

"INNOVATE FOR THE REAL ECONOMY"
AT RETAIL SYSTEMS 2001

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KIOSK COMPONENTS AND BOOK-SIZED COMPUTERS



According to industry executives, education is the key to successful selling in the kiosk market, p. 112.

DATA COLLECTION



A real integrator or just a showroom?, p. 78.

ID CARD PRINTING



Card printing reseller PlastiCard earns \$4,000 per day for its trade show registration solutions, p. 86.

WHO DOES THIS GUY THINK HE IS?

While still a teenager, Sam Kliger, CEO and president of Kliger-Weiss Infosystems (KWI), developed an entire retail management system. By the time he was 20, he was providing it as a service to specialty retail stores. Now, 16 years later, KWI is a \$10+ million company that provides service to over 3,000 stores, p. 62.

Sam Kliger, CEO and president, Kliger-Weiss Infosystems

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▲ In the mid-80s that's probably what specialty retailers were thinking when they were approached by Sam Kliger about his outsourcing company, Kliger-Weiss Infosystems (KWI). While still a teenager, Kliger developed an entire retail management system, and by the time he was 20, he was providing it as a service to specialty retail stores. Now, 16 years later, KWI is a \$10+ million company that provides service to over 3,000 stores.

by Katy Wolfrom

Do you remember what you were doing when you were 19? If you were like many 19-year-olds, you were probably going to college and working the cash register at a local store. In 1985 at age 19, Sam Kliger, now president and CEO of Kliger-Weiss Infosystems (KWI), was anything but typical. Kliger had dropped out of college and was developing an entire retail management system for the Benetton stores located outside of Manhattan, NY.

Chance Meeting Precipitates Business Partnership

Kliger's first encounter with Benetton, a specialty clothing chain, had occurred a year-and-a-half earlier in 1984. While he was shopping at the Long Island location, he asked the owner's wife, Edith Markowitz, if she and her husband were in need of a retail management system. (At the time, Kliger was still in school and was developing small computer systems on the side for local businesses.) She told Kliger that they didn't need a system right then, but would probably need something in a year or so when they had more stores. Markowitz told Kliger to give her or her husband, Danny Markowitz, a call in a year. A year later, after coincidentally meeting a woman who managed a Benetton store owned by Markowitz, Kliger was reminded of his conversation with Markowitz' wife. Kliger called Markowitz the next day. The two met, and Markowitz told Kliger that he was planning to open up more Benetton stores in the area. Markowitz realized he needed help developing a retail management system that included POS hardware and software, as well as back office capabilities. The entire system's capabilities would involve inventory management, merchandising, and the ability to poll each store's POS system to gather sales data. Markowitz hired Kliger to find a system for him. What Kliger discovered was that Markowitz couldn't afford the retail management systems that were available. Kliger decided to design a system himself. "Although I hadn't finished my degree, I had completed my computer courses and had a good understanding of business," said Kliger. "I felt I could put the two together."

Company: Kliger-Weiss Infosystems (KWI)

Headquarters: Port Washington, NY

Founded: 1985

2000 revenue: \$10-20 million

2000 sales growth rate: 35%

2001 projected sales revenue: not disclosed

2001 projected sales growth rate: 25-35%

Employees: 50

Principals: Sam Kliger, CEO and president;
Danny Markowitz, executive VP

Markets: Specialty retail

Vendors: Fujitsu-ICL, Cognos, Monarch, Sun
Microsystems

Customers: Kenneth Cole, Montblanc, Swatch,
Donna Karan, Kate Spade

Phone: (800) 873-5944

Web site: www.kligerweiss.com

Photos by John Keating



Learn From Others' Successes When Designing A Business Model

Kliger began writing the back office program and looking for POS software and hardware (see sidebar, "Reliable Service: A Must In POS"). He was also working with AT&T on connecting the stores for polling. By 1986, Markowitz had 18 stores and Kliger was customizing the system to meet Benetton's needs. "I told Danny he'd better find someone to manage the system, because I wasn't planning to spend the rest of my life running Benetton's system exclusively." Markowitz bought the retail management system from Kliger and hired Gary Weiss, a friend's son, to manage it.

