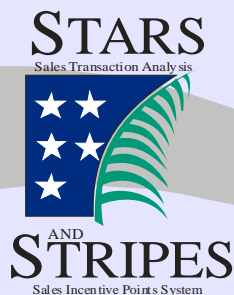


Synergetix Limited

Marketing

November 2001



synergetix

Mission Statement

Synergetix Limited is the developer of “STARS & STRIPES” software and associated products. Our mission consists of three interdependent goals: development, function, and support, pursued in the expansion of efficient retail practice.

We develop user friendly, highly adaptable software. We do this by supporting business partnerships with leading Point Of Sale software manufacturers.

The function of our software is to offer our clients valuable cost saving and profit maximising information to allow them to target both their customers and inventory to gain the best return on their investment.

Finally, we support by encouraging global participation and contributions from our business partners and customers to maintain best practice in the retail sector.

Company Profile:

History of The Company

Synergetix was established in 1993. The two founders have over 30 years experience in the IT industry, each in a variety of roles ranging from the technical (application development) through to senior IT and Project management.

The two partners became involved with a number of Business Intelligence development tools and had the opportunity to become the agents for a product called Forest and Trees, a rapid development tool for the development of Data Analysis and Executive Information Systems.

Initially Synergetix specialised in supplying F&T both to end users and resellers throughout New Zealand. A consulting operation provides a Business Intelligence application development facility for end-users as well as providing generalised IT consultancy.

A separate division was established to import and distribute other software products. The product ranges handled covered a broad spectrum of PC applications. With the rapid adoption of the Internet worldwide Synergetix was ideally placed to benefit from this and became the leaders in supplying Internet connectivity software to the NZ market from 1995 through 1998.

Business Intelligence products and consultancy remain the core business for Synergetix. Synergetix have supplied products or services to many major organisations both in NZ and internationally. Amongst these are major consulting projects for New South Wales TAB, and other numerous projects including ones for Honeywell Electricity Corporation of NZ and NZ Post. For many of these Synergetix also provides consultancy services including the development of Data Warehouses and EIS systems.

Training courses developed by Synergetix staff are exported and have been published for public sale within NZ and Australia.

Approached by a Retail based marketing organisation in 1997, with a suggestion that Synergetix Data Warehousing and Business Intelligence knowledge could be employed to develop add-in products for existing Point of Sale products, the directors decided to develop a line of Synergetix brand products.

Current Status

The USA was identified as being the largest market for the products and they were subsequently named:

STARS - Company Sales Analysis and Decision Support Tool

STRIPES - Customer Loyalty, Analysis and Direct Marketing Tool

STRIPES LITE - Customer Loyalty, Analysis and Direct Marketing Tool Small Business Ver.

STRATEGM - Data Mining Tool

CYBERSTARS - E-tailers Decision Support Tool

STARCOMMS - Communications Package for Retailers

Since their initial release in 2000 these products have been enthusiastically received by the market in NZ and internationally.

Future Goals

Synergetix staff and consultants are recognised as leading world authorities on the development of Business Intelligence applications using Forest & Trees. Tools employed by Synergetix also include Microsoft SQL Server 7, Access 97 and 2000 and Visual Basic. The goal of the company is to develop further products relating to the retail sector and adding further functionality to the existing products.

Industry Analysis:

Overview of Industry

Synergetix products fit into two segments of the Information Technology Industry.

These are:

Companies who supply point of sale software that includes analysis and loyalty products.

Companies who supply generalised analysis products that can be applied to the retail market.

It is necessary to attempt to combine the two together to produce a meaningful analysis.

The primary target market for Synergetix products is the USA. For this reason this portion of the document provides only data relevant to the USA.

The figures are estimated annual spend from Jan 2001

Total Market size for all POS related software	US\$ 9,488,280,000
Data Warehouse and EIS system portions	US\$ 370,042,920
Loyalty and Database Marketing portions	US\$ 189,765,600

Competition

There are no organisations that compete directly with Synergetix in these two market segments. There are some competitors who operate in one or other of them but none in both. The majority of competitors are committed to one or more POS vendors and are not able to provide a generic solution linking to almost all POS packages as does the Synergetix range.

The numbers of companies competing with Synergetix products are estimated to be:

For STARS	
Direct Competitors	None
Competitors matching more than 75% of STARS functionality	6
Competitors matching less than 75% of STARS functionality	12

For STRIPES	
Direct Competitors	None
Competitors matching more than 75% of STRIPES functionality	5
Competitors matching less than 75% of STRIPES functionality	6

Characteristics of Industry

Retailers are the largest user of IT worldwide. The industry is characterised by a large number of small companies providing POS software with a few major players dominating the market. Many major chains also develop their own POS products in-house.

Retailers have enthusiastically embraced computer technology since its arrival 20 years ago. The availability of low cost POS equipment and software has enabled the technology to spread throughout all segments of the market. At the same time the retail market is changing. Smaller stores are closing and there is a continual expansion and consolidation in the industry. This is driven by the difficulty of competing with the large buying power and associated lower prices available to major chains.

Most small and medium sized companies due to the cost of suitable data warehousing hardware/software combinations have neglected the analysis aspect of retailing. Large chains typically employ sophisticated analysis products that they can afford. This has changed with the advent of lower cost hardware and products such as Microsoft SQL Server 7, which has lowered the entry point.

