

## Managing Businesses Within Businesses

**Y**ou may think you are in the home improvement retail business, but you are not. In fact, you have a power tools business, a hand tools business, a lighting business, and on and on for every product in your store. It's called Category Management and it's a technology-spawned process which looks at a retail business as many businesses within a business.

Actually, the grocery industry adopted this process first. Instead of having buyers, they created category managers who were responsible for one product area only. They would deal with all the manufacturers and suppliers in their particular product areas. In the hardware industry, for example, a category manager would deal with all manufacturers of garage door openers. Another would handle hand tools.

Each category manager is responsible for the business within the business - surveying the marketplace and finding out what the customer wants, planning a product assort-

ment that meets the customer's needs based on the target market, and then building up partnerships with vendors who can help with managing the supply chain, pricing and promotion, and the actual merchandizing of the products in that category.

Today's technology has allowed the category manager and the retailer to see what is selling and how fast it is selling. When that information is channelled back to the vendor or supplier, they can improve their manufacturing runs and their distribution.

Ultimately the idea is if everybody works hand-in-hand through the process, a more efficient supply chain will result leading to a lower end cost for the retailer and the customer. Profit margins, however, should stay the same, maybe even improve a little bit.

But the promise is even greater than that. Category management is also fuelling the trend from macro-managing a business to micro-managing. It used to be there was a product catalogue and everyone had it. There

may even have been one national price. But technology is helping businesses to fine-tune product assortment and pricing right down at the store level if need be. If a company has an efficient supply chain and is in touch with its customers, it can do this without adding tons of overhead to the business. **O**

### Data Integrity's On The Other Side Of No-man's Land

**T**he ultimate goal with any system is not nirvana, it is data integrity. Simply it means the user knows and trusts that the information they are getting from their computer is accurate.

Most people, when they start using a system, rise to some level and then stay there. That might be the data integrity level or it might be the point of sale level where the computer is simply being used to check the customer out and price items.

And while it is better to achieve data integrity to get all the efficiencies your system offers, it is even more important to not get caught in no-man's land, the point between a basic user and an ultimate user.

What happens when merchants start moving towards data integrity is they reach a point where they do not trust the information they are seeing on their computer screen. So they have to go to the store shelf to verify that the six boxes of gate hinges the computer says the store has are, in fact, in the store. Or they are running a report and see a number they do not believe is right. Then they have to track it down and figure out why it is not right.

It takes a real process and the correct system to achieve data integrity. Once attained, it takes discipline to maintain it. Indeed, it can be a battle getting through no-man's land because it often means changing the discipline that your store has.

But the rewards in areas like improved customer service and improved inventory turn rates are worth the effort it takes to reach data integrity. **O**

### Profile Collected Through Membership

*Star Date 2001/03/05 - These are the voyages of HIS Hardware Store whose mission is to boldly seek out new technology to better meet and serve the needs of its customers.*

*Captain's Log: I have alerted the staff to the arrival of Mrs. Dolores Jones. Our computer records show that she will visit the store today at approximately 10:31 a.m. looking for her favorite brand of potting soil - U Plant It. An avid gardener, she should be directed to our gardening display for a quick run-down on the newest in products and seeds for the coming season. Her anticipated purchase will be approximately \$50.*

*Sales Selling Techniques - Make her believe that her purchases are her idea. Call her Dolly and ask about her Miniature Schnauzer 'Tulip.'*

Customer profiling could be the next technology-induced trend. New point-of-sale systems, combined with preferred member programs, allow retailers to keep track of who their customers are and their

purchase histories.

The rise of preferred membership cards and co-operative outlets does have something to do with rewarding good customers. But, there is another motive for starting this kind of program. Most people do not like giving out information about themselves unless they have a good reason. Offering air miles, points towards purchases, and other benefits for being a preferred customer gives them that reason. Once they are on file, the merchant has access to information which they can access for everything from inventory control to marketing campaigns. And the information is always current because it is easy to pull up a customer's file and post their purchases to it.

Given enough data over time, actual purchasing patterns could be tracked, right down to when a specific customer is likely to visit a store. Add some personal information, all at the fingertips of the store's staff, and even an infrequent customer can be treated as a long-lost friend.

And it's as easy as asking for their membership card. **O**



# **NOLOGY IN RETAILING**



## Internet Retailing More Than Just Selling

Retailers who have yet to decide where the Internet fits into their business had better make up their minds quickly. The prevailing sentiment is that it will have an impact on everyone in retailing and that includes the hardware and home improvement sectors.