Weiss happened to mention to Kliger that he had recently heard Frank Lautenberg, former CEO of Automatic Data Processing (ADP), speak on the outsourcing of payroll services. Kliger was familiar with ADP since Benetton was using its service. Around that same time, Kliger was getting calls from other Benetton franchises that were interested in the system. It was then that Kliger realized he could start a company based on ADP's business model and provide his retail manage-

ment system to all the Benetton stores for less than they could buy the system. He bought the system back from Markowitz and started KWI. He agreed to run the system for Markowitz' stores on a per store, per month basis. Shortly thereafter, Kliger and Markowitz met with the principals of Benetton. "Benetton had 250 stores nationwide and had no idea what was selling in them," said Kliger. "We told them that we could provide them with free information about what colors, sizes, and styles were selling. In return, they were to recommend our system to their franchisees."

In a matter of a year-and-a-half, many of the Benetton stores were using KWI systems. "In the beginning, the focus of KWI was to provide outsourcing systems to Benetton stores. I didn't even think about other retailers," said Kliger. With the Benetton success, KWI got a lot of exposure in different retail magazines and that's when the calls started coming in. "At that time, a lot of big, brand-name companies were opening retail stores. I didn't realize it at the time, but the future of retail was brand-name merchandising," said Kliger. What Kliger did realize was that these brand-name companies had large

Reliable Service: A Must In POS

In the mid-80s, Sam Kliger, president and CEO of Kliger-Weiss Infosystems (KWI), was looking for point of sale (POS) hardware for the retail management system he was developing for Benetton stores in the Manhattan, NY, area. Kliger admits he was lured into buying a register that looked good and was cheap. "It ended up being a junky register. It was like most instances when you buy a no-name product versus buying a brand-name product. When you buy no-name, you rarely get the service you need when you need it the most," said Kliger.

When Kliger didn't get the service he needed from his no-name register provider, he quickly began to look for a more reputable provider. At a retail show, Kliger was approached by Fujitsu-ICL Systems Inc. (Dallas). "Fujitsu was very aggressive in getting us to sign up to resell its product," said Kliger. "With Fujitsu, I get a very reliable product at a fair price and I have the assurance of service when needed. Our back office/corporate software easily integrates with Fujitsu's TeamPoS 2000 POS terminals and software to provide a complete retail management system. Additionally, I can buy direct from Fujitsu regardless of how many units I need. I don't have to go through a large distributor," added Kliger.

More Than Just A Piece Of Hardware

The TeamPoS 2000 is designed to free retailers from dependence on multiple systems and vendors. It is able to run electronic marketing applications, enabling retailers to implement customer loyalty programs. It can be configured to meet specific needs and works with an array of industry standard peripherals – including dual independent display screens. Its adaptability transforms POS terminals into multi-purpose points of service, including multimedia customer-activated kiosks. It advances in-store efforts to upsell and cross-sell and can be used to offer interactive advertising, promotions, and online shopping at the point of sale.

The TeamPoS 2000 is designed to be easy to maintain, expand, and upgrade – even by in-store staff – to protect the retailer's investment. Its design is open and standards-based to support POS applications for both fat- and thin-client architectures. Additional performance features include memory and disk capabilities, plus high-speed LAN (local area network) connectivity to help manage multimedia, CRM (customer relationship management), and e-business applications.



Fujitsu's TeamPoS 2000 is a part of KWI's retail management system.

For More Info. On Fujitsu-ICL

Go To www.fjicl.com



IT departments that knew a lot about running warehouse management systems. However, they knew nothing about running specialty retail stores. "In the beginning, many of the companies opened up only a couple of retail stores. They were just testing the waters to see if there was a market for specialty stores," said Kliger. "With our outsourcing services, they could focus on selling their merchandise and not have to deal with all the issues involved with running an entire retail management system," said Kliger. "When we realized that Benetton wasn't going to be our only customer, we really started to focus on specialty retail."

"Once we started doing business with name brands like Kenneth Cole (a designer, marketer, wholesaler, and retailer of sophisticated apparel and accessories), other brands wanted to do business with us, too. The bigger the customers we did business with, the bigger our customer base grew," said Kliger. According to the now 35-year-old KWI president, most of his company's customers have resulted from referrals

from other customers. Kliger also attributes KWI's ability to customize its application as a major factor in gaining customers. "Our customization has really given us an edge over our competition," claims Kliger.

