

What every business needs to know about cloud computing



Cloud-Based ePOS and Loyalty for Garden Centres

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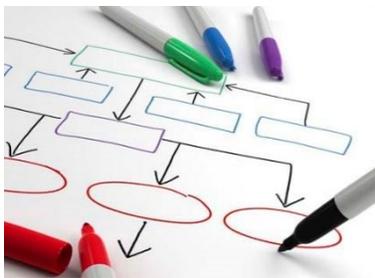
Executive summary

Cloud Computing – what is it all about? The chapters below will explain the history, how it changes the structure and cost-allocation of a business, how it frees up IT management time and the introduction of ERP.

For the purpose of this document, the emphasis is on the benefits of 'The Cloud' for the garden centre sector in general, with a specific focus on ePOS, Digital Transformation and Customer Retention.

Key benefits include:

- Considerably cheaper to install and run than conventional systems
- Flexibility, scalability and completely future proof
- The only multichannel platform to operate your ERP
- Simple to install and operate, avoiding the headaches of conventional systems



Whether you are looking to replace an old, server-based ePOS program or looking at ePOS for the first time, whether you want to improve your customer communication or just want to save thousands of pounds running your current loyalty scheme, whether you are looking to spend less time in the office and more time with your customers or just want to streamline your business and keep control, even away from the centre – 'The Cloud' can do all of this and generally for considerably less cost!

Digital Transformation

Customer satisfaction and operational excellence is what most garden centres are looking for and while these priorities haven't changed, the means to attain them is changing significantly. Technological advancements like The Cloud, Omnichannel Retailing, Customer Retention, ERP Platforms and Advanced Analytics are all part of the current changes in retailing.

This document looks at what's really changed, and how companies can best take advantage, transforming their business. Advancements in data analytics and intelligence, and the availability of cloud computing have shifted both, what customers expect as the result of being armed with information in a way not previously possible, as well as what garden centres can deliver, to meet those expectations and re-invent the value of their offer.

As retailers navigate these new consumer expectations, what worked in the past in terms of increasing margins and creating customer loyalty, isn't going to mean success in the future. It's not enough to just digitise paper-based processes and incorporate the physical parts. To stay relevant and compete in this evolving industry, retailers will need to re-imagine their customer expectations and business processes, from the ground up and The Cloud is pivotal in this process.

We refer to this as 'Digital Transformation' - implementing technology in new ways, as well as management changes that help improve customer engagement, empower employees, optimise operations and ultimately drive growth, margins and opportunities for the business.

The promise of digital transformation, when products, processes and systems become connected, and when people are armed with data-driven intelligence, revolutionary things can happen. Retailers can take their business in directions, never before possible.

NedFox believes that true digital transformation in the garden centre sector will re-invent the customer journey, providing consumer-centric experiences that transcend consumers' perceptions of how shopping works. This new, personalised customer journey requires transformation at all levels of retail - from how the customer experiences and interacts with the centre, to how it equips its employees with the information and tools they need to be most productive, to how it uses data and analytics to act on opportunities and evolve business practices.

Retailers that take the steps to embrace digital transformation to evolve how they leverage data, analytics and the cloud, generate considerably more operating income each year, than those who lag behind.

Introduction to Cloud Computing



nationalgrid
THE POWER OF ACTION

Cloud computing has quickly become a buzz-word in the information and communications technology (ICT) world. It refers to the myriad of information and communications activities that are increasingly taking place on the Internet.

Like the migration of electricity in the early 1900's, from local generation to an electrical grid with metered service (National Grid), The Cloud signals the movement of hard and soft functions such as software applications (ePOS, e-marketing and customer retention), storage, and services to an off-premises service industry.

When such a major change arrives on the IT scene it's not always clear what the implications will be, if any, and so for many retailers a risk-managed, wait-and-see attitude tends to prevail.

Occasionally however, some shifts offer cost savings, improvements to operations, or ways to tackle business problems that offer a significant strategic advantage.

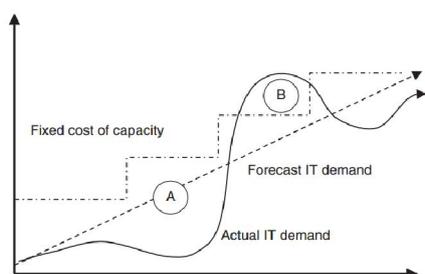
The larger the benefit in one or more of these areas, then the more strategic the advance is, and the greater potential it will impact the bottom line. Cloud computing is one of these.

