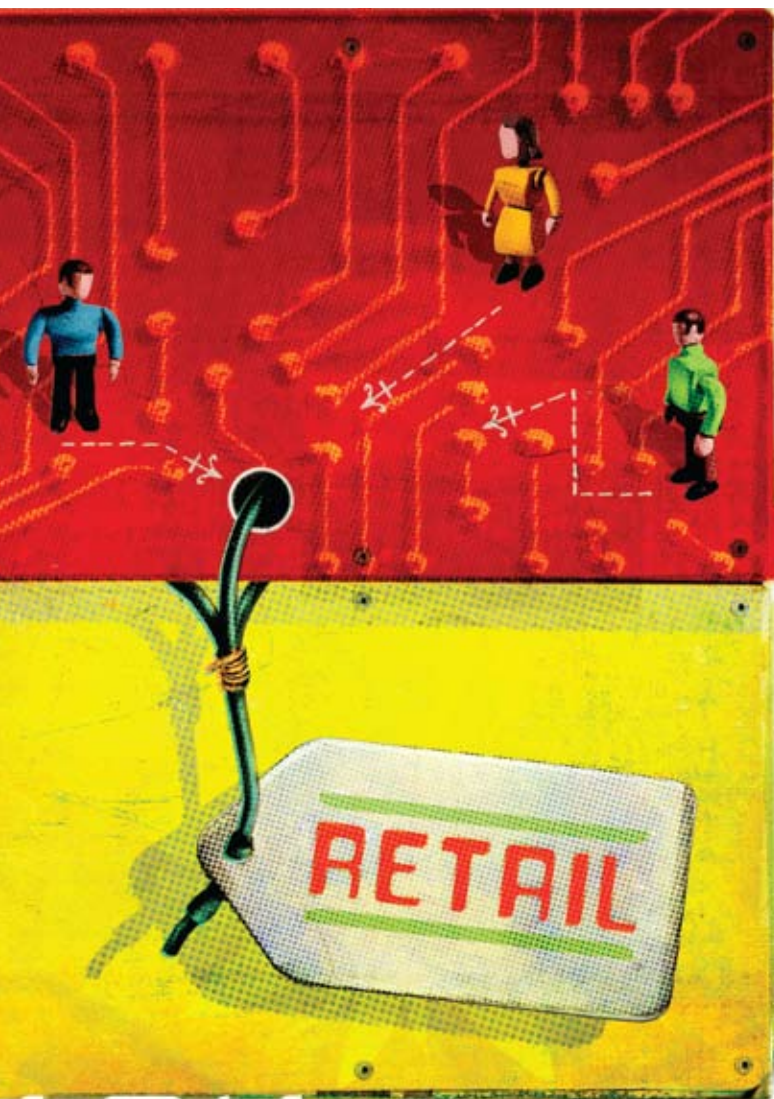


Retail Conversations



By Allen Clapp

How Baseline IT Enables Profitable Dialogue

The concept of trade is as old as the hills—maybe even older if you ask some experts. The most current research indicates commerce has existed in one form or another for about 200,000 years. Archaeologists and historians link the origins of the practice with the very beginnings of verbal communication in pre-historic times.

During that sweeping span of years, the basics haven't changed all that much. It still comes down to a voluntary exchange of goods, services—or both. Though the preferred medium of exchange in today's world is some form of currency, one thing remains constant: commerce at its most basic level is communication.

Jumping ahead to the year 2010, it seems improbable that buyers and sellers wouldn't have found a better way to do business. "I think a lot of retailers say to themselves, 'I'm a businessman—I sell things to people,'" says Martin Hingley, a retail industry analyst with world-market advisors ITCandor Limited. "They want to be selling things to people in person, and therefore computers get in the way for a lot of them."



But with the promises of growth, more streamlined operations, and the chance to get closer to their customers, retailers have slowly warmed up to technology. “Retail is a relative newcomer to IT,” Hingley explains. “If you go back into the 1980s and 1990s when financial services were really driving a lot of computing purchases, retail tended to be slower on the uptake.”

