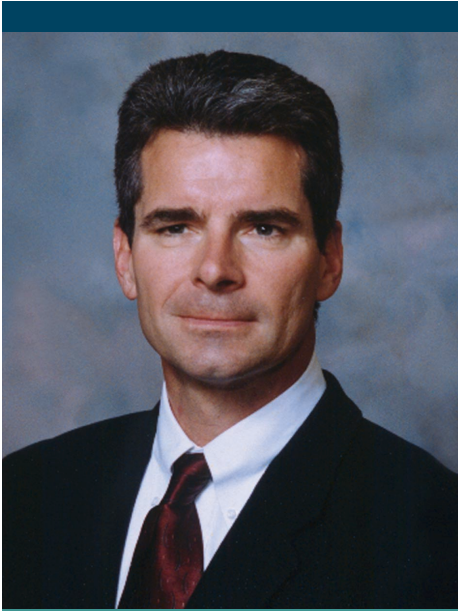


# BEYOND POINT SOLUTIONS



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**P**roviding better opportunities for up/cross-selling, marketing and developing customer loyalty, the modern point-of sale system has come a long way from the humble cash register. Indeed, with the point-of-sale proving increasingly critical in the retailer-customer relationship, decisions about POS systems and software upgrades are taking on ever-greater significance as retailers of all sizes fight for dollar-share. ERS spoke to three leading experts to find out why making the right choice now could prove critical...

**The point-of-sale is a critical interaction point between retailer and customer. How can technology be used to improve customer interaction (and therefore cross/up-selling opportunities) at the point-of-sale?**

**DA.** First, operators require easy-to-use point-of-sale (POS) technology. Studies show that store associates interact much more effectively with the customer when the associate feels comfortable and confident with the POS user interface. Advanced user interfaces like NCR's DynaKey and graphical interfaces give the

associate confidence, which translates into a more genuine and effective customer interaction.

Secondly, providing one-to-one up-selling and cross-selling opportunities can also improve the customer experience. Since throughput at the POS is critical, retailers primarily up-sell at the POS in the form of promotions or credits applied to a future shopping experience. However, when retailers integrate POS capability with customer preference data through customer data warehouse technology such as NCR Teradata, it is even more effective. POS technology can provide the operator with real-time up-sell item suggestions. This can include suggesting accessories, notifying the customer about items on sale and item affinity suggestions.

The concept of giving the operator an easy-to-use interface enriched with targeted customer and product information also applies to the self-service environment.

We are rapidly becoming a self-service society and today's consumers are very comfortable performing retail transactions at their pace. This means solu-

tions such as self-checkout can be a very effective platform for delivering a personalized, one-to-one experience that affords tremendous opportunity for up-selling and cross-selling.

**NH.** Technology enables us to affect several aspects of customer interaction. Payment types such as contactless present a much faster and customer-friendly experience. Communications technologies such as TCPIP allow for faster transactions and new sales opportunities by bringing unattended programs to the POS. Wireless communications bring the POS to previously unreachable areas to fully serve customers in new arenas. Merchants can interact with consumers directly at the point of purchase, which can allow them to secure an impulse purchase or up-sell on the sales floor, while keeping the customer focused on the product. Consumers can use the same terminal and walk customers over to cross over products and have the consumer rung up and checked out, while still excited about product choice. And secure technology can ensure safer transactions for the consumer.

Hypercom has proven the benefit of graphical, color, touchscreen technology to be a definite benefit at the POS. Devices with these features enable a much more pleasant experience for the consumer and enable the retailer to accelerate POS by making the process easier for the consumer to comprehend. The additional benefit of dual, bi-directional MSR heads eliminate all confusion related to which way to swipe the card, further reducing customer frustration when interacting with the device.

Hypercom is the only company to offer fully integrated, contactless payment capability in multi-lane products. Consumers love using contactless cards, not only to experience the technology, but also because they offer a signature-free and PIN-free transaction capability for low-ticket items. This means added convenience to the consumer, which can mean additional loyalty to the merchant.

Due to the nature of the application architecture and the capabilities of the products we offer, merchants can easily and frequently update customized messages to the customer on the display, following transaction completion, or during the checkout process. These messages can alert the consumer to store promotions, offer customer survey capabilities, and cross-sell to other areas of the store or store partner services.

