Volume 70, Number 6, 2011/2012

THE MUNICIPAL LIQUOR STORE

OFFICIAL PUBLICATION OF THE
MINNESOTA BEVERAGE ASSOCIATION
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Watch Out for Employee Theft!!

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MUNICIPAL LIQUOR STORE

Volume 70, Number 6, 2011/2012

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ON THE COVER

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This article shows the importance of monitoring gross profit (something MMBA has been stressing) for not only maximizing profit but to detect theft.

It is also important to note some methods used to steal and for you to ensure policies and procedures are in place to prevent these activities (i.e. Defining which employees can adjust inventory records and monitoring the number of voided transactions.)

DIRECTORS

MMBA President's Message

Tom Agnes
President

Commitment to running a successful operation!

One of my goals as president of the MMBA was to step into every municipal liquor store in the state. My term ends in May and I am not sure if I will be able to reach 100% , but I am getting pretty close.

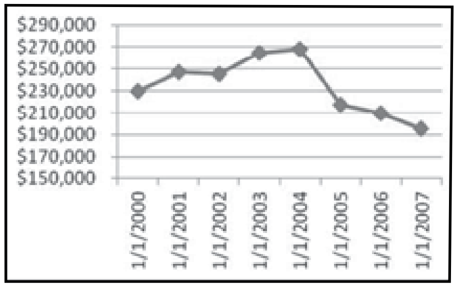
I would like to take this opportunity to share one of my favorite success stories with you.

I was on a trip late last year with another director Michael Friesen in the northwest corner of the state. We were running a little late and were trying to decide whether or not we wanted to make the long drive up to Lancaster. I said to Michael that it was the farthest municipal liquor city away from where I work in Brooklyn Center, I need to go there. So we called ahead and talked with the manager Jen, who came back into the store to visit with us and discuss Lancaster's story.

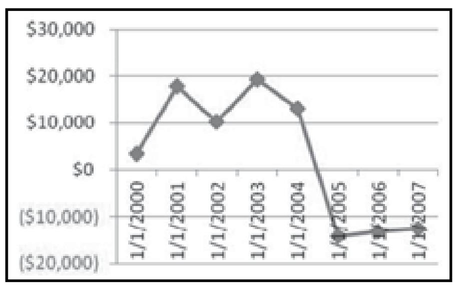
Jen then filled us in on the city's decision several years ago to close the operation.

As you can see below they had some pretty tough years:

Lancaster Sales #'s thru 2007



Lancaster net profit thru 2007



So the city made the tough decision to close the operation that for years had been successful for them. They brought in Jen and told her to liquidate inventory, sell off what she could and recover some money.

So Jen began that program but noticed something happening. Through this process customers began to come back in and become interested in this business again. So the city said let's give it another try and in 2008 sales came back to $222,043 and the net profit loss was minimal compared to recent years ($3,583). T

Then in 2009 sales hit an all time high of $277,658 and a record net profit of $33,760 earned.

Profit is now so good they are looking to add a community center to the bar.

On this same trip we ran into a manager who was intoxicated in the municipal bar he managed on his day off. Not a good move in my opinion, so we all have things to work on and successes to share.

Why not come to the MMBA annual conference in May and look for areas you can improve on and share your success with other municipal liquor operators.

Have a great selling season!

