

Product Bulletin

Corema Loyalty Program for StoreNext Dealers

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July 2, 2003

Note: this Issue 3 provides new pricing that lowers the price for smaller chains.

StoreNext and Fujitsu are pleased to announce the StoreNext Dealer Program for Corema Loyalty.

Corema, of course, is well known in the supermarket and general merchandise industries as the most successful and sophisticated system for providing true online loyalty and shopper-specific promotions. A true and total CRM system, Corema is used by over 60,000,000 shoppers every week.

Until now, this power has been only available for the largest chains like Safeway and Ahold, REI, TWE, and merchandising leaders such as Big Y. But the Tier II market has demanded a “packaged” solution that can use a standard install and implementation package – at far lower cost.

Corema Loyalty is exactly that solution. Combined with ISS45’s tremendous promotional capabilities, Dealers now have the unquestioned leaders in both PoS and CRM, for a “one-two punch” that will enable your grocers to achieve differentiated business performance while at the same time relentlessly driving out costs.

And the Dealer program for Corema is simplicity itself. It consists of Dealers bringing the grocery prospects to Fujitsu’s Corema team, and taking a substantial fee on all successful campaigns. There is no need to become a CRM sales expert, or develop Corema Support expertise in your group, or undergo any other kind of special training. Hardware, platform software, and professional services revenues will go to the Dealer too. Make sure you see The Sales Cycle (Page 17) and the Anatomy of a Sales Campaign (Page 18) sections.

In addition, detailed technical information regarding Corema Loyalty can be found in Marketing Bulletin 1184.

So read the following and learn about how Corema and ISS45 together can take your grocers – and your own business – forward into the new world of profit-leveraged CRM.

To Your Success,

Rowan

*Rowan Cape
Director, Corema*

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A. Market Overview

This document should be read in conjunction with the Product Information Package for ISS45 (MB-ISS45-1000) that provides details of ISS45 functionality referred to in this document. In addition, please see Marketing Bulletin 1184 for an in-depth technical overview of the ISS45/Corema Loyalty solution.

1. Profile of the Target Market

This released version of Corema Loyalty is designed specifically for the independent grocery marketplace and those grocers with chains ranging in size from 20 to 200 stores. It is also fully integrated and designed to specifically complement ISS45 PoS installed in those same stores.

Corema Loyalty originated in 1996 as a retail application focused at the Tier 1 grocery marketplace. The initial large installations of Corema Loyalty – sponsored and designed by those ‘technology leaders’ – revolutionized the grocery marketplace with the successful launch and extensive usage of loyalty clubs. For the first time, shoppers were able to use their loyalty cards at any store in the chain and receive the same discounts, rewards and promotions as if they were shopping in their home store.

Those Tier 1 installations and the complexity of their enormous size, divisional and brand infrastructures together with the associated high transaction rates made for expensive solutions with dedicated support resources. While this made for excellence in design of features and functions, such a large continuing investment was prohibitive for the smaller chains.

This version of Corema Loyalty addresses that problem completely. Fujitsu has captured the full function sets developed over those years of technology leadership and packaged the application to run on cost-effective and easy to manage hardware and software. For the first time, Corema Loyalty is an affordable and readily installable package attractive to those grocers looking for innovation in taking their competitive edge to the next level.

Corema Loyalty should be proposed in the following situations:

- The grocer must compete against local large brand names
- The grocer already has ISS45 (V7 or V8) installed, or is looking to move this way in the near future
- The grocer understands that technology, correctly applied, can solve problems and foster innovation
- The grocer already has a loyalty card scheme in place, or is considering introducing one. Of special interest are grocers who have learned the lessons of “Defensive Card” programs and understand the value of true CRM
- The grocers have a strong interest in, or have already built their offerings around in-store ‘clubs’ such as a Baby Club or a Cheese Lovers Club
- The grocer already issues coupons or vouchers to attract customers to his store, and is interested in more specific targeted marketing to valued customers
- The grocer understands the importance of targeting their promotional dollars to their most profitable shoppers
- The grocer has other retail channels (such as gas or pharmacy) in-store and is interested in promoting cross-channel offers to extend the brand value to the customer
- The grocer understands the value of the frequent weekly visits by shoppers and that “home-court advantage” against mass-merchandisers and category killers – and understands how targeted promotions will win revenues and profits from these competitors.

2. Trends in the Target Market

As we all know the retail industry is, and has been for some time, eagerly embracing innovative technologies in order to maintain, and hopefully grow, market share. With the rise and diversification of the major chains, such as Wal-Mart, independent grocers are starting to feel like they are being pushed out (much as they did to the Mom and Pop stores some years ago) and they are looking for ways to fight back.

Fighting back involves investing in the tools and technology. Some of the smaller independents are only just starting to move into the world of PoS; many others are already there. Those that are may be in the process of upgrading to the latest technologies, and in doing that, many are now looking forward to extending the benefits that advanced PoS and integrated applications can bring.

Retailers are – at last – moving out of the realms of ‘tech-phobic’ retail management, and are now reaping the benefits of being driven by ‘tech-savvy’ executives with a much better understanding of what technology can deliver. With this fresh attitude has come a demand for increased use of technology to drive the detailed information retailers need at their fingertips to compete and understand customers intimately. Fortunately for the smaller chains, the innovative ‘early adopters’ (typically the market leaders) have always thrown money into technology development, leaving the smaller ‘technology followers’ able to invest much less money, in a more organized and thoughtful way.

So while interest in customer profiling, analysis of customer behavior leading to advanced and successful segmentation, multi-channel retailing and the integration of all this detailed information is at an all time high, interest in the basic question of ‘How do we continue to add value to customer relationships, any time, any place’ continues to be critical. Excellence in customer intimacy starts with front-office efficiency and data capture – exactly where PoS and Corema Loyalty play.

