

Montreal Gazette

Retail goes high-tech; Infrared cameras and RFID tags help companies monitor store traffic, keep inventory in real time and evaluate marketing campaigns - all in the name of growing sales and boosting efficiency

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Page: C1 / Break
Section: Business
Byline: JASON MAGDER
Source: The Gazette

Illustrations: ALLEN MCINNIS THE GAZETTE / Phil Lassner holds a scanner at Surplus Boutique. His company - Overheer Systems - specializes in fitting clothing tags with RFID chips for quick inventory control. WATCH THE VIDEO: Business owners explain how the latest technology can save them time and money in a video by Jason Magder, at montrealgazette.com-business; ROBERT J. GALBRAITH THE GAZETTE / Robert J. GalBRAITH The Gazette Madeleine Doucet, of La Vie en Rose lingerie shop, holds an infrared camera that has been installed in the store at Place Alexis Nihon. The camera uses infrared thermal imaging to track the number of people in a store.; ALLEN MCINNIS THE GAZETTE / "We believe this will be as revolutionary as the bar code was 25 years ago," says Phil Lassner.;

When Michael Bunyar started his business, he knew his technology would catch on with stores - he just didn't expect it would take 35 years.

Bunyar, the president of St. Michael Strategies, has been selling traffic counting apparatuses to stores since the late '70s.

"This has been around for 40 years, but we're really hitting critical mass now," Bunyar said with a laugh. "The first 30 years were really tough sloggng."

Bunyar's traffic counters are among several old technologies finding new life as retail stores invest heavily in technology in an effort to increase their bottom lines. His clients include Tristan, Pier I, Talbots and The Body Shop.

Bob Parker, an analyst for IDC Retail Insights, said many retail stores are using technology to gain an edge in a market where sales aren't growing, and competition is becoming more fierce because of online shopping.

"There's also a much more informed shopper now because of online shopping, so companies have to be more informed as well," said Parker, the IDC's vice-president of research. "The new normal in retail requires this added degree of precision."

Bunyar, who has been tracking retail traffic for the last 35 years, says there are fewer people visiting malls than in the past, so it's vital for stores to become more efficient. He said retailers who employ his traffic counters quickly find out that only between 15 and 30 per cent of people who enter a store ever buy anything.

"It becomes a lot cheaper and more cost effective to increase your sales by starting with the traffic that's already in your store, as opposed to spending big bucks for advertising to get new people into the store," Bunyar said.

He added while traffic counting technology has existed for years, newer software allows companies to analyze traffic patterns with more sophistication.

A year ago, the lingerie and women's clothing company La Vie en Rose hired Bunyar's company to install traffic counters in all 153 of its stores. The

infrared cameras detect people by the heat signatures they emit. The traffic information is then linked up to the company's data centre, located in its head office on Pierre de Coubertin Ave. across from the Olympic Stadium. The software developed by St. Michael Strategies allows the company to see how many people are in any given store at any time. But it's the data collected over time that has really proven valuable, said Madeleine Doucet, La Vie en Rose's vice-president of business technology.

"We've integrated the traffic analysis with sales figures and the resource planning, so stores have a dashboard that allows them to know the busiest times for traffic, and for sales," Doucet said. "Store managers can see what the busiest times are, and plan to have the adequate staff to convert that traffic into sales. We know that if we schedule our most productive staff during the peak hours, that we're going to easily increase our sales."

The cameras have also been tied into other aspects of the company, such as its marketing campaigns. That allows the company to measure if a marketing campaign results in increased traffic into stores, and which areas respond the most to the campaigns.

La Vie en Rose CEO François Roberge said the cameras have allowed the company to grow its sales and revenues at a time when the economy is soft, and the company isn't expanding at the same rate it did five years ago. He said the approximately \$3,000 per store it cost to install the cameras has yielded great results.

"We decided to see if we could increase the stores we had already, instead of opening so many new stores," Roberge said. "If we just increase the sales by 10 per cent, it's the equivalent of eight to 10 new stores."

He added it's also a way to judge the health of a particular store. If a store is struggling with sales, the company can know if a lot of people are walking and not buying, or if the store is located in a bad area with minimal traffic.

Another technology helping make stores more efficient is radio frequency identification (RFID) chips. IDC's Parker said they have become a hot item in recent years, especially in the clothing business.

While RFIDs have been around for several years, like the traffic counters, new software analytics have made the technology very useful in keeping track of inventory.

"We've reached a practical business purpose level, and I think we'll see double digit growth for the next few years," Parker said.

Montrealers Philip Lassner and Dan Sandler are certainly hoping that is the case. They are the co-founders of Overheer Systems Inc., which provides RFID tags for merchandise.

The RFID chips in tags are slightly larger than the tip of a pen. They're attached to an antenna, which is the width of a hair. The tags are given unique identifiers, so retailers can get specific information about each item in their stores.

