

Execute Price Changes in the Store More Effectively

How integrated mobile technology can reduce price marking costs 25 percent to 40 percent



A ZEBRA BLACK & WHITE PAPER






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Introduction

Price changes have evolved from simply being a reaction to purchasing mistakes, to a strategic tool that retailers apply to increase traffic and sales. Price changes may be required for regional pricing or other variable pricing strategies, promotional markdowns, clearance, seasonal sales, or product mix changes. Pricing is usually decided at headquarters, but where it really counts is in the store. For price changes to be effective, store operations must change to keep pace with changing strategies. Delays and errors in implementing price markdown strategies needlessly cost retailers millions in missed sales and increased labor costs. Delays in coordinating markdown prices on the shelf and at the POS also put retailers at risk for violating shelf pricing laws and checkout fraud.

Printing new price labels with real-time mobile printers closes the loop between pricing strategy and execution. Mobile printing is an essential tool for efficient price labeling management, and is also a proven practice to reduce labor costs and improve accuracy for markdowns and a variety of other retail printing applications.

Stores typically reduce their price marking costs between 25 percent and 40 percent by integrating price management software with mobile computing and printing operations, according to SofTechnics, a leading provider of retail pricing and inventory management software. This white paper explains how retailers are profiting from mobile markdown printing and other price labeling, and how different printing applications can be leveraged to create more value.

Pricing Strategies

Pricing strategies are a constant theme of discussion at all retailers, and one of the most common issues is: Which sells more at the best margins: end-of-season sales or regular markdowns?


Everyday Low Price

The everyday low price concept turns markdown into an obsession, based on the theory that people return to the place where they get the best price. It demands a minute-by-minute attention to the most aggressive price competitiveness, and focuses on in-store execution, which is all about labeling and re-labeling. Grocers and general merchandisers have invested heavily in the technology to manage such a business model, from space allocation, to price optimization, to perpetual inventory solutions.

End-of-Season and Special Event Sales

End-of-season sales and sales for special events continue to be a crucial part of specialty retailing. Back-to-School, Thanksgiving, and Anniversary sales represent a very significant proportion of annual sales. The ability to reduce or increase the price in the store is a powerful tool but fraught with danger:

- What happens if the label price is lower than the system price? Confusion at the POS? Customer dissatisfaction? Litigation? Ruined reputation?
- What if the label price is higher than the system price? Missed promotional opportunity? Unnecessarily reduced margin?



Yet all stores do make price actions, even with a label gun or a red pen, which give no assurance of accuracy or timeliness. Specialty retailers need to put to use the same technology in which the grocers and the general merchandisers began to invest some years ago. Fashion and other specialty stores need to present the “high quality/best value” model they purport to have adopted. And they need to develop a buzz about the store at the end of every week, not just at the end of the season. It’s price optimization and execution technology that they need.

Regional Pricing

Variable pricing is another strategy. Store chains typically implement variable pricing by region or demographic zone. They analyze buyer behavior by product and product line and find that certain products do not achieve margin or sales volume expectations at the regular price. By increasing the price in certain regions or zones, margins are increased and sales volumes are unaffected. By decreasing the price in other regions or zones, volume targets are achieved, though at a lower margin.

All of this sounds marvelous in theory. At headquarters, variable pricing models achieve the perfect balance of margin and sales volume. At the store level, it’s another story. Products in higher-margin regions don’t get labeled with the higher price and the mismatch between label and system can be costly. Products in lower-margin regions that don’t get labeled just don’t sell. The end result is often conflicts between store operations and pricing teams.

This is because ultimately, variable pricing can only be introduced if there is an efficient labeling technique at the stores. Some retailers have set up re-labeling lines in the distribution center for consumer electronics products, but for most product lines it is an expensive and time-consuming operation. It’s just not feasible. Re-labeling is a task that is best done at the store as goods arrive.

Price Optimization

Retailers do take a professional approach to markdowns and are making increased use of powerful price optimization software to improve decision-making and profitability. Price management software helps retailers increase revenue by recommending which specific items to mark down, when to do it, and by how much. Powerful forecasting algorithms analyze historical sales data and other factors to take a lot of the guesswork out of markdown decisions. Price optimization software provides similar input but can manage the entire product price life cycle. Good software is flexible enough to customize results for individual stores within a chain to account for geographic and demographic differences. It should also integrate directly with point-of-sale (POS) systems, and allow retailers to manage prices at multiple levels, including department, product class, sub-class/type, SKU, and U.P.C.

Price management software alone is not enough to stimulate sales and turn inventory. The software must be backed with strong processes and management to make sure recommendations are followed. Software can accurately tell the right item, right price and right time to mark down an item. But it can’t make sure the mark-down will be done right away; if it isn’t, sales will be missed. How efficiently price changes are handled will go a long way to determining the value and return on investment the price optimization system provides.

Retailers are making increasing use of regular markdowns and variable pricing strategies, but they still have to answer the big question: How will we implement all these price changes in the store?



Matching Strategy with Execution: Increase Profitability by 20 Percent

Variable pricing, re-labeling, and markdowns are a common, everyday occurrence in retail, although individual retailers and even individual stores within a chain differ greatly in how these pricing operations are handled. Pricing has become a science, but for most retailers, execution is anything but scientific. Price labeling should be managed with all the care and planning given to other key areas of the business, and supported with appropriate systems. Otherwise, retailers put themselves at risk for lost sales, sluggish inventory turnover, and inefficient labor practices. For example, one Zebra customer calculated it lost 20 percent of the potential profits from each promotion it ran because of the extra labor cost required to prepare for the sale.

