

BY JOE SKORUPA

STORE IT AS A SERVICE

Searching for a lighter, leaner, cheaper way to manage and maintain store technology

A retail organization's overarching goals are to become bigger, better, faster. But those goals don't work as guiding principles for technology. Instead, a more accurate set of goals for technology is lighter, leaner, cheaper. The pursuit of these goals has had a powerful impact on the development of technology over the last 10 years.

One outgrowth of this impact is the boom in software-as-a-service (SaaS), which is driven by a desire to implement software that has a light touch on internal infrastructure, a leaner IT team required to manage and maintain it, and a lower cost barrier for initial installation.

Along with SaaS, another outgrowth of the lighter, leaner, cheaper approach is an extension of the approach to store IT as a service. Options have long been available to retailers for outsourcing the help desk and payment processing, but today retailers are looking for ways to out-source wireless networks, mobile devices and real-time analytics.

We examine the store-IT-as-a-service trend in this month's Custom Research report.

IT Forecast: Cloudy

Cloud computing has been a reality in one form or another (remember the ASP model from the late 1990s?) for many years, but in its current iteration as software-as-a-Service (SaaS) it has only become widely adopted in retail for core applications for about five years, maybe a bit longer.

Today, about a quarter (26%) of retailers say SaaS is a major priority in their organizations. This high level of adoption is the culmination of a long, incremental trajectory of growth for cloud computing used to deliver core applications, a concept that was initially met with strong skepticism by many retailers. (See Figure 1.)

More than half of retailers (55%) say SaaS is rising on their priority list and, importantly, zero say it is not a current priority.

There is a long list of benefits associated with the cloud-computing model, something that is clearly fueling interest and adoption by retailers. The big four reasons, as shown in Figure 2, can be summed up by saying they shift a great deal of the burden off of the retailer's IT team and onto the SaaS provider.

These big four reasons are: reduced need for internal IT resources (71%), vendor takes responsibility for updates (68%), vendor takes responsibility for reliability (65%), and scalability (65%). The last of the big-four reasons is important because it allows IT teams to just buy the scalability they need when they need it instead of building or acquiring a perpetual license for unneeded capacity.

A fifth highly coveted reason for the shift toward cloud computing is faster time to deployment (61%). In many cases, if the retailer's data infrastructure is ready for the implementation, a SaaS applica-

Figure 1

Strategic approach to today's boom in software-as-a-service (SaaS) solutions in retail

Major priority	26%
Rising on priority list	55%
Worth considering	19%
Not a priority	0%



Figure 2

Primary benefits (if any) of SaaS technology model

Reduced need for internal IT resources	71%
Vendor responsible for updates	68%
Vendor responsible for reliability	65%
Scalability	65%
Faster time to deployment	61%
Pay as you go	52%
Lower initial cost	39%
Vendor responsible for security	39%
Rapid prototyping	16%
ROI	16%



Figure 3

Major challenges that need to be overcome with SaaS technology model

Cost of integrating with legacy solutions	80%
Security for proprietary/confidential data	70%
Offline capability/availability	60%
Training and explaining new solution	17%
Backing up data	7%



Figure 4

How long will it take for outsourcing IT services to stores to become a big part of retail?

16%	39%	45%
Within 1 Year	Within 2 Years	>2 Years



Figure 5

What is your company's timeline, if any, for outsourcing IT services for stores?