RFID chips can be read from a distance of up to 15 metres from fixed readers, and up to three meters from hand-held readers.

The technology allows a store to know in real time the status of the inventory, because the readers can be installed throughout the store. The tags can be scanned using fixed or hand-held readers.

Lassner said the chips make retailers more productive, because rather than having several employees spend a day or two counting inventory, this process takes one or two employees about an hour to count an entire store's inventory. The chips also allow employees to locate an item that has been lost in the store. Using a hand-held reader, users can see the distance they are away from the item they are searching. All the inventory information is uploaded to a cloud server, so a company's head office can always know the inventory information of its stores.

"You can also do a whole history of a specific item," Sandler said. "So you can know how long its been on the floor, and even how many times it has been in the fitting room. So if people keep trying an item on, and not buying it, maybe there's something wrong with it."

RFID tags are being tested in some retailers, among them, Walmart and American Apparel in the U.S. A spokesperson for Walmart Canada said RFIDs have not yet been implemented in stores here yet.

Lassner and Sandler have one client, Aloft International, which sells scrubs to doctors, nurses and other health care workers. However, they have just started approaching companies both in Canada and the U.S., and they expect to land several clients in the next few months.

"We believe this will be as revolutionary as the bar code was 25 years ago," Lassner said.

Lassner and Sandler say they are tapping into a market at a good time, when companies are looking to make their inventories more efficient.

"If someone comes into your store, and wants to buy a specific item, but you can't find it, that's a lost opportunity, and it's very frustrating for the stores," Lassner said. "Our system eliminates those lost opportunities."

Parker said many companies are investing in inventory management, to better keep track of everything that's available in stores and online.

That's something Montrealbased Aldo Group implemented about two years ago in its 1,000 stores in Canada, the U.S., and Britain, where if an item isn't in store, but is available in another store or online, it's shipped free of charge to the customer. Although the company doesn't use RFID tags to physically locate its items, it uses advance logistics software so the head office and all stores in the chain can get accurate up to the minute information about what items are in stock.

"We have seen that about 50 per cent of people shop crosschannel (in stores, and online)," said Todd Dean general manager of multi-channel and e-commerce for Aldo.

Open-concept architecture transforms city

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Page: GT2
Section: News
Byline: Christopher Hume Toronto Star

From Regent Park to the Ritz-Carlton, 60 Richmond to the Royal Ontario Museum, a new architecture of openness is remaking the city.

The most obvious symbol of this phenomenon is the glass that has become the material of choice for buildings of almost any sort - cultural, corporate, condo, commercial, even health care.

But more than glass, the new architecture is about connectivity. It seeks to bring people together, not keep them apart. It begins with the understanding that every building, like every person, is part of something bigger - a neighbourhood and its city.

As obvious as this may seem, it has been a hard lesson for architects to learn; like the rest of us, they have been more inclined to compete than co-operate, to stand out rather than fit in.

But in a world urbanizing so quickly, the architect's role is more one of supporting actor than star of the show.

Among the best examples is the Centre for Addiction and Mental Health on Queen St. W. The Provincial Lunatic Asylum, which opened here in 1850, would become "999 Queen" - slang for madhouse. It was eventually torn down and replaced by a series of brutalist slabs made of steel, concrete and good intentions.

What's now replacing those buildings from the 1950s, '60s and '70s is a complex so revolutionary it looks, well, ordinary. It barely stands out.

Gone are the utopian expectations of an earlier era, the well-meaning prescriptions about treating the mentally ill and the paternalistic, we-know-better sort of architecture.

Instead, the new CAMH looks like any other place. It begins with the street grid that has been reintroduced to the site and lined with elegant lowrise buildings that would feel at home in any part of the city. There's nothing about these structures that speaks of special treatment.

The infamous brick wall that surrounds the site will be left standing on three sides of the CAMH campus, but it no longer serves to keep people out. It is a historic artifact, a relic of a different age.

Other health-care facilities are also joining the move to transparency, and for good reasons. Studies show that with natural light, views of the outdoors and a sense of community, patients recover measurably faster.

Artist's renderings of the new Humber Valley Regional Hospital show an arrangement of glass boxes in a field of green. The proposed remake of Toronto East General Hospital will be a similarly open approach.

The same sort of renewal logic has been applied at Regent Park, the vast social housing development built in the late 1940s and early '50s. Decades after it was removed, the network of roads has been reinstated through the neighbourhood.

Once impenetrable and cut off, it now abounds with narrow roads lined with glass buildings. Transparency and connectivity are the order of the day. By the time the rebuilding is complete, it will be impossible to tell where Regent Park ends and the city begins.

Even Toronto's recently rebuilt cultural institutions exhibit all the see-through hallmarks of the new architecture.

