

The Declaration for Independents

StoreNext Declares Allegiance to Independent Grocers by Helping Them Harness the Power of Information Technology

As our forefathers once noted, the course of events sometimes requires a revolutionary response.

This statement couldn't be any truer when applied to the grocery industry and, specifically, to the nation's more than 21,000 independent grocers. Squeezed by razor-thin margins, compelled to keep pace with constantly shifting customer tastes, and buffeted by fierce competition from much larger competitors with far greater resources, independent supermarkets and small chains face an uphill battle in the war for consumers' grocery dollars.

Like our forefathers, independents face a daunting opponent—in this case one with superior resources and no reservations about using those advantages to steal share and force smaller competitors out of the marketplace.

As the world's leading supplier of retail technology solutions to the independent supermarket industry and the only IT company focused exclusively on meeting the needs of wholesaler-served independents and small chains, StoreNext understands the challenges they face, along with these *self-evident truths* about the grocery industry:

- **Independent grocers are the backbone of the retail food industry.** Combining innovation and entrepreneurship, they fill a crucial gap in the retail supermarket landscape, meeting their customers' needs with great products, unique selection, and the attentive service that only an independent grocer can provide. Independents serve customers everywhere from cities to small communities, creating millions of jobs, pumping tens of billions of dollars into our economy, and offering consumers the most valuable commodity of all—choice.
- **Independents face unprecedented competition.** The economy and the changing buying patterns of consumers have irreparably altered the retail grocery business. Along with much larger regional and national supermarket chains, independents now compete with supercenters, warehouse clubs, dollar stores and other value retailers offering large selections and low prices in all categories, along with the convenience of one-stop shopping. As the Food Marketing Institute notes in its 2003 *State of the Food Retail Industry*, nearly one in five consumers now consider a discount store or supercenter as their primary grocery store, and price is the primary consideration for a growing number of consumers. Consumers want lower-priced goods, including food, and are shopping at stores other than their primary grocery store as they chase value across the marketplace.

- **Independents must reshape their businesses to respond successfully to the realities of the new retail environment.** From foods cooked outside the home to products tailored to the tastes of boomers, Hispanics or other demographic segments, opportunities to redefine and fill the competitive gaps and create new paths to profitability abound. As McKinsey & Company wrote in their report, *Competing in a Value-Driven World*, food retailers' long-term survival requires a strategic agenda focused on five central imperatives--determining what makes your store(s) stand apart from the competition; controlling operating costs; promoting the value your company offers; streamlining operations; and growing by moving beyond traditional categories and formats. In short, McKinsey is saying, food retailers must define their edge, think outside the box to attract and retain customers, and keep a constant and ruthless eye on expenses to keep costs low and drive every possible dollar to the bottom line.
- **Information technology is essential for the independent grocer of the future.** Consider just a few of the ways that technology can positively affect store operations: New front-end solutions such as self-scanning and checkout can reduce customer waits at the register and lower manpower requirements; computerized scheduling can improve forecasting of manpower needs, factor in employees' availability, create schedules at the click of a mouse and help improve both retention and productivity; and data warehousing and mining can provide a wide range of historical and real-time reports, along with invaluable insight into customers buying patterns that help spot trends ahead of the curve. In short, harnessing technology can trigger a fundamental shift in the competitive balance for independents. In particular, information can be the most potent weapon in the independent grocer's arsenal, and is essential for driving the efficiencies required to lower costs and improve margins.
- **Independents need a proven, affordable IT solution.** Unfortunately, independents are at a distinct disadvantage in the IT arena compared to larger competitors that spread the cost of state-of-the-art hardware and software across hundreds or thousands of stores. Simply put, in-store systems for everything from wireless shelf scanning to customer loyalty programs require large up-front investments and continued staffing and maintenance costs that are economically not feasible for most independents, widening the gap between the larger haves and the smaller have-nots.

Today, however, independents have the power to fight back with the help of StoreNext's Connected Services.

StoreNext's Connected Services: The Revolution Begins

Connected Services is StoreNext's portfolio of Web-based store management applications. Provided on a subscription basis to individual stores and chains, Connected Services gathers independent grocers together to create a community of shared interests, along with the economy of scale that enables any grocer to implement leading-edge store management technology.

StoreNext's Connected Services' software-as-a-service model (similar to an application service provider, or ASP), creates a virtual data center with a comprehensive portfolio of applications for:

- Sales reporting
- Item catalog management
- Inventory management
- Data warehousing and data mining
- Labor scheduling and management
- Fuel management
- Electronic check conversion
- Loyalty programs
- Home/Internet shopping

StoreNext hosts all applications and customer data on its state-of-the-art, secure server farms--subscribers need only a PC and an Internet connection to implement Connected Services, which will work at transmission speeds as low as 56.6 kbps. Fully integrated with ISS45 and ScanMaster platforms, Connected Services allow independents to create a store management solution that meets both their IT needs and their budget requirements, while providing a clear path for migration to new technologies as they emerge.

Most important, Connected Services eliminates the up-front costs of hardware and software purchases, along with the long-term costs of system maintenance. Users pay a periodic subscription fee based on the number of applications they select. StoreNext maintains the servers, adds new applications and services as they become available, and ensures security through the latest encryption technology and firewall platforms, with each member's data available only to authorized users.

The result is state-of-the-art hosting, data management, analytics and system management tools every bit as sophisticated as those employed by the largest national chain, but with one critical difference--these powerful, enterprise-scale applications are available for a fraction of the cost required to purchase and maintain them in-house.

The concept is revolutionary. The benefits are compelling:

- Connected Services gives subscribers access to a combination of real-time and historical information that can drive decision-making in ways that boost productivity, cut costs, and improve both profitability and the ability to compete.
- Connected Services' pay-as-you-go subscription model removes the IT entry barrier by eliminating large, up-front capital costs.
- Subscribers can accelerate the implementation of leading-edge store management technology, along with the return on investment.
- Connected Services' central data center and experienced staff acts as a virtual IT staff for every subscriber, ensuring system availability along with data security and integrity.
- Subscribers gain the flexibility to tailor a solution to their unique business requirements and add services as those needs change.

- Full integration with leading POS platforms along with StoreNext's commitment to continually add and upgrade applications protects subscribers' capital investments.

Because Connected Services effectively eliminates the payback obstacle that prevents independents from implementing these critical systems, the technology gap that hinders them in the marketplace disappears. The result is a leveling of the competitive playing field as subscribers enjoy productivity improvements, better product information and availability, enhanced data-based decision support, and a greater ability to serve and respond to their customers.

Our Declaration for Independents

The bottom line is simple. Our nation's independent grocers have suffered the tyranny and unfair competitive practices of huge chains for far too long. Independents play a vital role in the retail food industry as well as our economy, and have earned their inalienable right to compete for consumers' food dollars.

That's why StoreNext is launching its *Declaration for Independents* during July 2004.

Today, independents have the means to fight back with Connected Services, the only complete, affordable store management system created specifically for the independent segment. Equally important, they have a powerful ally in StoreNext, the independents' brother-in-arms in the battle to reclaim their rightful, growing share of the retail food marketplace.

It's time for the nation's independents to declare their independence.

StoreNext will be by their side, with the IT solutions that are creating the independent grocer of the future.

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