

# Making the connection

Technology is opening up the channels of communication between headquarters and the stores.

BY SUZANNE VITA PALAZZO

**The recent surge of product recalls highlights the importance of fast and efficient communication between headquarters and the stores. Not surprisingly, technology that allows headquarters to quickly convey information to the stores is getting renewed attention, becoming yet another weapon in the ever-evolving retail battle for differentiation.**

However, the swift execution of product recalls is not the only retail task that stands to benefit from streamlined communication. Plenty of day-to-day activities—from promotional planning to workforce management—can benefit from more efficient communication.

“The use of uncoordinated, multiple communication channels require management in headquarters, field and stores to have to go to a variety of different places to find out what they are supposed to do,” says David Andrews, director of marketing communication for Dedham, Mass.-based Reflexis Systems, Inc. He notes that traditional methods for disseminating data—voice mail, e-mail, employee newsletters and three-ring binders—don’t provide a central source for the most current information and can get lost in a sea of other messages.

“Corporate has this intuitive feeling in some cases that they’re overloading the stores, but they don’t really see it that much,” says Andrews. “If you’re a planner at a cor-

porate headquarters in Minneapolis, and you send out an e-mail that is seen by a thousand stores all over the country, there really is no way to determine what the effect is upon that one e-mail.”

Industry experts note that one of the biggest hurdles in communication is that headquarters doesn’t always know that the information—be it a recall or a new merchandising plan—is being read by the store staff.

Says Madhu Janardan, associated vice president and head of grocery for Fremont, Calif.-based Infosys Technologies: “Retailers have smart separate systems that store employees need to log into, and multiple passwords and user IDs are often required. There is no mandatory need for anyone to log in.”

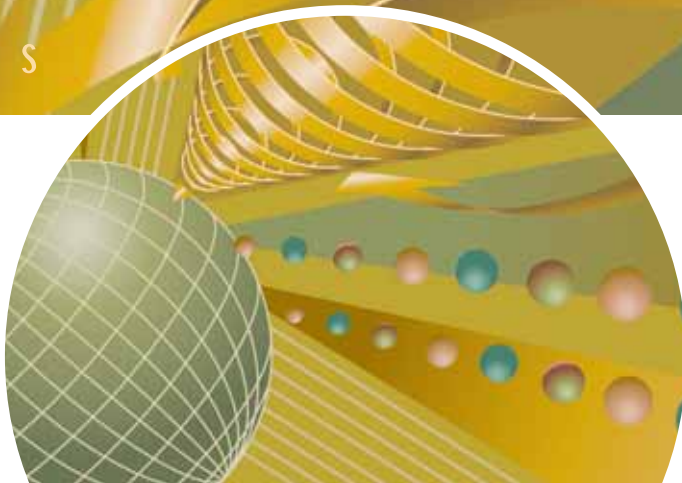
The fact that a single event such as a promotion or a recall can impact multiple departments with multiple communication systems adds another layer of complexity, according to industry experts. Analysts say this type of disconnect prevents a company from reaching its

overall strategic business goals.

“We see a lot of silos, both organizational and technological,” says Joanna Kennedy, senior marketing analyst for Salt Lake City, Utah-based Tomax. “And the problem is that each of these specific silos is creating a strategy.”

Andrews notes that a fragmented approach to communication can lead to frustration at many levels of the organization. “Every department in HQ thinks their project is the most important,” he says. “This leaves store managers to prioritize on their own, and store managers’ priorities and particular skill sets may not be aligned with the goals of the retailer.”

And, according to research released by Gartner, retailers’ lack of a codified communication system is having a direct effect on their bottom lines. A recent report by the Stamford, Conn.-based company, entitled *Retail Task Management and the Integration Challenge*, estimates that retailers are losing anywhere from 1% to 3% of sales from poor execution in the store.



“The great opportunity is really using the interest in task management to think about the productivity of the store overall, and that means connecting the processes and the technology into how you schedule and manage time,” says Gale Daikoku, research director of retail technology for Gartner and author of the report.

Keshav Shivdasani, marketing manager for Reflexis, refers to this phenomenon as management by exception. “You don’t need to see everything, you only need to know what the various problems are and correct them,” he says. “We provide a streamlined solution that gives you one place to go for all of the information you need, and it’s prioritized for you with color coding so you can immediately see where the problems are and where the opportunities exist.”

Observers say that portal solutions, such as those provided by Reflexis, effectively combine key performance indicators with task management applications to distribute messages that can be tracked to completion. “This really helps by pushing out common data that can be viewed across the enterprise in real-time fashion,” says Kennedy. “Then headquarters is able to push out communication to the individual stores regarding tasks and activities that need to be accomplished, and they’re then able to view compliance in real-time.”

#### MORE THAN E-MAIL

While an e-mail may have sufficed in the past to alert store managers to a recall or other urgent situation, insiders say that given the high volume of e-mails that store managers receive on a daily basis, this type of traditional messaging is not always the timeliest way of spreading the word about a product recall. Furthermore, if the information is not in the hands of the person required to take the necessary action, there is little likelihood that the completion of the task can be confirmed in real-time.