As masses of customer data have started to be captured via PoS, marketing ploys and behavior analytics has grown enormously. The value of the analytics however is only as good as the data it references and the historical trends it divulges. Importance is being placed on capturing key measures such as customer lifetime spend, promotion response, customer spend percentile, customer profitability and customer category spending – all these require dynamic capture over time, and all can be captured with Corema. Being able to capture consistent, accurate and dynamic data (that means every transaction, every item, wherever they choose to shop) and test the success of marketing promotions by measuring redemption rates is key. What’s the point in giving value away if it isn’t producing the desired result?

So retailers are looking for low-cost, low risk technologies, proven to hit the mark with the customer base and able to capture the key data that provides the means for differentiation among their peers and keeps them closely following the lead of the big guys. Packaged solutions are key to addressing the low-cost, low risk requirement – while retailers want the results that technology can bring, they don’t want any disruption to their business.

Corema Loyalty with ISS45 is perfectly placed to fill the requirement. Corema Loyalty is a proven, packaged, low-cost solution designed to capture all the key data that retailers require to compete in the ‘analytical age’. It works!

3. Meeting the Requirements of the Target Market

Corema Loyalty is designed to help grocers reward those customers who exhibit loyalty through repeat shopping, larger basket sizes and high margin purchases. It does this by building on the automation of rewards by the PoS, adding additional reward functionality that is easier to control and manage centrally and allowing the customer to have unlimited, real-time access to all stores in the chain without compromising their loyalty benefits.

Corema Loyalty looks to reduce the management of the PoS rewards, from a store-by-store function to a centrally managed function, thereby reducing some of the local PoS management for the grocer.

The benefits of Corema Loyalty really grow when the grocer extends the range of rewards from local PoS level awards to well promoted, cross chain, cross channel offers - perhaps with a longer timeline or more valuable rewards.

The target market requires the following specific characteristics for success:

- An innovative grocer with offer and promotion ideas that will be attractive to customers
- A fully implemented ISS45 PoS solution across all stores
- Reliable and secure communications between store and head office
- A brand message to communicate to shoppers
- A marketing strategy designed to reward loyalty, increase profitability and encourage repeat visits
- A desire to recognize and interact with high value customers
- A desire to create an enthusiastic buying group for increased sales of high margin goods
- A means to store collected transaction data for future analysis
- Ability to perform basic system and database housekeeping routines

4. System Highlights

Corema Loyalty manages, in real-time, the progress towards offers and promotions by customer or household in any store. As soon as a customer hits an award threshold, Corema Loyalty manages the award process and records the award and redemption of awards to eligible customers.

The Corema Loyalty user interface manages the customer database and defines eligibility of customers or households against the retailer's defined offers and promotions.

In summary, the key system advantages include:

- Corema Loyalty provides instant rewards, in real-time, at any store in the chain
- Corema Loyalty is a complete, end-to-end Customer Loyalty Club management system, which fully complements ISS45's Advanced Promotions System
- Corema Loyalty provides all the loyalty features and functionality available in the largest grocery chains
- Corema Loyalty uses standard platforms and software throughout: Microsoft Windows 2000, Microsoft SQL 2000 Server, low cost Servers, TCP/IP
- Corema Loyalty interfaces with major industry standard packages, such as Catalina, Market Expert
- Corema Loyalty is available at any touch point: Kiosk, web shopping, IVR

- Installation and configuration is fast, easy and *requires no store downtime*
- Corema Loyalty is designed to grow easily as the grocer grows

Business critical program advantages for the Dealer are:

- The Dealer uses Fujitsu resources to complete the sale and implement the system, but retains account control every step of the way
- The Dealer can bring the most powerful nationally recognized solution into local chains, enhancing credibility
- Specialist Corema Sales skills to support you through the sales cycle
- A loyalty solution, once established, will link the user and the Dealer more strongly than ever before. There is no easy change-out
- Dealers do not have to train support personnel or become CRM gurus. Corema support is direct to Fujitsu, enabling Dealers to remain focused on core products. No disruption of existing Dealer activity
- Generous bottom line for participating Dealers
- Dealers take revenues from rollout services
- A complete and integrated solution is available from a single vendor, including all installation and support services
- A logical and complementary extension sell on ISS45, requiring no major additional system knowledge than that required for ISS45
- Runs on standard hardware and software for a complete, packaged sale
- Packaged product for easy, fast installation with minimal store disruption
- Full support from Fujitsu through all stages of the project