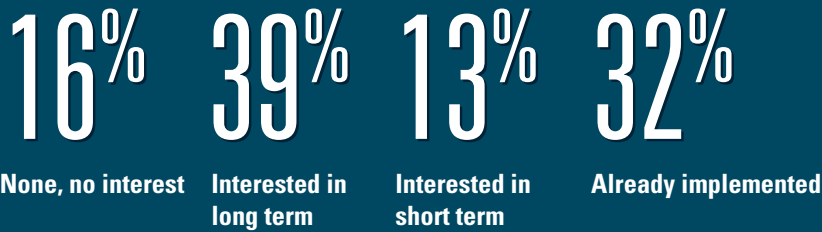


Figure 6

Store functional areas most likely candidates for IT outsourcing

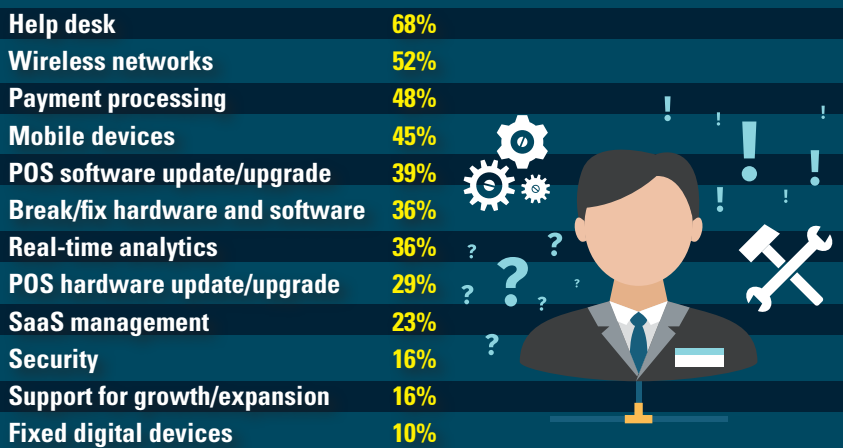


Figure 7

Key strategic drivers for a growing interest in IT outsourcing for stores

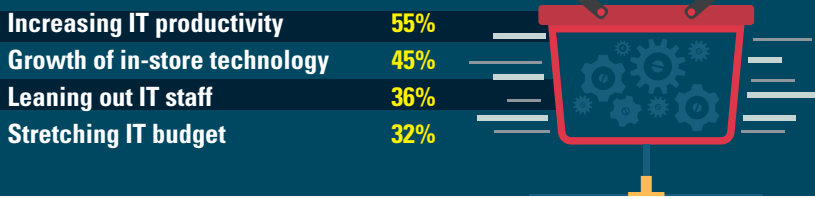
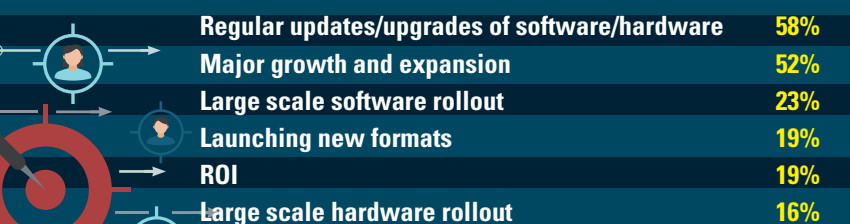


Figure 8

Key business drivers for a growing interest in IT outsourcing for stores



TRANSFORMING STORES AND THE WAY CONSUMERS SHOP: LET'S ENTER THE AGE OF CONNECTED COMMERCE

In the age of Connected Commerce retailers as well as consumers have to be always on across all channels. Nevertheless the brick-and-mortar store remains as one of the most important piece in this puzzle.

Through advanced technologies and services, Diebold Nixdorf partners with retailers to drive traffic into stores, while helping them update infrastructure and software that can enable a more holistic view of their channels. This and our long-standing expertise in retail, gas stations and banking industries positions us to support retailers around the globe with solutions customized for their unique business needs.

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tion can be up and running in a few months. This not only benefits the IT team because it cuts in half even the most optimistic traditional deployment time, but it also benefits the business teams who use the software. They get the benefit of using new features and functions more quickly to generate return-on-investment and other business performance advantages.

No new technology is without challenges and SaaS users identify three of significance. The first two are cost of integrating cloud applications with the legacy tech stack, which was chosen by 80% of retailers, and security (70%). These problems are associated with any new software deployment. (See Figure 3.)