Retailings Biggest Challenges

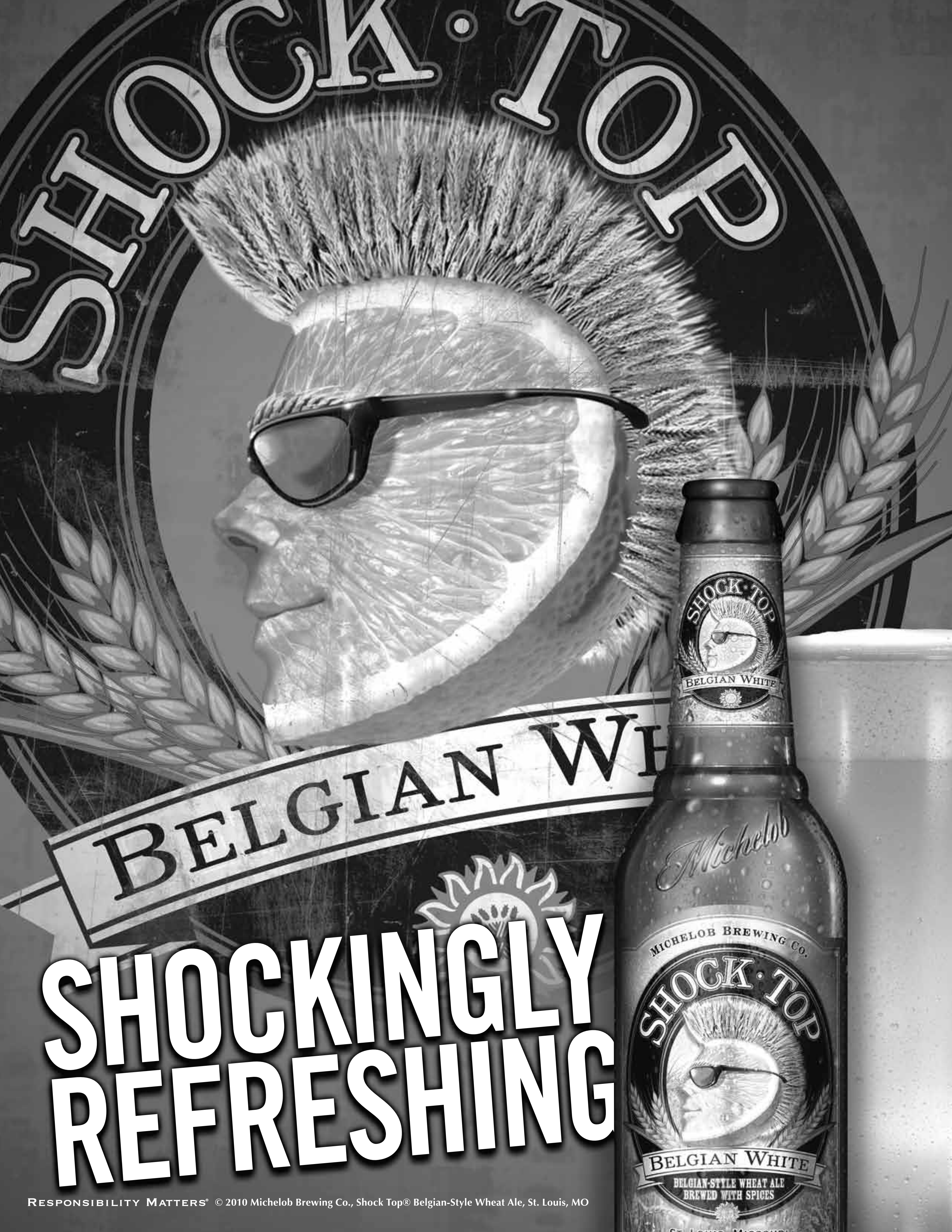
- ✓ Competition from Other Companies
- ✓ Coping with Changing Economics
- ✓ Meeting the Demand for High Quality Service
- ✓ Effective Utilization of Technology

Quick Tip

"Average transaction," also called "average ticket sale," is the average amount spent at your facility by each customer in a day, week, month, or year.

It is calculated by dividing total sales by the number of transactions.

This number can increase when sales associates suggest higher priced items and / or additional items to customers.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Watch Out For Employee Theft!!

The newspaper article below describes circumstances of a recent employee theft situation at an MMBA member facility.

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This article shows the importance of monitoring gross profit (something MMBA has been stressing) for not only maximizing profit but to detect theft.

It is also important to note some methods used to steal and ensure policies and procedures are in place to prevent these activities (i.e. Defining which employees can adjust inventory records and monitoring the number of voided transactions.)

The potential amount of money taken from the municipal liquor store by the former manager was calculated to be $95,600 by the city's auditors.

The auditor reported the findings and how they were calculated, at a recent city council meeting.

