Avoiding the Ten Most Common Mistakes in Retail Technology

One of the most frightening purchases that a retailer ever makes is their technology. The reason for this is that unlike inventory, which hopefully will sell in the next few weeks or months, the technology investment is for years. A mistake in inventory is often remedied by a series of markdowns. A mistake in technology can sometimes be remedied by bankruptcy court. For this reason, retailers have to be very careful of what they invest in.

Following are ten very common mistakes that I have not only made myself, but continue to see retailers make over and over again. The mistakes are not in order of magnitude, but any one could ruin a store.

1. Little or No Staff Training

Often, the single biggest mistake retailers make when implementing technology is to dismiss the importance of staff training. A store can have the very best software, but if no one understands it or knows how to use it properly, it could put a store out of business.

It is very important that money be budgeted for both hardware and software training. While it is true that sufficient training can cost up to eight times what is spent on software, minimum training exposes the retailer to more risk. This risk translates into frustrated customers, inadequate inventories, discontented sales people and ineffectual support staff. Therefore to reduce the risk, training expenditures must be increased.

Insist on four levels of training:

During the pre-install, time should be spent deciding the exact order of installation and how the installation will be executed. At this stage, training schedules should be created. During this pre-install time, the decisions on department/class should also be made. This session may take anywhere from half a day to five days, depending on the size of the retailer.

During installation, the staff should be trained. In larger stores, the trainers themselves are trained and they in turn instruct sales associates and support staff. Installation may be expected to last one to five days.

At the end of the first month, training should be conducted once again, since month-end reports must be generated and staff may have forgotten the previous training. One to four days should be set aside for this task.

Four to six months after installation, the retailer is finally ready to learn how to strategically use the system, so the Software Company must return

to teach this strategic dimension. Only at this stage does the retailer receive pay back from the new technology.

2. Not Fully Understanding the Needs and Benefits

Some retailers have difficulty determining what their technology needs really are because their manual system of operation is not clearly defined from the start. The solution is to prepare a detailed needs analysis that includes every aspect of the store operations. This makes it easier to quantify benefits and cost-justify expenditures. The best way for retailers to know if a particular technology is suitable is to consult with other retailers in the same line of business that have implemented the same technology. Only experienced retail users can offer an honest appraisal. (Forms for this analysis are available for downloading on www.nrf.com under the independent stores banner.)

3. Buying Cheap Hardware and/or Software

Some retailers only want the cheapest hardware and software on the market. So they purchase unreliable hardware that puts their business at risk.

Quality technology costs money and you'll get what you pay for.

Buy with the next two years in mind and buy the best technology you can afford. Follow these guides:

- For high volume point-of-sale applications, budget $800 to $900 for a really good fast thermal printer
- Don't scrimp when it comes to scanners, input of SKU data is the most data intensive part of a retail business. The faster and more accurate the scanner, the more time you will save at POS
- Join into a Maintenance Repair Contract that provides 'tune-ups' for the equipment at regular intervals. Establish one-day service or even one- or two-hour service for repairs and don't let maintenance contracts lapse

4. No Department/Category Discipline

If there are no departments, categories, sub-categories used, there is no way to interpret data and get increased efficiencies and sales. Therefore, categories and sub-categories must be clearly defined. Never have more than 10 departments, never more than 10 categories per department and never more than 10 sub-categories per category.

Retailers must fully understand that their customers are the ones defining these categories by what they purchase. (Customers vote with their wallets!)

Misinterpretation of POS data leads to faulty purchasing decisions, faulty markdowns and a host of other mistakes.

5. No Back up of Data, Unprotected System

It is very important that retailers back-up their system and it must be done correctly. Disaster could happen if tapes are old, worn out, kept on-site or exposed to magnetic fields. The best ways to avoid disaster is to:

- Buy the best back up hardware available
- Replace back-up tapes frequently
- Perform a full system back up daily
- Verify weekly with full restore (best to a second hard drive used for this purpose only)
- Keep back-up back up tapes in fire proof safe and off site

It is equally important to protect your system by scanning for viruses, implementing passwords and locking floppy drives. However, do not use a virus scan that is memory resident as it can cause more problems than it fixes. Make sure scanning is performed every time a floppy disk is used or each time a file is downloaded.

6. Underestimating or No Existing Data Conversion

If data in your current system is stored in an outdated format, decide what is really necessary to have on-line in your new system and convert that, then print out the remainder for a paper trail. Customer mailing lists, item masters and supplier files are relatively inexpensive to convert, but expenses mount quickly when converting transaction data.

7. No UPS

For each POS station, budget at least $200 for an uninterruptible power supply (UPS) with power chute software. Similarly, back-office workstations and servers also need adequate power protection. If this is not done it can result in lost data, incomplete polling, incomplete back ups, fried CPUs, POS transactions lost and upset customers. The investment in this very simple piece of equipment will return greater savings than almost any other item in technology. Also, remember to test your UPS monthly, they do wear out over time and the battery will not hold as much power.

8. Purchasing 'One Size Fits All' and 'Modified' Software

Never be the beta tester of software and if someone says modification, run.

It should be possible to find software that meets 95 percent of your needs. Look at programs that are used primarily by the same type of retailer, so

that the majority of the enhancements and research and development will have been done to benefit your type of business. Software should be reasonably customizable, without the need for major modifications. And remember to stay in the upgrade path and never fall more than one release behind.

9. No Open-to-buy Plan and No Plan to Sell

Use an open-to-buy program every month and one that assists in planning sales and events. Re-key or move your actuals into it and do the same with cash flow. If this is not done, over buying and over inventory could occur and could cause a cash crunch every month. The best open to buy programs are spreadsheet driven and allow you to do many "what if" calculations as well as update each month as your real numbers come in.

10. Not Reading Documentation of Hardware and Software

If you believe 'real men and women' do not read manuals you could be under-utilizing your software. Don't waste time with inefficient use of programs and equipment. Learn what causes errors and how to fix them. Always read the documentation that comes with your hardware and software. When a problem arises, check the documentation first, often the solution is right there. Also, remember when purchasing your hardware and software, be sure it comes with on-line help and training.

Can you successfully avoid all of these mistakes? We hope that "an ounce of prevention is worth a pound of cure."