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Create Efficiencies in Tough Economic Times



OLR

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Looking for new options to trim spending in IT and improve the bottom line? OLR offers Assist and Managed Application Services (MAS) models for Oracle Retail Customers which enable you to leverage the OLR infrastructure and resources to trim spending while creating efficiencies and improving business performance.

Overview

Declining retail revenues are impacting every area within retail organizations. Often, retailers look at IT as the first target for reducing costs. Today, IT organizations are evaluating the costs of every aspect of operations, including organizational structures, data centers, services and applications, controls and risks. These costs have to be weighed against the service levels, expected by your users, and the ability for your organization to leverage technology to improve business performance. With the complexity of today's systems the answer to this equation is not simple. This white paper provides insight to OLR's services, to aid you in evaluating options for reducing costs, improving services and providing a model for proven business performance improvement.

Leverage Skills and Expertise through a Center of Excellence

Surviving the downturn requires focus, research and analysis, as AMR Research (AMR) suggested in their report titled "Survival Tips for Retailers in Recession. The report suggests that retailers build Centers of Excellences to improve efficiencies and "make the most of what you already own." With advanced retail applications, the issue for most IT groups is not limited to the cost of building an internal Center of Excellence with uniquely skilled resources but also the availability of resources within the marketplace. The scarcity of these premium resources leaves organizations the option of either training current resources (which are heads down with the current applications), or considering alternative models. In fact when looking to upgrade skills, AMR indicated in the latest Retail IT Benchmarking study "that the need for hard-to-find skill sets has led retailers to increase their IT training budgets 20% in 2008". Additionally, AMR indicated that due to the shortage of skilled resources retailers are planning to increase their staffing budgets by 7% over the previous year.

With Assist and MAS through OLR, you are able to leverage the skills of OLR's team. This is the same team that designed and built the original Retek applications, and has worked with every version since inception. OLR can serve as your organization's Oracle Retail Center of Excellence to support, manage technology, or apply expertise on application functionality. OLR brings exceptional value by leveraging experience across multiple clients and lowers internal staffing expenditures.

Streamlining Complexity

In OLR's Managed Application environment, OLR provides everything required to operate Oracle Retail. From servers to firewalls, OLR manages and operates the systems to exceed defined service levels. With this managed hosting solution, OLR takes on the responsibility for end-to-end application performance, system optimization, data management, security and retention, batch and system monitoring, network management and disaster recovery. Additionally, as a business grows, there is no longer the need for additional internal IT expansion and the associated costs for new technology, thus OLR's MAS model exploits the combination of a scalable and stable operating platform with proven operational standards. Our all-encompassing delivery model reduces or eliminates capital outlay for the retailer, offloads technical complexity, and reduces operational risks.

Stay Current on Technology

Through release 10 of the Oracle Retail solutions, there were minimal enhancements and few changes to functionality and underlying technology. Most customers were heavily customized and did not plan to upgrade to future releases due to rigid, hard-coded integration between the various systems within the retail application suite.

This philosophy has dramatically changed with the acquisition and integration of a complete retail application suite from Oracle. Each new release brings increasingly full-featured functionality combined with proven business performance improvement. Retailers are seeing that the implementation of these new capabilities is critical to effectively manage and provide the goods and services expected by their customers.

The additional robustness of today's application suites comes at the price of complexity for the retailer's I.T. organization. With new integration technologies, new middleware requirements, expanded functionality and new user interfaces, these systems must be actively maintained with patches and upgrades to ensure optimal business benefit. For the I.T team, this means that change is no longer something that happens periodically — it's continuous and constant, with ever-increasing costs to manage and maintain.

This constant pattern of change results in retailers having even more need for a partner that leverages experience from an Oracle Retail Center of Excellence. By partnering with OLR, not only does the retailer benefit from their own experience, but also the combined knowledge gained from multiple upgrades conducted using repeatable processes.