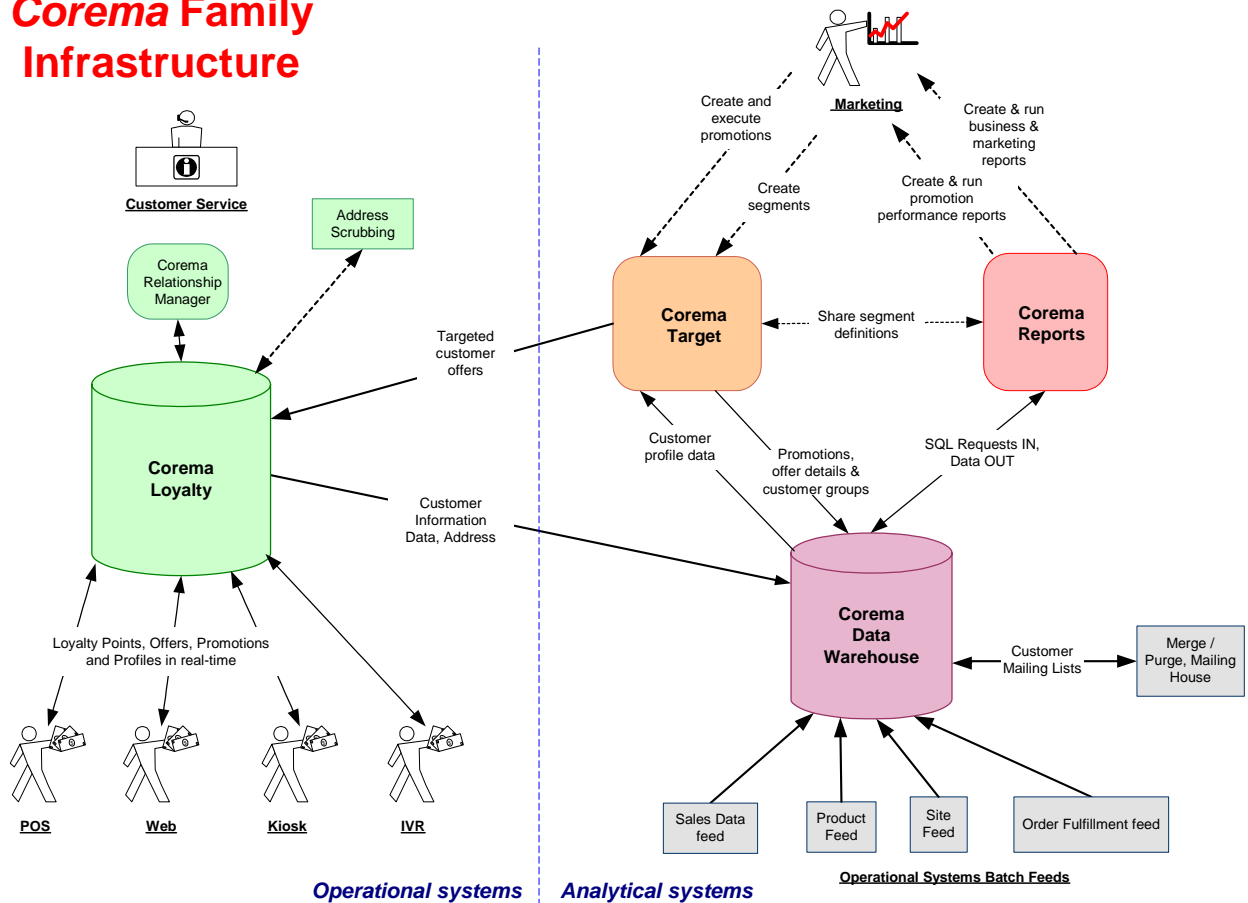
B. Product Overview

1. General Information

Corema is the brand name for Fujitsu's complete system for Customer Relationship Management.

Corema Loyalty is just one of a strategic suite of programs focused on helping retailers create personally tailored shopping experiences for customers.

Corema Family Infrastructure



Fujitsu's total Corema portfolio provides advanced architecture and functionality, as well as large enterprise scalability where it is required. Retailers of all sizes, including one grocer that operates the largest on-line retail loyalty system in the world, have proven the Corema architecture. Providing true platform independence on a number of hardware platforms, the larger Corema implementations currently operate Informix and the smaller installations Microsoft databases, both of which provide real-time responses on a 24/7 basis.

With a full range of services tailored specifically to retailer's business needs, the Corema solution offers unparalleled CRM capabilities.

With the full suite of Corema products the retailer can:

- Identify customers, on every transaction, at every touch-point (at PoS, Web, kiosk, telephone orders, etc.)
- Ask them their preferences, and show that they understand
- Analyze their behavior at all touch-points - not just the web; not just Point-of-Sale
- Focus marketing resources based on analysis - not marketing rules
- Focus promotional dollars on the right customers - don't give everything away
- Maintain a clear view of customers, in real-time, to give sales associates an edge
- Retain customers with online loyalty - let customers accumulate points and receive instant rewards in store or on the web
- Open a real-time path between grocer and customer - at any touch-point
- Let customers see their own data, on the web or at a kiosk. It reduces customer service problems, and provides further marketing opportunities
- Use the real-time infrastructure provided by Corema to enhance the customers' experience - personalized environments, targeted receipts, sweepstakes, stealth campaigns or notifying the Store Manager when the best customers are in the lane

Corema Loyalty fits into the architecture above as the operational customer database of record. Corema Loyalty can be installed alongside Fujitsu's analytical product offerings - Corema Target and Corema Data Warehouse, or alongside similar offerings from other vendor's. The choice lies with the vendor. Alternatively, it offers full operational loyalty functionality in standalone mode interacting with the PoS.

A great deal of detailed technical information regarding Corema Loyalty can be found in Marketing Bulletin 1184.

2. Corema Loyalty Release Schedule

The next release of Corema Loyalty is planned for July 2002, followed by an additional release in January 2003.

The same bi-annual release schedule is planned to continue into the future.

3. Return on Investment

VALUE PROPOSITION TOOL

Fujitsu has a powerful Value Proposition tool available that has proven to be extremely persuasive in demonstrating to potential users how the Fujitsu products can enhance their business in a positive and profitable manner.

Written in Visual Basic, the tool allows many assumptions to be entered, either using the customer's own data or by using standard measures taken from published research. The tool is available for many Fujitsu products, including Corema Loyalty, and can be brought by a Corema representative.

The Corema Loyalty assumptions cover many areas including:

- Chain infrastructure such as number of stores, annual sales and gross margin
- Customer data including total number of shoppers, number of active shoppers and average increase per annum, average basket value and average number of visits per annum
- Customer service desk and employee information including numbers of staff and average pay rates
- Customer mailings data including number of mailings and number of customers mailed, annual cost, number of segments and redemption rates of coupons/mailings
- Offer information including number of offers per week and coupon value and redemption

Once the customer specific data is entered and saved for reference, the tool automatically calculates the estimated return on investment over a defined period of time and the breakeven point of investment against increased revenue and margin. The calculations are based on a number of defined business rules specific to each product.

COREMA LOYALTY VALUE PROPOSITIONS

The value propositions for Corema are based on business rules reflecting the defined feature functionality within the product.

