

# PROGRESSIVE<sup>vnu</sup> GROCCER

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AHEAD OF WHAT'S NEXT

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## RETAIL INNOVATOR

# Technology on tap

Using a suite of hosted management tools, Pro & Sons Ranch Markets found integrating POS systems as easy as flipping a switch.

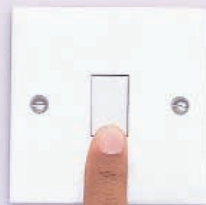
By Joseph Tarnowski

When it was an independent in growth mode, Pro & Sons Ranch Markets had to be prudent about how it spent its money. One of the ways in which the Ontario, Calif.-based grocer did this was by retaining whatever technology systems existed at the stores it acquired.

However, the larger Pro & Sons grew, the more counterproductive this strategy became. By the time it reached seven stores, the retailer was using four point-of-sale systems, and trying to extract data from them in a format that could be used by corporate was a task of Herculean proportions.

"Everything worked independently at each store," says Jeff Provenzano, c.i.o. and co-owner along with his father, Mike, and brothers Steve and Rick. "We weren't getting any benefits from having the different systems; in fact, we were having real control issues."

These control issues made it more difficult to manage the cashiers from a loss prevention perspective. And the centralized reports that department managers needed for efficient store operations were also hard to come by: The closest Provenzano could come to reports were the register tapes sent weekly to corporate.



"Those were just locked up in a box," he says. "We didn't even pay attention to them unless there was an issue or we thought a cashier might be stealing. Plus any policies that we had chain-wide would have to be implemented according to what each POS system allowed."

It became clear to him that to continue growing, the company had to implement a standard POS across the entire chain, as well as centralized data reporting. "We needed to find something that was reliable, that would enable us to let the technology do what it needs to do, which is run itself, while we focus on what we do best, which is selling groceries. It also had to be inexpensive."

Provenzano found a system with both attributes—reliability and value—at StoreNext Retail Technologies, LLC in Plano, Texas. StoreNext is a joint venture between Fujitsu and Retalix that was created specifically to supply technology to independent grocers and smaller chains.

The company markets Fujitsu POS hardware, Retalix POS software, and Internet-connected

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services for managing stores via Web-enabled applications.

For the POS hardware, Provenzano chose Fujitsu's ISS45 system for its reliability and functionality at a low cost, and went with StoreNext's ConnectedServices as his headquarters reporting system.

Interestingly, each solution drove his decision to implement the other. "We didn't have any good solutions to get our data back to operations," he says. "When we switched over to ISS45 across the stores, part of the motivation for us was because of the new offerings of ConnectedServices—we wouldn't have done one without the other."

## Host with the most

What Provenzano found particularly attractive about ConnectedServices was the fact that it was a hosted system; all of the software modules are hosted by StoreNext and accessed via the Internet. There's no installation or maintenance needed on the retailer's part—Provenzano simply pays a weekly fee of approximately \$25 per store.

"The beauty of this is that I didn't have to go out and hire five database managers or buy hardware and software," he says. "There are also no maintenance or upgrade issues to deal with—that's all taken care of by StoreNext. They handle the upgrades on the system, and we get the benefits. This frees us up to focus on the products themselves and on training my department managers and store managers, rather than devoting time to maintaining the system."

Provenzano says a conservative estimate of what the upfront cost would have been to host ConnectedServices himself is well over \$100,000—just for the staff alone—

not including ongoing maintenance and upgrades.

The way ConnectedServices works is similar to cable television providers. There's a basic service fee to use the system itself, with additional fees for extra services they may add on. Grocers may subscribe to as many or as few as needed. Implementing a module is as simple as flipping a switch. Once the ISS45 POS system was installed at a store, Pro & Sons' first hosted application, StoreNext's Connected Store Analytics and Reporting (C-STAR), was ready to use.

"We went live literally overnight with the first two stores and completed the rest shortly afterward," he says. "We were immediately able to get total sales, department sales, item-level sales, and a slew of other reporting features such as gross profit percent, average item price—all from one Web connection."

Having a Web-based system means that all of the company's data is centralized, and can be accessed from anywhere—a feature especially important for a growing chain with locations spread over a large geographic area.

StoreNext's C-STAR is a single application consisting of four connected modules: Report Viewer, Reporting, Sales Analysis, and Electronic Journal—each one used by Pro & Sons store and department managers.

Report Viewer operates on StoreNext's ISS45 software and allows grocers to review key store-produced reports via the Web. "It's a quick snapshot of actual reports on each store," says Provenzano. "We can use this to get hourly reports on our sales, so we'll know, for example, that between 10:00 a.m. and 11:00 a.m. we sold x amount of dollars. It helps us determine our scheduling for the stores."