The first challenge retailers will face is that they will be dealing with better informed customers. The people who come into their stores will know what they want, what is available, and what it costs because they will have surfed the net looking for that information. As well, if you can't satisfy them, they will have alternative methods of getting that product and it may be from sources you have never competed against.

This won't happen overnight. Internet retailing is still very much in its infancy and no-one is quite sure how far it is going to go and how much market share it will capture.

In fact, selling over the Internet may not be the primary issue. As a low cost form of communications, what the Internet does now is pull together people of similar interests. The hardware or home improvement retailer who wants a web presence should keep this in mind as they develop a site. If it simply

tries to sell goods, it may accomplish little.

But if their site offers tips on renovation or product information, it will attract people with an interest in these areas. Take, for example, painting and weather sealing. Everyone spends a lot of money on these but the average homeowner really doesn't know what they are doing when it comes to using or installing them. If a retailer offered free information on this and, as a result, became known as 'the place people went for home improvement knowledge,' it would likely also become known as 'the place to go for home improvement products.'

If these potential customers like the advice and start coming to the store more often, the next step is to add a button to the web site where they can place their order. So instead of coming into the store and browsing around for what they want, they would make their decision online and be in and out of the store in a matter of minutes.

How long it takes to reach that point is still the great unknown. It requires a shift in thinking from trying to determine how to use the Internet as a place to sell to how to use it to attract people to a web site and, ultimately, a store. ○

### TECHNOLOGY TRENDS AT A GLANCE

Some of the trends taking place in retailing technology today include:

**Bar Coding** - It is more than just putting in the bar coding equipment, there's an acceptance of moving from product price labels to bin shelf price labelling. Hardware retailers are basically sticking to the UPC code which is on the product and not individually pricing the product. They are also integrating the receiving function with the bar code system to track inventory as it arrives.

**Systems Sales** - A number of retailers are converting from other systems primarily because their existing system is either outdated or not Y2K compliant. As a result, these new users are looking for equipment and software which is much more sophisticated than what they bought when they were first-time users of computer technology.

**Hand-held Collection Devices** - Batch processors or radio frequency units, more stores have staff wandering around with these units verifying that the price on the item or the bin is the same price as that which is on the system. Instead of running back to a PC screen when they find an empty shelf, they are shooting the space to see if the item is on order or in over-stock. ○

## TECHNOLOGY REPORT



**A**WARD is working with Wooden Systems in Nova Scotia to develop new inventory technologies. Executive Director John MacDougall says although his company was one of the first in the industry to showcase an online program, its inventory technology is "a mixed bag."

"It's ongoing. We're gaining ground every year but haven't reached what we want to achieve."

"We're working to come up with a single database of all products using Sirvys soft-

ware," says John McNamara, vice-president of Wooden Systems.

The Sirvys point-of-sale software is fully integrated to manage AWARD's inventory management, bookkeeping, and record-keeping.

But because AWARD is comprised of independent dealers across Canada, they can only recommend that this system be adopted. "If they would all buy the same system, it would make it much easier."

Wooden Systems has designed - and maintains - the AWARD Web site and is currently developing an Intranet system. It also manages AWARD's statement processing.



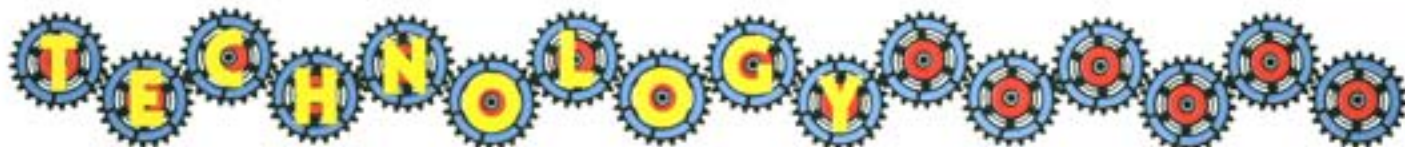
**W**hen it comes to IT, the top priority at Beaver Lumber these days is the Year 2000 (Y2K) issue. Director of Information Services Steve Lamontagne says Beaver's IT

group is currently in the process of making sure all applications throughout the chain are Y2K compliant.

"We are taking this very seriously," Lamontagne says. "We are looking at all our yard systems - for example, point-of-sale applications, PCs, and any software packages a yard may be using. Many of our applications are Y2K compliant because we tend to deal with companies which keep their products current. We would like to be Y2K compliant by no later than the summer of 1999."

