



A Zebra Technologies White Paper

# **Retail Re-pricing: Mobile Printing Enables Fast, Efficient Price Changes**





# Re-pricing is a Strategic Tool

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

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

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

## Common Pricing Strategies

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Pricing strategies are a constant theme of discussion at all retailers. One of the most common questions asked is, "Which sells more at the best margins, do end-of-season sales or regular markdowns?"

### Everyday Low Price

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

### End-of-Season and Special Event Sales

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

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

Yet all stores do make price actions, even with a label gun or a red pen, which provide no assurance of accuracy or timeliness. Specialty retailers need to put to use the same technology that the grocers and the general merchandisers began to invest some years ago. Fashion and other specialty stores need to present

the “high quality/best value” model they advertise. Moreover, they need to develop a buzz about the store at the end of every week, not just at the end of the season. True price differentiation requires price optimization and execution technology.

## **Regional Pricing**

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

All of this sounds marvelous in theory. At headquarters, variable pricing models achieve the perfect balance of margin and sales volume. At the store level, it is another story. Products in higher-margin regions do not receive the higher price, causing costly mismatches between the label and the system. Products in lower margin regions that did not receive labeling do not sell. Conflicts between store operations and pricing teams are often the result.

The reason is that ultimately, stores can only introduce variable pricing if they use an efficient labeling technique. Some retailers have set up re-labeling lines in the distribution center for consumer electronics products, but for most product lines, the operation is expensive and time-consuming. Doing so is not feasible. For maximum re-labeling efficiency, stores must perform the task as goods arrive.

## **Price Optimization**

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

Price management software alone is not enough to stimulate sales and turn inventory. Tight processes and management must form the foundation of the software for best results. Software applications can accurately specify the right item, right price, and right time to mark down an item. However, the application cannot ensure that store will actually perform the markdown in time. If not, the store will lose sales. How efficiently the retailer performs price changes will go a long way to determining the value and return on investment (ROI) the price optimization system will provide.

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

## **Matching Strategy with Execution Increases Profitability by 20 Percent**

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Variable pricing, re-labeling, and markdowns are a common, everyday occurrence in retail. Although, individual retailers and even individual stores within a chain differ greatly in how they perform these pricing

operations. Pricing has become a science, but for most retailers, execution is anything but scientific. Retailers should manage price labeling with all the care and planning given to other key areas of the business, and supported with the appropriate systems. Otherwise, retailers are at risk for lost sales, sluggish inventory turnover, and inefficient labor practices. For example, one Zebra customer calculated it lost 20 percent of the potential profits from each promotion it ran because of the extra labor cost required to prepare for the sale.

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

**The answer: Through wireless label printing technology.**

In a major success, large grocery chains have implemented such processes for perishable foods. The big discount apparel retailers deploy wireless label printing for marking down branded clothing. Today, thanks to the ready availability of high speed and in-store wireless networks, chains of all sizes, even small specialty store chains, can implement regular markdowns.

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

## **Wireless Mobile Printing Creates Value**

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

The return on investment for this operation comes from reduced labor time needed to label goods. The time savings range from 25 percent to 40 percent among SofTechnics customers that have converted to an in-aisle printing application. Integrated, in-aisle printing also gives retailers the pricing accuracy and other benefits associated with mobile printing, which will further improve the effectiveness of their markdowns and promotions. For example, printing a bar code on the new label means that store associates can process clearance or marked-down products quickly at the POS and make accurate stock adjustments. Simultaneously, the system information stays current because the reduced price products have different codes in the system from the regularly priced products.

## **Apparel Store Realizes Accurate, Real-time Pricing**

Topshop, a leading apparel retailer in Western Europe and Russia, chose wireless mobile printing to implement a price mark down system at its new Evropeiskiy trade center location in Moscow. In other chain locations, store associates executed price markdowns manually using fixed-location printers, which was error-prone and inefficient. Topshop required a solution that could apply retail price markdowns to selected clothes items as opposed to entire apparel collections, often consisting of several hundred in-store items.

With the new wireless mobile printing solution, Topshop Russia retail store assistants now print price mark-down labels, on demand, for selected clothing items while on the shop floor, rather than in the back office.

Efficient discounting and re-labeling improved re-pricing accuracy, freeing up employees to focus on their customers. As a result, Topshop realized a lift in sales margins and profits, improved customer service, and accelerated payment processing for its customers.

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

## **Toys and Games Retailer Gains Higher Productivity**

Jumbo, the largest toy retailer in Greece, provides a prime example of the accuracy and labor efficiency that wireless mobile printing provides. Store associates walk through store aisles to monitor which items need replenishing on the shelf. Previously, associates wrote down which items needed restocking, and then walked back to the office and turned in the list. Another employee entered the replenishment list into the store computer system, which forwarded it to the back office. Associates created promotional stickers, sale price labels, and other price labels on a printer in the back office, and then carried the labels to shelf locations for application. Each transfer represented a point in the process that could insert errors or slowdowns.

To automate and decentralize its price labeling process, Jumbo equipped its store associates with handheld computers and belt-worn printers. Associates now produce price, promotional, and markdown labels while they are in the aisle. Jumbo reports that associates are 80 percent more productive and save between 45 and 90 minutes per day by avoiding walking back and forth to the central office. The new process also reduced pricing errors rates by 80 percent.

## **Supermarkets Experience Reliable Re-pricing**

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

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

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

## Simplify Retail Operations, Focus on Sales

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Mobile printing is an excellent enhancement to markdown and other price labeling operations. The labor savings alone deliver strong ROI, and the value is even greater when taking into account improvements to responsiveness and software effectiveness. Mobile printing helps streamline retail operations, freeing up store associates to spend more time with customers and improve sales.

To maximize the value of mobile printing and the incremental improvements it provides to markdown management software, retailers should implement mobile printers that:

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

The retail and merchandising pages in the Industry Solutions section of Zebra's Web site, [www.zebra.com](http://www.zebra.com), contain more case studies, application information, and other resources, including an ROI calculator to help find the value of mobile printing applications in specific operations.

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