The black box, so beloved by museum curators, has given way to the glass box, so beloved by museum audiences.

Whether architecture has finally managed to reach a state of absolute truthfulness remains to be seen; every generation claims it has found the way, of course, as we, the heirs of failed modernism, know only too well.

In architecture as in life, perhaps, it boils down to one simple formula: Design for others as you would for yourself.

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The Globe and Mail

The deflation dilemma: Why falling prices remain a threat; Inflation concerns have moved to the forefront, but some market watchers point to a host of factors that the Fed and others have played down. These include record debt levels, an uncertain U.S. housing market and technological innovation

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Byline: Martin Mittelstaedt

As recently as this past summer, one economic fear dominated discussion: the danger of deflation.

Now that fear has been supplanted by worries over deflation's opposite number - inflation - as the prices of commodities ranging from oil to cotton spike upward.

But is the threat of deflation really over?

Market watchers who've been predicting that consumer prices will eventually start falling remain convinced that recent inflation jitters are an economic version of a head fake, and before long, the deflationary conditions they've been expecting will emerge.

It's a contrarian view, to be sure. The Federal Reserve, which has pumped hundreds of billions of dollars into the system, appears to be tilting toward a view that inflation is a growing risk. Over the weekend, James Bullard, president of the St. Louis Fed, suggested that the central bank should consider ending its second round of quantitative easing before June, when the stimulus measure is due to wind down.

But those who continue to warn about deflation point to a host of factors that the Fed and others are playing down. Record levels of debt are one factor that could drag prices into a downward spiral. Technological innovation, which is increasing the supply of many goods and reducing prices, is another deflationary influence. So too is the fading power of labour to drive wages higher.

"We do feel that deflation is probably the biggest threat to the economic environment," comments Charlie Minter, director at Comstock Partners, a Pennsylvania-based money manager, and a long time proponent of deflation.

For everyone from homeowners to investors, picking a winner in the deflation- versus-inflation argument will be a key decision over the next few years. Each economic condition favours radically different strategies.

If deflation does break out, forget about making big capital gains on a home. Think about losses, because prices will sink. Many heavily indebted businesses will also suffer. Meanwhile, stocks and commodities

will tank, likely by scary amounts, while the prices of government bonds soar. The best approach would be to sell shares or even short them - ditto for commodities - while backing up the truck to buy a massive bond portfolio of ultra-safe government bonds.

If inflation takes off, the reverse is true. Producers of commodities and resources, as well as investors in those areas, will be positioned to coin money.

Home prices will appreciate, while bond holders get walloped.

No one really knows which outcome will prevail. The big question is whether the deflationists have been wrong, or whether their projection is just early.

One argument in favour of the deflation-is-likely case is a look at the track records of prognosticators who've been making the claim for it. They include such luminaries as David Rosenberg of Toronto money manager Gluskin Sheff, and Gary Shilling, head of A. Gary Shilling & Co., a New Jersey-based money manager and economic consulting firm. Both argued for years that a dangerous bubble was building up in the U.S. housing market before they were vindicated by events.

In addition, some institutions with a strong record of calling the economy's turns, such as Toronto insurer Fairfax Financial Holdings, have begun to take out hedges, or contracts, that will protect their firms should consumer prices start to fall.

Those predicting deflation say that an outbreak of declining consumer prices is being temporarily held in check by the outsized efforts governments have mounted - through huge deficits and loose monetary policy - to stabilize the global economy following the 2008-09 stock market panic.

Chief among these recovery efforts is the U.S. Federal Reserve's program of quantitative easing, which consists of buying U.S. government bonds with newly minted cash. The deflationists believe this action has given a temporary upward boost to inflation, commodities, and stocks.

"We have always viewed the path to deflation as occurring in fits and starts. There would be episodes of cyclical recoveries in inflation," says Lacy Hunt,

economist at Hoisington Investment Management Co. in Austin, Tex., a money manager in the deflation camp. "The quantitative easing is scheduled to end at the of June and we'll get a truer read on inflation once that program ends," Mr. Hunt predicts.

Mr. Minter says the experience of Japan demonstrates that deflation develops slowly. It took about 10 years after the country's stock and real estate markets crashed in 1990 for falling consumer prices to become entrenched in the domestic economy.

Most of those who see deflation developing over the next few years base their view on the idea that Western economies are too just encumbered by debt to produce robust, inflation-promoting economic growth. The U.S., for instance, has accumulated total debts among businesses, individuals and governments that are about 3.5 times larger than the entire size of the U.S. economy.

Excessive debt exerts a deflationary force on the economy because larger and larger amounts of money have to be diverted to pay off interest and principal, undermining consumption. This depresses growth, and can drive consumer prices into the negative range, just as it has in Japan.