“Until most recently with the flood of product recalls of non-food items, the typical volume was such that you were dealing with recalls that were associated with food that really had this sense of urgency,” says Kevin Sternecker, senior director of strategy, merchandise planning, optimization and supply chain for retail at Oracle in

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Redwood Shores, Calif. “So when a recall happened it would be so sparse and so unique that an e-mail would typically handle it, and it would be fine.”

“From a regulatory compliance standpoint, there is a closed-loop mechanism, and if there’s a recall involved, an e-mail is sent out and no one really has a mechanism to identify if the recall has been done on time,” adds Infosys’ Janardan. “It’s a huge challenge given that the FDA is getting more stringent about how recalls are made from a timely perspective.”

Considering the cost of overhead related to complying with product recalls, experts say that effective task management has become a fundamental component of grocers’ technology strategy going forward. According to the Gartner report, Scarborough, Maine-based Hannaford Supermarkets was able to achieve 100% compliance with product recalls by implementing a Web-based task management application.

#### TRACKING PROMOTIONS

By using technology to open up the channels of communication, retailers can increase store compliance with time-sensitive weekly and seasonal promotions.

“Today, with the number of items that are in

play, it’s very difficult for retailers to give each item the right attention to make sure that it’s effective and drives at the business objectives of the given promotion,” says Oracle’s Sternecker. “So what most retailers do is they follow the law of averages. They work on the very important items and then they do a copy from last year and expect similar behaviors that they realized a year ago for the same time period.”

Through the use of a system such as Tomax’s Portal Workflow and Activity Management, retailers can create a template for reoccurring promotions. “You’re increasing productivity in terms of the merchant, and the store manager and associates are alerted as to the activities that they need to undertake,” says Kennedy. “So full circle, the manager is able to know whether this program was effectively executed.”

As the Gartner report indicates, these types of applications create a workflow that reaches stores and departments as well as individual employees, providing visibility at all levels. The research found that by deploying a task management solution, a large U.S. supermarket chain with 2,500 stores and 50,000 users was able to experience a 3% net income increase through a 31% reduction in pricing exception. For the purposes of the report, a typical pricing exception involved a product that had recently been on promotion and was not returned to its original price.

Based on examples such as these, analysts say that the business case for implementing comprehensive portal solutions is both logical and compelling for any retailer looking to gain a competitive edge. Says Janardan: “For the retailer to be its brand that it wants to be, I think it becomes critical rather than something that’s nice to have.”

#### POTENTIAL FOR PAYBACK

For retailers that remain skeptical that investing in bundled communicative solutions will result in a tangible benefit to their bottom lines, additional data from the Gartner report just may sway their stance. According to the research, the previously mentioned large supermarket chain reported a 3.47% improvement in same-store sales during the first 90

days of implementation of the task management solution. Moreover, the chain also reported a \$30 million reduction in printing, copying and distribution of materials to stores.

"These solutions can actually deliver true value to the enterprise. Once you get the business involved, you can really identify the true requirements needed for those solutions," says Kennedy. "I feel like a lot of companies fall into that trap of thinking that it's not a business solution but that it's a necessary evil."

And, as Daikoku points out, investing in communication technology can enhance the shopping experience by keeping shelves stocked. "If the technology is not helping you deliver those top things, then you might want to rethink why you're even addressing the investment," she says.

Such an investment, however, should be researched thoroughly, as there are a variety of communication, promotion optimization and task management solutions available on the market today, experts note. "Retailers

have specific, unique business requirements that other vendors are not really concentrating on, because retail is not their true bread and butter," says Kennedy. "You can't fit a square peg into a round hole. You need to get the business involved and identify the requirements that are really going to deliver true business value."

Some communication software is addressing a variety of needs. For example, in addition to its Workforce Management and Task Manager modules, Reflexis offers a KPI Activator solution that has the ability to monitor KPIs in real-time and then automatically assign corrective action based on best retail practices when a metric falls out of defined tolerance level.

According to Oracle's Sternecker, the company's strategy is based on a holistic approach to enterprise planning, merchandise planning, supply chain optimization and store execution. "Many software companies that are offering some kind of promotion optimization

are developing programs that are designed by scientists and software developers who are building a solution that they think will be an appropriate answer for the problem," he says. "Oracle chose to use science and developers, but it also chose to include in the mix those people who actually do the job of merchandising and advertising."

Looking forward, analysts anticipate that as retailers move to adopt more integrated solutions, the challenge will be to maintain a balance and maximize store productivity without micromanaging every minute of the store employee's day. Progressive retailers will see success by marrying these applications with their general business approach, according to observers.

"We see this trend of moving towards strategy and the adoption of strategic applications, but where does the connection between the two lie?" asks Kennedy. "It's not just in technology. It's also present in the organization as well. The two really mirror each other." □