The key question: How can you execute variable pricing and markdowns most efficiently?

The answer: via wireless label printing technology.

Large grocery chains have implemented such processes over the last five years for perishable foods. The big discount apparel retailers have done it for marking down branded clothing. But now, thanks to the ready availability of high speed and in-store wireless networks, chains of all sizes, even small specialty store chains, can implement regular markdowns.

Pricing systems from suppliers such as SofTechnics alert store managers of new pricing recommendations on their wireless PDAs and desktop PCs. Managers then approve the new pricing in real time to trigger new price labeling jobs to store associates in the aisles. Zebra® mobile printers are used to print the price change labels just where they're needed. Re-labeling can also be done at receiving as soon as goods arrive at the store. Retailers with effective variable pricing models and execution techniques scan in all shipments as they arrive. The system identifies those items that need re-pricing and automatically prints out new price tickets via a networked mobile label printer.

How Mobility Adds Value

Supporting pricing applications with wireless printing minimizes the incremental time required to re-label goods with markdown prices. Mobile and wireless computing systems already in use at thousands of retail locations are easily adaptable to support flexible, responsive markdown operations. By taking advantage of the existing in-store wireless infrastructure, retailers can create new price labels right in the aisles.

The return on investment for this operation comes from reduced labor time needed to label goods. The time savings range from 25 percent to 40 percent among SofTechnics customers that have converted to an in-aisle printing application. Integrated, in-aisle printing also gives retailers the pricing accuracy and other benefits associated with mobile printing, which will further improve the effectiveness of their markdowns and promotions. For example, printing a bar code on the new label means that clearance or marked-down products can be processed quickly at the POS and stock can be adjusted accurately. Yet at the same time, these reduced-price products are differentiated from regularly priced products so the system remains intact.



Specialty Apparel Success Story

MIM, a French retailer, reduced the time required to produce and apply markdown labels by two-thirds by switching from pricing guns to Zebra mobile label printers that receive accurate, real-time price information from a hand-held terminal.

Mobile printing in store aisles is a well-proven practice to improve efficiency, eliminate latency, and reduce labor requirements. In most applications, associates use a mobile printer with a handheld or cart-mounted computer to prepare markdown labels, audit shelf prices, and create new product or shelf labels. The printer and computer use a wireless local area network (LAN) connection to the store host system to get up-to-date price information and to verify that the price marked on the shelf matches what is being charged at the point of sale. If there is a discrepancy, new labels can be created and applied on the spot. These applications protect retailers against pricing errors and help comply with price accuracy laws that many states and countries have enacted. The process also helps catch missed markdown items, and thus reduce the resulting shrink.

Toys and Games Success story

Jumbo, the largest toy retailer in Greece, provides a good example of the accuracy and labor efficiency that wireless mobile printing provides. Store associates walk through store aisles to monitor which items need to be replenished on the shelf. Previously, associates wrote down which items needed to be restocked, then walked back to the office and turned in the list. Another employee entered the replenishment list into the store computer system, which forwarded it to the back office. Promotional stickers, sale price labels, and other price labels were produced on a printer in the back office, then taken to shelf locations for application. Each transfer represented a point in the process that could have resulted in inaccuracies or slowdowns.

Jumbo equipped its store associates with handheld computers and belt-worn printers so it could automate and decentralize its price labeling. Associates now produce price, promotional, and markdown labels while they are in the aisle. Jumbo reports associates are 80 percent more productive and save between 45 and 90 minutes per day by avoiding walking back and forth to the central office. Pricing errors have been reduced by 80 percent.

Supermarket Success Stories

The strategic IT development manager of international retailer Tesco said, “The Zebra portable printer, combined with the PDA terminals that our staff use throughout our stores, provides us with a rugged and reliable wireless mobile solution, live on the shop floor for price markdown.”

The IT director of a member company of international retailer Royal Ahold, after implementing an in-store price markdown solution using Zebra mobile printers, said “The solution works perfectly. It ensures we meet regulations and it gives us flexibility and efficiency.”

Another major supermarket chain eliminated a 20-person, six-hour night shift after changing processes that included switching to wireless mobile printers to create new shelf labels and conduct price audits. Now, a smaller team completes the same work in just one hour before the store opens using Zebra mobile label printers.



Conclusion

Mobile printing is an excellent enhancement to markdown and other price labeling operations. The labor savings alone provide strong return on investment, and the value is even greater when improvements to responsiveness and software effectiveness are considered. To maximize the value of mobile printing and the incremental improvements it provides to markdown management software, retailers should implement mobile printers that:

- Can integrate with the pricing system so printing is a one-step process;
- Are convenient for workers to use and load;
- Support enterprise wireless networking and security standards;
- Can be used for multiple in-aisle printing needs.

Zebra's white paper "*Wireless Labeling Solutions for Retailers*" provides more examples and information about price labeling, markdowns, shelf price auditing, and other printing applications. The retail and merchandising pages in the Industry Solutions section of Zebra's Web site, www.zebra.com, have more case studies, application information, and other resources, including an ROI calculator to help find the value of mobile printing applications in specific operations. No one offers more wireless and mobile printers or has implemented as many wireless printing solutions as Zebra Technologies. Contact us to see how we can help you improve your printing processes and boost your profitability. Call +1 800 423 0442 (in North America) or +1 847 793 2600. In Europe, Middle East or Africa, call +44 1494 472 872.



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