Item Number	Item Name	Simulated Sales	Simulated Profit	Simulated Sales	Simulated Profit
480000046	CODE	1,000.00	0.00	1,000.00	0.00
480000047	CODE	1,000.00	0.00	1,000.00	0.00
480000048	CODE	1,000.00	0.00	1,000.00	0.00
480000049	CODE	1,000.00	0.00	1,000.00	0.00
480000050	CODE	1,000.00	0.00	1,000.00	0.00

Product	Net Sales	Net Profit	Net Sales	Net Profit
BAKING MIX	1,200.00	100.00	1,200.00	100.00
BAKING POWDER	800.00	60.00	800.00	60.00
BAKING SODA	600.00	45.00	600.00	45.00
BAKING SODA	400.00	30.00	400.00	30.00
BAKING SODA	200.00	15.00	200.00	15.00

**Reports from StoreNext's C-STAR include Sales by Department, Sweeping Price Change, and a Price Logic Simulation.**

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Provenzano also uses the Report Viewer module to determine how many POS systems will be needed for future stores, based on usage patterns in current stores, as well as transaction analysis. More than 50 reports are available through this module.

The Reporting module is based on raw data provided automatically from the stores. This data is sorted into a large relational database designed for quick extraction and analysis. Reports from this module can encompass any time period, and run across one or any selected group of stores. Standard reports include sales by period or category, periodic sales comparison, hourly productivity, store statistics, revenue by tender, and aggregated business.

This tool helps Provenzano in his merchandising efforts and in determining the mix of products offered by the stores. “In our company we try and minimize our grocery sales and maximize our restaurant theme, which includes our hot foods, our *tortillerías*, and our bakery,” he says. “We want our grocery percent of total to be less and our specialty departments to be more. This module lets us spot changes that might indicate that we need to remodel—such as if our grocery percentage grows too high and our specialty department percentage gets too low.”

The Sales Analysis module helps department managers determine what’s selling in the stores. Pro & Sons buyers can meet with vendors at corporate, and will have all of the sales data they need at their fingertips.

“This will give them better insight as to how much purchasing they should do in the weeks and months coming up,” says Provenzano. “It will let them know when they should run ads, how the product sold the last time an ad was run, and how we should be merchandising that item.”

### Transaction analysis

Currently Pro & Sons uses the ConnectedServices Electronic Journal module as a loss prevention tool. This module consolidates the store’s transaction log into a specially constructed database. “Every day I get to see what refunds were across the stores, and analyze them to see if there is anything suspicious,” says Provenzano. “Most of it is preventive—employees at the store now know we have access to all their transactions at the head office, and that usually encourages them to do the right thing.”

Still, Provenzano will be adding ConnectedServices’

new ShrinkTrax module to create an entire loss prevention department—something he couldn’t do before Trax had the hosted offering. “In the past, if we wanted to implement the Trax loss prevention solution, we would have to install a lot of hardware at the store,” says Provenzano. “Through ConnectedServices it’s something they just turn on. We’ll be able to use this to analyze in full detail the patterns of our cashiers, including voids, refunds, and how they handle transactions.”

ShrinkTrax is just one of the new modules Provenzano plans to implement now that he’s celebrated his one-year anniversary with ConnectedServices’ C-STAR application. “We’ve been flying on C-STAR for a year without a hitch, so now we’re exploring new products from ConnectedServices.”

Recently installed was the StoreNext Connected DSD, which includes DSD receiving on iPad hand-held PCs, tools for auditing and updating receiving documents, a special DSD item catalog, and supplier searches by name, code, or item scan.

“This is something that we have always wanted but were never able to implement,” says Provenzano. “It tells our buyers what our DSD gross profit margin is, so if a vendor raises its price, it allows us to correct the gross profit percent.”

### The price is right

Pro & Sons is also working on StoreNext’s Connected Item Hosting (CIH), which enables a grocer to manage its entire item file—including pricing and promotions—from a centralized location. Functions include item management, supplier/vendor management, price management, promotion management, competitor price management, and store management.

“That’s going to be our centralized price book,” says Provenzano. “We’re going to host our item file from the corporate office, but we’re just beginning the implementation stages of that right now. This is going to build a lot of confidence in our team, because we’re going to be able to control the retails from the corporate office, control the ad, and control price changes, all from the corporate office.”

As with the other modules, implementation is as simple as setting up the data and turning the module on. The Fujitsu ISS45 directly integrates to ConnectedServices, so there are no problems with interfaces. In fact, one of the only challenges Provenzano faced was getting consistent

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PLUs across all seven stores.

Provenzano is already seeing ROI, in terms of the centralized knowledge his managers now have of the company. "They're able to make much smarter decisions than before and run operations more efficiently," he says. "Once the CIH is implemented, we should see real-dollar ROI."

The beauty of working on a hosted system will really

become apparent as Pro & Sons continues its growth strategy for the next three years. Provenzano plans to open two more stores by year's end, and two to three stores per year afterward. For each one to be connected to the system and have its data incorporated into the hosted system, all the company will have to do is install the ISS45s, connect to the Internet, and flip the switch. ■

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