APPLIED RETAIL
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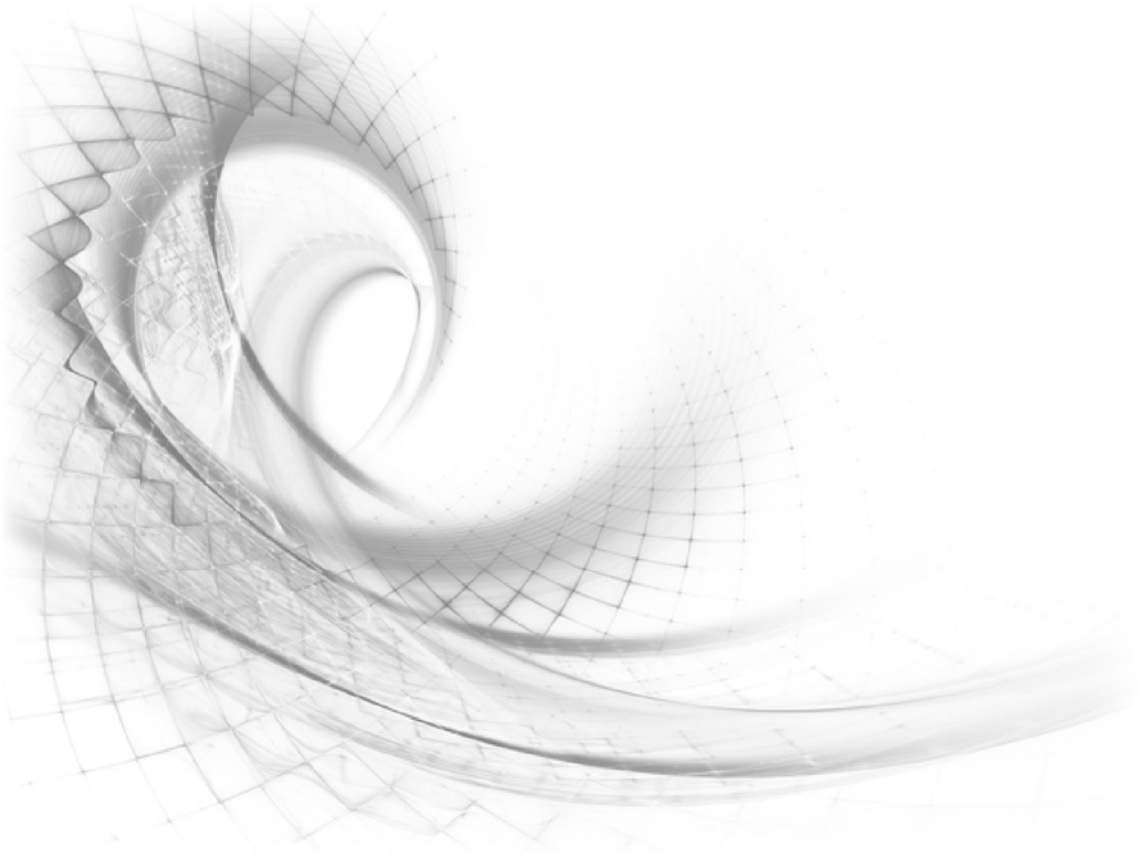
RETAIL AND TECHNOLOGY:

How Not to Doom Your Next Implementation to Failure

"IT IS NOT THE STRONGEST, OF THE SPECIES THAT SURVIVES, NOR THE MOST INTELLIGENT, BUT THE ONE MOST ADAPTIVE TO CHANGE."

Charles Darwin's observation about the animal kingdom back in 1868 is a pitch-perfect assessment of today's business environment. We must adapt or die.



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If you've worked in retail over the last 10+ years, then you've been, or know someone who has been, at a company that failed to successfully implement a major computer/information system. Whether it was a point solution (specialized application) or a full-blown Enterprise Resource Planning (ERP), these failures are all too common.

What's worse, they're hugely expensive. Projects miss deadlines not by months, but by years. And the cost overruns can quickly run into the millions.

Hard costs can be easily measured, but what about the toll failure takes on an organization? It's difficult to calculate the lost productivity, the untold number of meetings where no decisions are made, the rehashing of simple issues time after time with little additional value.

Soon, a fog of negativity settles over the company. Finger pointing and assigning blame are common, even accepted. If unchecked, this mindset leads to friction between the functional groups of the company. Every little business challenge becomes a discussion of why "those guys" aren't doing their job. Add in the urgency to figure out a plan to compete with Amazon, and the reality is that your sense of failure isn't going to subside any time soon.

No matter if your organization is public or private, mistakes like these are costly. And let's face it: There's no reason why technology fails should occur, or ever be tolerated.

