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The Essentials Series: Enhancing Retail
Operations with Unified Communications

The Retail Challenge — Large and Small Approaches

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The Retail Challenge—Large and Small Approaches

This article will look at specific similarities and differences across the retail segment. We'll review some of the requirements of both a large retail chain with many stores and a small retailer with a handful of small stores. Although their requirements are similar, size or scale of retail operation impacts how technology might be successfully deployed. We'll touch again on some of the unique challenges within the retail industry.

Unified Communications Comes to Retail

Unified communications is a term that has been adopted over the past few years as voice and data technologies have converged and coupled tightly. It is as much a mindset tied to the journey of network convergence as it is any specific technology, and it's driven by connectivity and our need to be connected to network-based voice and data resources.

When we're connected effectively, we're more productive. One of the biggest drivers of this increased productivity in the past 10 years has been *convergence*. Convergence has moved through some distinct phases as it has evolved.

In Phase 1, voice and data services began to converge onto the same wire or transport technology. This began in the 1990s, about the same time Voice over IP (VoIP) came on the scene as potentially disruptive technology for telecommunications. Combining voice and data onto a single wiring and circuit architecture helped many businesses lower operating expense and improve the bottom line. The integration of network technologies also helped many businesses gain efficiencies in other business areas such as improved workflow processes.

In Phase 2, as networks consolidated onto IP as the primary protocol for business traffic, VoIP provided another catalyst for change. VoIP proved to be an enabling technology that changed how we view voice telephone calls. VoIP pointed the way to how many now see voice as another service of the integrated business network.

In the best-selling book *Telecom Convergence, How to Bridge the Gap Between Technologies and Services* (ISBN 978-0071387859), which for many defined convergence, Steven Shepard described the "inexorable evolution to a single technology-agnostic converged network capable of delivering a wide array of sellable services" as a factor in company convergence. The concept of convergence quickly evolved from the idea of voice and data networks converging onto a single circuit infrastructure using IP to the coalescence of companies consolidating capabilities.

Phase 3 of the evolution has been underway for several years as voice and data networks converge. That evolutionary process is still underway, but like many industries, retail has discovered tremendous advantages in adopting unified communications solutions. In the past 2 years, the word convergence has given way to the phrase unified communications. For most people, unified communications simply means the fully converged network, supporting data, voice, and video.

There are many benefits in the integration of voice and data services. Highly competitive environments such as the retail industry are most effective in leveraging differentiators in customer service. As we'll see in scenarios later in this article, these differentiators can make a huge difference in how customers perceive a retail operation.

IP Integration for Cost Savings

Every business manager has to be concerned with the return on investment (ROI) of capital. Telecommunications and data networking technologies don't come cheap, yet they're a mission-critical component of every business. Integration or convergence onto a single solution has been widely proven as the most effective way of delivering ROI in the technology areas of business for many years.

Retail operations are driven by more than margin on products sold. The cost of doing business cannot run out of control by failure to effectively integrate for cost savings.

IP Integration for Voice and Data Convergence

Beyond the cost savings of single infrastructure that are gained by integrating voice and data, there are many other savings the retail operation can realize. Although workflow processes in retail are quite different from the manufacturing processes of an automobile factory or the accounting processes of a financial services enterprise, there are still processes to follow—and to streamline.

In retail, employees represent the face of the enterprise to customers in a direct way, more so than a worker in an automotive factory. Process improvement may simply mean ease of checking inventory, comparing with a competitor's price, or quickly getting information about a specific product. Retail work operations can realize tremendous improvements in workflows through simplifying the tools needed and standardizing on tools that work together with the systems in use. Voice integration with VoIP is another example of how a retail business can bring voice and data together onto a single network infrastructure and use a common set of tools to simplify the network and the steps employees take to get things done.

Inventory Control and Point of Sale Systems

For the retail industry, inventory control systems and the Point of Sale (POS) terminal are vital life lines to the money chain. What Bill Gates referred to as the *digital nervous system* is nowhere more apparent than in the inventory management of a dynamic retail operation.

