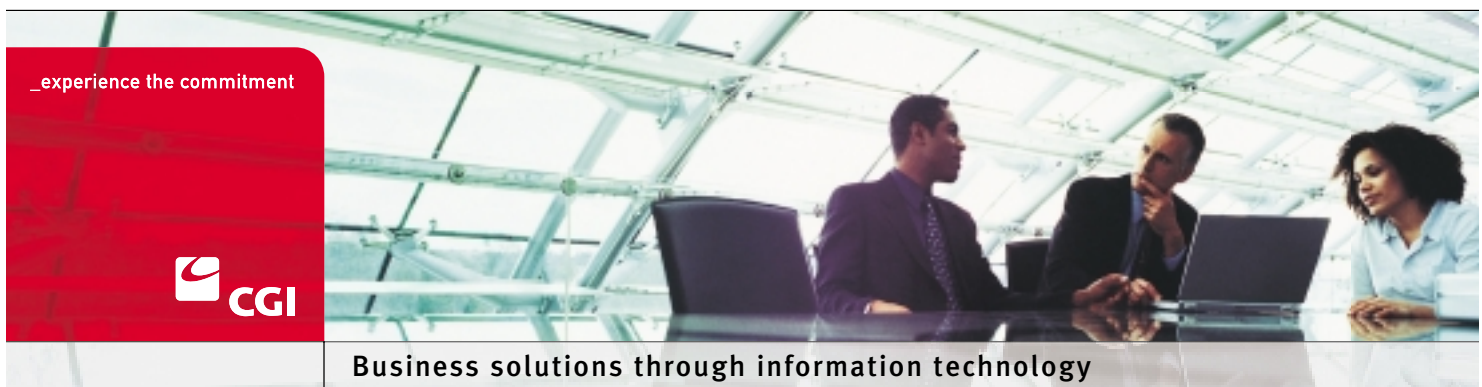


# Effectively Managing the Increasing Complexity of Store Technology in a Competitive Environment



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## Introduction

The retail business has always been marked by constant change. Existing for centuries, it has evolved from itinerant traders and medieval markets to street vendors and small family owned stores to super centers and online shopping. The fundamental purpose of retail, however, has remained the same throughout all time. Retail has and always will be about delivering goods and services that satisfy the needs and wants of customers. Without a doubt, however, today's retail industry will radically change in the future as new forms of retailing evolve based on changing customer expectations and evolving retail technologies emerge.

So what does the future hold for retail? While retailers will continue to face the pressures of rising costs, shrinking profit margins and intense competition, their strategies for dealing with those pressures are changing. This paper explores what retailers are doing to stake out a competitive position in the future, the technologies that will drive their efforts and the help they will need to get them to where they want to go.

## Focusing on the front door

Customer-facing processes, as opposed to supply chain processes, are commanding the attention of retailers today. Retailers are looking for ways to better understand their customers and deliver the right products to the right channel at the right time at the right price. Access to more product information along with a myriad of product choices has shifted power to the consumer resulting in higher customer expectations. Retailers want to enhance their customer's shopping experience, but at the same time, they need to reduce the costs of providing that enhanced experience.

While operational efficiency remains important, retailers are leveraging data and new technologies to optimize demand side processes, attract and retain more customers, and drive future growth. To create marketplace advantages in the future, retailers will need to know their customers intimately, including their needs, wants, preferences, and values, and re-design their business processes and in-store technologies to ensure customer expectations are fully satisfied.

## Evolving store technologies

Technologies are evolving to help transform retail into a more customer-centric business and to lower retailers' costs to provide services. Through these technologies, retailers will be able to manage their inventories in real time, leverage data more effectively to deliver the right products at the right price. They will also improve customer service and build customer loyalty by enhancing the customer's shopping experience.

Here are some of the emerging technologies that will significantly impact store level operations that retailers should understand and evaluate as they strategize for the future.

### *RFID*

Radio frequency identification (RFID) technology promises full inventory visibility at every point along the supply chain—from manufacturing to store checkout. RFID tags are microchips, about the size of a pinhead, that transmit information about cases/pallets or individual products using radio waves. Special scanners read the information without contact, eliminating the need for manual scanning.

With RFID technology, retailers can track products as they flow through the supply chain in real time, enabling them to make better inventory decisions, save costs and improve customer service. For example, a retailer facing unexpected high demand for a product at a specific store could re-direct shipment of that product after it has left the manufacturer from the warehouse directly to the store.