The procedure agreed upon by the city administrator and the auditors to calculate the potential theft was to compute the revenues that would be expected based on the amount of goods purchased for sale.

This was done by calculating the average historical gross profit margin, then applying it to the purchases to compute expected revenues.

The expected revenues were then compared to reported revenue to calculate the potential amount of theft which occurred.

In making the calculations, the auditors used vendor reports and reconciled them with city and audit reports for 2004 through October 2011.

The auditors also calculated historical revenue from 2004 to October 2011, separated between on- and off-sale to take into account the differing gross profit margins.

The historical gross profit margin was then calculated using the historical revenues and the historical cost of goods. The profit margins for the liquor store remained consistent for the years 2005 to 2008, then decreased in 2009, according to the auditor's report.

The lower profit margins continued through April 2011, corresponding with the manager's employment as the liquor store manager.

Following the manager's resignation in May 2011, the gross profits once again increased, according to the report.

(Continued on Next Page)

Based on 2005 to 2008 historical data, the gross profit margin for the liquor store was calculated to be an average of 72 percent for on-sale and 18 percent for off-sale.

The difference between the expected revenue and the reported revenue for 2009, 2010, and January through April 2011 is $95,600.

The auditors also acknowledged the fact that the manager adjusted the inventory by one each time he made a no-sale transaction in an attempt to disguise his theft, according to the report.

All similar adjustments from 2008 to April 2011 were totaled to compute the potential theft using another method.

However, the total adjustments for each year were much higher than the potential theft, and items such as transfers, and cases broken down to individual categories (for example a case broken down to 12 packs), as well as true corrections could account for many of the adjustments.

Therefore, it would be impossible to determine the legitimate adjustments versus the manipulation of the system to disguise theft, according to the auditor's report.

While investigating possible causes for the loss of profit at the liquor store during the last several years, the administrator noticed several "subtotal voids" had been occurring, according to a report from the police department.

A disproportionate number of the subtotal voids occurred during the time the manager was working.

The manager began working at the liquor store in October 2007, became manager in November 2007, and resigned in March 2011 after the theft was discovered.

The administrator informed the police of her suspicions, and two cameras were installed at the liquor store, one directly over the manager's desk in the office, and the other over the off-sale register, according to the report.

Video documentation began April 12, 2011, and was later compared to point-of-sale records and inventory adjustment records.

During the two-week time frame the cameras were recording activity at the liquor store, the manager was captured:

- "pretending" to ring up sales for customers, and using the "no-sale" button to open the register;
- voiding sales after being subtotaled;
- placing cash in his wallet that he had taken from customers or the register after "fake sales;"
- adjusting inventory records; and
- destroying, throwing away, or attempting to hide register receipts.

The total loss in "fake sales" for the two-week time period was $623.21, according to the report.

Following the investigation, the police questioned the manager May 3, 2011, at which time he admitted to taking money because he needed groceries for his children.

Although the manager said he did not keep track of how much money he was taking, and admitted he had been taking it for about six months, he also said he had been returning the money to the on-sale side by ringing up drinks (that nobody had actually purchased), and paying for them himself, according to the report.

The manager examined inventory records for adjustments for one product between 2 and 4:30 p.m. (when many of the adjustments were made to cover the "fake sales") dating back to January 2008.

The adjustments totaled $21,813.

Similar adjustments made in the six months the manager admitted to taking money totaled $3,587, according to the report.

The city carries bond coverage for all city employees, which includes recovery for proven losses by employee theft.

The next step is for the city to fill out the claim form and send it to the bond company, along with the auditor's report.

The city will also ask the Minnesota Department of Corrections for restitution in the amount of $250, its deductible for the bond insurance, and any accounting fees which are not covered by the bond.

The manager was sentenced Sept. 20, 2011 to serve 20 days in the Wright County Jail, and to pay a $300 fine and associated court fees.

He also received five years of supervised probation with a number of conditions that must be met during that term.

One of the conditions is to pay restitution in an amount to be determined by the Minnesota Department of Corrections and to be paid within four months.

Another condition is to write a letter of apology to the city.