The key benefits of The Cloud:

- Access from anywhere, anytime where Internet is available
- The POS itself can operate offline (if the Internet fails), if necessary
- Cheaper to install and run. No need for servers on the premises
- Option for complete integration of functionalities like Loyalty, Online Sales, Webshop, Business Intelligence (B.I.), Point of Sale (printing) and Accounts – Digital Transformation.
- Flexibility, scalability and completely future proof
- Allows your team to operate on the shop-floor (rather than the back-office)
- Allows your team to run your business, rather than your systems
- The ideal solution for individual and multiple sites companies

Moving to a variable cost operating company

This chapter explains what makes companies successful in today's economy. A lot of garden centres are faced with high fixed operating costs because of capital investments in servers and user licences as well as staff, to operate and maintain such systems.



In the traditional IT operating model, the cost of IT capacity is fixed and only roughly corresponds to actual demand. Often there is oversupply of capacity, as shown by A and sometimes there is undersupply of capacity, as shown by B.

The biggest technology opportunity for companies today, is to reduce their total expenses through targeted IT investments that are converted from fixed capital models to variable cost operating models. There is however a big difference between cutting costs and optimising costs, and that a lot of companies are confusing the two concepts.

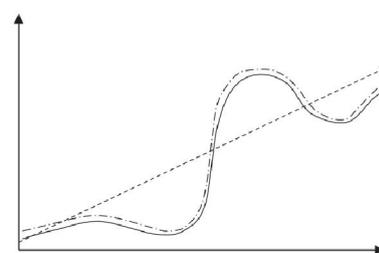
Companies often lump all IT expenditures into a business overhead category when, in reality, much of their IT expenditures are for growing sales and reducing operating costs. As a result, a good portion of IT expense is not really an overhead at all. For most companies, variable IT costs amount to perhaps 35%, and the rest of

the IT budget is fixed cost, composed of capital expense related to the cost of purchasing IT hardware, infrastructure, software and the fixed cost of people to run these.

Traditional cost-cutting strategies involve cutting staff, renegotiating providers' contracts and delaying new projects, but the cumulative effect of these actions isn't really that great. Instead, companies would be far better off if they lowered the fixed cost of their IT infrastructure and re-focussed their efforts on maximising on the benefits of these systems and turning these into additional sales, increased efficiency and improved customer communications (more of this in the next chapter – from managing technologies to managing business processes).

This is the difference between optimising IT spending and simply cutting IT costs. Ultimately, companies that understand how to optimise their IT spending will achieve more responsive business models. Companies that don't understand this concept will experience the difficulties, inherent in clinging to outmoded, traditional behaviours during times of rapid change.

The move to cloud computing is the most profound evolution, if not revolution, since the emergence of the Internet. It is challenging (if not causing) significant change to the ongoing mission of in-house, corporate IT departments — and especially to the way they are run and financed.



In the variable cost IT operating model companies can closely match IT capacity with actual demand and thus link IT expenses with company activity and revenue.

The transition from managing technology to managing business processes

To ensure value is realised from the new services model, leaders need to plan and execute an effective change management program, which includes: identifying the ideal end state of the transition period from an organisational perspective, managing stakeholders, measuring the progress of the change, deploying communications and training and aligning individual behaviours, as well as organisational and reporting structures, to the new model for operations.

The change to externally sourced operations can be challenging. The discipline of 'effective change-management' can help managers create an effective transition, aligning the company with the new operating model. The transition period itself is critical to the overall success of the program, and thus the change of management strategies and activities as part of moving into The Cloud, should be a part of the transition phase of any IT or business change.

Once the new model is bedded in, the IT department should see a considerable time saving in managing the new system, which can be put to good use by managing and maximising the benefits of the upgrade. In practise this means that garden centres can actually use the information to fine-tune purchase decisions, increase stock-turn, reduce stock holding, plan and execute more effective marketing campaigns (see page 10).

Smaller companies may be able to transfer IT responsibilities to the marketing department as they no longer need to ask anyone else for the information that they need to create an effective marketing program and all they need is a laptop or a tablet to obtain the information.

