

MAPPING OUT A FIVE-YEAR IT STRATEGY

Virtually any retailer larger than a front-porch lemonade stand needs to have a long-term information technology strategy. The need to create faster, more agile and more profitable enterprises is more important now than ever before. One of the most effective building blocks for achieving this critical strategy is a multi-year (generally three- or five-year) IT plan. This type of detailed, enterprise-wide roadmap is essential to getting the retailer's IT infrastructure—and more importantly, the business as a whole—to a desired end-state of efficiently supporting core business functions that lead to growth and success. However, making the plan is, literally and figuratively, only the beginning. Before deploying advanced applications, retailers may need to address systemic issues such as data “cleanliness” or SKU reconciliation. The good news is that the discipline involved in carrying out a five-year plan creates additional benefits along the way, producing a multiplier effect throughout the organization. These benefits go well beyond the IT department, boosting a retailer's business agility along with its IT flexibility.

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WHAT'S AT STAKE FOR RETAILERS

Creating and carrying out a long-term strategic information technology plan brings a host of benefits to any organization. Long-term (generally three- or five-year) plans bring particular benefits to retailers because, counter intuitively, both technology and business move so rapidly in this industry. Against the backdrop of often dramatic change, having a clear idea of where you are, where you're headed and how far you've come can help put the merits of advanced new technologies in perspective.

In addition to defining direction, a long-term strategic plan, and the processes involved in carrying it out effectively, help keep the entire organization moving toward its business goals—even when facing unexpected challenges, such as the loss of a key supplier or a strong new competitor entering the market. Industry experts believe that a strategic plan can even temper the tendency to overreact to such crises, by keeping people focused both on long-term goals and the small steps needed to achieve those goals.

[TAKEAWAY]

› **BUSINESS NEEDS SHOULD SHAPE IT GOALS: LOOK AT YOUR COMPANY'S BUSINESS ISSUES AND CHALLENGES BEFORE YOU EVEN START LOOKING AT THE IT INVOLVED IN THAT BUSINESS PROCESS. AND BEFORE YOU IDENTIFY THE APPLICATIONS MOST IN NEED OF CHANGE, DEFINE METRICS THAT ARE APPROPRIATE FOR YOUR BUSINESS.**

Without this type of focus, many retailers succumb to a “red alert—all hands on deck” mentality when a challenge arises, abandoning or neglecting important projects in mid-stream. Too often, the result is that both people and companies are consistently reactive rather than proactive—creating conditions that produce even more crises in the future.

In fact, a strong strategic plan creates an environment that makes it easier for retailers to deal with the unexpected. “A plan like this is meant to be truly strategic, not tactical,” notes Joe Skorupa, Group Editor-in-Chief of *RIS News*. “Five-year plans are mostly about capital investments, the big dollar commitments a retailer makes. It's not meant to include the types of things you can never plan on—like someone wakes up and says wow, we need to implement mobile commerce today and we never even thought about it two or three years ago!

“That type of thing will always happen in retail,” Skorupa adds. In contrast, “a five-year plan is supposed to accommodate things that take time to build out. For example, when an execu-

tive comes into the IT department and says ‘We need price optimization across the merchandising platform as soon as possible,’ the IT executive responds by saying ‘Sure, I’ll have it operational in 18 months.’ That might seem like a long timeframe for execution, but these are the types of technologies that should go into a long-term strategic plan.”

Skorupa adds that strategic planning also needs to address the underlying IT requirements that make such major initiatives possible. “The type of things that need to be done before price optimization can be installed need to go into a five-year plan,” he notes. “These are things like master data management, fast transaction data rollups from the stores and clean single-instance reports.”

[TAKEAWAY]

› **SEE WHAT YOUR COMPETITORS ARE DOING:** LOOK AT BOTH CURRENT AND POSSIBLE FUTURE COMPETITORS. EVEN IF A COMPANY IS NOT CURRENTLY A THREAT, BECAUSE IT’S SMALLER OR DOESN’T OPERATE IN YOUR GEOGRAPHIC AREA, THEY MAY BECOME A THREAT AS THEY GROW.