Loyalty systems have shown a significant increase in sales over the last 1-2 years. There has been a marked increase in retailers interest in developing customer retention programmes as well as database marketing applications.

The retail software market reacts to a number of factors.

Important amongst these are:

Need to minimise costs.

Need for retailers to continually stay ahead of their competitors by offering the latest in store functionality available. This can range from loyalty programmes to enhanced credit or debit card handling. In most cases this requires a reinvestment in hardware and additional or replacement software.

As the world economy cycles, the retail market reacts to this. In some areas expenditure is cut when consumer spending is expected to fall and in other areas retailers see benefits in using technology to improve management of their organisation. This is borne out by the US Business Reporter which reported in their latest Retail Industry Analysis (2 Qtr 2001) that 'Retailers are using more and more technology to reduce inventories, improve forecasting and reduce out-of-stock problems'.

Future Competition

It is unlikely that direct competitors will emerge who provide offerings in both market segments.

It is likely that competitors will emerge in niches within each segment specialising in particular areas of each segment but it is felt that Synergetix have at least an 18 month lead time over any likely competitors and the continual development of the Synergetix product range will ensure this lead is maintained.

The industry is unregulated.

Size

As shown below the market size in the US offers the most potential, the chart below shows the number of vendors in each segment, the average number of Point of Sale terminals and the average dollar transactions per terminal per annum.

Market Size for STARS and STRIPES In the US

Market Segment USA Terminals Per Lane	No. Outlets (1) Avg. \$\$	Avg. POS	
Gasoline Service Stations	96000	2	2,304,000,000
New Car Vendors	21500	2	516,000,000
Used Car Vendors	55000	2	1,320,000,000
Auto Supply	52000	2.5	1,560,000,000
Sporting Goods	36000	2	864,000,000
Stationery Stores	6200	1.5	111,600,000
Jewellery Stores	39500	1.5	711,000,000
Liquor Stores	40700	2.5	1,221,000,000
News Dealers and Newsstands	9700	1	116,400,000
Independent Drug Stores	26700	1.5	480,600,000
Chain Drug Stores	24200	2.5	726,000,000
Fast Food Outlets	135000	3	4,860,000,000
Luncheonettes	54000	1	648,000,000
Restaurants	92000	1	1,104,000,000
Taverns & Bars	63000	2	1,512,000,000
Independent Food Stores	56000	4	2,688,000,000
Chain Food Stores	55000	9	5,940,000,000
Large Supermarkets	30000	12	4,320,000,000
Book Stores	17500	2	420,000,000
Camera & Photo Supply Stores	4800	1.5	86,400,000
Cigar & Tobacco Stores	3800	1	45,600,000
Apparel Stores	173000	2	4,152,000,000
Beauty Shops & Salons	212000	1	2,544,000,000
Barber Shops	37000	1	444,000,000
Discount Stores	9000	2	216,000,000
Department Stores	8200	15	1,476,000,000
Variety Stores	8200	6	590,400,000
General Merchandise Stores	15700	6	1,130,400,000
Hardware Stores	21000	5	1,260,000,000
Lumber & Building Supplies	23000	2	552,000,000
Paint Paper Glass etc	11800	2	283,200,000
Home Centres	8800	3	316,800,000
Furniture Stores	38000	3	1,368,000,000
Household Appliance Stores	30000	2	720,000,000
Radio-TV, Audio & Electronics	29000	1.5	522,000,000
Record & Music Stores	13000	2	312,000,000
	1,556,300		47,441,400,000

A recent article

A recent article from the United States focused on the growth of the Customer Relations Management industry. This article claimed the downturn in the retail sectors worldwide, this industry will show the greatest growth potential.

Friday, September 28, 2001, 1:57 PM ET
Market For Customer Service Tools Remains Strong
By Mike Koller
Source: CMP Media LLC

The economic downturn is hitting investments in many areas of IT hard, but the market for customer service tools as part of customer relationship management technology is likely to buck the trend toward retrenchment and will in fact grow, according to a new study.

In fact, investment in customer service tools as part of CRM technology may remain robust because of, not in spite of, the slow economy, says the study published by Frost & Sullivan, an industry analyst.

The study, titled Integrated CRM for Customer Service, says that although the growth of CRM front office software is negatively affected by the slowdown, at less than one-half last years blistering pace of 40 percent, it remains a solid growth market.

Front office technologies and analytics are complex applications that require large upfront investments, so businesses have to wait several months to a year for ROI, said analyst Katrina Howell.

"This adds risk for small to medium sized companies, and therefore is slowing the market," Howell said today. "But we see demand for CRM tools in the large enterprise sector remaining healthy because they have deep pockets and can afford to take a long term approach."

The customer service component of CRM technology is key because it helps companies to retain customers they already have and to target the most profitable customers.

The report sees analytics propelling and strengthening CRM because analytics packages help companies identify and target the most profitable customers and determine why their contact centres perform effectively in the first place.

Although customer service is mature, there is a growing recognition that it is an effective strategy for the long-term.

"Companies do make choices in what they invest in first, and for them customer service technology will remain a top priority because the cost of losing existing customers is too high, especially in an economy in which gaining new customers is more difficult," Howell said.