Cloud based ePOS – the history and the present

According to WIKIPEDIA, the point of sale (POS) is the time and place where a retail transaction is completed. It is the point at which a customer makes a payment to the merchant in exchange for goods, or after provision of a service. EPOS refers to 'Electronic' Point of Sale, in contrast to 'Cash' point of sale or cash registers.

An EPOS system is an integrated system that can record, organise, control and analyse various parts of your business, from sales transactions to back-end reporting, stock control, purchase ordering, loyalty schemes, and staff monitoring.

There are many advantages of using an EPOS system in your business. If you are just starting out as a retailer, it can be hard to understand why you should invest into more expensive systems, rather than opting for the cheaper version, such as a simple cash till. However, the benefits of ePOS should greatly outweigh the cost of such a system.

The benefits of an EPOS system in addition to recording sales and stock movement, can be extensive, however, it is predominantly the integration of all features in one single system that makes life so much easier for the retailer. With a sophisticated EPOS system, it is possible to get reports about best-selling items, highest margin suppliers, best-performing staff, your customers, product margin-control, peak sales times and best-performing sales channels, allowing you to optimise your business flow easily and accurately.

Like many applications, garden centre ePOS started its life as a server-based, or 'hard-wired' solution that is run off-line, on a premises-located server. For many years this was the only solution and as the systems became more complexed and loyalty schemes were introduced and incorporated, the cost of running such system increased substantially, both in terms of technology as well as data storage space and increased demand for detailed reports and functions. Increased costs included the need for technology trained staff to ensure that systems kept running.

A number of new, industry focussed providers were developing semi-personalised retail systems and garden centres recognised the need for increased efficiencies for their businesses – so far so good. Providers continued to develop and fine-tune their programs at considerable cost, which were recouped through costly, up-front licence fees, generally based on the number of users and/or work stations and the number of tills. And then, the digital revolution started.

Initially a slow start, but soon gathering momentum, in line with customer expectations and the development of the Internet and the associated email communication and later the use of smartphones, now used by over 80% of the population.

For many years, garden centres (and their ePOS providers) adopted an attitude of denial, often based on their perception that garden centre customers are older, traditional consumers with little appetite for this type of technology. In reality, it was often the retailer himself who feared such progress and greatly exaggerated horror stories about cost and security issues that were cited as good reasons to stay well clear of 'e-technology'.

However, 'time waits for no-one', and neither does technology. Many garden centre systems that were installed in the nineties and early noughties have come to a natural end. New

technologies such as online sales, click & collect and sophisticated loyalty and marketing programs can no longer be integrated into the old systems and decisions to replace such systems need to be made. One option is to upgrade the old systems (even if that proves a false economy), or simply keep going, repairing and spending more time and effort to stand still.

In the meantime, cloud computing was launched, initially in the US, then mainland Europe and finally the UK. The arrival of cloud-based systems became a revolution in the retail environment and most High Street retailers, restaurants and coffee shops could today not function without it.

The garden centre sector remained unconvinced for some time and there was no-one to challenge the status quo. This situation has now changed and the first UK server-free garden centre cloud-based ePOS system was installed in 2014 in Hampshire.

The company that installed that system is certainly not new to garden centre cloud-based ePOS systems. They launched their first system back in 2008 in The Netherlands and currently run over 400 systems with in access of 2,000 actively used tills. The reason that 'Cloud' has taken off so quickly on the continent is simple: lower cost, more functionality and a different working structure.

Cloud-based ePOS is the pinnacle of all ePOS systems and the only (ERP) platform that allows all the components to come together and fully integrate with each other, as well as any third parties such as customer retention, accounts, online sales and B.I. systems (see page 12 – Enterprise Resource planning).

[There is no doubt - the future is 'Cloud'.](#)

E-marketing in the cloud – the history and the present



Garden centre marketing has followed a similar development to ePOS, starting with launch of gardening clubs in the early eighties. Before that, retailers had only 3 options: local press, Yellow Pages and leaflet distribution. This was the time that the DIY stores started to encroach on the traditional garden centre product range (compost and grow-bags) and pundits forecasted that this would start the demise of the independent garden centre

sector. The only way to avoid this fate was to start setting up gardening clubs and communicate the existing gardening knowledge available at garden centres, to the general public.