Increasing Revenues and margin – Differentiated Business Performance

Corema Loyalty aims to increase brand loyalty, resulting in increased revenues and margins by:

- Increasing the number of active shoppers ¹
- Increasing the average basket value
- Increasing the number of visits per annum

It uses imaginative offers and promotions such as continuity awards to increase brand loyalty by persuading shoppers to return to shop at the chain, or to return and shop for the chance to win a high value sweepstakes reward, such as a Jeep.

In addition, the chains are able to target the highest value customers – and by that we mean the most profitable customers, not necessarily the same customer group as those that spend the most – with specific offers focused on their interests or known spending behaviors.

Research has shown that targeted offers get significantly higher redemption rates (in the teens%) than mass mailings (typically 1-2%). It has also shown that the redemption rates do not significantly change with the value of the coupon or offer being made, i.e. \$10 versus \$5. It is therefore possible for the retailer to experiment to understand where the break point of coupon value is within their customer base to balance high redemption against low coupon value. In other words, don't give away more than you have to and keep the margins as high as possible.

¹ An active shopper is one who has shopped at the chain within the last six months

Relentlessly Reducing Cost

In addition to increasing revenues and margins, Corema Loyalty also enables the retailer to drive costs out of the business by:

- Focusing customer mailing costs to those customers who will use the mailing
- Reduce the cost of handling and redeeming coupons
- Reduce the cost of offer management
- Save on employee salary costs by reducing the number of customer service staff and reducing the number of cashiers needed to handle the shoppers

Corema Loyalty is very attractive to those retailers who spend significant amounts on mass mailings, seen as the only way to target customers, or to retailers who spend significant amounts printing coupons at the PoS to manage simple continuities. Corema Loyalty can remove all the requirements for continuity paper coupons as it automatically records the number of purchases within the offer period and will automatically award the reward once the purchase threshold is triggered; and not a coupon in sight!

For example, one customer issues a PoS coupon every time the customer buys a gallon of milk. The customer collects five milk coupons and gets the sixth gallon free by redeeming the coupons at the PoS. This builds cost into the whole process by slowing up the lane throughput whilst coupons are given out, then eventually collected, checked and banked. On busy days this slow throughput may eventually result in additional lanes needing to be manned. These costs are in addition to the cost of producing the coupons in the first place. Corema Loyalty also benefits the customer because they don't have to remember to cut or bring coupons to the store. All the retailer has to do is advertise the offers clearly in-store and on the shelf.

Corema Loyalty also removes cost by helping the retailer understand what customers belong to each segment and allows customers to join segments or 'Clubs'² by signing up at the Relationship Manager application. Once segments are created and appropriate offers defined and run, Corema Loyalty provides feedback detail of redemptions against the targeted offers aimed at each segment. This allows the retailer to analyze and refine the offers to improve redemption rates, increase margins and refine each segment.

Creating accurate segments allows the number of mass mailings to be eliminated if the retailer chooses, although admittedly many choose to reduce rather than eliminate. By reducing the mass mailings, the retailer can increase mailings to specific segments (for the same cost as previously), achieve a high redemption, low cost offer with predictable investment value and potentially increase opportunistic spend significantly by 'hitting the right note' with those customers. Hitting the right note is the sign of success - it means they've reduced customer annoyance by taking away unwanted junk mail, improved the take-up of targeted offers by ensuring that they are attractive to the customer target, refined their understanding of their customer base significantly and thereby improved overall customer satisfaction - and most importantly, leaving the customer feeling that 'these guys really know me.'

² Popular clubs found in many grocery chains are Baby clubs, Pet Clubs and Wine Clubs. High end chains also often offer Cheese Lovers' Clubs or foreign specialty clubs.

Improving Profitability – More Differentiated Business Performance

Corema Loyalty targets profitability by both increasing revenues *and* reducing the chain’s expenses. Maximum improvement in profitability comes from tackling both elements head on and Corema Loyalty is designed help the retailer to do just that.

As we know from other product analysis, if grocers are going to be convinced of the ROI potential for sales increases, we will need to quantify the actual impact to the store’s sales and profit. Once Corema Loyalty has been paid back, it does not materially increase the store’s operational overhead, so any extra sales as a result of it’s introduction contribute a net profit essentially equal to the gross profit for the specific product.

This is a critical point: the typical gross profit (that is, sold price less direct cost) on most store items will run from about 15% to 25% – so that much of every dollar goes right to the bottom line. This is in contrast to typical net profits, which in the North American grocery business are typically only in the 1 % – 2% range. It’s easy to see how the overhead consumes most of the gross profit, and also therefore easy to see why incremental sales that do not increase overhead can dramatically improve the bottom line.

Let’s see what this looks like using real retailer data.³

Known Facts		Known costs - Corema Loyalty	
# stores	20	License fee	\$80K
total # customers	350K	Implementation services	\$105K
# active customers	250K	Estimated hardware	\$30K
Average inc in act custs	13%	Estimated software (o/s & d/b)	\$10K
Average basket value	\$33.75	Annual s/w support (o/s & d/b)	\$2K
Average visits/annum	35	Annual h/w support	\$6K
Annual mailings cost	\$15K	Annual Corema s/w support	\$16K
Hourly rate of staff	\$15		
Mgr salary/package	\$80K		
# CS staff	10		
Gross Margin	25%		
Expected system life	7yrs		

Running these known facts through the Value Proposition tool provides the following results:

Improving the number of active customer 2% above the current average adds 665,005 active customers to the chain over seven years, starting with an additional 37,500 in year one.

This increase in active customers, together with a 3% increase in the visits of existing active customers adds over 300,000 additional visits in the first year, and over 13.5 million over seven years.

³ These data have been altered to protect user confidentiality. These alterations, however, do not affect the bottom line results of the analysis.

An increase of 1% in active customer basket value adds almost \$58 million in revenue in year one, of which over \$14 million is margin dollars. Over seven years this cumulates to \$140 million improvement in margin.

The customer in the example spends very little on mailings per annum focused on new customer, mass and club award mailings. Changing the focus of the mailings to target four segments a year with four targeted mailings actually increases the mailing spend by \$15K.