Lowering the Cost of Entry for New Applications

While the benefits of Oracle Retail applications are evident in client business performance, convincing executive teams to move ahead with projects during the current economic climate is difficult at best. What the best of the best know is that now is the time to streamline operations and invest for the future. With the current Oracle Retail application suite and the ability to align these applications to deliver business benefit throughout their implementation, most executive teams would like to sign-up, but are deterred due to the daunting costs of systems implementation and ongoing IT expenditures. In 2006, AMR looked at retail capital expenditures, breaking them out to look at the cost for new systems in retailing. In that study, hardware alone accounted for 21% of the costs. Add on top of that the costs for software licensing and external and internal staffing, and these barriers frequently curtail the implementation of strategic applications. OLR can remove many of these barriers via the Assist and MAS models, which save at least 25% in operational costs when compared to the traditional, in-house I.T. model.

Improve Operational Performance

Many retailers believe the promise of benefits and achievement with Oracle Retail applications, but their actual results often fall below expectations. For some, the applications that aid in achieving business performance have simply not been implemented. In other cases, the applications were implemented but highly customized to the previous business process. Those retailers who have achieved breakthrough performance improvement realized early in their software selection and implementation path that strict adherence to the initial plan and best-practices standards were critical to success.

For Nordstrom the road to change has been a multi-year process, but the results are dramatic. In a case study published in Chain Store Age's Retail Technology Quarterly dated May 2006, they cited "the benefits of Nordstrom's IT upgrade campaign are unmistakable. Between 2001 and 2005, the retailer saw an increase in sales per square foot from \$321 to an estimated \$370; an improvement in gross margin from 32.9% to 36.6%; and a reduction in sales, general and administrative expenses from 30.3% of sales to 27.2%." What the article did not say was that days of inventory went from 99.9 in 2000 to a current 66.4.

Michael Koppel, CFO of Nordstrom answers the question of the impact of Oracle Retail systems within the same article by saying “Perhaps the system that had done the most to boost Nordstrom’s performance is a perpetual inventory system. The solution from Oracle gave us a level of visibility into location-specific SKU data that was unprecedented”.

But these improvements did not come out of a business-as-usual approach. Nordstrom centralized buying and inventory management, completely changing their processes and organization structures while applying new technology. By keeping an open mind and taking a disciplined approach to change and technology implementation, they were able to achieve such breakthrough performance.

With OLR’s Assist services, we offer advisory services to compare your current processes to the best practice models and identify immediate solutions to improve your business performance.

Lower Total Cost of Ownership

For retail systems there are two large components of cost, the costs for the initial implementation and the costs to upgrade and maintain the application. As previously discussed, OLR’s model leverages global resource skills and expertise and provides operational services in offsite data centers. Outlined below are OLR service models designed to lower your total cost of ownership.

OLR Managed Application Solution (MAS)

As pioneers in offering fully managed Oracle Retail solutions, OLR offers clients a cost-effective option when deploying Oracle Retail. OLR’s MAS model delivers upon the promise of providing better overall service to end users while also significantly reducing the cost in comparison to traditional application deployment models. OLR’s MAS provides reliable IT operational services at a predictable price which includes the management of technical infrastructure, retail applications, and application support. This eliminates the upfront costs for purchasing infrastructure and the ongoing costs to recruit and retain resources with the unique skill sets to operate and maintain such advanced software applications. Additionally, this solution delivers the reliability, availability and expertise you need today, plus provides flexibility as you grow — all without a major investment.

OLR Assist™

Organizations can extract more value of their software license with OLR Assist, OLR’s leveraged support model. OLR experts provide application and support services, eliminating the required 7x24 support by in-house personnel. This transforms your organization from just maintaining the system to taking full advantage of its capabilities. From our global offices, the OLR Assist team actively monitors batch processing and reacts efficiently to problems identified by our application, Aware Monitoring. Our services ensure that your organization makes on-time, data-driven decisions.

While OLR Support teams steward the daily data processing, client organizations focus on business. OLR Assist services extend to system, DBA, Technical support, and a comprehensive advisory service that identifies areas for improvement.

How to Evaluate Your Current Oracle Retail Operations

Strong relationships, built on shared objectives, are the key to successful partnerships. We believe that this relationship is more than just reducing costs through technology and shared services. We want you to get the most out of your existing Oracle Retail investment by using our experience in working with numerous Oracle

retail customers to help you evaluate your current IT operations and business processes to ensure that you can trim spending while creating efficiencies and improving business performance.