Quick Tip

Don't try running a specialty ad for only a short period. They must be used over a long period to be successful.

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Detroit Lakes to Build New Liquor Store

By Pippi Mayfield, DL-Online

After studying numbers and taking time to debate the issue, the Detroit Lakes City Council recently voted to move forward with a new, larger liquor store.

The consultant estimates that the $3.9 million project will pay for itself in about five years. That is based on the increased visibility and access from Highway 10 and a larger store increasing sales.

The debate over whether to build a new municipal liquor store is not unique to Detroit Lakes. At least five cities around the area have built new liquor stores in the last 10 years, and one thing they can all agree on is more space and better visibility means more sales.

When looking into the Detroit Lakes project, the consultant and staff looked at city liquor stores built in Fergus Falls, Perham, Hawley, Parkers Prairie and Pelican Rapids. All recorded increased profits after the new facilities were built.

“Of course the municipal liquor store is intended to make a profit,” said Chuck Johnson, Perham economic development authority director. “Just like in Detroit Lakes, the city draws that profit to help with its city expenditures.”

So one factor city leaders must consider when deciding whether to build new is whether or not the new liquor store will increase profits enough to pay off the debt incurred by the project.

“The Perham liquor store was doing well. It’s always been a healthy liquor store,” Johnson said. But after a move, “you’ve added to your cash flow considerably and if you want to stay neutral, your cash flow has to go up a lot. And it has performed like that (since the move). It has met its debt obligation and is essentially the same draws that it did in the other location. It met expectations.”

In Perham, sales increased from about $1.5 million in 2007 to just over $2 million after the new liquor store opened in 2008. They increased to $2.25 million in 2009.

The Perham liquor store started in the early 1960s, Johnson said, located on Main Street.

“It was a really tiny thing,” he said of the building.

Then in the early 1990s, the city decided to move the liquor store because “it had substantially outgrown that location,” he said.

So it moved a couple blocks down the street into the historical building that houses city hall.

“It was a substantial increase in square footage. Sales reacted accordingly.” Then it started to outgrow that space and serious discussions of moving to a larger location took place about four years ago. Like other cities, Perham hired a consultant to determine the best location for the new store.

“When we went through the process of studying sites, we prepared a list of site options — seems to me there were four, five or six potential locations. There was a lot of dialogue with the downtown merchants; they really wanted it to stay in the downtown area,” Johnson said.

When it came down to it, though, needing a certain amount of space for the footprint, the liquor store was built in the new development along Highway 10.

One of the other main spaces that could accommodate the building size was downtown, but Johnson said it would have been a traffic nightmare because it was at the corner of two very busy streets.

Beam

Crafting the Spirits that Stir the World

“Not that it (the city council) preferred downtown or Highway 10. It was gender neutral. But when it boiled down to brass tacks, there weren’t really any downtown locations that worked,” Johnson said.

Though downtown business owners weren’t happy that the traffic-generating liquor store was moving out of the downtown, it turned out to be acceptable because the chamber of commerce needed to expand and moved into the city hall space vacated by the liquor store.

“It was pretty controversial about moving that to Highway 10. In retrospect, what really helped that situation from really festering is the fact that the chamber of commerce — which was in need of a new location — moved into that same liquor store location,” Johnson said.

“Because it’s a better place for the chamber, it’s good for the downtown. If that hole would have languished or hadn’t had a good occupant, that may have festered. It’s been good for the chamber and it’s been good for the downtown.”

Since the move to the edge of town along Highway 10, it has grown in revenue and the number of customers. “There are two factors that contribute to that. One is bigger store, bigger selection. Second one is it has a higher exposure,” Johnson said.

In Parkers Prairie, Liquor Store Manager Audrey Klukken said the city decided to build a new liquor store because the old one was no longer suitable.

“It was a hole in the wall,” she said. “It was very old, very worn down, and after that explosion we had years ago, the top of the building was actually condemned.”

The city built the new liquor store in a different location six years ago and expanded its floor space as well. “Our off-sale has increased immensely,” she said.