However, this increase in mailing spend pays off by driving the mailing related revenue from less than \$12k per annum to over \$125,000 per annum. This equates to an incremental increase of \$113K, and even deducting the increased mailing spend adds almost \$100,000 per annum in targeted revenue and over \$27,000 in increased margin.

Refining the coupon values required to maintain a high redemption rate without giving more than is required away takes some careful analysis, but can also contribute significant cost savings. By reducing the average coupon value 25% from 75 cents, the annual coupon giveaway value reduces by over \$10K per annum.

Reductions in coupon handling times make very little difference to this customer because of the low number of mailings/coupons issued to customers. In some customers handling large volumes of coupons, this saving can be significant.

In larger customers with higher numbers of customer service staff, the efficiency of Corema Loyalty's Relationship Manager can reduce the number of CS staff and therefore reduce employee salary costs. It is unlikely that this customer would reduce their CS staff by more than one, however reducing by one would bring a saving of \$29,250 per annum.

In summary, the results above could contribute to an overall benefit to the customer of over \$14.3 million dollars in the first year. Deducting the cost of Corema Loyalty from this figure brings the overall benefit in year one to \$14,082,000. ⁴

Using these figures, Corema Loyalty will have paid for itself easily early in the first year. The Net Present Value ⁵ (NPV) indicates a possible benefit of over \$210 million to the customer over seven years in increased revenues and margins and reduced unnecessary cost.

Conclusion

The question of whether Corema Loyalty can provide a positive return on investment is answered clearly. Even for smaller grocers with less ambitious goals, significant revenue and margin improvements can be made and some, often substantial cost savings can also be achieved. Naturally, the scale and speed of payback on investment is dependent to some extent on how aggressively the retailer implements imaginative, profitable, targeted offers and aims high for brand loyalty.

⁴ The tool will allow for adjustment to allow for capital investment costs (in this case 15%).

⁵ NPV allows the extrapolated value in seven years to be compared to the equivalent value today

PROFESSIONAL SERVICES

All Corema Loyalty Professional Services are currently only available from Fujitsu. ⁶

It is expected that the Dealer would work with Fujitsu once a Corema Loyalty prospect has been found. Fujitsu will allocate an experienced Specialist Corema Sales Executive to provide support to the Dealer throughout the sales process. Once a sale has been completed, the Dealer will receive payment of a finder's fee of 10% of the Corema Loyalty license fee.

The professional services available are described below.

COREMA LOYALTY REQUIREMENTS AND SPECIFICATION SERVICE

This service provides general assistance on how to implement the Corema system in the retailer's specific environment. Although the Corema Loyalty software has been designed with straightforward installation and configuration options, there are a number of factors that can improve the launch of the system.

As part of the Requirements and Solution Specification service, Fujitsu will:

- Document the goals in deploying the system
- Describe how the Corema Loyalty functionality can be used to achieve the retailer's goals
- Suggest hardware configurations, based on information received from the retailer about expected use of the system
- Investigate and document the steps necessary to incorporate any existing data into the solution
- Investigate and document any PoS limitations which may impact successful deployment
- Document any known shortfalls in functionality against the retailer's desired goals.

COREMA LOYALTY INSTALLATION AND IMPLEMENTATION SERVICE

The service provides specific assistance in the initial stages of introducing the Corema solution into the retailer's organization. Fujitsu will use its experience to help with the tasks that are required for a successful integration of Corema into the business.

As part of this service, Fujitsu will provide the following services:

- Installation and configuration of the software
- Customer database setup and tuning
- Conversion and load of existing customer data
- Personalization of the Corema Helpdesk application with the company's logo and color scheme
- Generation of agreed data conversion programs
- Initial security administration
- Configuration and testing of resilient configuration (where available)

⁶ Implementation, configuration and customization services. This does not include certain local installation and maintenance services provided by the Dealer.

COREMA LOYALTY TRAINING SERVICE

The service provides training to key business users and (where appropriate) technical personnel to help the retailer introduce the Corema Loyalty system into their business. As well as providing an overview of the Corema Loyalty system, the courses will deliver guidance on how to manage the Corema system in the retailer's specific environment. Although the Corema Loyalty software has been designed with straightforward installation and configuration options, there are a number of factors that can improve the performance of the system.

Who should attend? The course modules are designed to assist people in the following roles:

- Marketing and merchandising users who will configure promotions
- Customer Service personnel who will interact with customers and manage customer records
- Systems and database administration staff who will be responsible for ongoing system management
- IT and business managers who are responsible for the success of the Corema Loyalty project
- Store operations management who need to know how Corema will impact the store systems
- Networking specialists who are responsible for managing system communications including store connections

COREMA LOYALTY GO-LIVE SUPPORT SERVICE

The service provides extra assistance at the time the Corema Loyalty system is transitioned into "live" use. Fujitsu will help monitor the system and ensure that all necessary processes are working.

Specifically, Fujitsu will provide the following services:

- Up to ten (10) days of on-site Fujitsu presence and active on-site support at system launch
- Up to fifteen (15) days of follow-up support geared to pro-active monitoring of the system and assistance to the retailer's system administration staff
- Assistance running batch tasks
- Ongoing assistance with system management and housekeeping for the duration of this service
- Priority availability of offsite personnel to assist with any issues
- Daily email report of system behavior, open issues and resolution activity

COREMA LOYALTY TELEPHONE SUPPORT

This service entitles the retailer to report a problem with the Corema Loyalty software and receive a software resolution, or to place a request for advice and guidance in the use of Corema Loyalty software. Calls may be placed with Fujitsu's Call Center via an 800 Number, or via Fujitsu's Customer Service Web site. The desk is staffed 24 hours a day, 7 days a week. Fujitsu's standard Telephone Support service for Corema Loyalty is available Mon-Fri, 8:00am – 5:00pm. The service can be extended to 24/7 coverage for an additional fee, if required by the retailer.

