

# selling around the recession

As merchants jockey for sales and seek operational efficiencies, customer-facing technologies and bundling solutions may flourish

By Julie Ritzer Ross

## KEY NOTES

- ▶ Self-service POS stations and kiosks, as well as “order-and-pay” kiosks for quick-service restaurants, are expected to present opportunities both in the short term and when the economy improves.
- ▶ Bundled, specialized solutions positioned as value-adds and targeting small- to medium-sized businesses, individual vertical sectors, or both also are expected to gain ground.
- ▶ Projects must have a quantifiable return on investment. ISOs must support the ROI with solid data.

Merchants seeking to improve the customer experience to spur sales during the current economic crisis are giving ISOs an opportunity to recommend new customer-facing technologies. Many merchants had already completed the 2008 budgeting process by the time the worst of the financial storm hit and “are still spending money into early 2009,” says Mike Griswold, vice president of retail at Boston-based AMR Research.

Experts anticipate a continued focus on technologies that enhance the customer experience, improve operational efficiency, or both. For many merchants, fulfilling customer service objectives and streamlining operations are so critical that investment in self-service is an absolute must no matter what the balance sheet says, according to Jeff Roster, research vice president for retail at Gartner Inc. in Stamford, Connecticut.

### Self-Service Sells

Some vendors already have seen an uptick in demand for self-service solutions

and checkout options. “People assume that in an economic downturn consumers are only motivated by price, but (our) research shows that (they) are clearly demonstrating a preference for retailers that can meet their expectations through self-service options,” and retailers are heeding the call, says Mike Webster, chief strategy and communications officer for NCR Corp. in Dayton, Ohio. According to an NCR survey, 72 percent of consumers are more likely to patronize a merchant that gives them the flexibility to interact easily via self-service channels.

Self-service POS stations and kiosks, as well as “order-and-pay” kiosks for quick-service restaurants, are expected to present opportunities both in the short term and when the economy improves. Quick-service restaurants demonstrate a “keen interest” in the customer-facing capabilities of kiosks, according to *Hospitality Technology* magazine’s 2008 Self Service Tech Study. “Order-and-pay” is the most desired feature of kiosks (82 percent), according to the study. Operators also identified self-service kiosks, including those with



payment capabilities, as one of the top 10 technologies that will have the greatest impact on the multi-unit restaurant industry in the next three to five years.

While restaurants have been especially hard-hit by the economic downturn, “pay-at-the-table” options that allow consumers to pay their checks without leaving their seats will likely remain a sweet spot as well. Thai Basil, a one-unit operation in Lake Oswego, Oregon, recently implemented the Pay@Table portable payment solution from vendor Ingenico of Neuilly-sur-Seine, France. The solution handles PIN-based debit, signature debit, and gift cards. If it can help turn tables significantly faster and cultivate customer loyalty, it will render the cost of implementation worthwhile, says Thai Basil owner Vone Phandouangsy.

Similarly, Roosters in Margate, Florida, uses DineBlast Mobile, a solution by Soft-Touch POS (also of Margate), which allows guests to pay from their tables using their own mobile communication devices, such as an iPhone or BlackBerry. When they’re ready to pay their check, they turn on their mobile device, connect to the in-store WiFi network, and navigate a screen to select their check, add a tip, and enter their credit card information. A designated printer provides hard copies of receipts customers can sign on their way out.

“We figured, despite the expense, this is perfect,” says Michael Courtney, owner and operator of Roosters.

### **Bundling Boosts Efficiency**

Bundled, specialized solutions positioned as value-adds and targeting small- to medium-sized businesses (SMBs), individual vertical sectors, or both also are expected to gain ground despite economic conditions.

SMBs will continue to implement bundled solutions with integrated payment processing, customer loyalty, gift card management, and similar enhancements going forward, says Alan Hayman, president of Potomac, Maryland-based Hayman Consulting Group. “Retailers are, and will be, looking to these point-of-sale products to forge tighter links with consumers and do what the big guns do in

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**—Mike Webster, chief strategy and communications officer, NCR Corp.**

terms of operating efficiencies,” he says.

The fact that vendors have been heeding the call for such solutions should fuel the fire. For example, Retailix subsidiary StoreNext Retail Technologies of Plano, Texas, and Armonk, New York-based IBM Retail Store Solutions have inked a deal in which StoreNext now markets IBM SurePOS retail terminals with StoreNext ISS45 and ScanMaster grocery POS software solutions. StoreNext also bundles the IBM platforms with the Retailix StorePoint POS solution for the convenience store-fuel segment. The ScanMaster and ISS45 systems are fully integrated with IBM’s SurePOS 300, SurePOS 500, and SurePOS 700 terminal lines.

Radiant Systems of Alpharetta, Georgia, UTC Retail of Victor, New York, and Hewlett-Packard are jumping into the fray as well. “Integrated e-commerce, gift card, and customer loyalty platforms, in particular, have evolved from being nice perks, to essential POS systems components,” says Chris Moreira, Radiant Systems’ director of marketing. The company is integrating payment processing services available through its newly formed Radiant Payment Services business unit with its retail and hospitality POS systems.

Meanwhile, UTC Retail has launched “Bundled Solutions” for the SMB specialty retail market. UTC Retail Merchant, a multi-channel enterprise software solution, incorporates POS/transaction processing,

warehouse, back office, e-commerce, and inventory management software. Several complementary modules—including UTC Retail POS-W, UTC Retail Open2Buy, UTC Retail Gift Card, and UTC Retail Traffic—are optional.

On the hospitality side of bundled solutions, analysts peg self-service kiosks that are integrated into restaurants’ POS and/or kitchen management systems as winners in a tight economy because of their potential to contribute to lower labor costs—a key factor in maintaining margins.

### **Roadblocks Loom**

While all of this news seemingly bodes well for the ISO community, several hurdles must be cleared before any technological solution will pass muster with merchants, says Griswold. First, projects must have a quantifiable return on investment. ISOs must support the ROI with solid data, whether gathered from vendor partners, information from established end-users, or both.

The second hurdle involves time frame. Potential end-user operations that may previously have been comfortable with 18- to 24-month paybacks from technology investments are now looking at six to nine months—12 at the most. “Projects don’t need to have a complete payback in that time, but they do need to start showing value,” Griswold cautions.

Business adaptability is the third roadblock. End-users in all markets are inquiring about the amount of “change management” involved in technology installation. Those with significant training or change management requirements are being postponed in an effort to minimize distraction and disruption.

While some estimate the U.S. economy will not see an upturn until late 2009 at the earliest, most expect a reversal of fortune to come in 2010. In the meantime, ISOs that concentrate on customer-focused technologies and prepare for hurdles will be well positioned to withstand the worst of recessionary conditions. **TT**

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