Sales in Parkers Prairie increased from just under $500,000 in 2005, when the new liquor store opened, to about $660,000 in 2009.

While Perham, Parkers Prairie, Hawley and Pelican Rapids replaced existing stores, Fergus Falls made the decision to build a second municipal liquor store. When City Administrator Mark Sievert came to Fergus Falls in 2000, the city was already discussing a second liquor store. So, as directed, he hired a consultant to analyze a new location and cost.

Along with a study of locations, Sievert said he worked with a real estate agent to find an affordable piece of land for the project as well.

“We didn’t want to announce something and have land values go up,” he said.

“So by the time I had the study completed, and I had actually negotiated with a property owner, I had a potential sale. By the time I had gone to the council (I could) say, ‘I’ve done the study. The study says this would be successful, and we also have a willing seller, now it’s up to you to decide, do you want to do this or not?’”

The council went forward and in about 2003, the second liquor store was built on the west side of Fergus Falls, where there was a lot of new commercial development. The original store is located downtown. It was a move that’s been a success for the city.

“From a public or political view, you always have people on both sides of the issue. But as I recall, the year we opened the second store … when we compared with what the consultant’s estimate was, he was right on,” Sievert said. “We’ve had good success and good profits.”

He said the two stores, because of their locations and sizes, serve different populations. The new, larger store has a more expansive selection of wine and craft beer. The downtown location serves more typical, basic beer sales.

Sievert said that not only did sales increase but the locals who never shopped locally before were now coming through the doors. The same was true of out-of-town customers that had never shopped there before. (The city could tell by addresses listed on checks.)

“That was one of the things the consultant said, ‘if you build a new store, you’re going to see a lot of new sales,’” he said.

And with a second liquor store, Sievert said the downtown location didn’t see a decline in sales either.

Detroit Lakes’ Lakes Liquors is one of the most profitable municipal liquor stores in Minnesota. It grosses about $5 million a year. Earlier this year, former City Finance Officer Lou Guzek had figured the liquor store would need to increase sales about 15 percent, or $692,000, to keep the level of income it produces now even with the new construction costs.

According to figures put together by consulting firm McComb Group, the annual sales projections for the Burger Time site that the city council has chosen is $7.5 million by 2015.

Why Should the Public Care About Beer Franchise Laws?

By Mike Madigan,
MN Beer Wholesalers Association

The beer industry in the United States has recently undergone dramatic change. While the industry as a whole has been consolidating for years, the creation in 2008 of two global behemoths, Anheuser-Busch InBev (ABI) and MillerCoors LLC (MillerCoors), has concentrated 80 percent of United States beer sales into two foreign-owned companies. ABI is based in Belgium and is managed by Brazilian leadership. MillerCoors is based in London and is primarily managed by South African leadership. The Marin Institute (now known as Alcohol Justice) has described these developments as creating a "Big Beer Duopoly." The economic and political power of these international organizations cannot be underestimated, and their impact on alcohol regulation, small brewers, and public health and safety in the U.S. is significant.

Under these circumstances, beer franchise laws, which govern the relationship between brewers and distributors, take on a growing importance. There are two complimentary purposes and policies that underlie beer franchise laws.

First, beer franchise laws promote and support the "three-tier" system and "tied-house" laws. As recognized by the U.S. Supreme Court, under the 21st Amendment, "within the area of its jurisdiction, the state has 'virtually complete control' over the importation and sale of liquor and the structure of the liquor distribution system." *North Dakota v. United States*, 495 U.S. 423, 431 (1990). Pursuant to the 21st Amendment power, most states have adopted the three-tier system with tied-house bans. The three-tier system mandates separation of the alcohol/beverage industry into three tiers: supplier, distributor and retailer.