**NB.** Both retailers and vendors are getting more sophisticated about this. Retailers are now doing a range of things – from simple things such as inserting a two or three question customer survey into a signature capture device for a consumer to fill out while waiting for purchases to be scanned and bagged, to loyalty-driven promotional games that can be printed at the end of a receipt. For instance, NCR have designed a baseball game that gives a consumer an ‘at bat’ for every purchase. The at bat gives them a single, double, triple or home run, with prizes available for every run scored. The consumer sees their stats as a section printed at the end of the receipt. The idea is to both reward loyalty and create a sense of excitement at the point-of-sale.

At the other end of the spectrum, POS vendors are providing more sophisticated cross-sell and up-sell at the POS, to include links to related items that are only available at the retailer’s online store. No retailer has gone as far as to implement something as complex as dynamic cross-sell – taking the Amazon concept of ‘people who recently bought this also bought that’ and bringing it into the store, but as that concept gets more mature through online, I could easily see it make its way into stores.

**How can POS systems be used in conjunction with in-store promotions/marketing to build customer loyalty?**

**NH.** Retailers must find ways to bring new customers in the door and increase

their customer retention, as well as ways of incenting customer purchase behavior (buying during off-peak hours as an example). Loyalty programs help the merchant to track customer purchasing patterns. This allows the merchant to develop very targeted advertising messaging for each consumer, either through direct mail, e-mail or coupons printed at the point-of-sale during purchase. Using a loyalty card that is scanned at the POS during the purchase facilitates this.

Most retailers now offer gift cards to their customers with new technology at the point-of-sale. Retailers can now ‘message’ their customer with visual marketing that helps them to communicate new opportunities to save money at that specific location. Rewarding the consumer who frequents the merchant and offering incentives such as discounts or special offers after a certain amount of purchasing also builds consumer loyalty.

The display can be used to promote store specials, offer survey capabilities and offer a cross-selling platform. By design, retailers are able to future-proof their investment with Hypercom’s touchscreen-based technology. Merchants are not limited to the number of buttons on the device, or specific button labeling. As the retailers needs change, the Hypercom touchscreen user interface can change to meet their needs.

**NB.** In some ways, it can be very simple – providing a clear indication to the consumer that they received a discount, and totaling the amount of money saved is a simple, straightforward way to tie POS to in-store promotions. While there has been a lot of emphasis on printing coupons at POS, it’s too late to influence that visit – it really only has an influence on subsequent visits. Retailers are changing their focus away from POS as the centerpiece of promotions, to the tail-end confirmation that a consumer acted on a specific promotion. POS vendors are responding to this by providing promotion engines that help retailers to identify customer segments and target increasingly sophisticated promotions. Most POS vendors today can provide the flexibility to design just about any promotion a retailer can conceive. Where vendors are more differentiated is in tying customer information to promotions to enable triggered promotions that are unique to a customer – both in how well they track and use customer data as well as the approach they take in tying that data to promotions.

**DA.** There is a tremendous opportunity to build customer loyalty through the integration of store promotions and marketing with POS. Currently, many retailers use proprietary loyalty cards to drive purchase behavior and build loyalty through rewards.

However, leading retailers will look beyond the benefits of loyalty card transactions that occur at the end of the shopping experience and will engage the customer earlier in the shopping experience to drive promotions. This requires a shift in perspective from ‘after the fact’ to ‘in the moment’ point-of-service interaction.

Self-service technologies, such as kiosks and interactive displays, will prompt shoppers to identify themselves at the beginning of the shopping experience to deliver value-added services such as confirming past purchases, checking gift lists and receiving targeted promotions. These solutions are being enhanced today with radio frequency identification (RFID) and biometric capability to make the identification and authentication processes seamless and secure.

Another key element of successfully executing these solutions is the tight integration between the POS system, store infrastructure and headquarters price promotion management systems. Leading POS software applications such as NCR’s Advanced Store have powerful, flexible pricing and promotion capabilities that enable this key integration.

Today, the most common type of program consists of broad-based promotions that extend to all customers. Retailers are rapidly realizing the need to aug-

ment these programs with much more targeted promotions. Tomorrow's best practice will be precision promotions based on who you are and what you are buying today. The underpinning of this capability will be the integration of POS with the data warehouse and core merchandising systems.

**How easy is it to integrate POS systems with existing merchandise management, inventory and back office technology?**

**NB.** For merchandising and inventory, the integration is pretty straightforward – POS sales transactions decrement inventory held in merchandising systems and merchandising systems update POS pricing files. Where it is becoming increasingly complicated is with customer information and transactions – for example, loyalty, customer-specific promotions and capture of more detailed customer information. These require more integration, and the integration must be much closer to real-time, since often a promotion is triggered based on what the consumer is purchasing at the POS and then the loyalty or promotion engine returns the best offer before the consumer completes the transaction.

