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Transforming Retail with the Power of Cloud
Mike Goodwin, CIO, Hallmark Cards

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Message from the CEO

More than ever, IT decision makers are leveraging cloud as their preferred solution for sourcing, delivering and managing their IT environments. What they've learned over the last few years is that cloud enables them to be more responsive to an ever-changing business environment, where they can purchase IT as a comprehensive "operation" and scale their infrastructure up or down as the business (and economy) demands. In short, they realize that cloud offers best-in-class IT services no matter the size of their business or its stage of development, giving companies a competitive advantage in every area of their organization, at every point in time.

Recently, we spoke with Mike Goodwin, CIO of Hallmark, a world leader in the greeting card industry and retail powerhouse. He shared his story about Hallmark's journey and the challenges they faced as they sought to deliver significant cost savings, improve efficiency across their network of stores and independent retailers, and be more responsive to evolving business and customer needs. They concluded that in order to achieve these goals they would have to replace their core retail operation, which was running on aging software and traditional retail systems, with a more efficient, cost-effective model that could take them into the future. Hallmark selected Fujitsu – a trusted and long-time partner – to deliver our "retail as a service" solution, providing end-to-end service from in-store transactions to back-end processing.

I invite you to learn more about Hallmark's story and how they are reshaping their retail operations by transitioning to Fujitsu's cloud-based Platform. I hope Hallmark's story inspires you to see the possibilities in your business. And – as you make your own way to the cloud – I hope you see Fujitsu as the trusted partner to help you get there.

Richard Deranleau
Acting CEO
Fujitsu
(North America)

Transforming Retail with the Power of Cloud

Name: Mike Goodwin

Position: CIO, Hallmark Cards

Challenge: To deliver greater flexibility, efficiency and cost-savings across the business through the adoption of "retail-as-a-service."

Words: Kenny MacIver   **Photography:** Steve Puppe

With revenues of $4.1 billion and distribution through 38,000 outlets in the US, Kansas City-based Hallmark Cards has long been the leader in greeting cards. Earlier this year, it became one of the first major consumer products companies to announce it would move its core retail operations from a traditional software and internal systems platform to a new cloud-based option, selecting a "retail-as-a-service" solution from global IT company Fujitsu. The 10-year contract will see Hallmark and its independent retailers in the US switch to a subscription-based service delivered via Fujitsu data centers, its TeamPoS systems and Tomax's Retail.net software.

Like many leaders in retail-sector IT, Mike Goodwin finds himself working with a diverse and demanding set of stakeholders. As the CIO of Hallmark Cards, the world's leading greeting cards brand, Goodwin supports a retail operation that extends across 38,000 stores in the US, including a network of 2,800 specialty retail stores, most of them independently owned.

Alongside those sit a more immediate group of stakeholders — Hallmark's senior management, sales staff and other internal teams — and that's not forgetting the eponymous Hall family, whose members have successfully piloted the privately held company for three generations.

It's a breadth of expectations that provided much food for thought last year when Goodwin was considering the replacement for Hallmark's aging retail software and related systems. Based on Triversity (a legacy package long since absorbed into SAP's retail portfolio), it is a solution that has "served Hallmark well over the years," in Goodwin's view.

"However, we reached a point where we had to make a strategic choice: to go down the traditional route, buy in software again and stand up all our own internal retail systems, with all the capital expenditure and management associated with those assets; or to leverage computing power and serviceability in a different way, looking to a service model for IT," he says.

The service model he had in mind was, not surprisingly, cloud computing. However, at the time, Goodwin explains, it was not obvious that a suitable cloud solution existed — one that would power its broad retail operations, from in-store point-of-sale (PoS) and payment card verification through to back-end transaction processing and merchandizing. "From an operations standpoint, we wanted to get out of the retail systems business," he says.

Drivers for adoption

Goodwin found that exit in the form of a retail-as-a-service cloud solution developed and managed by Fujitsu, Hallmark's long-standing retail hardware supplier. From early 2013, the global IT vendor will provide a complete service solution through a private cloud environment hosted at Fujitsu's Silicon Valley data center, running Retail.net software from SaaS specialist Tomax, with Fujitsu TeamPoS systems throughout the retail chain.

Alongside that, the 10-year agreement also includes full PoS integration; real-time inventory management services; a web portal ordering service; and all related installation, maintenance and support services.

With the user base stretching to tens of thousands of outlets, Hallmark and Fujitsu aim to phase the roll-out over the next three years.

For Goodwin, moving to cloud was not, in itself, the goal; rather, he was drawn to the model by how well it would serve all of Hallmark's stakeholders — through greater flexibility, scalability, cost-effectiveness and the ease with which new capabilities could be added.

"It will allow us to be more responsive in the fast-changing retail environment," he explains. His thinking: there is a set of generic functionality demanded by retailers — areas such as mobility and compliance — that can best be handled by service partners, leaving the IT team to focus on core retail issues.

"In a service model, you look to your partner to keep up with those changes and deliver them a whole lot faster, while also shaping emerging capabilities for you," says Goodwin.

Finding a good fit

Cloud is also particularly well suited to Hallmark's unique ownership profile. "I needed a model that would fit both our corporate-owned operations and the many independently owned businesses," he says. "So the solution had to be just as viable for an owner running two or three Hallmark stores as an independent group with over 100 stores, or one of our corporate stores. The cloud base was really critical to achieving that objective."

For the company's executive team, the delivery mechanism was not an issue. "From their perspective there was no strong opinion as to whether a cloud or an on-premise solution was better. They were more focused on capability and meeting the company's needs. Initially, we did have long discussions around things like data protection and trust, but they are comfortable on those aspects.

"The strength of the suppliers' infrastructure was a factor on which Goodwin needed some reassurance. "Clearly, if you're going to put your core data in the cloud, move it around and

"Cloud will allow us to be more responsive in the fast-changing retail environment."

rely on a third party for critical aspects such as PCI compliance, you need to make sure that, from a data center standpoint, they can provide you with the high availability that's required in a retail setting. It's one thing if your email goes down but if you have issues with credit card processing across stores, that's a really big problem."

With Fujitsu, which will operate the retail-as-a-service cloud from its Tier III+ certified data center in Sunnyvale, California, that confidence was clearly built. "We did a lot of our own due diligence, worked through the contractual language carefully, and defined clear roles, responsibilities and audit trails," says Goodwin. "That probably took just as much effort as the specification of the technology and the software capabilities."

Competitive advantage
Buy-in from its independent retail partners, who are co-funding the cloud move, also rested on the promise of greater flexibility and capability — with access to a single, centralized repository of information, providing real-time updates on merchandizing status, better data exchange, and support for mobile solutions all valued particularly highly, says Goodwin.

There was, however, a perception issue around cost that Goodwin had to overcome. "When they saw the capability we were going to provide, their fear was it was going to cost them a whole lot more. But they had a sense of relief when they saw that we'd put together a solution that we could not have delivered at the same cost if we'd built it internally. Moreover, it was going be available much sooner."

Retail is the first of Hallmark's strategic activities to switch to the cloud, though it's not the company's first encounter with SaaS — it already uses Microsoft Office 365 for email and has back-office functions such as benefits and medical administration delivered as a service.

Goodwin is convinced that it's the way much of the rest of the retail sector will go. "Cloud will gain a lot of traction in our industry in the coming years," he says. In the meantime, he sees the model as providing Hallmark with significant competitive advantage, something that should please stakeholders at all levels.

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