KEY ELEMENTS OF A SUCCESSFUL LONG-TERM PLAN

For a five-year plan to provide maximum benefits, it needs to combine a big-picture vision with the specific steps needed to realize that vision. Among a roadmap’s most important elements are:

- **A REALISTIC ASSESSMENT OF THE CURRENT IT INFRASTRUCTURE:** More than simply a list of applications, retailers need to know the actual functional capabilities of their legacy systems. For example, can their current systems handle the complexities of multi-channel distribution or support wireless devices? Will they require an upgrade or a complete replacement to do so? Which systems are reaching the end of their “natural” lifecycles, for instance relying on a dwindling group of IT professionals for support and maintenance?
- **THE BUSINESS CASE FOR IT INITIATIVES:** Just as retail CIOs must combine IT knowledge with business acumen, so must any IT initiative serve a demonstrable business purpose. Whether the goal is getting closer to customers or streamlining the supply chain, business needs should determine the destinations for IT.
- **THE “DUE DILIGENCE” INVOLVED IN MAJOR IT INITIATIVES:** Long-term plans should build in the time required to select the right technology supplier; plan for systems migration or integration; purchase and install the products; deploy them within the retailer’s IT infrastructure; and train employees in their use.
- **COST AND TIME ESTIMATES:** These will put “meat” on the bones of a long-term plan, and help to determine optimal resource allocation while the plan is being carried out.
- **ACHIEVEMENT MILESTONES:** The large scope of many five-year plans can be intimidating. Making a plan work requires breaking it down into achievable steps; sharing these steps with those who need to carry them out; and then checking to ensure that they have indeed done so.
- **FREQUENT MEETINGS:** Most industry experts recommend that key plan participants meet at least quarterly in order to assess progress, deal with unexpected contingencies and maintain forward momentum. These meetings should be supplemented with annual meetings, preferably off-site and distraction-free, where top executives can make sure the strategic plan remains aligned with the retailer’s competitive situation and its long-term goals.

Strategic Plans Align Organizations to Meet Future Needs

Cliff Epstein, President, RPE—Retail Process Engineering

Q: WHAT'S YOUR DEFINITION OF A FIVE-YEAR STRATEGIC PLAN?

EPSTEIN: A strategic plan provides the opportunity to align people, processes, as well as technologies to support a future vision of the business. The strategic planning process is not simply a laundry list of applications to be installed and implemented, but a design process that takes into account stakeholders' future needs and current-state gaps. Products of the strategic planning processes are the tactical plans, which allow a coordinated and universally understood approach to achieving the strategic plan.

Q: WHAT ARE SOME OF THE GAINS FROM HAVING A LONG-TERM STRATEGIC PLAN?

EPSTEIN: Creating a consistent message and providing advanced applications are important parts of any strategic plan, but this alone is not enough. The real power of a strategic plan is the ability to understand how the message and applications can be applied and implemented within the organization. The opportunity to align the organizational structure around the future-state processes and applications has the potential to provide substantial cost savings. The strategic planning process also provides the opportunity to build application and support structures for emerging channels and markets.

Q: WHAT ARE SOME ONGOING BENEFITS OF HAVING A LONG-TERM PLAN?

EPSTEIN: The benefit of a long-term strategic plan is the ability to provide clarity of purpose, organizational focus and direction. This doesn't necessarily mean that strategic plans are static documents. Strategic plans represent a vision at a point in time and are designed around a set of assumptions. Senior executives have an ongoing responsibility to evaluate and review the underlying assumptions supporting the strategic plan. If the assumptions and business climates have changed dramatically, the plan will need to evolve.

Q: ORGANIZATIONALLY, WHO SHOULD BE INVOLVED IN STRATEGIC PLANNING?

EPSTEIN: I believe it's important to note that strategic plans by nature are a long-term commitment of resources, requiring the full support of the COB and CEO. As for the planning process, a number of options exist for development of a strategic plan. A number of retail organizations have created internal strategic planning departments responsible for exploring future trends as well as developing, presenting and implementing plans.