When the industry embraced the web, even the smallest mom and pop shop recognized its power to go global. But in a rush of style-over-substance bravado, retailers rode the wave of the dot-com boom only to discover—as Webvan and Pets.com did—that selling is still a two-way street.

Dusting itself off with lessons learned on the smart growth and customer relevance fronts, retail has made slow, steady progress through the first decade of the brave, new, connected world.

A digital hello

Retail might be a late comer to IT, but as an industry, it’s having a heck of a good time. True to form, retail leaders have discovered that communication is still the key to doing business in the digital age—even in a down economy. But because much of that talk today occurs through email and websites, not to mention loyalty cards, payment cards, and point-of-sale terminals, that information has built-in vulnerabilities.

“The huge advantage of Internet retailing is that you can show people a consistent brand everywhere in the world,” Hingley says. “But because the Internet is international, it’s very difficult to protect it.”

Exploring the new landscape of opportunities while navigating the pitfalls of the digital marketplace, retailers are turning to IT for solutions.

IT and the art of motorcycle marketing

For **Honda Kawasaki West**, a motorcycle dealer in the Fort Worth area, customer communication drives everything from inventory to target marketing. Because Honda Kawasaki West knows its customers, the dealer can be sure to stock plenty of Honda FourTrax Rancher 4×4s in the fall. “Hunting is really popular down here, so the four-wheelers, which are used for hunting, are really hot right now,” says David Hunt, business manager.

One thing they didn’t know was that the economy was going to head south in the fall of 2008. “We had just built a brand new, 40,000-square-foot showroom, and at the time, it just seemed like the worst timing possible,” Hunt recalls. “We had a decent September and October, but by the time November came around, sales were really taking a hit.”

Also in 2008, Honda Kawasaki West made an investment in IT, upgrading everything from its website to its server environment. It’s a move that may be responsible for keeping the business on course while other area dealers have closed.

Riding the rough roads of 2009 with sales of new vehicles down 30 percent, something peculiar began to happen. “Suddenly, we noticed that parts sales were climbing, and they were actually 10 percent better than they had been the previous year,” Hunt says.

It’s a phenomenon in no small part made possible by Honda Kawa-

saki West’s decision to invest in better customer communications. “Our customers are more conservative about their spending, but they’re maintaining their motorcycle or ATV, getting them fixed and staying current on their maintenance, Hunt explains. “They are also purchasing new gear and accessories.”



David Hunt (right), Business Manager, Honda Kawasaki West, and Steve Meek, Chief Executive Officer, The Fulcrum Group

By offering customers the ability to perform product research and order parts at their own convenience online, Honda Kawasaki West is extending the reach of its business via the Web at www.hondawest.com. “We’ve got it dialed in now so that customers can purchase parts, shop for new motorcycles, and even submit finance applications, and get pre-approved online,” Hunt says.

It’s a tool that has helped Honda Kawasaki West grow a new market 25 miles away in Cleburne, where it recently opened a new retail location. “Already, Cleburne is making

more than 10 percent of its revenue from online sales,” Hunt says.

Finding the right protective gear

So when spam, viruses, spyware, and malware threaten to shut down those channels of communication, Hunt knew he needs to be prepared to fight back. However, Honda Kawasaki West wasn't always fighting from a point of strength.



Marco Staiti, IT Manager,
Sogegross Group

It's a situation all too common in the current financial climate, according to Hingley. "In this recession, some retailers aren't investing as much in security as they should be," he says. "Or perhaps more importantly, they aren't implementing the processes they set up."

"Some of their computers had virus protection, some didn't," recalls Steve Meek, chief executive officer at The Fulcrum Group, a Symantec

partner that manages IT operations for Honda Kawasaki West. "A good portion of the salespeoples' computers were not operational.

It was to the point that the bottom line was being directly impacted. "Honda Kawasaki West's sales personnel were simply not able to sell," quips Hunt. "They were having to share one or two PCs that were working because malware was so rampant on the network."

Honda Kawasaki West's data backup situation wasn't keeping pace either. "We were trying to close out our year on the books, and the

damage those valuable customer relationships. "We have a monitoring system that pulls all their logs on a daily basis and helps us resolve many small issues remotely," Meek explains. "Using Symantec Backup Exec, we get a report of what was backed up."