The cost of winning a new customer is three to five times that of retaining an existing customer.

"There's an aspect of customer service technology that's almost recession proof," Howell said. "You've got to service your existing customers, it's just a necessity."

* * * * *



Is Customer Loyalty in the Cards?

Supermarkets are rich with customer data, but only a silent minority are using it to build better relationships.

Supermarket loyalty cards -- you undoubtedly carry them. And the stores you use them in have a pretty good handle on your purchasing habits as a result. But what are grocers really doing with all that information? What have those cards done for you other than give you discounts on special items? The fact is, except for early adopters such as the UK's Tesco, Indiana's Marsh's and Massachusetts' Shaw's, few supermarkets have moved beyond using their programs to now getting their hands

offer special pricing discounts to incentivize customers to scan their cards.

Is Customer Loyalty in the Cards? (Cont)

Supermarkets that have bought into the concept range from individual stores such as Soderquist's in Minnesota to the 1,300-store Food Lion's chain based in South Carolina. But while some "use the data obtained to as much as double profitability," according to Woolf (he couldn't mention names due to client confidentiality), others are mere discounting or "dumb" cards, as they are referred to by Shaw's spokesperson Bernard Rogan. "[Many supermarkets are] giving discounts, but they aren't doing as much as they could with the data, and they're certainly not treating customers as individuals," he notes.

Why aren't supermarkets further along? Sources say they're just on the data. Now that they have it and are figuring out what to do with it, we should see wider adoption of one-to-one principles over the next 12 to 18 months, those interviewed for this story say.

Overcoming issues is key to store adoption Getting a customer to carry a loyalty card is relatively straightforward. He opts in and agrees to share information about his personal buying habits in exchange for discounts and incentives. The value conferred by the loyalty program can be any combination of a number of "currencies." For example, some chains give points (which can be exchanged for products in a catalogue), others give in-store cash discounts, and still others offer some form of third-party valuation (such as air mileage). In addition, cardholders are generally offered numerous in-store exclusive promotions, generally co-funded by manufacturers wishing to promote their products (for instance, a "buy one, get one free" deal for card-holders only.)

What happens from there depends on the sophistication of the grocer. Many, if not most supermarkets "put in the basics, but never take it to the next level," says Sue Klug, president of Catalina Marketing Solutions. "They're willing to give customers a discount, but aren't using the data to build relationships or create targeted promotions." Catalina, which develops strategies and targeted marketing programs for packaged-goods companies and food retailers, has relationships of varying degrees with nearly 75 percent of all U.S. grocers active in card programs.

For example, when a store chain allows a clerk to swipe his own card to provide discounts, "it loses a chance to gather information," says Shaw's Rogan, adding "we don't like to do that." If a customer forgets his card at a Shaw's, "we make him wait for the manager to come up front, then pull his own card out of hopefully a safe in back somewhere." Ultimately, the consumer gets the discount, but with luck, the card is in the wallet on the next visit. Bottom line, says Rogan, "we want the customer to share information so we can improve the relationship. That's why we give them the card."

Failing to pull data from customers is one of the greatest problems of existing loyalty card programs. In most cases, says Woolf, the issue is one of training. "I [think] the trouble is that top management doesn't appreciate the value of the card, so they aren't enforcing the rules." So a big need at many supermarket chains is for a greater communication. Says Woolf, "if his manager knew the value of the information, the clerk probably wouldn't be swiping his own card for a customer so often."

At the same time, many supermarkets are successfully collecting data, but not using the information. "There's a learning curve here," says Woolf. "Many are at the point where they have the information, but taking the next step, actually using the information to improve one-to-one marketing and the in-store experience, that's still a hurdle."

Britain's Tesco leads the way Tesco is regarded by both supermarket and CRM-industry experts as having one of the most sophisticated and successful loyalty programs in the industry worldwide. The company has highly evolved and efficient processes for product management. It took its first steps toward adding a customer focus with the launch of its ClubCard loyalty program in 1995. That program was the catalyst that propelled the chain to number one in sales and profitability in the UK market. The ClubCard was first tested relatively discreetly in about 17 stores over a six-month period beginning May 1994. Partnering with Dunn Humby and Associates, a database marketing and analysis firm, Tesco was impressed with the concept in practice, and began wider rollout. The ClubCard became operational in all of Tesco's 500 stores in February 1995 and is available today in its 800-plus stores.

Each day, over 200 million product purchases are recorded in Tesco's database, individually linked to customer-profile information. Working with the data miners at Dunn Humby, which Tesco recently acquired, the grocer now knows who is buying what, where and when. Capably mined, this data becomes intelligence, translating into improved inventory management, product selection, pricing, discounts, promotion and even store layout.

Is Customer Loyalty in the Cards? (Cont)

Since implementation of its loyalty program, Tesco has seen in-store product turnover jump 51.6 percent behind a mere 15.4 percent increase in floor space. Similarly, same-store sales growth has risen from 3 percent to over 6 percent. Total costs of the loyalty card implementation are estimated to range between \$16.2 and \$24.3 million. While Tesco is just one example, these are the kinds of benefits any supermarket can reap from a relationship-driven loyalty program.

