

SPECIAL REPORT: RETAIL VERTICAL WATCH

Channel Ecosystem Continues To Grow In Light Of
Emerging Marketing And Engagement Strategies



Vendors, distributors, and software and service providers are itching to cash in on trends uncovered at the 2013 NRF BIG Show that are expected to influence the market throughout the year. Rightfully so: due to the economic recovery, retailers are more eager to research and buy systems to help them keep pace with technological advancements and consumer trends.



“There’s a lot of pent up demand in the retail technology space as we come out of the recession,” Joe Finizio, President and CEO of the Retail Solutions Providers Association (RSPA), told Channel Marketer Report. “A lot of organizations held onto their basic technologies during that time and now are looking to replace them to better compete with online merchants.”

The new era of retail — which is more converged and interconnected than ever — presents an opportunity for innovation within the retail technology space. Finizio explained that more organizations are entering the channel marketplace, creating cutting-edge technologies that enable retailers to implement experiential marketing tactics and, in turn, optimize the customer experience.

Jerry Sheldon, Analyst at IHL Services, also confirmed a promising outlook for retail technology and solution providers: “Our research on the retail market is that it remains strong with respect to the overall North American economy. IT spend will outpace both gross domestic product growth and inflation.”

Calculating The Size Of The Retail Channel

But while the retail technology space is without a doubt getting larger, it’s difficult to quantify the exact size of vendor and partner ecosystems, Finizio explained. “A lack of substantial research, especially on the reseller side, is a top ‘Achilles’ heel’ for the retail technology industry. We just don’t have the data right now to really define the marketplace.”

Organizations such as RSPA, however, are striving to calculate the true size of the retail channel universe. “To sustain the marketplace and the entire channel, we need to pinpoint the new companies entering the marketplace,” Finizio stated, “determine how large the channel space is, and in turn, provide the optimal resources to help organizations succeed.”

VAR and ISV communities also are growing, Finizio reported, enabling vendors to develop relationships with organizations that will add greater value to their offerings. In fact, resellers will continue to play a pivotal role in channel operations, as long as they can provide the resources, information and solutions to help end-customers improve their businesses.

“The role of the VAR is very important because at the end of the day, a vendor needs someone to provide services to the technology,” Finizio said. “VARs help package a solution and provide value specific to customers’ needs, which is something a vendor can’t do alone.”

However, the growing channel ecosystem also may present some problems for organizations. With so many different solutions and offerings in the technology space, the end-user sales cycle has become significantly longer than in the past.

“Retailers are seeking the best way to make the shopping experience more compelling for consumers, whether it is through mobility, e-Commerce solutions, or others,” said Jeanne Aiken, Sales Manager at ScanSource POS and Barcode. “I believe the retail technology market is booming; the resellers I have spoken with are seeing more opportunities. But because there are so many opportunities out there, retailers are taking longer to figure out where to spend their money, which does pose some challenges.”

This more competitive marketplace confirms the importance of resellers engaging with end-user customers early on and providing effective consultation throughout the relationship, Aiken advised. “Resellers need to make sure end-customers understand all of the options and opportunities available to them, and how these new solutions may integrate into other offerings.”

Key Takeaways

- The retail IT space is growing, although no definitive research has pinpointed the actual size of the VAR, ISV and vendor communities.
- Emerging marketing and engagement trends are presenting new opportunities for resellers and solution providers to innovate.
- To stay relevant in a competitive space, vendors must formulate relationships with cutting-edge partners.

Mergers And Acquisitions: The New Channel Reality?

Within the last year, mergers and acquisitions have become key to helping vendors develop more cohesive, all-in-one solutions. In an effort to become one-stop-shops for retailers, a variety of leaders in the retail technology space have acquired smaller companies.

Recent mergers and acquisitions include:

- NCR's acquisition of Retalix;
- Oracle's purchase of Eloqua;
- Zebra's purchase of StepOne Systems;
- Revionics' acquisition of SKUloop;
- RedPrairie and JDA;
- NetSuite and Retail Anywhere;
- Dell's acquisition of Wyse, Quest, and more;
- ShopperTrak and ReTel Technologies; and
- Bazaarvoice and PowerReviews.