And with Symantec Endpoint Protection defending the dealership's desktops from viruses and malware, sales personnel can focus on the kind of communication they know best. "Having that protection allows us to focus on the business—getting customers in the door, getting customers out the door—and

“By tracking purchases and collecting that information, we use technology to make sure we stock our shelves with what the customer wants to buy.”

— Marco Staiti, IT Manager, Sogegross Group

backup tape wasn't working properly. All our accounts were thrown off because of this, and we had to spend several days redoing ledgers to get the accounts close to where they should have been," Hunt recalls.

A clear view of the road ahead

Meek suggested Symantec solutions to protect the dealership's data and enhance its customer relationships. Honda Kawasaki West decided to outsource its IT to Fulcrum, which deployed Symantec Endpoint Protection and Symantec Backup Exec to protect against downtime and malicious code.

Now Honda Kawasaki West has visibility into its environment and can spot threats and weaknesses before they have the ability to

it takes that worry off the table," Hunt relates.

Reaping the harvest of good customer relations

As an industry that relies on delivering relevant products and building customer trust, retail is faced with unique challenges not necessarily shared by other global industries.

"Retail is unlike the financial services market, Hingley says. "Any time a new service is introduced, all the financial services' companies rush around and quickly work out how they're going to copy and implement this new type of service. In the financial services world you can take this type of approach, because you're offering the same service to everyone, no matter where they live."



Retail rules are different. “It’s much harder using technology in retailing because you can’t offer the same thing to everybody,” explains Hingley. “You might have different prices in different regions, and different goods and competition locally. There are a lot more calculations to be made to make IT work for retail.”

It’s a challenge Italy’s grocery wholesaler **Sogegross Group** is meeting head-on. Operating 200 grocery franchise affiliates (“Dorocentry”), 37 discount stores (“Ekom”), 55 supermarkets (“Basko”), and 17 cash-and-carry outlets (“Cash&Carry”) in the Liguria and Piedmont regions of northwestern Italy, Sogegross has made IT a business priority.

“The Sogegross Group has made a big investment in information technology,” says Marco Staiti, IT manager for the Sogegross Group. “We’re very much aware of how important IT is for the entire industry.”

You’ve been carded

Instead of viewing technology as a necessary operating expense, the Sogegross team sees an investment in technology as a way to get closer to the customer. “We see IT as a way to add value to the business and the customer,” Staiti relates.

One way the group is making that connection with its customer base is through loyalty cards. “We have about 250,000 to 300,000 customers using our loyalty cards,” Staiti says. “It’s an important tool for us to understand the needs of our regular shoppers.

“By tracking purchases and collecting that information, we use technology to make sure we stock our shelves with what the customer wants to buy,” explains Staiti.

Loyalty cards can be an important part of forging a deeper connection to customers. Using business intelligence software to collect purchase information helps

A New Fanscape: When Customers Reach Out

Something about social networking seems to cause even highly rational people to share the most minute details of their lives with the world. It’s a fact not lost on retailers as they watch their customers self proclaim their brand fandom.

With customers doing all the legwork, social networking sites are giving retailers a new window into their customer base. Below is a brief guide to the fanscape:

- The Global Language Monitor named “Twitter” the most popular word in the entire English Language for 2009.
- Social media website Mashable offers a ranking of its top five brand

pages—based on sheer numbers and the ability to offer fans something unique in exchange for their loyalty—on Facebook.

• So who is doing the best job meeting customers halfway on Mark Zuckerberg’s wildly popular website? Based on sheer numbers and the ability to offer fans something unique in exchange for their loyalty, those companies include:

- > **Starbucks Coffee Company:** 5,115,872 fans
- > **The Coca-Cola Company:** 4,007,648 fans
- > **Pringles (Procter & Gamble):** 2,787,916 fans
- > **Adidas:** 2,164,543 fans
- > **Red Bull GmbH:** 1,632,129 fans

Sogegross leverage that knowledge to benefit the shopper and the business alike.