A more traditional route has been the use of consultants to develop the business case and proof concept around the strategic plan. Once the plan is adopted, the consulting organization can either be engaged as part of the implementation, or the organization can manage the process internally.

Q: WHAT SHOULD THE CIO'S ROLE BE?

EPSTEIN: Technology applications continue to play a larger role within any retail organization, which makes the CIO's support and expertise invaluable. The CIO must be a solutions provider as well as a realistic gatekeeper, providing a clear assessment of the resources and capabilities of any application. The CIO can provide insight into the process changes involved for other functional

stakeholders as part of the strategic plan.

Q: CAN AN OUTSIDE CONSULTANT BE HELPFUL, AND IF SO, HOW?

EPSTEIN: Consultants can be deployed in a very limited scope or on a broad scale depending on the particular needs and talent that exist within a company. This "a la carte" or plug-and-play approach can provide real value for a client. Consultants typically have the freedom to provide unbiased perspective that individuals within the organization may not have the ability to do.

“THE REAL POWER OF A STRATEGIC PLAN IS THE ABILITY TO UNDERSTAND HOW THE MESSAGE AND APPLICATIONS CAN BE APPLIED AND IMPLEMENTED WITHIN THE ORGANIZATION. THE OPPORTUNITY TO ALIGN THE ORGANIZATIONAL STRUCTURE AROUND THE FUTURE-STATE PROCESSES AND APPLICATIONS HAS THE POTENTIAL TO PROVIDE SUBSTANTIAL COST SAVINGS.”

PLAN TO EXPECT THE UNEXPECTED

Long-term plans also must allow for the unexpected. After all, no one has a crystal ball to predict exactly what will happen over five years' time. "When you're laying plans, whether they are one-year, three-year, or five-year, you need to leave plenty of room for 'gotchas.' These are things that come out of the woodwork, which are suddenly incredibly important to the organization," says Hans Kantor, Vice President of IT for Modell's Sporting Goods, a New York-based chain with more than 140 stores in the Northeast and Mid-Atlantic regions.

One such "gotcha" was creating the ability for Modell's to offer a co-branded credit card in real time at its point-of-sale registers. "That was nowhere on my five-year chart. Then it surfaced and I had six months to do it," says Kantor. "It involved substantial coding and internal network work, plus networking with the banks for credit background checks and authorizations. You have to ensure that you have the resources and flexibility to take on something like this. The objective is to not let the long-term plan stall when things like this happen, but to make sure there's room in your plan to allow such things to come in."

[TAKEAWAY]

› **GET—AND KEEP—THE CEO INVOLVED IN THE PLAN: FOR ANY FIVE-YEAR PLAN TO BE SUCCESSFUL, MAJOR SUPPORT MUST COME FROM THE CEO. IT'S A BIG RISK FACTOR IF THE CEO DOESN'T REALLY BUY IN. HOWEVER, IF THE BOSS SAYS 'THIS IS IMPORTANT AND THIS IS WHAT WE'RE GOING TO DO,' IT FILTERS DOWN TO EVERYONE, WITH A TOTALLY DIFFERENT IMPACT THAN THAT OF ANYONE ELSE.**

START WITH THE BIG PICTURE, THEN DRILL DOWN

At Modell's, Kantor keeps the big picture in mind with regard to creating, and carrying out, strategic plans. He divides Modell's and its IT into three broad categories: customer-facing, i.e. the stores; distribution and supply chain; and operational support and infrastructure. The stores were the initial area of focus in what has become a multi-year process of replacing virtually all of the retailer's legacy enterprise solutions.

"We knew our stores needed to be refitted as long as six or seven years ago," Kantor reports. "The first thing we did was an assessment of the existing environment, to determine if it would be able to support our evolving business needs." Kantor determined that current systems weren't up to the task. In fact, some systems—including key ones such as the point of sale—were reaching the end of their useful lifecycles. Kantor and his team took the opportunity to replace all store systems, including inventory control, wireless and Wide Area Network (WAN) technology, along with the POS.

