

# R.J. Calio Consulting, LLC.

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Retail Systems Consultant

## January 2011 Newsletter

I just returned from The National Retail Federation (NRF) in New York. As always it was an overwhelming display of software, hardware and services for the retailers. Attendance was up over 20% from last year which gave the attendees a sense that things are beginning to turn around, albeit slowly. My goal at these shows is to understand the new and emerging technologies and initiatives and how they are applicable to the independent retailer. The following is recaps the things I feel make sense for the independent.

### **Section 179 of the tax code:**

As part of the Jobs Act of 2010 section 179 of the tax code was expanded. Essentially, Section 179 allows businesses to deduct the full price of qualifying equipment and software purchased or financed during the tax year. You can deduct the full purchase price up to \$500,000 from you gross income rather than a depreciation schedule. The equipment or software must be put into service before 1/1/2012. Let's do some quick math as an example:

Purchase: \$100,000

Write off: \$100,000

Tax savings: \$ 35,000 Assumes a 35% tax rate

The government is attempting to motivate business to make capitol investments to stimulate the economy. If you're thinking about upgrading or adding some new technology this incentive is worth considering. As always I caution you to check with your accountant before moving forward with any capital investment.

### **Digital Signage:**

More digital signage companies were displaying this year. The big guys have figured out that in-store product promotion works to drive sales and keep shoppers informed at a lower cost than traditional advertising and flyers. Six of my clients installed signage during the last year and they feel strongly that they are getting a very positive return on their investment. Signs are real time customer engagement, keep people in the store longer, offer a way to connect to the new mobile customer and most importantly sell product. Signs can be integrated to your POS systems to facilitate the uploading product and prices to the digital sign controller.

### **Social Media:**

If you're not on Facebook you should be. 25% of all web traffic is generated through Facebook. Digital marketing is changing the game from a one to many model to a consumer empowered model where the consumer decides what messages they will accept. I learned a new word at NRF, F-commerce. It's not what you might think, it refers to Facebook e-commerce. Commerce on Facebook is beginning to gain traction. Facebook is introducing new e-commerce apps to help retailers capitalize and monetize

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**Mailing Address:**

P.O. Box 827

South Windsor, CT. 06074

**E-Mail:** [rcalio@snet.net](mailto:rcalio@snet.net)

*Web:* [rcalio.com](http://rcalio.com)

Phone: (860) 644-7956

Fax: (860) 644-2358

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their Facebook activity. Facebook friends can discuss their purchasing decisions, seek feedback and make product recommendations.

Twitter offers another approach that allows stores to communicate directly with no time restraints. Messages can be timely and based on what's relevant at that moment. A great example was last week's snow storm in the northeast. My son decided that based on the predicted snow fall he needed to buy a snow blower. He called a number of stores and was unsuccessful. A twitter blast from a retailer that had snow blowers in stock would have been timely, relevant and more importantly resulted in sales.

### **Mobile devices:**

The integration to mobile devices, smart phones was one of the biggest pushes at NRF. There are still a bunch of technical issues that need to be resolved to make all of the features of mobile integration into the retail mix a reality for the independent retailer. At this point texting and tweeting are a reality but integration to the couponing services such as Foursquare, Shopkick and Red Laser aren't there yet for the independent.

Here are some interesting facts on where mobile marketing is going. There are currently 16 million smart phones in use in the US today. The number is expected to grow by 50% within the next year. Voice is the third most used function on smart phones, texting and email are the top two. Mobile e-commerce or m-commerce was \$2.5 billion dollars for 2010. It is projected to double for each of the next few years. By 2014 12% of all e-commerce transactions will be done on smart phones. M-commerce and mobile device marketing will become too big to ignore. At this point keep your antenna up and stay tuned as more information becomes available I'll pass it on.

What does this all mean? In simple terms you can't ignore digital marketing any more. It's here, it's growing exponentially and if you're not using these tools to communicate with your customers your competition is.

My final thought is, proceed with caution, expect a bit of turbulence ahead. Leaner is better both from a personnel and business perspective. Know your key numbers and monitor them vigilantly. These are some exciting new software tools and dashboards to help you monitor your numbers. Keep an eye open for opportunities. If a competitor closes, is there market share you can go after. If you're considering expansion, locations will be available at below traditional market rates. In every down turn there are as many winners as losers.

Please don't hesitate to contact me if you would like additional information on any of these topics.

Have a healthy and successful New Year.

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Fax: (860) 644-2358