At the store level, RFID tags could also be used to locate missing products and reduce shrinkage. Ultimately, the tags could be embedded in customer store cards, enabling retailers to track the movement of customers and make personalized sales pitches.

### ***Wireless devices***

Wireless technology promises to transform the customer shopping experience, providing a powerful competitive tool as retailers strive to build stronger customer relationships. Personal digital assistants or other hand-held devices for employees will give them real-time access to product and customer information, enabling them to answer customer questions on the spot. Eventually, hand-held mobile devices will be available for use by customers, delivering detailed product and promotional information directly into their hands. Smart carts will also interact with customers while they are shopping, suggesting products or notifying them of promotions based on their current or past buying behavior.

Wireless POS systems will go a step further, combining real-time product information access with on-the-spot checkout services. With voice technology for inter-store communication, links to product and customer databases, built-in scanners and credit/smart card readers, and mobile printers, these systems will not only enable employees to answer customer questions but also complete sales transactions wherever the customer may be in the store.

Wireless manager workstations and wireless network infrastructures to support RFID applications will also significantly improve efficiencies from an operational standpoint and, ultimately, improve customer service.

### ***Self-service***

Enabling customers to serve themselves is a fast growing retail trend. Self-service technologies, such as mobile hand-held devices, kiosks and self-checkout, will give customers more control over the shopping experience and alleviate frustrations caused by stock-outs, staff shortages and long checkout lines.

Using mobile hand-held devices, customers will be able to access real-time product and promotional information quickly and conveniently. In-store kiosks will also be used to provide information to customers, as well as offer alternative payment options. Self-checkout will save customers' time while reducing retailers' labor costs.

Fully automated self-checkout is a possibility with RFID technology. Customers could fill their carts with tagged products, run the carts pass a sensor and wait for their bills to be automatically generated. Payment could be made using RFID customer cards. This process would allow customers to leave the store without removing any items from their carts or opening their wallets.

While customer hand-held devices are years away, many retailers have begun to install in-store kiosks. Widespread adoption of self-checkout is also on the horizon.

When considering outsourcing their in-store information technology, retailers should look to achieve a number of strategic, operational and financial benefits, including:

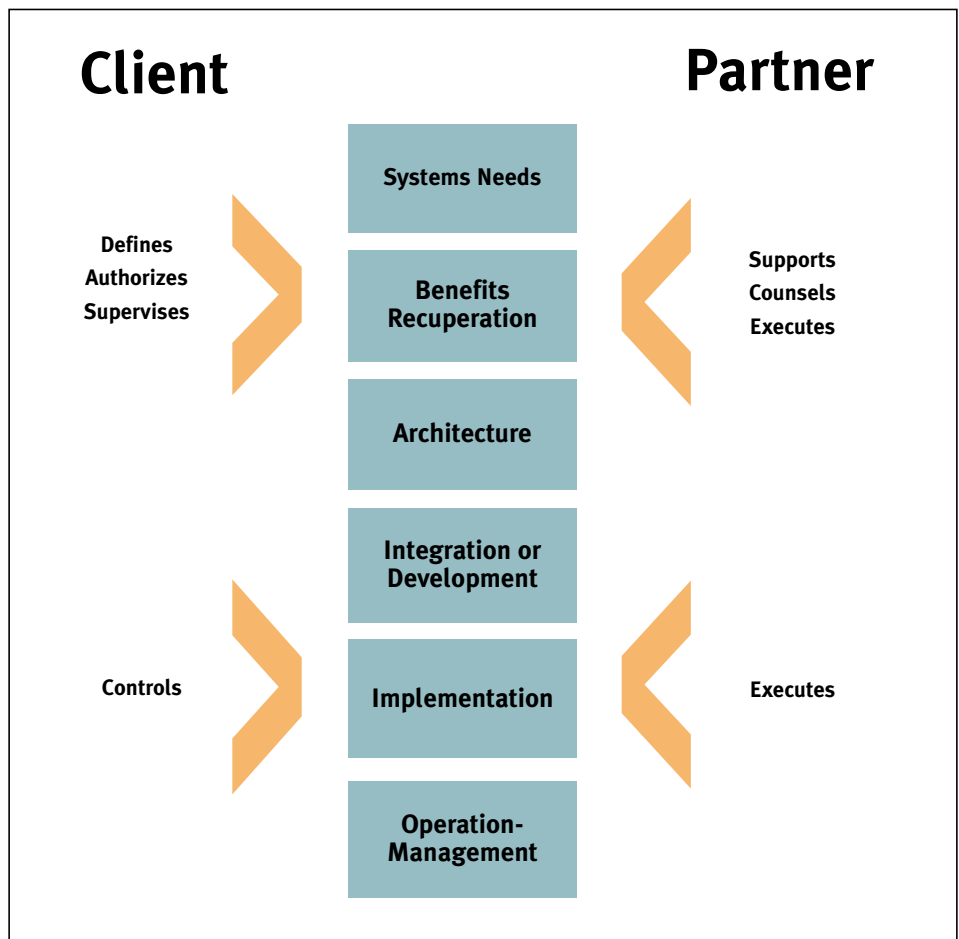
- Access to new technology and industry best practices
- Freed up management to focus more on core business
- Freed up IT resources to focus on strategic projects
- Reduced risk by partnering with a large, world-class IT organization
- Improved service levels
- A single point of responsibility for all store information technology rather than multiple vendors
- Improved responsiveness to unforeseen IT issues and disruptions
- Improved responsiveness to market-place changes
- Enhanced support of business units with proven processes and procedures resulting in increased productivity
- Optimized operating and investment budgets
- Reduced technology-related investment risks
- Stabilized budgets
- Access to improved purchasing power and established partnership agreements
- Flexible payment structures that match the retailer's financial needs
- Reduced costs