"After that, we looked into our distribution supply chain, and recognized our core systems weren't capable of having best-of-breed products bolted on to them. We determined we would have to change our core merchandising systems," he says. "With our internal development staff we enhanced our home-grown distribution systems, to buy the time needed to select and implement new operational infrastructure and core merchandising systems. This is the next big area of focus after the supply chain," he adds.

Long-term strategic planning is a must with such major overhauls. "You need to have a plan in place to ensure there's ample time to go through a selection process, plan a migration, do the purchasing and create an implementation plan," notes Kantor. "You can't get all these elements done in the short term."

PLAN FOR A VARIETY OF INPUT

Having a solid plan also allows Kantor to accept input from a variety of sources. Some input came from what was—and wasn't—available from suppliers. For example, during the store retrofitting initiative, Modell's explored both loyalty program and gift card solutions. Kantor prefers packaged applications wherever possible, but at that time (about six years ago) he opted for in-house development.

"We felt we could develop a more robust loyalty program than what was out there, and since security was an issue with gift cards, we built our own systems," he explains. "The process is kind of like a feedback loop. You discover what you need in part by what's available in the market."

Other input came from internal sources. When Kantor brought potential product suppliers in to demonstrate their wares, "we got the business organization involved with that selection process. They were there all the way," he notes.

Business-side input is a relatively new phenomenon for Kantor, who has been with Modell's for 27 years. "Rather than IT making all the decisions, then going out to suppliers, bringing solutions in and making them happen, we have our own [business] people coming in and saying 'Can we do this? This would be great for us.' That changed our thought process a lot."

[TAKEAWAY]

› DON'T OVERWHELM PEOPLE: IF PEOPLE ARE FRIGHTENED BY THE FULL SCOPE OF A FIVE-YEAR PLAN THEY MAY NEVER BECOME 'BELIEVERS.' THE HIGH-LEVEL PROJECT SPONSOR NEEDS TO BREAK THE PLAN DOWN INTO REASONABLY SIZED, WELL-DEFINED TARGETS, WITH A SERIES OF LOGICAL STEPS THAT PEOPLE CAN BUY INTO.

LESSONS LEARNED

Greater involvement by line-of-business and senior executives also helps build, and maintain, support for long-term projects. "With these types of major initiatives, IT and business need to be more closely aligned and integrated," says Kantor.

[TAKEAWAY]

› INSPECT WHAT YOU EXPECT: IN CARRYING OUT A LONG-TERM STRATEGIC PLAN, MAKE PEOPLE ACCOUNTABLE FOR WHAT THEY ARE ASKED TO DO, WITH PRE-DEFINED METRICS AND REGULAR REVIEWS. HAVE THE PLAN'S PROJECT MANAGERS CONTINUOUSLY REVIEW AND APPROVE THE WORK THAT AN INDIVIDUAL OR TEAM CLAIMS THEY'VE ACCOMPLISHED.

In fact, Kantor's most important strategic plan learning is the importance of communication and education outside his IT "silo." "You need to communicate to the organization as much as possible the activities that are going on in the IT area, and how that impacts the business," says Kantor. "I always say this is something I learned the hard way, because for many years I didn't do this, and now I realize how important it is."

The risks of poor communication include "non-acceptance by the business community, and even, a few times in my career, an initiative that did not launch even after spending a lot of time and effort to do it," says Kantor. "Complete IT visibility, strategic business alignment and flexibility are key to success."

The other key lesson is that long-term strategic plans are themselves crucial to business agility. "A true five-year plan cannot become outdated by the pace of change in the industry, because no retailer is ever truly 'caught up' on

upgrading its technology stack, the network pipes, IT architecture, application layer, and the process of sunseting legacy systems,” says *RIS News*’ Skorupa. “Most importantly, a strategic plan should move retailers toward the goal of creating the perfectly agile enterprise, which can implement new things that come down the pike with swift ease. In the real world, creating this perfectly agile enterprise isn’t really achievable. What’s important is making the journey.” ■

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[TAKEAWAY]

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Integrating people, process and IT.