How one to one is it? Each quarter, Tesco awards customers with points. The individual statements and inserted coupons are highly personalized. Tesco has, in fact, identified over 5,000 "needs segments" among its customers, resulting in, according to one company insider, over 250,000 different combinations of coupons, with the actual mix determined by an individual cardholder's shopping history. The benefit for shoppers is they receive dividends in the form of coupons for products they are actually likely to purchase. But the program also provides a strong incentive for manufacturers to work closely with Tesco, and to offer more promotional funding.

ClubCard members also receive a mass-customized quarterly magazine. Tesco has defined eight primary "life stage" needs segments, including "single adults," "urban professionals" and "pensioners," and each edition is specifically written for its target audience. Combining this with the 5,000 ClubCard needs segments, the magazines are then printed and distributed in literally hundreds of thousands of combinations of Tesco-specific promotions and third-party advertisements. With such a highly targeted, publication, suppliers are so willing to pay for ad space that the company actually earns a profit from its life-stage magazines. Another element of Tesco's success is the degree to which it involves manufacturers. For example, Tesco shares "anonymized" information with them-specific individual data minus identifying factors such as names and addresses (Tesco lets customers know about its sharing policy in its privacy statement). In exchange, it receives incentives and other subsidies related to coupon discounts. As a result, product manufacturers bear a share of product discounting.

Tesco relies on rigorous data mining and market analysis to increase the likelihood that its discounting programs have a positive impact overall. For example, based on an analysis of loyalty-card data, the company might be willing to offer a significant discount on one set of products, knowing full well that typical high-value shoppers are likely to buy other, higher margin products at the same time.

A telling example of Tesco's informed discounting is its approach to competitor Asda/Wal-Mart. Asda, boosted by its merger with Wal-Mart in recent years, is one of Tesco's most aggressive price competitors as it struggles to gain share in the UK. Asda's "carpet bomb" approach to discounting-advertising discounts for products from all over the store-is in sharp contrast to Tesco's much more precise (but equally aggressive) "rifle shot" promotion. Tesco analyzes individual customers' shopping carts to determine which products drive broader store traffic. If Asda's pricing attacks certain critical products-those products most likely to bring customers into the store who also tend to buy higher-margin products-Tesco matches it. This analysis-driven approach to discounting helps to ensure Tesco doesn't forego margin needlessly.

Picking up steam stateside While no U.S. company has reportedly reached the depth and breadth that Tesco has yet, more companies are getting on board with the concept of building better relationships with existing customers. One U.S. supermarket that is ahead of the curve is East Bridgewater, Mass.-based Shaw's. Its parent company, Sainsbury's, competes with Tesco in the UK. Shaw's currently has 3.2 million members in its nearly one-year-old loyalty program. To date, 87 percent of transactions are conducted with the firm's card, says spokesperson Rogan. The data gathered is now being used to determine new store locations, improve specific store design and focus in-store signage. All told, "We're learning how to use the information more effectively all the time," Rogan says.

The grocer has executed nine mailings with manufacturers such as Gillette, Dannon and M&M Mars since the card's launch. "Not only is this a great promotion for these manufacturers," says Rogan, "our customers get their Trac II in the mail, and then they think kindly of us. Everybody, the customer, the manufacturer and Shaw's, wins."

Marsh's, based in Indianapolis, Ind., operates 76 stores with over 1 million "Fresh Ideas" cardholders. According to Bret Besucker, VP of business development for Copient Tech. (copienttechnologies.com), a hardware, software and systems provider for customer-specific marketing and loyalty solutions, Marsh's uses the information gathered not only to improve the in-store experience, but also to hone its direct-mail

Customer Loyalty in the Cards? (Cont)

advertising. Store executives couldn't comment on specific ROI from its mailings, but Besucker insists that the lift from both the mailings and the in-store improvements is "significant."

In addition to Fresh Ideas, Marsh's recently began offering a new "currency": charitable donations. Fresh Ideas members can elect to have the equivalent of 1 percent of their total expenditures donated to a charity of their choice, according to Jody Marsh, VP of community relations. The program supports over 1.2 million charities. A big advantage to this approach, says Besucker, "is that it converts customers into advocates." Members of churches, schools, or supporters of specific charities "become significantly more loyal when they recognize that a portion of their patronage supports their organization." [Note: while it's likely that other stores have similar programs, our investigation did not turn up any.]

Loyalty programs provide valuable testing ground Supermarkets that figure out how to mine the value of data create enormous competitive advantage. Catalina, for example, looks at the data from 2 million individual shopping carts each week. Analyzing that data, the group is able to draw a number of penetrating insights. "We know what the average basket looks like, and we know what your basket look like," explains Klug. "If your basket doesn't look like that of other shoppers like you, we know you're buying your milk somewhere else, maybe at a convenience store or pharmacy. Or you're buying your paper products at a warehouse." Grocers armed with this information now know that to change a customer's buying behavior, they need to create targeted incentives. "So if I want you to buy your paper products and your milk here, I need to send you the right coupons."

Sophisticated loyalty programs also provide an opportunity to accurately test various promotions. For example, Klug's group recently worked with a supermarket that had closed one location and wanted to migrate its customers to a nearby store. The leading idea was to offer customers in-store dollars-for example, coupons worth \$5 off of purchases each week for a full month at the new location. But prior to rollout, Catalina performed some split-cell testing to determine how effective the promotion would be. It learned that "the store was so close, shoppers were already loyal to the chain no incentives were necessary," she recalls.