Telephone Support agreements may include:

- **Corema Software Maintenance** – An annual agreement, providing out of warranty bug fixes or workarounds for Corema Loyalty. Standard terms for warranty are 90 days from delivery of the software
- **Corema Software Upgrades** – Provides upgrades to licensed versions of the application at no additional cost. This coverage applies to the specific modules to which the retailer holds a Corema User License
- **Corema Customization Software Maintenance** – Provides out of warranty bug fixes or workarounds to any agreed customization of the Corema application supported under an agreement. Standard terms for warranty are 90 days from delivery of the customization.

Service descriptions for these services are available on the StoreNext Web site.

PROFESSIONAL SERVICES DELIVERY PROCESS

The overall professional services delivery process is as follows:

- Dealer and Fujitsu Specialist Sales Executive receive order for Corema Loyalty solution from Retailer
- Corema Loyalty is installed on a customer provided Lab Server and Retailer undertakes lab evaluation of base Corema Loyalty package
- Fujitsu delivers the 'Requirements and Specification Service'. This includes confirmation of all production and resilience hardware specifications tailored to store, transaction and customer volumes. It also identifies and estimates for any retailer specific customization requests over and above the standard customization available in the installation package.
- Dealer and Fujitsu Specialist Sales Executive complete sale of Corema Loyalty solution including: Production Server hardware and software, Resilience Server hardware and software, Corema Loyalty Telephone Support and any customization enhancement requests.
- Retailer/Dealer prepares Production and Resilience servers with base operating and database software in preparation for Corema Loyalty installation and configuration with ISS45
- Fujitsu delivers "Corema Loyalty Training" service to the nominated retailer's employees
- Fujitsu delivers the Corema Loyalty 'Installation and Implementation' service and any customized functionality the retailer has contracted
- Fujitsu is on-site at go-live to deliver the Corema Loyalty 'Go-Live Support' service. Additional go-live support is delivered remotely during the first few weeks of live operation.
- Telephone Support begins 90 days after go-live (post warranty).
- Any additional customization requests are contracted by request and released to the retailer as upgrades to the version of Corema Loyalty software installed

4. Documentation

A complete set of thorough and accurate documentation is available for Corema Loyalty software. All documentation will be made available to the retailer via the installation CD. Additionally, electronic versions of the Corema Loyalty documents are available to Dealers by request.

Published documentation includes:

Document Title ⁷	Reference	Electronic
Corema Loyalty Functional Description	COR-000	Y
Corema Loyalty User Guide	COR-001	Y
Corema Loyalty PoS Interface Specification	COR-002	Y
Corema Loyalty Batch Feed Formats	COR-003	Y
Corema Loyalty Installation Guide	COR-005	Y
Corema Loyalty Systems Administration	COR-006	Y
Corema Loyalty Cache Housekeeping	COR-007	Y
Corema Loyalty Initial Data Load	COR-008	Y
Corema Loyalty Data Extracts	COR-009	Y
Corema Loyalty End to End Functionality	COR-010	Y
Corema Loyalty Transaction Data Feed	COR-011	Y
Corema Loyalty Medallions	COR-012	Y
Corema Loyalty Systems Monitoring	COR-013	Y
Corema Loyalty Operational Reporting	COR-014	Y
Corema Loyalty Cache Guide	COR-015	Y
Corema Loyalty Instant Winner Guide	COR-016	Y

⁷ Every order of a Corema Loyalty system is supplied with the full set of Corema Loyalty documentation on the Installation CD-ROM.

C. StoreNext Services

Fujitsu is dedicated to the support of StoreNext. We know that by providing great support, the partnerships will thrive against competitor Dealers, growing both the Dealer's business and our own.

1. Sales Campaign Support

Strong support of your sales campaign is an important place to start. You know that powerful campaign brochures and presentations can speed up the sales cycle, support your sales staff, remove objections and diminish discounting, increase credibility and dramatically improve your closing rate.

PRESENTATIONS

Fujitsu's Presentation Kits are carefully thought out and developed for the optimal Independent Grocery selling strategy today, and provide new materials in electronic media together with scripts/presenter's notes.

All of the presentations are now provided exclusively on electronic media. The requirements are that the PC must be connected to a color VGA monitor and that your software includes Microsoft Windows. The presentations are all provided with the Corema Loyalty CD-ROM in Microsoft PowerPoint files. If you do not have Microsoft PowerPoint but still wish to use the electronic version of these presentations, a special viewer for PowerPoint is available from Microsoft at no charge which lets you show the slides on your PC without a copy of PowerPoint.

Several presentations are currently available on the StoreNext web site – Dealers are encouraged to download and use these at no charge.

PRINTED MATERIAL

A special campaign brochure for Corema Loyalty will be available in September 2002. It is being developed to enhance the set of campaign brochures developed especially for the Dealers and designed to reinforce and complement the Presentations as a leave-behind. This Corema brochure is designed to complement and reinforce other materials, such as the hardware and software brochures and datasheets along with the striking white folders for a spectacular printed set.⁸

Other Corema Loyalty printed material available from the StoreNext web site includes:

⁸ Please note that the above materials are under constant revision – please consult your Fujitsu Account Representative regarding questions on updated offerings

Document Title	Reference	Electronic
Corema Loyalty Data Sheet	COR-DS-001	Y
Corema Solutions Data Sheet	COR-DS-002	Y
Corema Target Data Sheet	COR-DS-003	Y
Corema Analytics Data Sheet (previously Corema "Warehouse")	COR-DS-004	Y
Corema Loyalty Service Descriptions		
Requirements and Specification Service Description	COR-SD-001	Y
Installation and Implementation Service Description	COR-SD-002	Y
Training Service Description	COR-SD-003	Y
Go-Live Support Service Description	COR-SD-004	Y

2. The Sales Cycle

This section describes the Corema Loyalty sales cycle process and the responsibility for each element in the cycle through to completing a successful Corema Loyalty sales campaign.