But is this a new reality for the retail technology channel? According to Finizio, it very well may be. “Those bigger acquisitions are reactions to the changes in the market,” he said. “A lot of new, smaller companies are coming into the marketplace and the larger ones are swallowing them up because, in essence, they’re looking to become solution providers in addition to vendors.”

Current capital available in the retail space is both “plentiful and relatively cheap,” Sheldon added. With so many organizations in the open market looking for an investment home, there is a plethora of opportunities for vendors to build up their retail solutions and services.

But the impact of these mergers and acquisitions on overall channel operations can vary, Sheldon noted. “Certain investment entities have a history of cutting both development and marketing, which will have a very negative impact on the channel dynamic,” he said. “If marketing and development continues to be invested in, the channel dynamic should be relatively inconsequential.”

As more merchants seek the tools and technologies to better connect with cross-channel shoppers, vendors, resellers and solution providers are revising their offerings to focus on two key trends: cloud computing and mobility.

“This sea change has occurred very rapidly,” Sheldon said, “and has forced companies to develop technology that either was not planned, or to find partners and resellers to produce the technology to fill a hole that was not previously on a roadmap. It all puts a strain on the technology community to develop the internal expertise necessary to meet those evolving needs within the customer base. Solution providers are stepping up to that challenge and are doing a great job at it.”



Key Takeaways

- Mergers and acquisitions are being more commonplace among channel organizations;
- Mobility and cloud computing are two key trends and opportunities for vendors, resellers and solution providers in 2013;
- More vendors are striving to create cohesive, all-in-one solutions for retailers based on emerging trends; and
- The “dynamic” of these mergers and acquisitions vary, but there is money to be made in the space.

Mobility Takes Over

To maximize sales and customer loyalty in 2013, retailers are seeking solutions that help improve the shopping experience across all channels — from the store, to the web and through mobile devices.

“Connected consumers are transforming the traditional retail experience based on their unprecedented access to information, with which comes incredible new power,” said Scott Welty, VP of Retail Industry Strategy at JDA Software. “If a retailer fails to live up to a product, service or price promise, consumers have several alternative purchasing options to consider — and a plethora of ways to share their negative experiences with extended online or social communities of potential buyers.”

Since 2010, mobility has been spotlighted as the Holy Grail for customer engagement. But it was during the 2012 holiday season that retailers were seeing more consumers tap smartphones and tablets to research products, share information across social networks and even purchase items.

In light of these consumer trends, the “mobile opportunity” is undeniable, which is encouraging more retailers to implement mobile solutions. Recent survey results unveiled by Boston Retail Partners in their **14th Annual POS Benchmarking Survey**, in fact, found that retailers surveyed have plans to increase spending on mobile POS (mPOS) solutions (60%) and customer-facing mobile solutions (57%).



“The consumerization of IT is encouraging enterprises to look less at rugged devices, and more at consumer-grade devices such as iPhones, iPod Touches and iPads to implement their mobility strategies,” explained Bob Grabowski, Vertical Marketing Manager for Retail at Honeywell. “Now, technology use in retail is spreading outside of operations and into marketing and the C-level suite. For example, organizations are empowering store associates with mobile devices to create a more valuable customer experience.”

Mobility — especially mPOS — is the “clear tipping point transforming retail from static, siloed channels to an integrated omnichannel retail experience,” said Bob Stegner, SVP of Marketing for SYNEX Corp. “The ability to capture real-time data and make decisions on inventory and pricing, and enable immediate transactions anywhere within the store is becoming critical for retailers.”

Vendors are keeping pace by releasing solutions that deliver upon new wants and needs among retailers, and formulating new relationships within the VAR community. Resellers should take a similar approach, according to Grabowski, by forming relationships with ISVs and other solution providers that may complement specific technologies.

“Retailers always are looking for suggestions, so the partners that learn the solution and can partner up with companies that specialize in delivering services to retailers will become the trusted advisors,” Grabowski stated. “Retailers are hungry for this kind of information and they depend on the VARs to come up with these ideas and assist them in the deployment process.”

Confirming the increased need for resellers to generate relationships and act as trusted advisors for end-users, Aiken added: “If a reseller doesn’t want to take on the skills necessary to help their customers grow, then we believe they need to partner with other resellers that do offer these solutions. They need to understand their customers’ businesses so that they can be a true partner in all aspects of a business.”