The Wal-Mart Story

Wal-Mart represents the epitome of early adoption of technology integration. They do far more than deliver goods to consumer at a low cost. As a fierce competitor in the retail space, Wal-Mart has employed a series of tools that ensure not just survival in retail sales, but a competitive edge that is an unseen but well-leveraged differentiator.

In addition to integrating voice services into the data network, Wal-Mart recognized early the value of integrating business applications and tying them together to build intellectual capital about the store's operations, sales, and needs. POS terminals were integrated with inventory control systems to tightly manage inventory. When a customer makes a purchase and the check scans an item at the register, the SKU is decremented from the store inventory, signaling the need for a replacement. Although human intervention and control is both possible and common, much of the routine inventory and order management workflow has been automated by simply tying POS systems to inventory control. This setup enabled Wal-Mart to implement just-in-time shipping of inventory to individual stores, more tightly managing the larger inventory management for the entire chain of stores.

Voice and data services couple with these business applications to allow easy communications between store managers and stocking teams with the shipping and warehousing staff overseeing the logistics of getting the necessary goods delivered to the local store in the event of special circumstances. What special circumstances might impact a retail operation like Wal-Mart? Certainly the Christmas holiday has a major impact on every retail operator, but let's consider something simpler like the weather. Wal-Mart's business application monitoring includes watching the weather around the country. In an area where the weather forecast is predicting storm warnings bringing heavy rain or snow, for example, inventory control overrides begin to kick in. It's common for a store to receive a delivery of snow shovels and ice scrapers, or umbrellas and rubber boots, the day before a big storm hits in many parts of the country. Wal-Mart uses information as a competitive differentiator to deliver goods to customers intelligently by anticipating the market need and demand.

Voice services couple into the overall system with click-to-call capabilities spread throughout inventory management and control systems, enabling phone calls for supply chain management at the store level. In many stores, VoIP-based technologies are being integrated to streamline customer service on the sales floor with both wired and wireless VoIP phones.

Wal-Mart has taken voice and data services on the network and integrated them effectively with retail enterprise applications to know as much as possible about the state of sales and inventory at every store location. They use this information as a competitive advantage, keeping excess inventory to a minimum, and delivering the goods that are needed to each store as close to the time they are needed as possible. In a double win, Wal-Mart found a way to use their unified communications solution to more tightly manage operating cost in their internal supply chain and to differentiate themselves from their competition by knowing the needs of the regional market area around each store.

Why IP and Unified Communications Make Sense

Integrating voice and data services using IP as the foundation protocol makes sense for a number of reasons:

- Cost savings can have a dramatic impact on the success of the retail operation. Simply reducing the operating expense through consolidation of services provides some economy of scale using a single infrastructure. This translates to a more streamlined cash flow. The ROI for this convergence becomes a relatively simple calculation.
- Effective integration of operational systems better enables the retail operation to meet business and customer needs. The Wal-Mart story is a perfect example of how well-planned integration across the entire retail operation can improve internal processes for competitive advantage and increased profitability.
- Building a framework for the future requires adoption of standardized technologies of today.

In the third article in this series, we'll talk about Communications Enhanced Business Processes (CEBP) and other new trends in technology that will make the retail industry even more fiercely competitive. Nowhere is this more evident than in those market segments where the "brick and mortar" retail operation is not only fighting with other similar storefront operations but also online retailers as competitors.

Some Real-World Examples

It's well and good to talk about retail operations or any business endeavor in hypothetical terms, but examples from real life help us understand the real value of unified communications tools and give ideas as to how we can integrate the solutions into each unique business setting. Let's look at a couple of focused example scenarios to dig a bit deeper. First, we'll look at an apparel sales operation, then at a mobile sales business. Both provide solid real-world examples of how unified communications can completely reshape the business.

Scenario 1—Simplifying the Purchasing Cycle

Apparel sales is an intensely competitive business driven by price and by fashion trends. Every apparel chain wants to stay ahead of the competition. One focal point for doing so is to guarantee that the customers' in-store experiences are memorable and positive. Customers are likely to remember and return to stores that have exceeded their expectations.