"I didn't realize it at the time, but the future of retail merchandising was brand-name merchandising."

Sam Kliger, CEO and president,
Kliger-Winick Intelsystems



The Outsourcing Of Retail Services: More Than Just An ASP

Currently, KWI has 98 clients and provides outsourcing services to over 3,000 stores. KWI provides its clients with a complete end-to-end solution that includes POS, inventory control, merchandising, and loss prevention (see sidebar). KWI's Retail Management System can also accommodate customer profiling and loyalty/reward programs.

KWI's system consists of its custom-designed back office/corporate software and Fujitsu's POS software and hardware (see sidebar, "Reliable Service: A Must In POS"). KWI's software is run at the company's Port Washington, NY, headquarters on a UNIX-based system (see sidebar, "The Need For Speed"). Until the advent of the Internet, an AT&T frame relay connection networked stores to KWI's host system. Today, approximately 80% of KWI customers use the Internet to access their data at the host site 24 hours a day.

Although KWI hosts its clients' retail applications at its headquarters, Kliger doesn't consider his company to be an application service provider (ASP). "In general ASPs do a good job of hosting but don't provide the added element of business process knowledge which is the difference between a system and a solution," says Kliger. "We're not only providing KWI customers with an application, we're providing them with business expertise. I'm focused on one industry - specialty retail. I add value to the products and services I provide by helping my clients use their systems effectively in a market I know like the back of my hand."

According to Kliger, companies can save up to 40% to 50% by outsourcing services to KWI versus purchasing, installing, and maintaining a system themselves. "While most retailers spend more than 2% of their sales on

The Need For Speed

KWI runs its retail management system that it outsources to specialty retail stores on UNIX-based hardware from Sun Microsystems (Palo Alto, CA). According to Sam Kliger, president and CEO, KWI upgrades its server and storage technology on a yearly basis at its headquarters in Port Washington, NY. "Upgrading with Sun's latest equipment each year ends up being very cost-effective for us. It allows us to have more clients on the same number of servers. In addition, it gives our clients the benefit of faster performance," says Kliger.

KWI stores all of its customers' data on RAID (redundant array of independent disks) systems. Almost all of the harddrives within KWI's RAID systems are Cheetah disk drives from Seagate Technology (Scotts Valley, CA). KWI will be soon be replacing Cheetah's 10,000 rpm (revolutions per minute) drives with Cheetah X15s (15,000 rpm).

"The demands of data-intensive applications such as e-commerce, the Internet, and data warehousing have changed the market requirements for storage from capacity to speed per transaction," says David Wickersham, senior vice president, product line management at Seagate Technology. "We have all experienced the messages on the Internet that indicate that we are waiting on the reply from the server. A portion of that wait is attributable to the transaction capabilities of the data storage being used." According to Wickersham, the Cheetah X15's transaction performance is designed to improve the storage response time.



technology, retailers outsourcing to KWI can cut that percentage in half," states Klinger. The bulk of the savings comes from eliminating the need for IT personnel. "Anyone can go out and buy top-of-the-line software and hardware, but you need qualified and experienced people to run it. Those types of technical people are sometimes hard to find and they cost money. It's like buying a great race car but not being able to find a good driver," states Klinger.

KWI has recently launched a retail management system for e-tailers. "We manage merchandising systems for e-tailers. Basically, we poll their web sites much like we poll our traditional retailers' POS terminals," said Klinger. Whether a company is bricks, clicks, or a combination of both, KWI's total retail and e-commerce IT solutions allow for accurate assessment of operations.

Niche Market Needs A Little Competition

Over the past 16 years, KWI has managed to keep its fee around \$350 per store per month. The fee varies, depending on the number of stores a customer has. According to Klinger, KWI has not had to raise its rates because it now services a much larger number of stores than in 1985. In addition, the cost of hardware and long distance rates have decreased dramatically.

Klinger has no doubt that more people will become involved in providing outsourcing services to the small-to medium-sized retail market. "If you're in the marketplace I provide services to, and you have the opportunity to outsource, you're just nuts to buy your own system," states Klinger. In fact, Klinger welcomes the competition that will be brought about by more people providing retail services through an outsourcing model. "I not only expect competition, I want it."

So, is it time you take on this guy? □