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TECHNOLOGY: A COMMON RETAIL BLINDSPOT

RETAILERS AND MANUFACTURERS HAVE HISTORICALLY UNDERINVESTED IN TECHNOLOGY FOR SEVERAL REASONS:

Information systems are expensive. Commercially available software is beyond the scope of what most executives can understand, even seasoned CIOs. To complicate matters further, there's no firm price list, which makes it difficult to determine overall value.

This is particularly aggravating to retailers who consider themselves excellent negotiators, and a major contributor to the hesitation to commit to an investment in technology systems or upgrades.

Successful implementation requires resources. For any technology project to be successful, three things are required: hardware, software and human resources.

The price of hardware has dropped precipitously, driven by the cloud. And with 82% of that cloud belonging to Amazon Web Services, it makes retailers understandably nervous.

Software has undergone a similar shift in thinking, from a license to purchase model to subscription-based, because it makes revenue forecasts that much more predictable for the software company.

For end users, neither of these shifts has made the promise of faster, cheaper implementation come to pass. Nor have they eliminated the HR cost component, because it still takes people to implement projects like these.

Certainly, external resources such as consulting companies and system integrators can be called upon, but history has shown that the more internal resources dedicated to a project, the greater the likelihood of success. This means taking people away from their day jobs and dedicating them to the technology project through completion. Anything short of this increases your risk for time and cost overruns.

Not convinced? Ask any CIO or CEO, and they'll tell you the single most consequential decision that made their project a success was using internal resources to drive the project.

Leadership plays a significant role in success. Most retail and manufacturing CEOs are merchants. That's just a fact. In their executive experience, they're comfortable investing in millions of dollars in product or store locations, but not in technology they really don't understand.

The net impact is that decisions aren't made on a timely basis, or made without full and complete knowledge of what is entailed. Smart CEOs will rely heavily on a talented CIO, but in too many organizations, IT is still seen as a support organization rather than a key business driver, with the CIO's primary responsibility to save the company money, not spend it.

Legacy budgeting processes stifle innovation. We can all safely agree that the retail and wholesale worlds have changed dramatically over the last few years, yet we're still using 1984's budgeting process. Sales planning is benchmarked based on last year, selling expenses as a percentage of sales, and IT spending base on LY or archaic industry benchmarks.

This is the fastest way to assure that history will repeat itself. At a time when new concepts like AI, big data and product customization are starting to take hold, legacy budgeting practices will all but extinguish business-building initiatives before they can take hold.

Over-reliance on external resources to complete projects. When you take this approach, your knowledge base walks out the door when the project ends, making it less likely that change will be long lasting.

What's more, professional services organizations are driven by billable hours; in essence, there's no motivation to finish on time. Find a consulting partner who'll accept a "not to exceed" clause in their agreement to make timeliness more likely.

DON'T FALL VICTIM TO ROOKIE IMPLEMENTATION MISTAKES

THERE'S REALLY NO MYSTERY WHY SO MANY LARGE-SCALE RETAIL TECHNOLOGY PROJECTS FAIL. FUNDAMENTAL GUIDELINES AND BEST PRACTICES ARE RARELY FOLLOWED, FOR REASONS LIKE THESE:

1 Technology is misused as an agent of change. Companies don't typically spend money on technology to make themselves feel better, but rather to fix a problem. A classic example is the retailer challenged with hitting its inventory plan. The CEO or CFO instructs the CIO to implement a merchandise planning system that supports an Open To Buy (OTB) process. Though the real goal is to bring accountability to the merchants, nobody factors in that this is a business problem rather than a technology issue. The project gets mired in implementation because technology is being used as a change agent, and now the company has two problems on their hands: the original issue, and a complex systems implementation that's doomed to failure.

2 Implementation of new technology is deemed solely an IT project. As discussed earlier, most functional leaders don't have a sufficient tech background to really engage in the detailed conversations. Most importantly, there's generally no mandate from the top that requires these leaders to own the success or failure of the project.

3 Bad data. Frequently, CIOs take the position that "we have all the data we need". But as progress is made, critical data gaps are uncovered more often than not. The industry needs to recognize that data has gotten complicated, and it exists in multiple disparate systems. Pulling it all together into a cohesive data model must be considered in setting expectations for a reasonable completion data.

SHARED ACCOUNTABILITY: A CRITICAL SUCCESS FACTOR

When it comes to a successful retail technology initiative, the stakes higher than they've ever been. Legacy retailers are playing catch-up with emerging competitors born into the digital world, which means you really can't afford the expense of delays.

Without looping in all the players — IT, the business team, finance, training — as well as the C-suite, you'll continue to find yourself at a strategic disadvantage to every one of your competitors.