DEALER RESPONSIBILITIES

StoreNext looks to the Dealer channel to maximize the exposure of Corema Loyalty to the known ISS45 user retail marketplace. It is Fujitsu's intention to provide support to the Dealers to make Corema Loyalty a simple sell to suitably qualified customers. In recognition of this, Fujitsu is making available sales tools and collateral to the Dealers to enable the early part of this process, and to build confidence within the Dealer channel in selling this product. The Dealer community will be responsible for identifying prospect customers and managing their customer through the sales process, with Fujitsu's technical sales support, to a successful conclusion and order.

FUJITSU'S RESPONSIBILITIES

Fujitsu will provide a Specialist Sales contact to the Dealer who will provide expert knowledge of Corema Loyalty during customer presentations and meetings. We can also provide an onsite or remote demonstration of Corema Loyalty to interested customers.

Furthermore, Fujitsu will provide technical advice and guidance to the Dealer and/or the customer on the solution infrastructure, the Corema Loyalty product, associated services and interpretation of the customer's stated requirements.

Finally, Fujitsu will also work with the Dealer to provide a formal proposal document, pricing and delivery timeline to the customer.

COORDINATED RESPONSIBILITIES

Ultimately, the management of the sales cycle to a successful conclusion lies with the customer's known and trusted contact, the Dealer. The delivery of the product solution and the associated services will lie with Fujitsu. In recognition of these split responsibilities, Fujitsu has structured the Dealer compensation to be paid once the order is completed and the solution software is delivered.

DEALER COMPENSATION

In return for finding and managing a prospect customer into a successful sale, Fujitsu will compensate the Dealer with a payment equivalent to ten (10) percent of the Corema Loyalty license fees as contracted on the order. This will be payable when the customer pays the Corema Loyalty software license fee.

3. Anatomy of a Sales Campaign

The following provides an example of a typical sales campaign and implementation of Corema Loyalty.

- 1) The Dealer identifies a suitable prospect for Corema Loyalty, or is preparing to respond to an RFP for a customer who is:
 - At, or moving to ISS45 V7 or V8
 - Has, or interested in a customer loyalty model
 - Has, or interested in targeted marketing programs
- 2) The Dealer establishes customer interest in Corema Loyalty package, or via the Channel Manager, the Dealer contacts Fujitsu's Corema Loyalty Specialist Sales, who will:
 - Support the Dealer by making a Corema Loyalty presentation on-site, or remotely by Webex
 - Demonstrate Corema Loyalty to the customer
- 3) The Dealer manages the continuing sales cycle with support from Fujitsu Specialist Sales, who will:
 - Advise on infrastructure and sizing, according to customer requirements
 - Confirm Corema Loyalty pricing
 - Advise on professional services that may be required for any requested customization
 - Advise on integrating with legacy systems
 - Advise on appropriate implementation and support services
 - Prepare a proposal tailored to the customer's requirements when appropriate
 - Agree an initial project timeline for delivery
- 4) The Dealer and Fujitsu close the sale with an order for Corema Loyalty software and services
- 5) The Dealer negotiates terms for Dealer-provided professional services (rollout, etc.)
- 6) The Channel Manager confirms the order with Fujitsu's Corema implementation team
- 7) Fujitsu begin preparations for implementation with the Dealer and customer
- 8) Fujitsu delivers the Requirements and Specification Service

- 9) Fujitsu confirms the full project plan with the customer and Dealer
- 10) Customer provides the agreed infrastructure
- 11) The Dealer installs software and hardware as necessary in the stores.
- 12) Fujitsu deliver the contracted Corema Loyalty software and implementation services
- 13) Customer goes live with Corema Loyalty
- 14) Customer pays Dealer for products and professional services provided by the Dealer
- 15) Customer pays Fujitsu for the software licenses
- 16) Fujitsu pays the Dealer the share of the license revenue
- 17) Fujitsu start Telephone Support service post warranty period
- 18) The Dealer qualifies the customer for extension Corema Solution sales of:
 - Corema Target
 - Corema Data Warehouse

D. Configuration, Pricing and Ordering

1. Corema Loyalty pricing

The following section provides pricing for the Corema Loyalty software license and associated services.⁹

The Corema Loyalty license charges are dependent upon the size of the chain to be brought under contract. Corema Loyalty is sold as a one-time enterprise license covering the total number of stores contracted. The base price covers up to twenty stores, and varies dependent on the total configuration and whether the retailer contracts for a primary server, resilience server and lab server. For operations larger than twenty stores there is an additional charge of \$1,000 per store.

Licenses for Corema Loyalty Resilience and Laboratory servers are shown separately and are licensed by CPU.

TELEPHONE SUPPORT AND SOFTWARE MAINTENANCE

The annual charges for telephone support and software maintenance are charged at 20% of the total initial license fee. As stores are added to the chain, the annual support renewal fee will reflect the license fee for the total number of stores.

The standard hours covered are Monday to Friday 8:30AM–5PM local time. Telephone Support and Software Maintenance can be extended to 24/7 coverage for an additional annual charge of 10% of the current license fee.

These prices are listed below, together with some examples:

PIN	Item	Price
CORLOYALTYPRI	Corema Loyalty License for Primary Server (Up to 20 stores). Includes 89000105 Corema Loyalty Software, Documentation, CD-ROM	\$ 50,000
CORSTORE20	Per Store License (per store for the first 20 stores)	1,500
CORSTORE	Per Store License (per store above 20 stores)	1,000
CORLOYALTYRES	Corema Loyalty License for Resilience Server (per CPU)	2,800
CORLOYALTYLAB	Corema Loyalty License for Laboratory Server (per CPU)	2,800
	Telephone Support and Software Maintenance ¹⁰	20%
	Extended Telephone Support ¹¹	10%

⁹ It does not provide pricing for the hardware server components or the operating system or database software. These items will not be supplied by Fujitsu. It is the responsibility of the retailer to provide these components built and ready for Corema Loyalty to be installed.