This was of course an appropriate strategy, if it wasn't for the fact that most retailers gave an incentive of a 10% discount, 7 days/week, on almost all sales. Initially this erosion of margin went un-noticed, but as the club memberships started to move from a few hundred into several thousands and margins came under pressure from the DIY's, this became a real issue. In addition, customers were communicated through hard-copy mailings, up to 8 times a year and the growing numbers as well as the rising cost of postage created unacceptable costs.

By now we are into the mid-nineties, most garden centres have a computer on their premises from which they run their garden clubs, whilst other used specialist service providers, to run their schemes for them. 'HART Marketing' was the first organised garden centre group to launch 'The Garden Card', which was nearly 2 years before Tesco brought out their Tesco Clubcard. At its peak there were nearly 80 garden centres using the Garden Card and discount had been replaced with points, which reduced reward costs for the retailer by 60% and required follow-up visits to redeem these. However, hard-copy mailings remained the principle mode of customer communications.



During the 'noughties', consumers started to embrace the Internet and the first garden centres were starting to use email, to reach their customers. A company called QV-Marketing came to the forefront to support the garden centres using email with promotional vouchers and encouraged garden centres to use their websites, as their central marketing hub: e-Marketing was borne. There was a lot of initial scepticism from the garden centres citing that their customers, being older and more traditional, do not use email. The same retailers now claim that smartphones are only used by younger people, but there is a pattern forming here!



Now, in the mid-teens e-Marketing is becoming the central platform for garden centres, especially the ones that have embraced ePOS. The new, personal marketing programs (be that supermarkets or garden centres) have moved away from giving discounts or points, and enable you to communicate at the right

moment, with the right customer, via the right channel. By sending relevant information you can communicate more frequently with your customer without creating offence.

For example:

- An e-mail with tasty recipes sent out just before a sunny bank holiday weekend to all customers who purchased a barbecue in the last 2 years.
- A reminder to all customers who haven't redeemed their loyalty card credit in January or February.
- Send loyal customers who visited you 4 times during the last 30 days a voucher for your garden café to get more traffic on weekdays.
- Tips to plant a newly purchased tender shrub. Is winter coming? Send tips on how to protect the tree against frost.
- An automated birthday e-mail with a promotional voucher.

Such programs allow you to communicate via e-mail, mobile or post. You design the most relevant communications for your most important product groups and within your company objectives. This 'Smart Technology' saves you time - you setup the so called 'recipes' just once, and from there on everything goes automatically. Your loyalty program will evolve from an old-fashioned loyalty card into a traffic generator without sacrificing margin!

A cloud-based ePOS system is the ideal platform for this level of marketing, right now, as well as any time in the future as 'Cloud' is completely future proof and can be integrated with any new form of marketing or communication, that new technology may throw at us.

Omni-channel retailing

In today's retail environment, the customer decides where and how a purchase is made. As a retailer, you will have to be present when the moment arrives that the customer is searching, comparing and buying, which means that you should be available 24/7.

What do you as a retailer need, to be an omni-channel retailer? That is, other than the desire to be an omni-channel retailer, A) data and B) systems, that make it possible to serve customers in a simple way, irrespective of the phase of the purchase process or the medium or channel that is being used.

If the data is complete, then this relates to customer information, product information and transaction information that forms the basis to properly and personally serve the customer with relevant information and promotions. If the system has been set up in a way that this data is always available, then you can become an omni-channel retailer.

Availability of data means that the system needs to be open. "Open" means seamless integration of the ePOS system into the different sales channels such as webshop, kiosk or app. Many older, non-cloud based systems are closed systems with limited options to connect to other systems, which will prevent you to become an omni-channel retailer.

Advantages

The 3 most important advantages of being an omni-channel retailer:

1. You position the customer central to the process - wherever they are in the purchase process and, irrespective of the sales channel (garden centre, website, webshop) they are using that time, your customer always has the correct and up to date information in relation to their personal situation (club or reward scheme members) with all the relevant promotions and targeted offers.
2. Cost saving: One-time data entering avoids duplicate input errors and does not incur unnecessary costs due to multiple data processing.
3. Increased sales: You reach and contact your customers when they start the search for a new product so you have the greatest opportunity to bring your business and products to the forefront, increasing your sales success.

Enterprise Resource Planning – or ERP

ERP is business process management software, that allows a company to use a system of integrated applications (the service platform) to manage the business and automate many back-office functions related to technology, services and human resources. Cloud-based systems are fundamental to this process.