The third challenge, offline capability/availability (60%), is relatively unique to cloud applications although uptime is a concern for any application. Although important to note, offline capability is not as much of a concern as it once was due to the increasing reliability of wide-area networks and faster speeds of cellular networks to serve in a fail-over capacity.

Store IT as a Service?

As mentioned, options have long been available to retailers to outsource some elements of store IT in a cloud-computing model. These include help desk and payment processing to name a few. However, as retailers become more comfortable with the SaaS model they are also taking a look at adopting it in other store areas.

The top two functional areas most likely to use the IT outsourcing model are help desk (68%) and wireless networks (52%). As previously noted the help desk is a no-brainer for outsourcing and so is payment processing (in third place at 48%), which have been used by retailers for many years. (See Figure 6.)

While the use of outsourcing IT for wireless networks is a newer development it is also a no-brainer. Despite the hopes and dreams of retailers, installing wireless networks in stores is not a one-and-done proposition.

Once the wireless network is installed a constant stream of responsibilities is required for things like identity management, security, administration, updating, break/fix, mobile device management, modifications and scalability. Some of these can be done remotely and some require work performed on-site.

Despite benefits that accrue by using wireless networks in stores, and there are many for customers and employees, they also bring a host of challenges that can be solved by outsourcing IT.

From an overall industry perspective, a majority of retailers believe that outsourcing IT services to stores is less than two years away for mainstream adoption – 39% say within two years and 16% say within one year. (See Figure 4.)

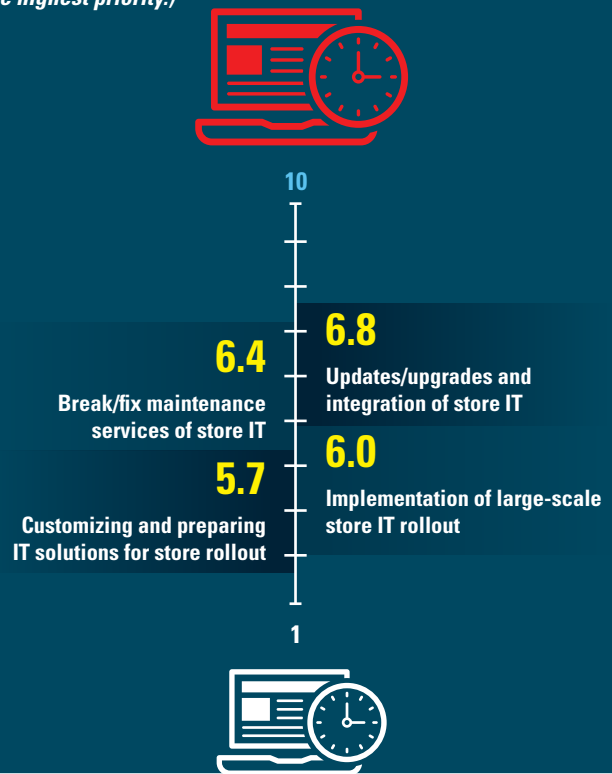
From the specific respondents' perspective nearly a third (32%) say they have already implemented some form of outsourcing IT services to stores and 13% say their timeline for adoption is "short term," which means they are in the process of developing budget and vendor selection plans. Only 16% say they have no interest at all in outsourcing IT services to stores, which is a low number. (See Figure 5.)

What's in It for IT

Retailers say there are four major technology reasons for their growing interest in the outsourcing IT for stores model: increasing IT pro-

Figure 9

Rate the priority level of following core IT services for stores (Using a scale of 1 to 10 where 1 stands for lowest priority and 10 the highest priority.)