Also, multi-channel transactions are a fairly complex integration. Most POS systems are taking in online transactions through an integration to an e-commerce platform, but all that really enables is buy online/pick up in stores. More complex multi-channel transactions – for example, buy a few products in the store and then add a few more from the website, all on the same transaction – are still not easy to do, and most systems can't do them without some extensive integration.

**DA.** NCR regularly integrates POS systems with existing technology, since few retailers choose to replace all of their systems at one time. Instead, most retailers do a selective replacement where the need for integration becomes the norm. The customers' need for selective replacement leads companies like NCR to create solutions that are designed to ease the integration effort. This is accomplished not only through the use of industry standards, but also by building systems with well-defined architectures that enable integration without adding an unnecessary heavy burden related to testing and system migration.

**NH.** Customer-facing devices such as our multi-lane products are actually taking commands from the POS system of the customer. Therefore, the integration is as easy or as hard as the integration between the register and in-store system.

Keep in mind that although complete integration can never be classified as truly easy, especially with all the concerns over security and loss protection. Aspects of the look, feel and transaction flow are customizable by the vendor. POS vendors can best protect themselves by offering a simple interface for the back office technology to connect to the POS systems that allows the POS device to simply take information and transmit it to the main system. Here the existing back office technology is doing the main processing of information with the POS system acting as a client to obtain data.

Frequently, retailers form standards to help interface their accounting and back office and price book functions to their point-of-sale (an example of this is the C-Store industry's recent effort to form their PCATs standard). It's important for technology providers to participate and support this process as part of the solution.

The standard retail application, FPE, is a mature, feature-rich application that provides all the functional requirements for processing signature capture and payment transactions as well as many other vertical market applications. Should our customers require functions that are not resident in FPE, Hypercom can quickly add these functions to the base FPE application.

**What are the most common mistakes retailers make when buying/implementing POS technology? What important features should any retailer look for in a POS solution?**

**DA.** When buying POS technology, most retailers know the importance of looking at the total package that a company offers, including hardware, software, integration, deployment, service and remote management. Retailers also understand the importance of looking at the total cost of ownership versus the price of the POS hardware alone. NCR offers retailers a total solution with the capability of running ROI models to determine the business impact.

In addition, when looking at the total package a company offers, retailers should consider a company that meets their needs beyond POS. Retailers should look for a company that will become a long-term partner instead of a short-term provider. Retailers will also want to select a partner that can expand in many different areas, such as self-service and RFID. As self-service and RFID continue to grow, systems that can integrate to all areas of the store environment will become more vital to the success of the business.

**NH.** The key to successfully purchasing or integrating POS technology, is considering all aspects of the POS solution. This is a long-term investment into the business and the final decision should not be based on cost alone without factoring in complete value obtained from a product, including payment types offered, security, ease-of-installation and maintenance, ease-of-use for consumers and durability and additional value that could come from branding and advertising. A retailer should make sure that the POS solution handles all payment types, exceeds security standards for payment and data transmission (PCI secure as well as best practices for IP), and has an intuitive interface to drive consumers through checkout.

Retailers should consider the long-term cost of application maintenance, and also look at the total cost of ownership for the solution. Hidden costs such as personnel training time, product reliability, and especially future-proofing can be far more than the base purchase price of the product. Features such as PIN entry, contactless payment, etc. can create the need for the merchant to replace their products, or buy costly add-ons if not considered up front.

FPE provides maximum flexibility on user interface and transaction type acceptance without writing a single line of code. This represents a true, long-term cost savings for retailers as they grow their POS offering. It is often under-considered during initial product selection.

**NB.** I think the most common mistake I see is not taking advantage of a system change to re-evaluate processes. I see so many retailers who are determined to keep store processes and procedures that have been in place for years – determined enough to require obscure features or customizations in order to replicate things that the old systems provided. But haven't the last several years of competition in retail proven that "the way we've always done it" doesn't work anymore? Consumers are getting more technically sophisticated every day, and may not only walk into a store with more information about products than employees have, they may also bring with them the ability to access even more information – like competitor pricing and availability – via their own personal devices like cell phones. Replacing POS is an invaluable opportunity to re-evaluate how to best interact with the modern consumer.

**Different types of retailers may see their specific POS needs as unique. How can retailers ensure a POS solution will meet their individual requirements?**

**NH.** The first step is to do a thorough analysis of their needs. Then choose a POS device that meets all the payment guidelines, has a simple-to-use interface and has a programming environment that allows it to connect to back office systems as required.