There are many advantages to implementing ERP including increased efficiencies, improved productivity, decrease costs and streamlined processes.

Efficiency - an ERP system eliminates repetitive processes and greatly reduces the need to manually enter information. The system will also streamline business processes and makes it easier and more efficient for companies to collect data.

Integrated Information - instead of having data distributed throughout a number of separate databases, all information is now located in a single location. Data is also kept consistent and up-to-date.

Reporting - ERP software helps make reporting easier and more customisable. With improved reporting capabilities, your company can respond to complex data requests more easily. Users can also run their own reports, without relying on help from the IT-team.

Customer Services – it is easier to provide high-quality customer service using an ERP system. Sales and customer service people can interact with customers better and improve relationships with them, through faster, more accurate access to customers' information and history.

Security - a new system will improve the accuracy, consistency and security of data. Restrictions to data can also be enhanced.



NedFox – The Cloud ePOS market leaders in Europe

NedFox are based in the Netherlands and are the largest providers of Cloud-Based ePOS in Europe. They provide their services to over 400 garden centres and other retailers that operate more than 2,000 tills between them.



They were the first company to offer a Cloud-Based solution (Retail Vista) and remained very much at the forefront of this technology.

In 2013, NedFox entered the UK garden centre market, as existing providers had not embraced this technology, largely due to the cost of development of such systems, as well as to protect their existing server-based programs.

However, the fact that 'cloud-based' is a completely future proof system that is **considerably more advanced, tried & tested than any other UK system** offering, seamless integration with any e-Marketing services (Click & Collect, Web Shops, Phone Apps and Customer Newsletters) will mean that the UK is ready to adopt this new technology.

Costs

Service charges - the way that NedFox charges for its services is through a monthly service fee that is based on the range of modules that are being used. There are no up-front charges for software licences, no 'per user' or 'per work station' charges. Most of the module charges are single monthly fees, irrespective of the number of tills that are being used.



RetailVista modules include: Point of Sale, Purchase Orders, Gift Cards, Sage Accounting Interface, Loyalty Savings Cards, Datacash EFT Integration (Payment Cards), EDI, Business Intelligence, Catering Functionality, Webshop Integration, Warehouse Administration, PDA (Hand-Held Terminals), Excel Export and many, many others.



Hardware – the NedFox 'preferred Suppliers' are HP, for the POS, Cash Drawers, Receipt Printers, Customer Displays and the like. These come with an UK 5-year 'Repair or Replace Warranty'. However, RetailVista can be operated from most up-to-date hardware with a minimum specification.



Installation and training – is a one-off cost, directly related to the size of the 'operation' and the level of training. Are all staff being trained, or do we train, the trainers (departmental managers).



For further information, details or an outline quotation, go to:

www.nedfox.com

The Authors

This guide has been written by Martin Tank and Eimert de Graaff. They both share a passion for the garden centre industry, as well as their concern about the fact that many independent retailers seem reluctant to embrace the game-changing technology that 'The Cloud' has to offer and the fact that these retailers are missing out on many opportunities and cost savings that this service can provide.

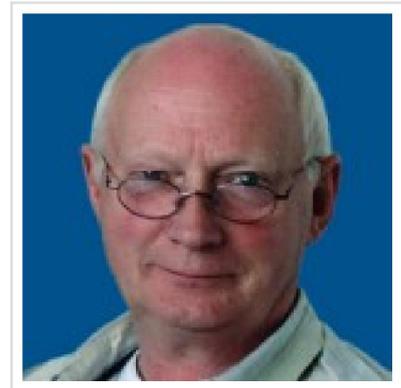


Martin Tank

Martin Tank is the Project Leader & Support Manager of NedFox BV and started in 1999 as the first full time employee, alongside Ernst van der Linde, MD.

Eimert de Graaff is a Free-Lance Consultant on 'Customer Retention' and responsible for the introduction of NedFox to the UK garden centre sector.

- Reading business studies and horticulture in the Netherlands
- Founder of the HART Buying & Marketing Group in 1993 (peaking at nearly 300-member garden centres)
- In 1995 launched the first electronic loyalty scheme in the garden centre sector "The Garden Card"
- Chairman of the European buying and marketing group SESACO for 5 years (France, Germany, Netherlands, Belgium, UK and Ireland)
- 2008 - Founded the QV Marketing Company, now known as Garden Connect UK



Eimert de Graaff