As recently noted by the Louisiana Court of Appeals:

"Without the three-tier system, the natural tendency historically has been for the supplier tier to integrate vertically. With vertical integration, a supplier takes control of the manufacture, distribution, and retailing of alcoholic beverages, from top to bottom. The result is that individual retail establishments become tied to a particular supplier. When so tied, the retailer takes its orders from the supplier who controls it, including naturally the supplier's mandate to maximize sales. A further consequence is a suppression of competition as the retailer favors the particular brands of the supplier to which the retailer is tied to the exclusion of the other suppliers' brands. With vertical integration, there are also practical implications for the power of regulators. A vertically integrated enterprise – comprising manufacture, distribution, and retailing – is inevitably a powerful entity managed and controlled from afar by non-residents.

The three-tier system was implemented to counteract all these tendencies. Under the three-tier system, the industry is divided into three tiers, each with its own service focus. No one tier controls another. Further, individual firms do not grow so powerful in practice that they can out-muscle regulators. In addition, because of the very nature of their operations, firms in the wholesaling tier and the retailing tier have a local presence, which makes them more amenable to regulation and naturally keeps them accountable. Further, by separating the tiers, competition, a diversity of products, and availability of products are enhanced as the economic incentives are removed that encourage wholesalers and retailers to favor the products of a particular supplier (to which wholesaler or retailer might be tied) to the exclusion of products from other suppliers."

Manuel v. State of Louisiana, 2008 WL 1902437 (April 30, 2008 La. App. 3 Cir.) (rejecting an antitrust challenge to state liquor laws).

As noted by the U.S. Supreme Court, "the three-tier system itself is unquestionably legitimate." *Granholm v. Heald*, 544 U.S. 460, 488-89 (2005).

With regard to "tied houses," the seminal text on liquor regulation notes:

"The 'tied house' system had all of the vices of absentee ownership. The manufacturer knew nothing and cared nothing about the community. All he wanted was increased sales. He saw none of the abuses, and as a non-resident he was beyond local social influence. The 'tied house' system also involved a multiplicity of outlets, because each manufacturer had to have a sales agency in a given locality. In this respect the system was not unlike that used now in the sale of gasoline, and with the same result: a large excess of sales outlets. Whether or not this is of concern to the public in the case of gasoline, in relation to the liquor problem it is a matter of crucial importance because of its effects in stimulating competition in the retail sale of alcoholic beverages.

Fosdick and Scott, Toward Liquor Control at 43 (Harper & Bros. Publishers 1st Ed. 1933).

It is impossible to have an effective three-tier system and tied-house ban without ensuing relatively equal bargaining power between suppliers and distributors. Beer franchise laws safeguard the independence and relative bargaining power of distributors vis-à-vis suppliers and thereby ensure that distributors may fulfill their public policy functions of serving as a buffer between suppliers and retailers, preventing vertical integration of the industry and ensuring local control and accountability of alcohol distribution channels.

Second, beer franchise laws, like all franchise laws, are remedial legislation designed to address the unequal bargaining power existing between a "franchisor" and a "franchisee," ensure fairness and equity in the relationship and protect a "franchisee's" equity from arbitrary and capricious termination. *See, e.g. Arneson Distributing Co., Inc. v. Miller Brewing Company*, 117 F.Supp.2d 905 (D. Minn. 2000). Beer distributors make substantial investments of capital and personnel to create a market for a supplier's products within their territories. Beer franchise laws protect that investment from arbitrary and capricious termination by suppliers. A supplier must have "good cause" to terminate and usurp that investment. As a consequence of the strong public policy underlying beer franchise laws, they are deemed to be "remedial legislation" which "should be given a liberal construction to effectuate its statutory purpose."
Arneson Distributing Co., Inc. v. Miller Brewing Company, 117 F.Supp.2d 905 (D. Minn. 2000).

CONCLUSION

Beer franchise laws are more important and needed today than perhaps at any time in recent history. Never before has market power been concentrated in two international companies which control over 80 percent of the U.S. beer market. Never before has the imbalance between supplier and distributor been so great. Without beer franchise laws, distributors will be unable to maintain meaningful independence from suppliers and will be unable to fulfill their quasi-regulatory roles as a buffer between suppliers and retailers, thereby preventing the vertical integration of the industry.

