be there at Booth 237. Email me at pstreicher@salepoint.com if you would like to discuss any of these concepts.