At the end of the day, it's about software. Software must be robust and reliable. It also must offer flexibility. Having to recompile application software every time a retailer wants to update transaction flow or graphical interface is expensive and risky. Hypercom's FPE solution enables retailers the ability to completely customize the consumer experience without the risk of application changes in the POS terminal.

Working with a company that has a broad range of solutions will certainly help the merchant pick the products that will meet their needs. A single solution vendor will drive the merchant toward their product whether or not it is the best solution for the merchant.

**NB.** Increasingly, we are seeing that flexibility is an important requirement, and that flexibility needs to be at just about every level. At the highest level, retailers are mixing and adding new formats and need flexibility to support these different formats – for example, a department store that has a café, or a grocery store that also supports the convenience store/fueling station out in the parking lot. But this has implications at a very tactical level too – a grocery retailer that also has convenience stores needs the flexibility to designate pricing by register, so that the same bag of chips can be priced at one price if it's scanned at the register in the grocery store, and a higher price if it's scanned at the register in the convenience store. Retailers need speed to respond to new trends, whether those come from consumers or from the competition, and more often that means being able to rapidly accommodate requirements that haven't even been defined yet. A flexible POS is the only way to ensure that those future requirements can be met.

**DA.** Vendors must clearly understand the customers' needs first. When developing requirements, needs must be defined in the short term and long term by all areas: operations, IT, finance, logistics, marketing, etc. Customers want systems that will adapt to their business over the long term. Through diligence in aligning requirements and by choosing a vendor that will partner with the customer over the long term, a retailer can help ensure that a POS solution will meet their needs.

**What developments do you expect to see within the POS software market in the next few years?**

**NB.** The main drivers of innovation in POS will be multi-channel requirements and the proliferation of devices in stores. Multi-channel requirements are driving feature developments around both customer service, as vendors add additional support for order transparency between channels, and inventory management as the buy online/pick-up in store availability promise requires a much tighter control on in-store inventory. On the device side, there is an increasing amount of consumer-facing technology making its way into stores – everything from kiosks, digital signs and interactive displays and self-checkout, to portable personal shopping devices and employee-facing, queue-busting handhelds. Recognizing that supporting all of these devices either requires an incredible amount of integration or a standard platform for all of the devices, POS vendors are actively working to position themselves as basically an 'in-store commerce platform' – not running all of these devices, but providing integration frameworks and transactional elements as services that complex devices such as self-checkout can leverage as needed.

**DA.** I see two major areas of development for POS software in the next few years. First, I see a continued transition from point-of-sale to point of service. Point-of-sale will continue to become a more multi-purpose tool that integrates with various functions, such as loss-prevention, customer profiling, inventory



management and web-access. Secondly, I see point-of-sale software becoming more tightly integrated with near real-time operational systems and data warehouse solutions. Additionally POS will provide vehicles for employee training and options to quickly convert to self-service.

**NH.** There is a move toward thin client devices with the majority of processing work being handled on the back-end, but there is also a move to large value-added applications that expand the capabilities of a POS device with new revenue generating applications. The POS has been a transaction-based utility. Technology is now reaching a point where the terminal can do more for the retailer. Video, unattended customer interface for survey/enrolment/advertisement and other non-payment applications can truly be enabled.

**How can retailers ensure their system purchases will be future-proof?**

**NH.** Retailers should choose a vendor that has modularity of software and hardware. For hardware, this allows retailers to buy just what they need and if something breaks they only send in that piece. For software, they should choose a multi-application environment that can handle thin client, but also has expansive memory to allow for the growing applications being implemented that include gift card, prepaid, loyalty, top-up, etc.

Contactless card introduction is another part of the industry that is one of the biggest consumer changes that's coming. Also look for breakthrough technology in mobile POS; the timing, technology and price are right. Selection must consider an upgrade path to wireless products to further extend their sales capabilities.

However, with those factors aside, the best way to ensure future-proofing of a device is to have a surplus of memory. This will ensure that application changes and additions due to regulatory changes do not suddenly make the device obsolete.

**DA.** Retailers need to look for companies that design for the long term and offer growth solutions as technology evolves. NCR offers solutions that maximize flexibility, so systems can evolve instead of becoming obsolete. NCR also designs products for an extended useful life with upgradeable parts, enhanced serviceability and proven reliability. Lastly, NCR offers solutions with investment protection that provide forward and backward migration paths for operating systems and applications.

**NH.** As much as we would like there to be, there's no such thing as future-proof software. But POS is probably one of the most important software decisions that a retailer can make, given its critical role in the retailer-consumer relationship. This should not be a decision made lightly – if you're looking for future-proof, then invest in a partner, not a system. ■