Furthermore, by safeguarding the independence of distributors, beer franchise laws promote consumer choice and product diversity because distributors are free to carry the products of any supplier, particularly those of the growing craft segment. Small craft brewers lack the substantial resources required to make a market for a new product. Independent distributors are able and willing to make that investment on behalf of craft brewers. Without beer franchise laws, however, the dominant suppliers will insist upon exclusive distribution and all but shut down this exciting market segment.

Quick Tip

Close to 60% of consumer purchases in restaurants and bars are influenced by some sort of POP or display advertising. Instead of advertising your happy hour or low-margin items in these spaces, structure your in bar advertising to sell what you want to sell more of.

Your goal here is to make each sale more profitable, so you ideally want to focus on POP displays that accomplish this.

Entrance and exit signage, wall signage, and table tents are what many bars choose to use.
Depending on your bar, you may be able to tastefully use more.

Characteristics of an Effective Shelf Talker

By 2012 MMBA Annual Conference Presenter Darryl Rosen

This is an important question! In my travels, I see a lot of shelf talkers that neither **engage** nor inform. It seems (by looking at many shelf-talkers) that many a sales professional is just trying to check off an item on his or her to-do list. Most shelf-talkers just take up space and seem sort of half-asked. But it shouldn't be that way. Numerous studies show that nearly half of all purchase decisions are made at the point of purchase. In other words, many consumers don't know what they want when they enter a store and they need help making a selection. Certainly, with stores cutting staff, effective shelf-talkers (aka: silent salespeople) can and will help move product. Effective merchandising is a great way to differentiate your business and your products.

I bold-faced the word "**engage**" above because as you'll see below, grabbing the consumer's attention or engaging them is half the battle.

Engaging shelf-talkers stand out in the following ways:

1) Engaging shelf talkers have big fonts – or at least a big enough typeface so that consumers can comfortably read them.

The population is aging (as am I) and as one ages, he or she ultimately loses his or her ability to see like the good old days. (If you don't see that now, you will soon. No pun intended!) All typefaces should be bold and clear. Try to use the following colors as they're easy to decipher: Black, red and white. Suffice to say, consumers shouldn't need to squint to read your shelf-talkers.

2) Engaging shelf talkers are readable and can be read while a consumer is moving.

Consumers move pretty fast and if you spend some time in an account just watching them, you'll know what I mean. To draw the attention of people moving quickly, a sign must not only have the right size letters, but should also be in a font that one can read while moving. Stay away from crazy fonts. If you're not sure, make a sign, put it up and see how it looks as you approach it. If the words aren't clear as you approach, go back to the drawing board.

3) Engaging shelf talkers are creative - but not overly creative.

How's that for a contradiction? It's not just crazy fonts that sabotage your efforts; excess creativity can take a bite as well. Yes, creativity is a good thing but not at the expense of your message. Often images and graphics work against the effective delivery of your message. A well-designed sign is creative, and highlights the unique selling benefit or the product's story, not necessarily the artist's skills.

4) Engaging shelf talkers are informative in at least one compelling way.

It's about to get controversial in here! I abhor tasting notes. I think they have a place in beverage selling but, unfortunately, most descriptions rely on overused phrases like "hints of pear" and "a floral bouquet". Further, I believe that many sales professionals use these descriptions because they're easily sourced from either the Internet or the supplier. I firmly believe that both the sales professional and retailer know far more about how to sell a product in a given market than the supplier – in some cases located half a world away.

Aesthetically, in the case of shelf-talkers, I am bothered in two ways. First, there are often way too many words for such a small space. Second, as many shelf-talkers look the same, one doesn't necessarily stand out along a row of wines, beers or spirits. That's the whole objective of a shelf-talker - to stand out.

Shelf talkers should have one primary focal point. Something other than what one could discern by picking up the bottle. If the product has one redeeming benefit, than that's what should catch the consumer's attention. Just scored a 93 in a major trade publication, then that's what should catch the consumer's attention. It's certainly more time-consuming to make your shelf-talkers stand out, but you'll be rewarded by the extra effort.

5) Engaging shelf talkers are well maintained and don't look like they're been hanging there since wine was invented.