¹⁰ 20% of total Corema License fee (i.e. CORLOYALTYPRI + CORSTORE). Maintenance Services are not ordered by PIN. Period covered is Mon-Fri 8.30-5pm local time

¹¹ 10% of total Corema License fee (i.e. CORLOYALTYPRI + CORSTORE). Maintenance Services are not ordered by PIN. Period covered is 24/7.

Example	Item	Price	Price Calculation
5 Stores	Corema License	\$ 57,500	$(\$50,000 + 5 \times \$1,500)$
	Telephone Support & Software Maintenance (20%)	11,500	(20% of \$57,500)
	Extended Telephone Support (10%)	5,750	(10% of \$85,000)
25 Stores	Corema License	\$ 85,000	$(\$50,000 + 20 \times \$1,500 + 5 \times \$1,000)$
	Telephone Support & Software Maintenance (20%)	17,000	(20% of \$85,000)
	Extended Telephone Support (10%)	8,500	(10% of \$85,000)
46 Stores	Corema License, Primary and Resilience	114,400	$(\$50,000 + 20 \times \$1,500 + 26 \times \$1,000 + 3 \times \$2,800)$
	Telephone Support & Software Maintenance (20%)	22,880	(20% of \$114,400)
	Extended Telephone Support (10%)	11,440	(10% of \$114,400)
73 Stores	Corema License, Primary, Resilience and Lab	147,000	$(\$50,000 + 20 \times \$1,500 + 53 \times \$1,000 + 3 \times \$2,800 + 2 \times \$2,800)$
	Telephone Support & Software Maintenance (20%)	29,400	(20% of \$147,000)
	Extended Telephone Support (10%)	14,700	(10% of \$147,000)

RETAILER GROWTH

The Corema Loyalty license model is designed to be flexible as the retailer grows. As more stores are added to the chain, the retailer can purchase one-time license keys for the additional stores. The license for each additional store is \$1,000 (\$1,500 for stores up to a store count of 20).

PROFESSIONAL SERVICES

As discussed earlier in this document, there are a number of Corema Loyalty professional services designed to ensure that Corema Loyalty is installed and transitions into a live environment successfully and with minimum disruption to the retailer's business.

The following table provides pricing for the Corema Loyalty professional services:

PIN	Service Description	Price	Days	Site
CORLOYFRSSER80	Corema Loyalty Requirements & Specification — up to 80 Stores	\$15,600	5	On & off site
CORLOYFRSSER150	Corema Loyalty Requirements & Specification — 80 to 150 Stores ¹²	31,200	10	On & off site
CORLOYINSSER80	Corema Loyalty Installation & Implementation ¹³	39,500	20	On & off site
CORLOYINSSER150	Corema Loyalty Installation & Implementation ¹⁴	79,000	40	On & off site
CORLOYTRASER1	Corema Loyalty Training — One Complete Set of Classes	14,000	10	Onsite
CORLOYTRASER2	Corema Loyalty Training — Two Complete Sets of Classes	21,000	15	Onsite
CORLOYTRASER3	Corema Loyalty Training — Three Complete Sets of Classes	28,000	20	Onsite
CORLOYGOLSER15	Corema Loyalty Go-Live Support — 15 Days	24,000	15	On & off site
CORLOYGOLSER25	Corema Loyalty Go-Live Support — 25 Days	36,000	25	On & off site
CORLOYGOLSER30	Corema Loyalty Go-Live Support — 30 Days	43,200	30	On & off site
CORLOYGOLSER35	Corema Loyalty Go-Live Support — 35 Days	50,400	35	On & off site
CORLOYPSSER1	Corema Loyalty Professional Service (per day)	1,600	1	TBD

DEALER'S FEE

The Dealer will receive a fee from Fujitsu equal to 10% of the total license fee from the user. Professional Service charges are specifically excluded. The fee will be payable upon go live. No fees will be paid to the Dealer until Fujitsu has been paid by the customer.

¹² Chains over 150 stores will be negotiated with Fujitsu.

¹³ Assumes Corema Cache will be installed on the in-store PoS controllers by the retailer. Otherwise the Dealer should add an additional charge to the installation fee to deliver this service in each store

¹⁴ Assumes Corema Cache will be installed on the in-store PoS controllers by the retailer. Otherwise the Dealer should add an additional charge to the installation fee to deliver this service in each store

2. Corema Loyalty Configuration

The following table provides guidance on the configurations required for Corema Loyalty.¹⁵ The configuration is developed for each individual retailer based on the current and projected number of stores, number of current customers and volume of transactions:

Number of Stores	Item	Number of Servers	Number of CPUs	Total Memory	Total Disks (36GB)	Disk Space (GB)
20-50 stores	Primary	1	2	2	6	216
	Resilience	1	2	2	6	216
	Lab	1	2	2	4	144
51-75 stores	Primary	1	3	3	8	288
	Resilience	1	3	3	8	288
	Lab	1	2	2	4	144
76-100 stores	Primary	1	3	3	10	360
	Resilience	1	3	3	10	360
	Lab	1	2	2	6	216
101-125 stores	Primary	1	4	4	12	432
	Resilience	1	4	4	12	432
	Lab	1	2	2	6	216
126-150 stores	Primary	2	5	5	16	576
	Resilience	2	5	5	16	576
	Lab	1	3	3	8	288
151-175 stores	Primary	2	6	6	20	720
	Resilience	2	6	6	20	720
	Lab	1	3	3	8	288

¹⁵ These configurations are provided for guidance only in estimating ballpark hardware pricing. The final configuration will not be confirmed until after the Requirements and Specification Service is completed.

Number of Stores	Item	Number of Servers	Number of CPUs	Total Memory	Total Disks (36GB)	Disk Space (GB)
176-200 stores	Primary	2	7	7	22	792
	Resilience	2	7	7	22	792
	Lab	1	3	3	8	288