The above example highlights another best practice in loyalty card programs: the importance of measuring success in terms of ROI and not mere coupon redemption rates. If the above test were measured based on redemption rates, it would be viewed as a success, since redemption rates among shoppers who did receive the \$5 coupons was well over 80 percent. But those who didn't receive the coupon went to the new location even without the incentives. "That shows that the promotion actually had a negative ROI," says Klug. A final observation from Catalina underscores the importance of utilizing a relationship-oriented approach to loyalty programs. "What we've learned is that it's far easier to move a top shopper to higher levels of consumption than it is to get a non shopper into the store," explains Klug. "Even if your customer is buying milk from your store, if you look closely at his cart, you'll probably see he isn't buying all his milk from you." Rigorous data-mining can likely pinpoint just how much lost opportunity this represents. Then if you want your best customers to buy more milk, "that's something that can be addressed by a more personalized promotion," says Klug.

Opportunities for growth A.C. Nielsen's 4th Annual Frequent Shopper Survey notes that 64 percent of respondents join frequent shopper programs for the discounts. But price-driven incentives do not foster loyalty; rather, they promote brand switching (think of the telecom long-distance wars of prior decades). One-to-one relationships, on the other hand, provide individualized incentives based on customer needs and customer profitability.

"The point of a loyalty program is to build loyalty, and you can do a pretty good job of that with just a basic program," Shaw's Rogan observes. "But frankly, when you recognize how much investment this requires in the first place, I just can't see why anyone would only go half way. Put in the effort, learn, build relationships, and continually improve."

Customer Loyalty in the Cards? (Cont)

Statistics:

- Roughly 129 supermarkets with more than 10,000 locations operate loyalty-card programs in the U.S. today.
- 70% of all U.S. households participate in some type of loyalty card program -twice as many as in 1996
- 60% participate in multiple programs Source: A.C. Nielsen's 4th Annual Frequent Shopper Survey.

Although location is still the number one reason for choosing a store, Frequent Shopper Programs ranked as one of the top three reasons.

RANK REASON INDEX

1	Convenient location	100
2	Store deals	69
3	Frequent shopper program	60
4	Assortment of merchandise	51
5	Store cleanliness	47

64% of respondents state that savings is the primary reason for joining a Frequent Shopper Program.

Source: A.C. Nielsen's 4th Annual Frequent Shopper Survey.

Brian Woolf, author, industry thought-leader and president of consultancy Retail Strategy Center.

1to1 Magazine Publish Date: 10/01/2001 Issue: October 2001 Author: Bill Millar

Data analysis products fall into several groups:

POS suppliers provide their own products as part of their overall POS offering. The scope of these is usually related to the price point of the system and who the supplier is. Large suppliers such as IBM can offer a wide range of tools ranging from simple printed sales analysis reports to sophisticated Data Warehousing and Mining products that can be very expensive.

The smaller operators usually only offer sales analysis displays and reports with spreadsheet export functions.

There are a number of generic analysis tools that are independent of POS system. These fall into two sub-categories:

General purpose enquiry and reporting tools such as Cognos PowerPlay. These require either skilful end-users or expensive customisation by resellers of the product.

Tools purpose-built for retailers. These are generally very expensive and typically in the USA cost over \$100,000 to purchase and install. In many cases, however, they include features specific to particular industries. For example apparel suppliers use various forecasting and scheduling techniques only appropriate to that industry. Similarly supermarkets also use various category management and forecasting techniques. STARS does not seek to emulate these at present. It is expected, however, that additional modules of STARS will be developed providing a range of industry specific functions.

Because of these limitations comprehensive analysis is available only to large retailers with their own IT departments or large budgets. The smaller retailers with 1 to 50 stores usually have to rely on spreadsheets and simple sales analysis reports.

There is a perceived gap in the market for a product which is affordable, priced at around US\$2,000 per store but which offers much of the functionality of the more expensive products. The type of functionality required includes slice and dice capabilities, drilldowns and a range of easily read graphs and spreadsheets.

The product must also be cheap to install and be able to interface to a wide range of POS systems from both front and back end packages. It must be easily customisable by relatively unskilled staff to suit a wide range of retailer types.

It must also work in a multi-store environment and be highly scalable.

The retail market is changing with the advent of e-commerce. The product must be as capable of analysing sales by clicks as by bricks and mortar stores.

It must also be able to rapidly respond to changes in technology to keep ahead of competitors.

These were the basic requirements STARS satisfies.

Most POS developers produce very capable products. They have years of experience in the area and know their market well. The development of modern analysis tools is a specialist area. Most smaller POS developers either do not have the expertise or do not wish to invest to acquire it. The STARS developers are specialists in analysis tool development and combined this knowledge with input and advice from a range of retail POS developers and consultants to ensure STARS satisfied the requirements of as wide a range of retailers as possible.

Methodology

The methodology adopted was to use the Internet to find as many products as possible that were assumed to be similar to STARS.

To be similar to STARS the products must meet the following criteria:

Be an analysis tool offering broadly similar functionality to STARS, (e.g. provide displays and hard copy analysis in both spreadsheet and graphical form.