### Seeking outside help

With the increasing complexity that new technologies will add to the stores in the future along with the increased competitive pressures retailers are facing, retailers need to find a partner to assist with their store technology needs so they can focus on their customer's needs and wants. The time has come for retailers to consider outsourcing their in-store information technology.

In the past, retailers have been reluctant to seek the help of outside experts to address their IT challenges, but in the last five years, there has been a growing trend toward IT outsourcing in the retail industry. Today, 40% of retailers outsource some element of their IT infrastructure or business processes.

Retailers are best served by thinking of outsourcing as a long and enduring relationship, one that clearly defines and respects well understood roles and responsibilities. Retailers should select a partner who focuses on quality, who has a solid reputation for providing quality solutions and who maintains flexibility in dealing with their customers. The following model depicts an optimum parsing of roles and responsibilities in a successful outsourcing relationship.



### What a partner should provide

Because a retailer's store systems IT infrastructure represents a complex microcosm of technology, processes, and support elements, a store systems outsourcing relationship may encompass a broad set of interrelated components.

For purposes of simplification, a retailer's outsourcing partner should:

- Standardize existing stores on a common technology platform.
- Manage the new store rollout process.
- Purchase and manage all store technology hardware and software.
- Assume responsibility for the standard store software configuration (i.e., manage the creation of the gold disk).
- Stage, install and test all store technology assets at the store.
- Provide a single point-of-contact help desk.
- Perform all software development and maintenance needs.
- Perform all the stores technology hardware and cabling field service maintenance via various service levels.
- Develop an annual store technology plan based on the retailer's business needs, industry technology developments, and their partner's industry expertise.
- Implement standard processes and procedures
- Manage service levels and implement reporting to track the effectiveness of the store technology delivery processes and to identify opportunities for continuous improvement.
- Provide technology and retail expertise and facilitate the Store Technology Steering Committee. The committee is comprised of the retailer's CIO and business representatives.
- Manage all of the store technology vendors.

### Critical Support Services

The services provided by a retailer's outsourcing partner should address a retailer's end-to-end store technology needs and all of the related activities necessary to provide those services.

#### *Contract Management Office*

A critical component of a store systems outsourcing relationship is the provision of ongoing support by the retailer's partner through a Contract Management Office (CMO). The primary function of the CMO is to manage and coordinate the delivery of services to a retailer, whether delivered directly by their partner or other third party vendors. These services should include coordinating business system requests, coordinating system operations, managing services provided, administering configuration and change management and procuring and managing hardware and software inventory.

#### *Store Technology Plan*

A retailer and their partner should collaborate on the ongoing development of a store technology plan. This plan reviews the hardware and software in each store location on an annual basis. Ongoing review of this plan is critical in understanding any planned changes in technology requirements at the store locations and the specific store components that need to be scheduled for refresh.

#### *Asset Procurement and Management*

A retailer's partners should have access to improved purchasing power and established partnership agreements allowing for optimal hardware and software prices. Efficient life cycle management of assets from inventory to disposition can reduce costs, increase productivity, and better utilize existing IT investments.