To be sure, there are other potential contributors to deflation. Technological innovation is one key factor, demonstrated in plunging prices for electronic gadgets. Even Internet shopping has a deflationary impact as it enables consumers to easily shop for the lowest possible price.

Despite the recent surge in commodity prices, there are plenty of trip wires that could cause the global economy to stumble into deflation. Mr. Shilling says one big worry is U.S. housing prices, which he believes could fall another 20 per cent due to the huge inventory of over two million unsold homes. Such a large price decline would erase the equity of many homeowners and drive down personal consumption, the value of mortgage-backed securities, and the prospects of many lending institutions.

Other potential triggers are Europe's sovereign debt crisis spinning out of control, and a hard landing for China's high flying economy, which would prick the commodity price bubble.

Given his views, Mr. Shilling says stocks look pricey. "They're awfully expensive," he says. "I just can't see what is going to provide the kind of growth that is assumed with current stock prices."

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Ontario budget shrinks by \$2 billion; 'We have overachieved,' insider says as province moves 'back to balance'

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Section: News

Byline: Robert Benzie Toronto Star

Illustrations: Finance Minister Dwight Duncan is to announce Tuesday that the deficit this year will be \$16.7 billion, compared to the most recent forecast of \$18.7 billion, insiders say. The government expects to balance its books in 2017-18. THE CANADIAN PRESS file photo

Ontario is slowly sailing out of a stormy sea of red ink with a revised and reduced deficit this year of \$16.7 billion, sources told the Star.

That's \$2 billion less than the \$18.7 billion budget shortfall most recently estimated for the 2010-11 fiscal year ending Thursday.

And it's \$3 billion below the projection of \$19.7 billion made in the March 2010 budget - further evidence that Ontario has emerged from the world's worst financial crisis since the Great Depression.

"Not only have we turned the corner, but tomorrow's looking better every day," a senior insider, speaking on condition of anonymity due to budget secrecy, said Sunday.

"We are moving back to balance fairly quickly."

It is encouraging news for Premier Dalton McGuinty with a provincial election set for Oct. 6 and his Liberals trailing Tim Hudak's Progressive Conservatives in public opinion polls.

The change is thanks to a \$2.6 billion reduction in program spending and \$400 million less in interest payments, officials confided.

In Tuesday's provincial budget, Finance Minister Dwight Duncan will forecast a 2011-12 deficit of \$16.3 billion - down from the \$17.3 billion he predicted last year.

Duncan will also announce a projected 2012-13 shortfall of \$15.2 billion, less than the \$15.9 billion previously anticipated.

But Ontario is still not expecting to balance the books until 2017-18.

"Obviously, we're doing better than planned ... and we have overachieved," said the insider, emphasizing the Liberals are just being prudent about when Ontario will be back in the black.

After weathering a global recession that battered corporate tax revenues and forced governments to borrow billions for stimulus spending, the official said pragmatism rules the day.

With a daunting provincial debt of \$220 billion, which costs the treasury about \$10 billion a year in interest payments, Duncan will use Tuesday's budget to launch a high-profile "wise person's commission"

on the issue.

Bolstered by the clarion call of former federal finance minister John Manley, now president and CEO of the Canadian Council of Chief Executives, for "a war on debt," the treasurer's task force will study ideas for paying it down.

As first disclosed by the Star's Martin Regg Cohn, Duncan wants Ontarians to begin talking seriously about debt reduction.

"We need to develop a political consensus about this," a senior official said Sunday.

"And we need to look at how do we get to a point where we can approach this ... without the old Harris-Hudak slash-and-burn approach," the source said, referring to former Tory premier Mike Harris's drastic spending cuts after taking power in 1995.

Because Hudak was a minister in Harris's cabinet after 1999, the Liberals believe he would follow a similar approach to governing.

While the current PC leader has yet to unveil his campaign platform, he has mused about cutting the 13 per cent harmonized sales tax.

Each percentage point drop would cost the treasury \$3 billion in lost revenue. Tories, however, counter that tax cuts stimulate spending, which boosts economic growth and creates jobs.

The Liberals have ruled out any cut to the HST, which melded the 8 per cent provincial sales tax with the 5 per cent federal GST last July 1, as unaffordable.

On Thursday, Duncan touted the fact that his government has identified \$1.5 billion in new savings over the next three years - largely by replacing four antiquated jails with two modern, efficient facilities in Toronto and Windsor.

"The good news is the economy is turning the corner to a brighter future. Our investments and the hard work of Ontarians are paying off," the minister said in a speech to the Toronto Board of Trade.

"We also have to be realistic about the fact that those investments, designed to help our families, came at a cost to our government."

However, Tory MPP Peter Shurman noted the

Liberals have doubled the provincial debt since taking office in 2003.

"Only Dwight Duncan and Dalton McGuinty could celebrate a \$17 billion deficit," said Shurman. "This is an abject failure."

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