Include comprehensive range of graph types. Allow for multiple levels of analysis utilising drilldowns to lower levels. Include performance comparisons and benchmarks.)

- Operate at both store and head office level.
- Be marketed independent of any particular POS system.
- Be designed to fit into almost every market sector of the retail industry.
- Be aimed at a range of retailers with from 2 to 200 stores.
- Be priced at no more that \$US2000 per store end-user price.
- Be supplied through resellers and not reliant upon the authors to implement.
- Be designed to be marketed internationally.
- Run on Windows based platforms.

Results

A number of products were discovered which fitted some of the criteria. Of these none were found to fit all the criteria.

The products examined and reasons for disqualifying them from the survey are below.

The abbreviations used are:

NSAF	Not Sales Analysis Focussed. Orientated towards analysis of customer performance.
IS	Industry specific and not a general purpose application.
PRICE	Where it is felt that product is not competitive due to initial purchase price and/or combination of purchase price and implementation costs.
HI	High Implementation Costs.
LF	Less Functionality than STARS
CUI	Complex User Interface

PRODUCT NAME	DESCRIPTION	PRICE RANGE For 5-5 in US\$ inc. Installation
Allegiance	Provides customer analysis capabilities	> 100,000
Archer Retail Database Marketing System	Provides the means to analyse customer segmentation, promotions, campaign models	> 100,000
Arthur	Provides planning, allocation and tracking capabilities	> 150,000
Category Manager	Provides a variety of marketing analysis capabilities	> 100,000
Consumer Outlook!	Provides a variety of marketing analysis capabilities	> 100,000
Customer Relationship Marketing Database	Performs segmentation analysis	> 100,000
dataAlchemy	Provides category management analysis	> 100,000
DataMiner	Provides retrieval of information in native IBM 4680/4690 POS files	> 150,000
Decision Manager for Retail	Provides a variety of marketing analysis capabilities	> 100,000
DecisionMaster	Provides merchandising, store operations, finance, and marketing analysis capabilities	> 100,000
Foresite EIS	Provides a variety of marketing analysis capabilities	> 100,000
Forseer Software System	Provides sales forecasting capabilities	> 100,000
GAIS Retail & Distribution Packaged Data Warehouse	Provides various analytical capabilities	> 100,000
Menulink	Food Industry specific	?
Pilot Retail Performance Monitor	Provides a variety of marketing analysis capabilities	> 150,000
Retail Analytic Solutions	Provides a variety of analytical capabilities	> 100,000
Retail IDEAS	Provides a variety of analytical capabilities	> 100,000
Retail Warehouse Studio	Provides a variety of analytical capabilities	> 100,000
Retailer Pro	Provides a variety of marketing analysis capabilities	> 100,000
RetailTracker	Provides means to analyse sales and inventory	> 100,000
Retek Data Warehouse	Provides a variety of marketing analysis capabilities	> 100,000
SIMPLE	Provides a variety of marketing analysis capabilities	> 100,000
SQL-Retail	Provides a variety of marketing analysis capabilities	> 100,000
ViewPoints Data Warehouse	Provides a variety of marketing analysis capabilities	Each set of 25 stores 2
WinCMS Category Management System	Provides a variety of category, planning, and promotion analysis capabilities	> 100,000

There were various reasons for disqualifying products, primarily their price and not having a strong analysis focus.

None of the products provided interfaces as user-friendly as STARS.

Few were offered through resellers.

One product included was MenuLink which was aimed specifically at the Food Industry. For example it incorporates powerful purchasing analysis to assess the efficiency of individual restaurants in raw material usage.

Of the rest all required substantially more implementation and training than STARS. For example ViewPoint typically costs US\$ 10,000 to implement for a small chain of 4 stores compared with STARS at US\$ 1,000.

Many of the higher priced products offered functionality over and above STARS. STARS will continue to be developed and will incorporate many of these additional features as it progresses.

The only product that competes directly with STARS is ViewPoint.

The functionality for analysis is less for ViewPoint but for inventory management is superior at the current release level of STARS. The next release of STARS will exceed the functionality of ViewPoint in all areas.

Sustainable Competitive Advantage

At present STARS out performs all competitors either on grounds of price or functionality.

This is primarily because it was designed from its inception with specific goals in mind. It had to be very user friendly, capable of being interfaced to almost any POS system or back-end and capable of being installed by POS resellers with very little end-user training required. At the same time it had to be inexpensive compared with competitors. It also had to be of modular and flexible design to enable it to incorporate new technologies such as MS SQL Server OLAP and full Internet capability.

STARS is able to analyse data for not only traditional retailers but also for e-commerce operators as well.

STARS was intended to work with TheStore Data Warehouse which is the hub around which each of the modules, STARS, STRIPES and STRATEGM revolve. This approach offers the opportunity to develop an ever-increasing range of new products utilising the same base data.

The development effort of STARS was such that it probably still has a lead of at least a year before competitors could catch up. The policy of the STARS development team is one of continuous improvement. By continually researching the marketplace to seek out technological trends as well as creating new analysis techniques STARS can continue to lead the field.

Competition - STRIPES

STRIPES is a points based Customer Loyalty System with an integrated Direct Marketing module and a Customer Analysis module.

STRIPES is primarily targeted towards Tier 2, Tier 3 and Tier 4 Retailers although there may be instances when a large single department store or supermarket may also purchase STRIPES.