Retailers know that it's beneficial to shake things up a bit. By that I mean it helps to give your store a fresh look every once in a while. Often, just moving a product from one end of the aisle to the other leaves consumers with the impression that it's a new product. Back in my retail days, I remember how we would move a product 3 feet and customers would ask when we got the XYZ Chardonnay in stock. Funny thing is we had it all along; it was just 3 feet the other way!

A well maintained shelf-talker may give the illusion of an exciting new product and, just that fact alone, might spur some incremental sales.

2012 All About Customer Interaction & Experience

Washington, February 15, 2012 – In an effort to build customer engagement, capture wallet share and accelerate sales growth, retailers in 2012 will focus on a number of customer-centric functions, including IT and e-commerce investments, enhancing customer service initiatives and, building on their mobile platforms. A new report from the NRF Foundation and KPMG LLP, Retail Horizons: Benchmarks for 2011, Forecasts for 2012, which surveyed 247 retail executives from various sectors, outlines retailers' top strategic initiatives for 2012 including merchandising, e-commerce, store and field operations, supply chain and human capital, among others.

"Retailers are poised to enter 2012 with a renewed focus on building up and building out many of their most important operations, hoping to establish a new sense of brand loyalty with all of their customers," said NRF President and CEO Matthew Shay. "Though customers are always a company's top priority, customer satisfaction will get a huge facelift this year. From increasing their brand visibility through cross-channel initiatives to providing unique, personalized shopping experiences through every channel, retailers have indicated 2012 is all about the customer."

According to the survey, nearly 67 percent of companies rank customer satisfaction as the top strategic initiative for 2012 and, similarly, 82 percent say customer service strategies will be their top priority in the coming year, up from 75 percent last year.

For the first time in the survey's ten-year history, retailers' websites or online channels eclipsed physical stores as the top channel for marketers (81% for brick-and-mortar vs. 86% online). As such, retail executives say they will invest in programs that directly resonate with today's shopper. According to the survey, 85 will emphasize increasing online sales, up from 83 percent in 2011, and 38 percent will have a greater focus on increasing m-Commerce (mobile commerce) sales over the next year, up from 29 percent in 2011. Additionally, more than half (53%) of those surveyed say they will specifically focus on web personalization engines in the coming months, which includes such enhancements as location-based services and tracking methods unique to shopping habits.

To better serve mobile-savvy shoppers in their stores, retailers also stated enhancing handheld technologies, such as mobile point-of-sale, will be a core focus over the next 18 months. While 17 percent already use mobile POS technologies in their store, an additional 33 percent indicate they plan further POS investments during that timeframe.

"Compared to the past few years, retailers have turned their attention to growth acceleration, with an emphasis on improved customer engagement strategies and tactics," said Mark Larson, KPMG's global head of retail. "Harnessing the vast amounts of customer data they have at their disposal to create unique consumer interactions will be critical, especially as digital sales grow. Clearly the retailers who master the one-to-one customer approach, and who also leverage the full potential of e-and-mobile commerce platforms, will be in a much stronger position to gain wallet share."

Aiming to grow that customer interaction, 45 percent of companies are actively developing widgets, gadgets or advanced links that can be incorporated with their social media pages, and another 41 percent are planning to develop these items over the next 18 months.

Other KPMG/NRF survey findings:

- Thirty-three percent reported increases of greater than 5 percent in same store sales in 2011, up from 21 percent in 2010.

- After years of practicing cost containment, this year more than half (52%) of respondents plan to increase their IT budgets
- Nine in 10 (91%) respondents said they will focus on leadership assessment, development and succession, up from 83 percent in 2011. Additionally, 52 percent will increase associate training, up from 39 percent last year.
- As the number of multichannel shoppers continues to grow, so will retailers' focus on price optimiza tion - more than one-third (35%) of respondents will focus on solidifying their price optimization technologies over the next 18 months.
- Nearly six in 10 (59%) say new customer acquisition is their top strategic priority for 2012, up from 55 percent in 2011

For more information about the report and how to obtain a copy, please visit http://www.nrffoundation.com/retail-horizons.

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