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Optimizing Your Technology Support Supply Chain

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INTOUCH WITH RETAILING™

Retailers are facing an inevitable and irreversible shift in the nature of their store technology that will continue to impact their costs and competitiveness for years to come. The effects of these changes for the technology support supply chain are profound, and yet, still not widely understood.

This paper examines how and why these trends are impacting the support of store systems technology; the forward-looking responses that service providers must embrace in their business models; and the technology deployments and business processes that retailers must proactively execute to meet these challenges now and into the future.

The Technology Factor

The need to differentiate against fierce competition, while driving out costs to meet shareholder expectations, as well as the margin pressure created by the Wal-Mart model, continues to impact the evolution of the retail market.

Lifestyle demands leave less time for consumers to spend in the store, causing retailers to seek new ways to speed up the checkout process and to create platforms for intimacy with “one view” of the customer across multiple channels and touch points. Consumers are increasingly web-savvy and are simply demanding higher quality service, but at prices they can get on-line. Store-in-store concepts and other co-merchandizing arrangements are increasing the diversity, and often the complexity, of technology networks. New technologies, such as self checkout, web-based ordering, the ubiquitous deployment of handheld 802.11 devices for both queue-busting and self-shopping applications, and the emergence of kiosks to deliver information and expedite purchases are all profoundly changing the customer experience.

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Retailers clearly recognize the importance of emerging in-store technologies to enhance customer service and loyalty, as well as the opportunities they offer to manage cost even more aggressively. Many retailers are already exploiting these in-store devices and are coping with the procurement and deployment workloads they require. Meanwhile, the providers of support for these new technologies must build new methods and processes to ensure the continuous availability of these mission-critical systems.

Unprecedented Pressure

Today, technology support providers are experiencing a massive increase in pressure from retailers attempting to respond to unprecedented competitive forces:

- Pressure to perform more consistently across a wider set of technologies from a growing and diverse list of suppliers
- Pressure to reduce or eliminate structural problems that impede faster response times, thereby helping retailers reduce costly down time
- Pressure to anticipate and respond to change by providing robust, real-time connections between the various elements of the services supply chain
- Pressure to provide faster, more accurate and more meaningful performance and financial data to help their customers maximize return from technology

These forces are driving the need for change in the way that service providers and retailers work *and* in the way they work *together.* In other words, they must adopt a *collaborative*, rather than *combative* relationship.

For example, in late 1999, Fujitsu and office superstore Staples Inc. initiated an innovative service-level agreement (SLA) that focused on reducing costs and improving performance in both businesses. More than 800 Staples stores spread throughout the United States were affected. Together, the two companies set aggressive targets across a broad range of performance metrics, such as average call response times, on-time completion of depot-repair work, reductions in average spend per device, and overall maintenance costs for point-of-sale terminals, among others.

Results of their continued collaboration include:

- A decrease of approximately 60 percent on the average maintenance spend per device, even while the number of devices per store grew about 20 percent annually and the number of Staples stores increased by about 15 percent annually.
- A decrease in maintenance spend per point-of-sale terminal of 56%
- An increase in overall performance against the SLA every year under the collaborative focus. Fujitsu is now delivering three different tiers of service while averaging greater than 94 percent compliance for all service-related activity.

Thriving in a Tough Environment

Retailers need to align themselves with service organizations that are evolving into service *integrators* – by building the capability to provide the same consistently high service on third-party equipment as they can on their own proprietary systems. And that doesn't mean Rolodex management and out-sourcing – it means a true integration capability. That, in turn, requires a step-function increase in service provider investments in systems and tools to implement effective call management processes and innovative delivery capabilities.

Successful technology support providers must develop reporting systems that quickly inform customers – through Web-based dashboards – of key agreed upon service performance metrics, along with efforts to drive performance to new heights while systematically reducing costs. It means providers not only need to continue to focus on operational excellence for today, but they must also build trust-based relationships that provide agile response to ever- and faster-changing demands from their customers.

Importantly, this entire shift requires a mindset change on behalf of the providers to become more transparent, more open and more contractually aligned with their customers than ever before.

The economic side of this equation means that the service company must have a highly consistent financial framework and an enlightened management team willing to develop a cost and margin structure that is acceptable to the customer.

Service teams must also have a dynamic and proactive vision, recognizing that differentiation today is "me too" tomorrow, and therefore, the technology of today will be a far different picture tomorrow. This rapid rate of technology change cannot result in endless turnover of service providers. Therefore, the vision and service models must provide capacity for change without impact to performance and within optimal cost parameters.

Leveraging the Relationship

On the flip side of the coin, *what must retailers do* to thrive in this environment and get the most out of their technology support supply chain?

Perhaps first and foremost, retailers must force their own IT teams to build an infrastructure management model that works today and is sustainable into an uncertain future. Then pick a strategic partner who understands these changing demands and is investing to support such a model. Don't opt for a list of tactical providers who specialize in the traditional "break-fix" model. Look for a single service management provider who will demand change from all suppliers who support the total solution, and by doing so, will impart the most value to your business.

Next, focus on creating mechanisms that enable faster deployment while supporting a more diverse and dynamic infrastructure. Invest time in building key relationships and spend the time necessary to fully understand the service provider's point of view. In much the same manner that service providers are willing to work under differing contractual engagements, retailers must work to build contracts that better reflect the balance of risk, rather than focusing solely on the "insurance-based," fixed-price plus margin model.

Then, evaluate total cost of ownership (TCO) and build lifecycle management models, rather than simply focus on acquisition and deployment. In the past we experienced a "Big Bang" technology refresh cycle every five to seven years, but today we are seeing shorter product lifecycles, increased obsolescence, and a much more diverse in-store technology. All of these factors are driving retailers to manage a continuously refreshed technology base.

These trends are also placing a traumatic burden on the amount of training required for store and help desk personnel, the appropriate mix of capital expenditures, and the internal resources necessary to manage the retailers' IT function. As a result, retailers must think about – and demand – those differentiating services from the technology support partner that will help them delight their customers.

The Bottom Line

Today, retailers need a wholly different kind of technology service provider – one who places the highest priority on assuring the continuous operation of ALL consumer access-points, inside and outside the store. To satisfy this requirement, service providers must be agile enough to respond to frequent changes in retail operations, flexible enough to alter performance measurements as business priorities change, and relentless in reducing their own costs as the only acceptable means to justify the new array of services that will be needed to support the store of the future. Retailers who want to leverage technology to win new customers will either cause their service providers to change, or find an alternative who is already driving this change.

Service Providers who don't step up to meet these challenges will soon experience a loss of both *mind share* and *market share.*