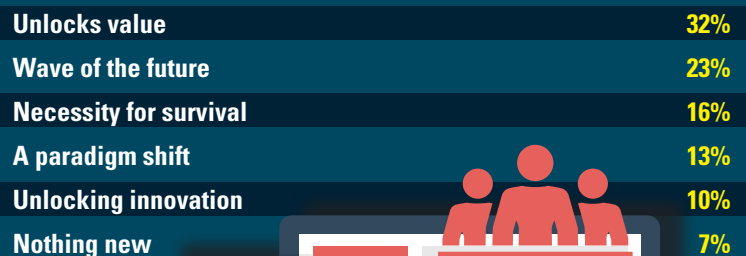


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Figure 10

How would you describe the future of IT services for stores



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ductivity (55%), growth of in-store technology (45%), leaning out IT staff (36%), and stretching the IT budget (32%). These are powerful drivers for adoption and any one of them could have a profound impact on the transformation of the IT department. (See Figure 7.)

In addition to IT drivers there are also business reasons why retailers are warming to the idea of outsourcing IT for stores. The number one reason is the cost and effort of regular updates or upgrades of both software and hardware, which was selected by 58% of retailers (See Figure 8.)

Another big business driver is to accommodate plans for major growth and expansion (52%). Further down the list are preparing for a large-scale software rollout (23%) and launching new formats (19%).

Other key takeaways from the study include:

- When retailers rate the priority levels of outsourcing core IT services for stores, using a one-to-10 scale where one stands for lowest priority and 10 the highest, they give updates/upgrades and integration with store IT the highest rating – 6.8. (See Figure 9.)
 - The second highest rating of priority goes to break/fix maintenance services at 6.4.
 - What is the best way to describe the future of outsourcing IT services for stores? Retailers pick the phrase “unlocks value” as the best description, chosen by 32%. (See Figure 10.)
 - The second best description is “wave of the future,” chosen by 23%.

Methodology

This study was conducted during the month of November and only senior executives from national or large regional retailers were invited to participate. The results do not include any store-level, field-level or regional employees. Only headquarters-level staff responses were included.

Conclusions

Retailers continue to search for a lighter, leaner, cheaper way to manage and maintain technology, both at headquarters and in the store. As a result, the cloud model, or SaaS, has become a mainstream component of the modern retail tech stack.

But outsourcing store IT, while generally understood and partially adopted, has more room to grow before it becomes fully developed and implemented beyond a few functions that have been around for many years.

Outsourcing IT for wireless networks and mobile devices are likely candidates that will drive the next wave of adoption for outsourcing store IT.

Importantly, the study finds that a majority of retailers believe that outsourcing IT services to stores is less than two years away for mainstream adoption. Based on this finding it is tempting to say that outsourcing IT services to stores is the “wave of the future.”

But retailers are intensely practical and they generally avoid abstract concepts when describing the technology they work with every day. When given the choice, the way retailers describe outsourcing IT services to stores is to explain that it “unlocks value.”

Everyone understands the importance of value and how it can influence the success of an emerging trend such as outsourcing IT services for stores. **RIS**

Figure 11
How many stores does your company have?



Figure 12
Total revenue in last 12-month period

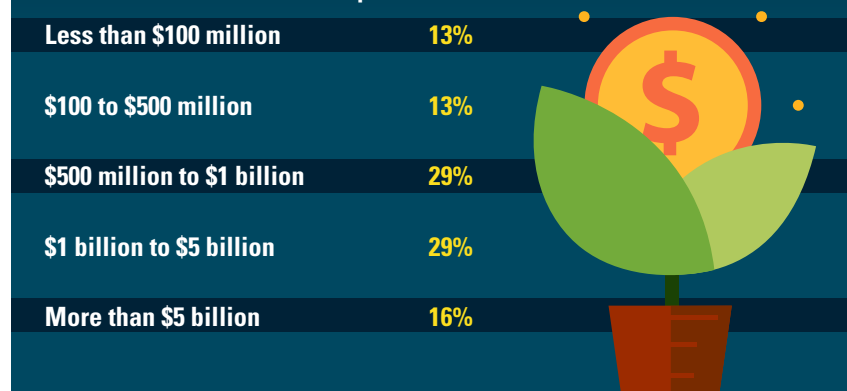


Figure 13
Sales in last 12-month period