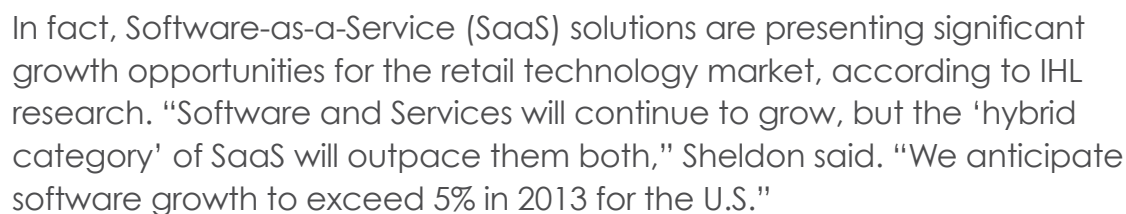
For example, SYNEX embraces new trends via its ISV community. ScanSource’s MobileTC program also helps reseller partners by providing a variety of tools and services to help sell and deploy mobile solutions.

“Through our enablement efforts, we’re making sure resellers have the information and access to the services they need,” Aiken said. The SUMO network and ISV Source programs also help connect ScanSource partners to others in the channel, including ISVs, vendors and other resellers “that can help them close a sale or offer complementary technologies or services.”

Key Takeaways

- **Mobility — especially mPOS — is becoming a key focus for many retailers;**
- **Retailers are seeking partners that will help them embrace mobility and connect to winning solution/service providers; and**
- **VARs are playing a pivotal role in retailers’ technology buying decisions — it is up to them to generate relationships and connect merchants to winning solutions.**

Cloud-based solutions also are emerging as a way to help retailers better keep pace with new technology trends such as mobility, decrease IT expenses, improve efficiency and flexibility, and obtain quicker access to data.



Dell, for example, recently made a number of acquisitions, including SonicWALL, Quest and Wyse, all of which were integrated together for a new solution, called Cloud Client Computing for Retail. Designed to be an end-to-end cloud solution that helps retailers' transition to an in-store cloud environment, the new offering is a part of Dell's ongoing transformation to become a "one-stop-shop for retailers," according to Mike Adams, Retail Industry Practice Lead at Dell. "Our retail strategy is to develop partnerships and complete acquisitions that add breadth and depth to our solution offerings."

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“The cloud continues to evolve with new and robust enterprise solutions while driving down the cost to end-users,” Stegner said. He added that not only do cloud-based solutions and as-a-service business models appeal more to the retail community, but they also generate more consistent revenue for the channel.

For example, SYNEX is providing Software-as-a-Service and Hardware-as-a-Service offerings to resellers, as well as leasing options, which “make it easier for a user to bear the costs of upgrading their system by spreading out the payments over time, and seeing the business benefits while they do so,” Stegner said. “This type of slow, steady increase in business will spur more companies to leverage these new financing options.

Key Takeaways

- **Software-as-a-Service will experience a growth of more than 5% in 2013 for the U.S., according to Jerry Sheldon, Analyst at IHL Services;**
- **Cloud-based solutions help retailers decrease IT expenses, improve efficiency and flexibility, and obtain quicker access to data; and**
- **Vendors are leveraging Software-as-a-Service and Hardware-as-a-Service models to ensure easier payment strategies, and help end-users see benefits as they go.**

2013 Brings New Opportunity Channel Innovation

As retailers consider their technology investments for 2013 and beyond, they'll be honing in on solutions that improve efficiencies across the organization, as well as optimize the customer experience across all channels.

“Technology always has been about inventory accuracy and productivity,” Grabowski explained. But now there is an increased emphasis on trying to increase same-store sales growth and get a better share of wallet by using innovative technology to increase customer engagement.”

Welty also commented on the role of technology in the shopper satisfaction and loyalty equation: “Successful retailers are focusing on creating great customer experiences. More than ever, there is a greater need to understand, anticipate and meet omnichannel shopper needs.”

To that end, vendors, resellers and solution providers have a new opportunity to increase sales by embracing mobility, cloud computing and other trends emerging in the retail marketplace. By formulating partnerships, organizations across the channel can create cohesive solutions that are truly relevant to the wants and needs of current and prospective end-users.



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