The methodology adopted was to use the Internet to find as many products as possible that were assumed to be similar to STRIPES.

To be similar to STRIPES the products must meet the following criteria:

Targeted towards the tier 2,3 and 4 retailers

Contains Direct Marketing Capability

Demographics/Psychographics/Geographics/Product History

Letters/Email/Fax

Multiple Rewards Capability

Coupons/Gift Certificates/Product Rewards/Random Shopper Etc

Stand Alone Product (i.e. not part of a full back office system or integrated into a specific POS system)

Database ownership was determined to be irrelevant as there was no reason why Synergetix could not provide a bureau service. It was necessary for customers to have direct access to their data.

Results

There is considerable interest in Customer Loyalty or Frequent Shopper programs.

The majority of software products that provide loyalty functionality are POS dependent.

A large number of consultants "advise" and "consult" on Customer loyalty without providing hardware or software.

A number of organisations provide customer data segmentation linked into sales data.

To date no competitor has been identified that targets the same market as STRIPES. The majority of the products that provide similar functionality are targeted towards Tier 1 customers. The reason for this appears to be that the cost of the software is such that only the larger companies can afford them.

A number of the suppliers identified users of their software, generally they are the larger retailers.

The overall impression is that the companies that are supplying products similar to STRIPES are very large organisations selling to major corporations. There appear to be few organisations selling products with the functionality of STRIPES into small chains

A limited number of Companies identified, sell POS independent Customer Loyalty Systems to Retailers. Omitted from the list were those organisations that provide loyalty systems only to Telcos and Utilities.

Company Name	Areas	Competition
Catalina Marketing	See Below	
Seaport Software	See Below	
Data-Central US	See Below	
RTMS	See Below	
Loyalty Magic	See Below	
Super Solutions	See Below	
Ceres	See Below	
Acxiom http://www.acxiom.com	Loyalty Retail Prospecting Proprietary Credit Cards CRM Hardware Networks US National Database	Very Large Company targeting top 100 US Retailers
Santella and Associates http://www.santella.com/	Consulting Promotion Audits	No Software Product
Relationship Marketing Group http://www.rmgweb.com	Coupons Electronic Fulfillment Card Based	Not Points Based Not Loyalty User does not own data
MarketSmart www.marketsmart.com.au	Full Loyalty CRM Card Based On-Line	No available at product level Bureau based product User does not own data
Electronic Payment Systems Inc http://www.eps-corp.com/	Loyalty CRM Electronic Coupons Points/Rewards system 3 rd Party Redemptions	Integrated to POS System
Database Marketing Services www.retailsources.com	CRM Demographics Psychographics	No product. Developed for each customer. Part of Credit Company
Passpoints www.passpoints.com	Loyalty Points based	Only web based sales
JTS Chequeout Solutions www.jtschequeout.com	Loyalty Complimentary Items Personalized Offers Demographics	Linked to Payment system
Data Systems Inc www.s4.com	POS Loyalty Hardware Networking Consultancy	Specific Hardware Orientated Part of POS System
ICL www.icl.com	Smart Cards Loyalty	Hardware linked

Seaport Software

Stand alone product, not Multi-Store.

It only provides Gift Certificates. It is not designed for a multi store operation. One good feature is that a number of cards and certificates are bundled with the product.

Cost is US\$4500 spread over 3 years.

Tier 4/5 Customers

Catalina Marketing

Major Company Revenues of US\$264 million and 1400 employees.

Sells a loyalty system build around Checkout Coupons (supermarkets only)

Customised programs that target customers based on data analysis.

No Communication based on Demographics/Psychographics

Coupon/Pre Paid Rewards only

Customers shown are large Chain Stores

Tier 1 Customers

Data-Central US

DCUS provides a complete turnkey system for their clients including consulting, functional specification documentation, materials design and production, POS equipment and software loading, data entry, database maintenance, GIS based site evaluation incorporating geodemographic and lifestyle data, statistical analysis and recommended marketing solutions.

21 Staff

Database is held by DCUS not by user

Requires special equipment supplied by DCUS

Customer does not have direct access to data (36 hour turnaround for reports)

Tier 1/2 Customers

Ceres

Ceres Integrated Solutions

5565 Centerview Drive, Suite 300

Raleigh, NC 27606

Example of users include

Wal-Mart Largest Retailer in US

JC Penny 5th Largest Retailer in US

Lowe's 20th Largest Retailer in the US

Office Depot 29th Largest Retailer in the US

Marcus Niemanns 73rd largest Company in the US

Appears to provide all that STRIPES provides plus additional functionality in the following areas:

Mapping

Behavioural Changes

Affinity

Cross Shop Reporting

Modelling Techniques

Campaign Triggers

It does not provide:

Customer Rewards Systems

Random Shopper

Points Based Offers

The product uses NCR's Teradata product, which is a high-end database and had a price in 1997 of US\$800,000 Possibly, outside of the STRIPES market.

Tier 1 Customers

Loyalty Plus

SuperSolutions Corporation

10100 Viking Drive,

Eden Prairie,

MN 55344-7255

Not much information about this product at present. Can be run entirely over the Internet.