According to Hingley, the cards offer retailers the opportunity to differentiate themselves and put their own spin on the customer experience. “Everyone offers a loyalty card, but the way in which a company may choose to implement it may be very different from the competition,” he explains. “Most will use them to offer discounts on future purchases based on what the customer is buying, but some businesses are quite sophisticated in how they use them.”

Your purchase forecast

Going beyond the realm of a customer’s known purchase history, a company might start using the information to predict purchase behavior. “You start to see things like a grocery store offering beer coupons to a man who purchases diapers for the baby. I think it’s

a chance for retailers to use that information in a way that’s unique to their business philosophy,” Hingley observes.

It’s a tactic online megastores such as Amazon.com have been using for years. “Amazon knows the last five books you bought, and they’re suggesting what you might want to buy in the future. But still, the industry as a whole is probably using that to think about what goods they’re selling and what people will buy as opposed to using the technology to make costs lower for the industry or to get the products across the country faster,” Hingley explains.

Beyond helping Sogegross intelligently stock its shelves, the company views that information as a lifeline to its customer base. The collection and protection of that resource is of tantamount importance. Until recently, the company’s data resided in multiple databases spread out across about 60 servers.



Pablo Soto (left), IT Administrator, and Corina Arnold, Head of Technology Infrastructure, Megatone Carsa S.A.

“If our data is accurate, it gives us the ability to focus more attention on the customer, providing them with better service and more relevant merchandise.”

– Pablo Gracia, CIO, Megatone Carsa S.A.

Keeping data abundant, not redundant

Realizing its data was at risk of being compromised or lost, the Sogegross IT team laid out a plan to virtualize its server farm and consolidate its various databases into a single version of the truth.

“Let’s just say centralization is a vital point to be able to survive a data-loss crisis,” Staiti says. “So we made the decision to consolidate to one single database, and not have any redundancy. It’s fundamental for us to be able to reduce maintenance, keep costs under control, and protect our customer data.”

This is a theme that also rings true for **Carsa**, a business unit of **Megatone** that operates more than 200 stores in Argentina. Managing retail operations in both the high-density cities and less populous outlying regions of the country,

its widespread data operations were in need of consolidation.

“At the moment, our main focus is on unifying customer information between all existing systems in the company,” explains Pablo Gracia, CIO of Megatone Carsa.

A time to sell

Avoiding data redundancy helps the retail chain minimize opportunities for erroneous information. “If our data is accurate, it gives us the ability to focus more attention on the customer, providing them with better service and more relevant merchandise,” Gracia says.

To accomplish this, Pablo Soto, an IT administrator at Carsa, led an effort to standardize the company’s backup and recovery using Veritas NetBackup for a near 100 percent success rate. Shrinking its backup times and centralizing

backup administration across various operating systems, the retailer is spending less time worrying about the accuracy and availability of its data, and more time merchandising.

“Carsa is constantly making efforts to optimize the customer information that comes in through many different contact points—whether brick-and-mortar, e-commerce, or in ongoing customer interactions. For this, we use a variety of business intelligence and information integration tools,” says Corina Arnold, head of Technology Infrastructure at Megatone Carsa.

Sogegross is discovering the same business benefit. Protecting its customer relationships as well as its internal communications with Symantec Enterprise Vault and Symantec Mail Security for Microsoft Exchange, the company’s investment in IT gives the organization the peace of mind to offer better services and grow its business.

“Symantec Mail Security allows us to block malicious code and other threats—both externally and internally,” Staiti says. “And it works without excessive attention. I always say that if there’s a product that you can ‘forget about’, then it’s a product of absolutely the highest performance and efficiency.”

Keeping the lines of communication between retailers and customers open and safe in the near future will help businesses be responsive to the challenges of a recovering economy. “Staying on top of retail trends is just as important now as it was last year,” Hingley explains. “And as things start to come back, those businesses that can demonstrate they are aware of what the customer wants will be rewarded.” ■

Allen Clapp is a writer at NAVAJO Company. A writer and multimedia producer, his work has appeared in the Palo Alto Weekly, on the television series Felicity, and in advertisements for The Coca-Cola Company and Target Stores.