#### *New Store Rollouts*

A partner should provide all of the activities included in the rollout of the technology in a retailer's new stores including the following:

- Procuring the hardware, software, and cabling
- Staging and integrating hardware and software
- Installing and testing of hardware
- Installing and testing of cabling

#### *Service Level Management*

A critical component of ongoing support is the management of service levels. A service level is a quantitative measure of performance. A service level agreement represents the agreed upon targets for this performance. Service level targets not met should result in contract penalties.

#### *Store Application Software Maintenance and Support*

A retailer's partner should be able to maintain and support all of the retailer's store applications. Their partner should provide full-time equivalents for maintenance, support and enhancements for certain store applications. This maintenance and support should consist of break fix items and small enhancements. Other enhancements can be handled as projects on a time and materials basis.

A retailer may decide to add, remove, or upgrade store applications during the course of the outsourcing agreement. Their partner should support any store applications required by the retailer during the term of this solution. For business reasons, a retailer may desire that the

effort to add or to remove applications from the store environment be handled as projects and billed as such using traditional project billing approaches.

A retailer's partner should provide the following tasks as part of their Application Software Support Services:

- Providing maintenance and enhancements for applications while in production
- Responding to trouble tickets
- Participating in the change management process
- Correcting a problem or a defect when the software does not perform according to Target Service Levels
- Performing Change Requests to the Application Software

#### ***Help Desk***

A retailer's partner should provide a single point of contact Help Desk that handles all in-bound calls from the customer stores. Activities for the Help Desk function should include:

- Tracking all calls in the incident management system. (A web-enabled system that allows customer and store management to access and view incident information is preferable.)
- Generating a base set of reports.
- Resolving calls. Analysts receiving the call must attempt to resolve the call based on the knowledge base and scripts developed and available to them.
- Dispatching calls. Any call that cannot be resolved by the analyst receiving the call is dispatched to the appropriate person for resolution.
- Executing administrative service requests per procedures developed with the retailer.
- Escalating calls. The Help Desk retains accountability for all incidents through to closure, escalating incidents that have fallen outside targets set with the retailer.

#### ***Field Services Maintenance***

A retailer's partner should provide Equipment Maintenance service, including parts and on-site labor at the retailer's store locations. This includes troubleshooting and replacement of cable ends and connectors, as well as various cables that are used to inter-connect devices.

If on-site Maintenance Service is required, the partner should respond to the store location and restore the equipment to normal operation within the agreed upon service level response and resolution timeframes.

If on-site maintenance service is not required, then a retailer's partner should identify, locate, pick, and ship the required replacement part via overnight delivery to the retailer's store location.

#### ***Store Technology Standardization***

A key benefit of store systems outsourcing can be the standardization of technical components from both a hardware and software perspective. An agreement should be reached and written into the contract that the retailer's partner will convert the retailer's existing stores not running the standard configuration to the standard hardware and software.

#### ***Store Polling Management***

A retailer's partner should be able to manage all aspects of the retailer's store polling process. This includes pushing price updates down to the stores, receiving the sales data up from the stores, and managing any other data that a retailer may need to communicate between their stores and corporate office.

## About CGI

Founded 1976, CGI has worked with clients in a wide range of industries to help them leverage the strengths of information technology (IT) to optimize their business performance and produce value-driven results. We also offer a comprehensive array of business process outsourcing (BPO) services, enabling us to help manage and improve our clients' day-to-day business processes while freeing them up to focus more on strategic decision making. Our consulting, systems integration and outsourcing services provide a total solution package designed to meet our clients' complete business and technology needs. We approach every engagement with one objective in mind—to help our client win and grow. CGI provides services to clients worldwide from offices in Canada, the United States, Europe, as well as centers of excellence in India and Canada.

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## Conclusion

Forward-thinking retailers are exploring new technologies to position themselves at the forefront of an increasingly competitive and rapidly changing marketplace in an effort to meet their customers' expectations and to continue to lower costs. Emerging technologies such as RFID, Self-service, and other types of in-store technology promise to transform how retailers compete. The better that retailers can serve their customers by enhancing their customers' shopping experiences and lowering their costs, the better the retailer's chances of success are over the next decade.

To effectively leverage new technology and manage the ever-increasing complexity of the store technology environment, retailers should seriously consider turning to store systems outsourcing. With the retail and technology expertise of a strategic outsourcing partner, retailers will be able to focus on their customer and will be well prepared for the store of the future.