About 100 of Beaver's more than 140 joint venture stores utilize the BLISS system for most of their business processes - BLISS stands for Beaver Lumber In-Store System. Developed by Beaver about five years ago, BLISS is a complete end-to-end POS system and inventory management system. "In addition to traditional front end checkout functionality, our joint venture partners use the system to order, track, and manage inventory locally."

Although BLISS is an in-house, custom-made IT solution for Beaver, Lamontagne points out that it is not the only yard system utilized by the chain. "We have sourced out



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the best-of-breed products that satisfy our business requirements - examples are Profitmaster and Dimensions systems. We are not locked into one solution. Our goal is to become integrators of systems that give us a competitive advantage."

Beyond the Y2K issue, Lamontagne says Beaver does have several significant IT initiatives which will enhance the products and services "we offer to our ultimate customer."



**U**nlike a corporate chain or a franchise operation, a buying group like Mississauga-based Castle Building Centres cannot impose corporate technology solutions on its members. Rather, says Grace Guatto, manager of information systems for Castle, the role of the head office is simply to provide advice and support for the company's 200 members across Canada.

## GIVE THEM OPTIONS

"Because all of our stores are independently owned and operated, we just try to give them options and let them decide how to run their business," she says.

To illustrate this approach to providing IT solutions, Guatto points to a review of point-of-sale (POS) software recently conducted by Castle for its members. The review consisted of a survey of members to find out what kind of problems they were encountering in terms of POS software. Castle then went on to talk to a number of companies with POS software products in order to get a comprehensive picture of what kinds of solutions are available in the market.

"So if one of our members is in the market for POS software," Guatto says, "they can call me up and get information on the various products."

The company also brokers deals with software companies in order to get the best

prices for its members.

Castle provides marketing support for its members via its corporate website. The content on the site is basically geared to consumers - product outlines, home improvement tips, and decorating plans - but it also includes a listing of all Castle Building Centre members and how to contact them. The site is even linked to the sites of individual members.

"One interesting feature of the site is customers can send in questions to us via eMail," says Guatto. "We can then forward those questions to the members in their areas who can then contact the customers directly with answers."

## Cotter Canada

**W**innipeg-based retail co-operative Cotter Canada has more than 160 members operating across the country under the True Value and VNS banners. The technological challenge for Cotter was to find a way to cost effectively manage inventory levels and order requests for this far-flung network of stores, while keeping prices in line for the retailers.

The first step Cotter took to tackle the problem, says Manager of Member Services Sid Kucheravy, was to bring in high-tech product manufacturer Casio.

"They had a lot of experience working with technology in the retail environment, mostly in the production of sales terminals and software," he says. "We basically acted as partners to come up with a solution that would work for our members."

## INVENTORY LEVEL FOR EACH ITEM

Together the companies created a customized vendor managed inventory system for Cotter. Run through the sales terminals in the stores, the system allows the retailer to set up inventory levels for each item and tracks the number of each item sold. When a particular item sells down to a pre-set level, an order is triggered which is relayed to the distribution center via modem.

"Every seven days, the system issues a sales report, so the retailer can modify his inventory levels and orders depending on sales. It also allows us to provide each store with an income statement and balance sheet on a regular basis," Kucheravy says.

For seasonal items and special orders, Cotter created what it calls PC-Order software. This allows the individual retailer to dial into the head office and either look up a specific item or simply, as Kucheravy says, "browse through the warehouse."

"They can download item information windows that can give them the regular, promotional, and repeat order prices as well as deals for quantity purchases."

As for the future, Kucheravy expects Cotter members will soon be able to order items directly from the supplier as the system is upgraded. The company is also working to give the system an item scanning capability which will eliminate the need to key in SKU numbers.



**B**MR used to be active only in the lumber business, but they have not only built a hardware enterprise this year, they have developed the infrastructure required to go with it. They scan all incoming goods with UPC and ship using it too.

Since January of this year, BMR has been using a bar code in its distribution warehouse for shipping and receiving. Telxon computers (slightly larger than cell phones) read bar codes of items in the store for ordering purposes. Each product is given a sequencing number and the order list is sent through the scanning system to the warehouse. This can be done daily and the warehouse can ship out twice weekly.

The products that arrive from distribution are labelled with their order-sequencing number, which makes it easier to check inventory.