Nobody likes waiting in line and the checkout queue is one place customers are likely to grow impatient. In order to keep the checkout lines moving quickly, retailers are implementing menus on cash register IP phones, not unlike speed dial buttons, to request help for extra cashiers, price checks, and other customer service issues.

Beyond the cash register, providing help to a customer in the fitting room is easy and efficient. One retailer has installed "intelligent fitting rooms" integrating not just voice and data but RFID tag technology as well. When selling apparel, one of the most common sale loss points is in the fitting room with a customer who needs a different size or wants to try another color. Rather than change, go select another item, and continue the fitting, many customers simply dress and wander off to look at other items, or in other stores.

The intelligent fitting room includes VoIP phones with RFID scanners in the fitting room itself. Customers can easily scan a garment and automatically ring an attendant out working the floor on a wireless VoIP phone. The attendant can bring not only the correct size and an alternative color but even grab a blouse or accessory to go with those jeans. Busy shoppers can have merchandise delivered directly to their fitting room without needing to exit the room, walk out into the store, and search the shelves. Customers can easily try on the right-size garments and make a purchase, and clothes that were the wrong size can be returned to the sales floor quickly so that other shoppers can find and purchase them.

The ability to leverage a potential lost sale into an *upsell* is enabled by unified communications technologies. Automating and streamlining a number of customer and employee tasks including product browsing, product lookup by SKU, and inventory checks in the store, and the ability for customers to contact sales representatives are all strong differentiators. Not only is employee productivity improved but customer satisfaction rises.

Every solution addresses a pain point of some kind. The pain point for many retailers comes when the customer realizes in the fitting room that the jeans don't fit. If the customer has to get dressed and go hunt for another pair, the sale usually walks right out the door.

Installing VoIP phones and IP devices in the limited space of a fitting room without imposing on the customer experience also provides an information terminal that directly integrates with the company's existing enterprise-wide customer and inventory database. This can also enable access to and management of customer information—such as account information, purchase history, product and size inventory status—in a secure, authenticated manner.

Scenario 2—Seeing the Problem Is Half the Fun

The cellular telephone sales market is a ferociously competitive space. Enter any large mall in the US and you're likely to see three or four different mobile sales booths and kiosks within talking distance of one another in the main mall corridor. Drive down any main street and cellular phone provider storefronts are commonplace in the strip malls you pass.

Sellers are looking to provide a different, positive customer experience as customers pass by or bring their phones for service. In particular, service issues can take time from sales associates focused on winning new customers. Using unified communications solutions lets those employees focus on their key role—selling.

By implementing special in-store kiosks and workstations, customers can easily be placed in direct contact with repair agents, freeing salespeople from assisting customers who aren't bringing in new sales revenue. With simple video integration, customers can have face-to-face conversations with remote repair experts. And the repair team can easily see minute details on a telephone handset so that something as simple as finding and reading back or typing in the International Mobile Equipment Identity (IMEI) on a handset to validate a service contract is easily accomplished.

The result is that problems are resolved on first visit, while the customer is in the mobile sales store. This quick service makes the customer happy. Store employees are happy because they can focus on making sales, which drive their commission-based paychecks. It also makes the mobile telephone company happy because they will realize measurable reduction in handsets being returned without any problem identified. This is one of the most costly problems in the cellular phone industry.

Summary

Unified communications may be a large concept to think about, but for the retail sector, it's really a matter of mindset. Integrating voice, data, and video services solutions effectively in the retail industry can improve the customer experience to deliver a competitive advantage. Convergence of network services and business applications will enable improved efficiency in work flow processes for a competitive advantage. Unifying network services on a single IP-based, industry standard network will reduce operating costs for improved cash flow.

Unified communications solutions are dynamic, evolving, and deliver a high value proposition to the retail industry. Retailers who embrace this integration will not only build a stronger competitive position today, they're laying the foundation for even greater efficiency and profitability in future retail operations.