



Four Key Steps to Reduce Your IT Costs by 50%

It can be done, you can do it!

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Retailers must avoid the complexity of evolving IT infrastructures that lead to unnecessary costs.

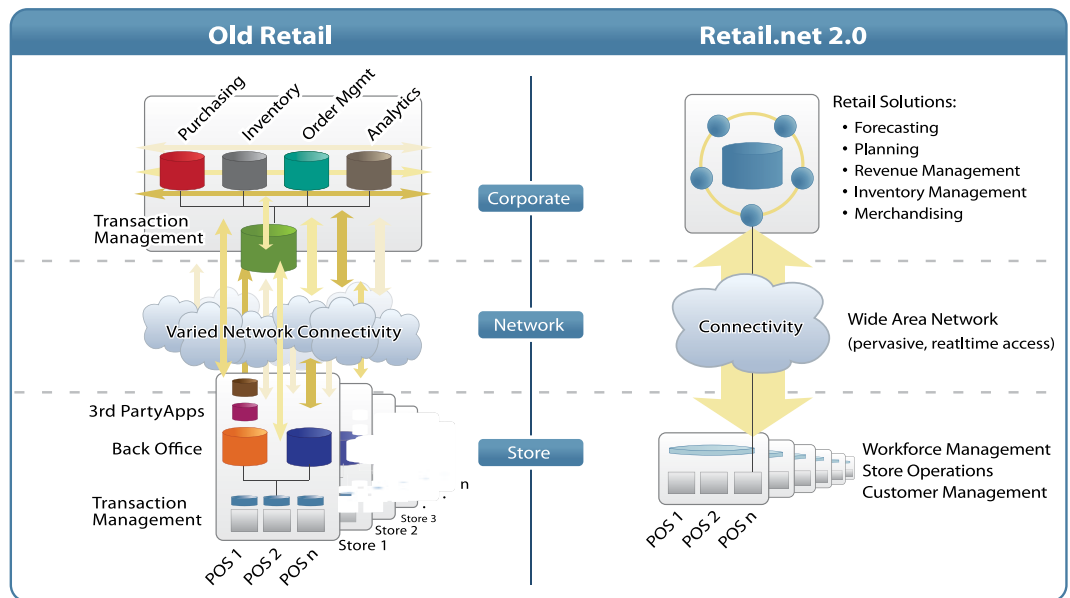
Over time, as a retail chain grows (and contracts), through a combination of organic growth and acquisition, its underlying IT infrastructure becomes more and more complex, as numerous point solutions, application integrations, bolt-ons and systems of all kinds strain under their combined weight -- ultimately bringing IT to a point of decreased value to the business.

These are the bad hair days of IT. At the very time when IT needs to be lean and mean, flexible and agile, all too often it's a coagulated mass of systems and questionable data against an onslaught of users wanting (and needing) tools to gain competitive advantage in an increasingly difficult retail environment.

This isn't an overstatement. Having been in and out of retail environments over 20 years, I can count on a few fingers the number retailers that have been able to avoid multiple item masters, duplicate and redundant data, the complexity and cost of which sucks energy, time and money out of a retail organization.

Like those magazines you see at the supermarket checkout advertising miracles, we confess here that the outcome advertised might seem a little over the top. However, with effort, maybe we can lose '7 pounds in seven days' -- more likely, it's a program of sustained and focused discipline towards modulating the IT environment into a more flexible utility to serve the business as opposed to an obstacle to overcome. Our own solutions, delivered to retailers of all segments and sizes, are modeled on these principles. This is not an infomercial, but many of our clients achieve significant reductions in lifecycle IT costs compared to traditional, fat client distributed computing architectures. In doing so, they achieve realtime access to centralized information that serves as a foundation for supporting innovation and the capability to react to new demands. However, the principles themselves are universal and they can be applied by any retailer.

IT architecture and strategy has a significant impact on cost.



The chart above demonstrates Retail 2.0 architecture. It's the idea of retailers moving from large aggregations of silo applications, legacy systems, and data redundancy across corporate and store, towards a lean mean retail machine: centrally managed data, applications accessible over high-speed resilient networks on lightweight, thin client platforms in the store, at corporate, and across trading partners and customers.

A critical step to reducing IT cost is connecting with the business: understanding what really moves the needle in terms of economic value.

Connect to the business

Sounds simple, but this one's tricky. It is said somewhere that the average IT backlog is 2 years, and somewhere else that the average IT CIO tenure is 1.5 years. It's a recipe for disaster. One thing for sure is that there's more IT work to be done at any given time than can be achieved on. So some self-governing principle must apply itself to this task list in order to make sure that the right stuff gets done. The business needs to drive this process. In most retail organizations, the business isn't even aware, in aggregate at least, just what the IT backlog is. There are certainly significant tasks, if not entire categories of work, that can be eliminated by putting emphasis on the right thing. In addition, modern services architecture approaches and lightweight application development approaches are essential.

Centralize the data

If it's clear by now, the Web scales. Therefore, a retailer can and should take steps to centralize information, create one item master, one approach to inventory, ordering, forecasting and replenishment and use it to drive the entire business. Yet in fact, retailers have multiple item masters, and different underlying infrastructure to support each of these silo solutions. Don't do it! Instead, move to an information architecture that brings the essential data together, serves as a common platform to support applications from corporate through store. The tools to achieve this involve scalable, N=1 server technology, enterprise services bus, web services architecture, an object approach to modular applications and the elimination over time of legacy solutions that depend upon indigenous data stores.

Think thin in the store

Once the data is available centrally, it can be used across the enterprise on the strength of high performance, low cost, ubiquitous network options that any retailer can take advantage of today. Indeed, the advance of network resiliency and failover options enables hardened applications to be executed at the store over thin clients. Other options exist to persist data into the store in much more lightweight ways than the traditional, fully replicated in-store server model. The cost and complexity of heavy hardware, software management, and administration around data seemingly always out of synchronization occupies a significant percentage of a retailer's IT budget. Having less technology in the store actually facilitates greater application functionality – increasingly, information to support customer service requires instant access to information available elsewhere: inventory in other stores, online credit and debit services, access to realtime customer loyalty and points programs, interactivity with the outside world (vendors, warranty, manufacturer information, etc.). It used to be that in a network down situation, the retailer had credit and debit at risk – now the list of the ancillary services put at risk due to network failure is significant, to where the essential value of a network resiliency strategy becomes mandatory.

Eliminate half your IT positions

The fact is retailers that implement these other principles above have demonstrated the ability to lower overall IT lifecycle costs, including a general reduction in staffing associated, by about 50% or more. So, to state the obvious, this is not the first step, this is the cumulative benefit of having achieved on the other steps.

We all know that achieving on these principles is extremely difficult, and in particular, these legacy monolithic solutions are seemingly intractable. Think small, and get it done in a modular fashion evolving to where your retail organization emulates the best practices of Retail 2.0.



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