

## Update Bulletin

### Enterprise Systems Updated Program

February 6, 2006

Last May, StoreNext formed the Enterprise Systems group to work with the Dealers and Wholesalers to develop programs for selling, implementing and supporting our enterprise systems. During this assessment period, we talked with many of our Dealers and Wholesalers to better understand the issues and opportunities within StoreNext's existing programs.

StoreNext recently completed evaluating our effectiveness in promoting and selling Connected Services, RBO and Retailix Store and HQ (formerly TCI) enterprise applications. The results to date are disappointing — fewer than half of StoreNext's dealers are selling StoreNext enterprise systems today. This has exposed major holes in our geographic coverage, preventing StoreNext from meeting our market share expectations.

Several factors contribute to this situation, including:

1. Selling enterprise systems is typically a low priority for Dealers who sell POS systems. This causes conflicting priorities between the Dealers and StoreNext, because StoreNext doesn't get the needed sales penetration for enterprise systems from Dealers.
2. Many Dealers simply don't sell StoreNext enterprise systems at all — creating large geographic coverage gaps. And, of course, some Dealers sell competing systems.
3. Some Dealers assume that sales and/or support of an enterprise system will be too complex and strain their resources and therefore never get involved. Instead, they may let wholesalers or enterprise system vendors make the sale as well as provide the implementation and support services for these enterprise systems.
4. Other Dealers believe there are too few margin dollars available in enterprise systems. This is most common in selling upgrades or back-office software to a customer who is not changing their POS. Dealers therefore gravitate to other products where they can get "in and out" with the sale and implementation creating higher margin quickly.
5. Non-StoreNext POS Dealers are apprehensive about the purchase of TCI by Retailix. They see the StoreNext POS Dealers as a threat, and some believe that they are better off selling a non-StoreNext enterprise system rather than take the risk that we might funnel their prospect information to a StoreNext store systems Dealer in hopes of getting the POS business.

All of these factors pose problems for enterprise systems vendors working to sell their solutions into the small to medium retailer (SMR) market. So StoreNext and other vendors have all had to develop strategies which get us closer to the customers themselves. Many times this involves selling the user directly or through a Wholesaler whose business model requires locking retailers' purchases to keep them tied-in.

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## GO-TO-MARKET STRATEGY FOR ENTERPRISE SYSTEMS

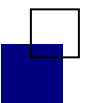
StoreNext's 2006 go-to-market strategy uses a combination of enterprise systems Dealers, grocery Wholesalers, and StoreNext salespeople to maximize sales of enterprise systems.

- *Enterprise Systems Dealers* — StoreNext will continue to work with StoreNext store systems Dealers as well as non-StoreNext POS Dealers (primarily NCR and IBM Dealers) to sell enterprise systems to the SMR market. However, we will focus the Dealers on the *selling* effort and not the “provisioning” (installation, support and other professional services) of these solutions, especially with Connected Services. StoreNext will also involve more Dealers via the expanded use of referrals in conjunction with a direct sale whenever possible.
- *Wholesalers* — StoreNext has developed a Wholesaler program that customizes the program based on the level of participation the Wholesaler desires in working with StoreNext — recommending, endorsing or selling. Wholesalers can take on minimal responsibility by putting StoreNext enterprise products on their approved list and doing the billing to full sales and support of the retailers. However, we will also work with Wholesalers at much higher participation levels to drive demand for enterprise systems from their members by taking on the full selling responsibility for Connected Services and our other systems. This Wholesaler approach is consistent with the strategy previously deployed at TCI.
- *StoreNext* — StoreNext will sell directly into the SMR market when no other practical alternatives exist. For example, there may be no Dealer in the area, or our store systems Dealer in the area sells a competitive solution. StoreNext will also continue to work personally with our Dealers on multiple-store and HQ opportunities: these are typically sophisticated buyers with a knowledge level surpassing that of most Dealers, and StoreNext internal expertise is needed to communicate effectively regarding enterprise systems at the depth required. StoreNext will continue to run such larger deals through the Dealer in most such cases. And, of course, we will continue to drive enterprise solution demand with advertising, trade shows, direct mail and possibly some telemarketing in 2006.

## TARGET MARKETS FOR ENTERPRISE SYSTEMS

The target market for each of our enterprise products varies depending on the product.

- The target market for Retailix Store and HQ is small chains with 10 stores or less. This was basically TCI's established cut-line between Direct and Dealers prior to the acquisition by Retailix. This target market definition is basically unchanged since Retailix already has a direct sales organization selling the Retailix Store and HQ products to those accounts with more than 10 stores. However, StoreNext has made one significant change in the target market — which is that StoreNext Dealers can sell Retailix Store to larger-than-10-store accounts when new StoreNext POS is sold at the same time. Retailix direct sales will retain HQ system sales responsibility in these accounts.
- The target market for Connected Services will remain the same as it has been: accounts doing less than \$500M in revenue per year. There are additional named accounts outside of this target market which have been assigned to StoreNext and they will continue to be targets for enterprise systems.
- The target market for RBO will also remain the same as it has been, focused primarily on ISS45 and ScanMaster accounts with gross revenues of \$500M in revenue per year. There



are additional named accounts outside of this target market which are assigned to StoreNext and they will continue to be targets for enterprise systems.

## DEALER STRATEGY FOR ENTERPRISE SYSTEMS

The Dealer strategy for enterprise systems is changing in 2006 and it varies slightly for licensed products, like RBO and Store, versus subscription products such as Connected Services. In all cases, we will determine whether each Dealer wants to become certified for full engagement with the products — and if so what revenue commitment the Dealer is willing to make.

StoreNext will use a multi-tiered approach for Dealers selling Connected Services in 2006. Dealers will have the choice of either being a Referral Dealer — which means passing the lead onto StoreNext to carry out the sales campaign — or being a Selling Dealer. Selling Dealers will be fully certified to sell the features, function and benefits of Connected Services and managing the sales process. A Selling Dealer must also commit to hitting annual revenue targets for Connected Services in its territory, as well as developing the resource plan to enable accomplishing these objectives.

With Connected Services, StoreNext is now taking on the responsibility of doing the provisioning<sup>1</sup> of new stores, which should reduce the time from signing the contract to actually generating revenue. Relieving Selling Dealers of these administrative tasks will also provide them with more time to go out and sell additional sites — instead dealing with the mop-up tasks and support of sites they have already sold.

We will work closely with Referral Dealers who choose to refer enterprise systems leads to StoreNext without taking on the sales campaign responsibility. Retailers sold in this manner will actually become direct customers of StoreNext and StoreNext will provide all of the selling effort, implementation services and support to the customer. Referral Dealers will enjoy a new sales participation fee model for compensation.

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These revisions in StoreNext's go-to-market strategy will make both Dealers and StoreNext more effective in the marketing and sale of enterprise systems — and therefore make us all more money and provide higher customer satisfaction. The new program, as it relates to Connected Services, is outlined in more detail in the current issue of the Connected Services Program Bulletin ([MB 1185](#)).

To Your Continued Success in 2006,



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*Tom Saari*  
*Vice President, Enterprise Systems*

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<sup>1</sup> That is, the installation, support and other professional services required for implementation of the product. This will be done by a special StoreNext Provisioning Team.