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**Commodities No More In Retail LP**

June 16, 2011

By Matt Pillar, editor in chief and Melissa Morris, publisher

Retailers are expecting more from their LP solutions, and the vendor community is forced to respond. This week's NRF LP Conference & Expo in Dallas showcased several vendors bent on de-commoditizing the tools of the trade by offering segment- and brand-specific product customizations.



Before we hit the exhibit floor at the NRF LP show on Monday, we enjoyed a tour of retail safe manufacturer Tidel's Dallas headquarters, led by VP of Sales and Marketing Ed Grondahl. That's where the inspiration for this column bubbled to the surface. If ever there was a commoditized piece of cash control hardware, it was the safe. You had lots of cash in your stores, you needed to safeguard it, and you put it in a big, heavy safe. Whether you ran a Wawa in rural Pennsylvania or a Coach in Manhattan didn't much matter — the safe was the safe.

But retailers in different segments have very different cash flows, very different note acceptance trends, and very different business processes. This is to say nothing of brand-driven operational nuances that further differentiate one retailer from the next. Grondahl explained to us how Tidel, a company that was literally born out of retail (it was originally an offshoot of the venerable C-store chain 7-11), leverages those specific needs and nuances in its ongoing development of a modular smart safe lineup that includes tens of base models and hundreds of configurations. The result of said development is a long list of firsts in automation features and an even longer list of powerhouse retail brands it calls customers. Tidel innovation includes bill and coin validators/acceptors that trim 6-8 hours of labor per day in typical 15-lane retail environments, networked smart safes that enable things like provisional credit (a means of making official bank "deposits" on cash that's in the safe but not yet in the bank, saving retailers excessive armored service fees and plenty of management time), and easily-accessible onboard memory chips that mitigate virtually any risk associated with failed motherboards.

When a certain massive QSR group recently visited Tidel to discuss its in-store safe needs and its dissatisfaction with a competitive manufacturer's response, the meeting led to the potential customer drawing a picture of its ideal safe on a Tidel whiteboard. The company had very specific requirements, most of which revolved around its in-store associate-level business processes and task efficiency goals — multiple note drop chutes, safe doors that closed automatically, and 20-second access alarms, among others. Hours later, the white board sketch was in a CAD system. Six weeks later the safe was a reality.

Grondahl summed it up as we watched custom smart safes roll off his Carrollton, TX-based assembly line. "There's a specific customer attached to every machine," he said. That philosophy has been the catalyst for the company's doubling in size over the past three years.

Over the course of this week's event, we looked for and found similar themes. The NRF LP exhibit hall floor is loaded with surveillance solution providers peddling cameras, DVRs, video analytics platforms, and so on. It used to be simple to procure such a solution — you had a space to keep an eye on, you plugged in a camera to keep an eye on it. Now, cameras and DVRs and the ability to analyze the rich data they collect mean multi-disciplinary benefits for retailers. In turn, that means retailers must make more complicated and thoughtful decisions when choosing camera/DVR/analytics providers. Having discussed this idea with multiple vendors this week, we know that some are more suited to meet specific application-level needs (dwell time monitoring, merchandising analysis, POS/data integration, training and operations, etc.) than others.

Over breakfast on Tuesday, Tom Rittman and David Speights of The Retail Equation further affirmed the customization trend. They discussed the levels of specificity they apply to the returns fraud mitigation solutions they sell to retailers in different segments. To effectively identify fraudsters, the company has to account for wild variations in return patterns from one retailer — and one customer — to the next. Typical return patterns are significantly different among big-box DIY customers than they are among Prada customers. The Retail Equation's ongoing monitoring and adjustments to the rules and consumer return scores it applies on behalf of its customers' return efforts result in highly customized solutions. Those customized solutions, however, typically achieve a common outcome — an average 8.2% reduction in returns.

In consideration of what's out there now, retailers should clearly communicate their segment, brand, and operations-specific needs and goals to their potential LP solution vendors. You just might be surprised at what you hear in response. If a vendor isn't willing or able to accommodate, keep looking. LP solutions are commodity propositions no more.

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