Regardless of whether you decide to leverage OLR as a resource, we recommend you assess and then optimize your existing Oracle Retail operations. Here are steps for identifying areas of focus and for analyzing whether your Oracle Retail applications are optimized.

- **Evaluate the deployment of your applications**
 - *Assess the unrealized value associated with owned but unimplemented products*
 - *Evaluate if your organization is using the base applications as they were intended*
 - *Identify the true cost of maintaining your business process customizations*

- **Evaluate your current IT operational infrastructure**
 - *Analyze the effective cost of your computer resources per end user*
 - *Assess the technology refresh costs associated with your Oracle Retail system*
 - *Identify supportability issues that need to be addressed with lifecycle management*
 - *Assess the size of I.T. as compared gross revenue*
 - *Identify areas where robust tools and automation can free resources to work on more strategic initiatives*

- **Evaluate the support capabilities**
 - *Assess the number of recurring issues your team focuses on daily and what could be saved by investing in root cause analysis*
 - *Identify areas where deficiencies in the technology and support organization limit the business from extracting full value out of the applications*
 - *Identify the effectiveness of your database administrators against best practices for space, memory, and security administration*
 - *Evaluate your support resources, their experience and workload, and their ability to scale up and down to meet the needs of your business*
 - *Compare your current business performance model to best practice companies*
 - *Identify key impact processes*
 - *Identify the applicable process costs and timelines*
 - *Identify the impacted financial levers*
 - *Compare the performance measures to best practice retailers*

- *Identify process areas for improvement*
- *Conduct a detailed process analysis to identify specific areas for performance improvement*
- **Evaluate your current business process to Oracle Retail's best practice models**
 - *Have a single repository for data management to setup, maintain and manage system structures*
 - *Have a single corporate multi-channel repository for inventory information and management*
 - *Implement Store Inventory Management which supports in-store operations including, receiving, managing physical inventories, conducting stock counts, ordering stock, or transfer stock (in and out) and links all inventory management information into the corporate system for a single point of view*
 - *Move to periodic scheduled inventory counts, based on inventory shrinkage, to ensure inventory levels and reduce shrinkage, and eliminate complete wall to wall bi-annual inventory counts*
 - *Use a single Demand Forecast for Planning, Allocation, and Replenishment to optimize inventory investment and while meeting localized demands*
 - *Auto generate PO's based on Investment Buying, Replenishment, Vendor Managed Inventory, What-if Allocation, Store PO requests eliminating manual PO's execution and localizes assortments*
 - *Use Replenishment Optimization to set and maintain replenishment methods and associated parameters to drive inventory productivity down to the SKU-Store level eliminating manual intervention and optimizing inventory levels*
 - *Develop price guides at the corporate or department level, to ensure a uniform pricing strategies including price points, rounding, same ending digit, etc.*
 - *Auto generate pricing worksheets through strategies, calendars, and item/location information to eliminate manual price changes*
 - *Define sales audit rules which fine-tune the system to focus validation on potential problem areas and eliminate manual intervention*
 - *Set Invoice Match tolerances and automate the process eliminating manual intervention*
 - *Use Trade Management to automate the international procurement and import processes by linking partners in the supply chain so that information moves with the product through the sourcing, buying, and delivery process*
 - *Use ARI to define business processes (activities and timing) and set actionable exception monitoring*
 - *Use EDI to exchange data and automatically populate the applicable applications. Use advanced EDI including supply chain monitoring and tracking, supplier stock availability*

Referenced Materials:

“Survival Tips for Retailers in Recessionary Times”, AMR Research Inc., March 4, 2008

“Retail IT Benchmarking Study”, 2007 – 2008, AMR Research, Inc., July 2008

“Retail IT Benchmarking Study”, 2005 -2006, AMR Research, Inc.

“Wall Street’s Darling, A technology overhaul helped Nordstrom get analyst and investor attention”, Chain Store Age’s Retail Technology Quarterly, May 2006

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