Utilises Oracle

Has:

Points Redemption

Multi Vendor Redemption

Appears to be weakest in the area of Customer segmentation and communication.

Tier 4 / 5 Customers

Archer Software

RTMS Inc

N16, W23250 Stone Ridge Drive

Waukesha, WI 53188

RTMS appears to be another product like Ceres that is strong in the Customer Analysis Segmentation and Mailing.

It utilises MapInfo to create maps of Customers based on a variety of criteria

Store Loyalty Reports

Cross Shopping Reports

Strong in Campaign Management

Automated Triggers for Customer Contact

It does not provide:

Customer Rewards Systems

Random Shopper

Points Based Offers

Archer uses a number of Tools including DecisionWORKS a suite of integrated Products One component of which (ModelMAX) costs US\$25,000

Tier 1 Customers

Target Master

ACI Solutions

NASDAQ Listed Company

Offices Worldwide

2000 Employees

Retail is just one of their interest areas, in Retail they also sell POS Systems, EFT Systems, Settlement Systems, Check Authorisation Systems etc.

Target Master is one of two products aimed at Customer Loyalty sold by ACI. As with the previous two products, strong in market segmentation and analysis and buyer behaviour. Create campaigns and monitor performance of those campaigns.

No Points Based Loyalty

Few Reward Options (Coupons/Price Off)

Tier 1/2/3 Customers

Base24

ACI Solutions

Not Sold outside of the Americas

Only runs on Compaq Himalaya servers

Requires dedicated POS System

Aims to build customer loyalty through value added services rather than general price discounting and unfocused Mail Outs.

Has:

Marketing Campaigns

Points

Reward Incentives

Sweepstakes

Tier 1/2 Customers

Loyalty Magic

Level 7/313 Latrobe St

Melbourne

Victoria 3000

Australian based product that has developed from a direct marketing system into a retail loyalty system.

Is strongest in the area of customer information and the segmenting and targeting of customers. Strong mailing capabilities and Follow Up.

It has no email or faxing functionality. Cannot output data for a mail shot.

Is weakest in the area of providing Rewards to customers. Is not a full Points Based Loyalty System, therefore has no contingent liability recording or reporting.

Loyalty-Magic is Microsoft Access based and therefore has limitations with volume and performance. Low End of the market tool.

Management:

Director Profiles



GEOFF HILL Dip Bus, MBA, MNZCS, ANZIM

Geoff has gained experience in a wide range of roles since he first became involved in the Computer industry in 1971. This has included roles as Systems Engineer with ICL, a Business Analyst with the Commercial Bank of Australia Ltd and as MIS Manager of New Zealand's largest retail Gas Company.

He has experience in the integration of Companies' Information Systems requirements with their strategic plans. This has included the preparation of Request for Proposals, evaluation of tenders and the selection of hardware and software. His wide business experience has assisted in the identification of Key Performance Indicators a key element in the development of EIS applications. He has also acted as consultant for retail organisations in advising on POS selection and implementation. He has extensive experience of

operating support and help desk functions for retail organisations and POS suppliers.

Geoff has a Diploma of Business and an MBA from Auckland University. He is an Associate of the New Zealand Institute of Management and is a member of the New Zealand Computer Society.

Geoff's role within Synergetix is as the STRIPES technical manager, taking responsibility for the design, development and implementation of STRIPES.



TONY SCOTT MBCS, MFINZ

Tony has over 33 years experience in Information Technology. He qualified as an Electrical Power Engineer in Britain and subsequently worked there with various organisations in a variety of computer orientated positions including project managing the implementation of the largest computerised money transfer system in Europe. Tony moved to NZ in 1974.

Tony has worked as a consultant to organisations in a variety of fields, including banking, furniture and consumer goods manufacturing, importing and wholesaling, personnel consulting and non-profit organisations. He has specialised in distribution and manufacturing systems and has advised on all aspects of computer system selection.

For several years Tony has had involvement with developing new applications for computer technology such as Executive Information Systems and Marketing Databases and has developed Executive Information Systems for many organisations including ECNZ and Forestry Corporation of New Zealand. He has extensive experience of providing support and help desk facilities for POS suppliers and retail organisations.

Tony has been a full Member of the British Computer Society for over 28 years.

Tony's role within Synergetix is as the STARS and Strategm technical manager, taking responsibility for the design, development and implementation of both STARS and Strategm.

MARTIN CHRISTISON BCom NZIM CPC



Martin has over 20 years experience in the information technology industry. Qualified as a sound engineer with Agfa New Zealand he was responsible for the launch of the Agfa range of audio and video products. Seeing a synergy between sound and video and computers Martin saw the market moving towards the digital age and joined Sanyo NZ Ltd to head up the Business Systems unit.

Martin has worked in both Australia and New Zealand in the computer industry supplying solutions to companies including Television New Zealand, Fletcher Challenge Petroleum, BASF and GlaxoSmithKline. Martin won the New Zealand top sales award for Toshiba Computer sales in 1997. Since 1997, he has been involved in a project management capacity in the IT Finance industry.

Qualified with a degree in Marketing and Economics Martin also lectured for one year at the Auckland Institute of Management on retail marketing and is now a member of the Institute.

Joining Synergetix in 2001 Martin's role is Marketing Director, taking responsibility for the development of an international dealer network and all marketing functions of the company.