BMR's company Intranet allows stores to browse warehouse items and order online. A web site, currently in beta-testing,



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will launch fully next month.

Given their technological stance, and the importance of computers in every aspect of their business, BMR has thoroughly changed the internal clocks in their systems to bypass the Y2K bug.



**H**omecare Building Centres Ltd. has set up a private web site for its stores which allows them to post information to keep every location up-to-date with what is happening in the marketplace, as well as on products and pricing.

To do this, a Windows 95 platform has been installed in each Homecare Building outlet which also provides those stores access to new Internet and communication technology.

## PASSED ALONG QUICKLY AND SECURELY

Each store has its own eMail address and Homecare is now using this as its principal mode of communication, allowing information to be passed along quickly and securely.

Homecare's product scanning technology is now largely UPC code-driven. Don Nash, chief executive officer for Homecare, says the UPC works well and has changed the company's merchandising method by providing more accuracy on which items have sold and which haven't. The increased accuracy, in turn, has made inventory management a more efficient part of the business.



**O**ne example of a successful IT initiative undertaken by a company in the home improvement business is Home Hardware's HomeInfo system. The St. Jacob's, Ont.-based company started offering the software package to its network of dealer/owners less than two years ago and has already sold more than 500 copies.

HomeInfo is essentially a colour catalogue and ordering system on CD-ROM that allows the retailer to look up products available through the Home Hardware distribution system, inquire about availability, place orders, and reserve stock on-line. Dealers can also print out detailed information sheets on products that include a picture for those they may not regularly keep in stock.

"It really is retailer-oriented and we see it as leading edge technology," says Terry Davis, vice-president of information technology for Home Hardware. "We wanted it to be an information gateway between the retailer and ourselves."

Home Hardware wanted to get off to a quick start when it launched the HomeInfo initiative almost three years ago so most of the early work on the system was contracted out to software firms. Once the base product was completed, however, the finishing touches were applied in-house. The company still has contractors working on enhancements to the package and a project advisory committee is in constant contact with the dealers in order to get feedback on how the system is performing. "Version 3 is now in development," Davis says.

Home Hardware has also created a point-of-sale inventory tracking software package called Prism that has been purchased by more than 300 of the company's dealer/owners. Davis says the company is currently working on integrating the HomeInfo and Prism systems into a single software package that can work off a common database, but no timeline for release has been established.

In spite of the work Home Hardware puts into developing in-house IT solutions for its stores, Davis says the company realizes some dealer/owners are going to want something different. In those cases, Home Hardware frequently shares information with IT companies that provide systems to its dealers. "Some people don't understand how we can do that, but in the end, it is for the benefit of our dealers."



**R**ONA Inc. took its first big plunge into the information technology pool about five years ago. That's when company technicians were charged with the task of creating a software program to link the

company's network of dealer/owners with the head office/distribution centre in Boucherville, PQ. They came up with a customized program called MicroTel, a program that allows dealer/owners to go into the distribution centre data bank to check availability and place orders.

## NOT ONLINE YET

"It's all done through modem at the moment; not online yet," says RONA Director of Communications Sylvain Morissette. "Almost all of our dealer/owners are on the system and it has worked well for us."

A few RONA dealer/owners - mostly smaller stores - have chosen not to utilize the MicroTel system. These stores continue to use MicroTel's precursor, the Telson system, which allows the dealers to place orders with head office via modem but does not allow them to 'browse' the warehouse as MicroTel does. It's simply a case, says Morissette, where "some people just don't want to move at the same pace."

The future of information technology for RONA has actually arrived at the company's regional 'big box' stores. These 70,000-square-foot or larger, "more corporate" stores, as Morissette puts it, are now using an on-line, point-of-sale EDI (Electronic Data Interchange) system which allows them to track in-store inventory and communicate instantly with the warehouse. "The system lets them know what they should have. They can then connect with the warehouse to build customized orders or set up a schedule where they receive a specific quantity of stuff each week based on their budget."

## TRACK CONSUMER PREFERENCES

The best thing about this type of technology, says Morissette, is that it allows the company to track consumer preferences and trends for specific stores and regions. This, in turn, allows the company to set up advertising campaigns, product launches, and promotions that are targeted to specific consumers.

In a few months, RONA will move from its current 420,000-square-foot head office/distribution centre into a brand new 720,000-square-foot facility just down the road in Boucherville. The new facility is wired with the latest in fibre-optic cable, giving the building enough capacity to meet RONA's information technology needs for the next decade. **O**