

RTG Newsletter

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FROM THE PRINCIPAL'S OFFICE

Matt Otchy and Theo Rose, of RTG partner Applied Retail Technologies, LTD., contributed to this issue's article. We wish to thank Matt and Theo for their participation.

Bob Amster



Principal

YOU'VE MADE YOUR PACKAGED APPLICATION DECISION, NOW WHAT?

Software package implementation strategies

Retailers are buying packaged IT solutions more so than ever before. Even Kmart, with its history of home-developed applications, has purchased a package for merchandising and inventory management. As retailers continue to pursue this avenue of purchase over development, IT departments are faced with how to manage the implementation. There are varied options available and each must be given due consideration.

DIY

The first, most obvious path to follow is to choose to implement the application using the retailer's own IT staff. This seldom happens, for obvious reasons, not the least of which is the fact that the retailer's internal staff is most likely the *least* knowledgeable of all prospects on the technical implementation of the package.

The software vendor implements

In a common scenario, the software developer installs the application with some or no participation from the retailer's IT staff. This solution can drive up the cost of implementation into significant amounts of money and may be fraught with pitfalls. It starts with the fact that software providers – and some software providers recognize this – are primarily interested in *developing* and *selling* software. They are not necessarily interested in the business implications of installing or using the software correctly. The plain fact of the matter is that few of a software provider's staff have true retail experience and they can't advise retailers so wisely as those who have lived the retail business. Software providers are also prone to significant turnover at the critical technical and manager level needed during the implementation. This leaves the retailer at significant

risk due to a potential lack of continuity within the implementation team. There should also be a concern on the part of the retailer that the provider's implementation team is not an independent voice. This team has no interest in pointing out technical or procedural flaws in the application. To the contrary, there may be a concerted effort to mask those issues from the retailer.

On the positive side, many retailers believe that no third party is going to know the application as well as the developer. To a large extent, that's true from a technical perspective. Many of the larger providers have installed their applications dozens of times. Yet it's been documented that occasionally even the provider's implementation team does not know the modules well enough to add value to the retailer. This results in the providers professional services team "learning on the *client's* dime."

Another argument for having the developer do the installation and systems integration is that the provider should have a vested interest in seeing the implementation succeed and, therefore, they will do a better job of implementing than anyone else. However, the question is raised again not as to whether they want to do a good job, but whether *they know how* to do a good job of implementation.

There are some software developers that have a stated preference not to implement their own applications. This is because they may want to concentrate all their efforts in selling more copies of their applications, or because they do not want to spread themselves thin on multiple implementations following successful selling cycles. These providers often rely on a network of qualified implementers.

Third-party professional services

The third option available to the retailer is the use of an independent professional services firm. We see two general categories of professional services firms. First, there are the big 5 firms which, some years ago, saw an opportunity to increase revenues and created one to several "specialty practices" in systems implementation. Traditionally, working with these firms has been an expensive experience for retailers, and the results have been mixed, at best.

The second type of firm is the smaller specialty firm. These firms are independent, have a good understanding of the applications, and are focused on the critical factors that make the acceptance of the new application, not just the technical "installation" the priority. Because they operate under a different model, these firms do not have large numbers of junior level consultants that need to be kept busy. They are staffed with professional retail and technical managers who work in small teams and

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engage the client's resources to participate in the entire project. This approach results in lower cost of the project and ensures a transfer of knowledge so important to long term success. The fact that these firms are truly independent, provides a needed check & balance over the solutions provider. Independence can bring delineation between true consulting activities and product development. This is key for accountability. The third party brings an *unbiased* understanding of strengths/weakness of the package. Furthermore, the separation of professional services from the software purchase provides a necessary benchmark as to the true effort required in order to complete the project successfully.

Some will say that having that many different entities involved in the implementation effort can create an atmosphere of finger pointing when the client's expectations are not met. To that we need to refer to former president Reagan's quote "trust & verify". Verification has to be done with any deal that where many millions of dollars are at stake. Having an independent party in the mix keeps all parties focused on the details. It is when the details are spelled out that there is the greatest chance of success for all sides.

Managing the implementation

A major issue in any implementation project is the decision as to who should manage that process. If the software developer is assigned overall project management responsibility, the retailer is denying itself a system of checks and balances.

If the retailer provides the overall project management, there are three qualifications that must be considered to avoid putting the project at risk.

- First is the project manager's ability or inability to control his company's internal project team members. If this individual is not empowered to bring people together to work on the project, then the manager will most certainly not be able to effect change within the organization.
- Second is the company's willingness or ability to assign a member of the staff to the full time job of managing the project. Often an implementation will take well over a year. Can a company afford to release a senior manager from his day-to-day responsibilities for that time period?
- The third factor is the accumulated experience of the project manager. Often times, in-house project managers have not led a large and complicated project before. This experience may serve not only to assure project success but also to provide training to internal staff throughout the project.

Another advantage of an independent project manager is the fact that he/she can serve to "manage" any conflicts between the software provider and the client. This allows the retailer to maintain a "friendly" rather than "adversarial" relationship with the solution provider.

As stated in the beginning, the options to the retailer are varied. The culture of the retailer along with the expressed and 'hidden' costs of these options must be weighed against each other. In the end, management must make its own informed decision on what path is in the company's best interest. The stakes are high. Deciding on one path without considering all three can be a costly decision.

WHAT'S NEW

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SAF

Barbara Anderson is working with European software developer SAF on product definition and positioning marketing and partnering, and education, as they try to penetrate the US market. SAF is a successful European company specializing in automated store replenishment.

The SAF product offers a new approach to automating store order by using micro-forecasting, cost-based service level, and cost-optimized order quantities.

This month SAF announced a new partnership with Softechnics. This partnership provides integration to the Softechnics store system including receiving, mobile store interfaces, perpetual inventory, and purchase orders. This partnership extends past mere integration into a marketing and maintenance support agreement. Barbara is continuing to work with SAF on their full range of products including store, warehouse and collaborative offerings.

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Merchandise Assortment Planning

Strategic partner Retail Systems and Services, Headed by Terry Donofrio has been focusing on processes, training material and systems approaches for Assortment Planning. Working with a leading software provider of Assortment Planning Systems, RS&S has been developing a generalized process to fit various retail environments along with customized user manuals built around a flexible systems approach. The user manuals are being developed as standard documents as well as an on-line interactive approach.

RS&S concluded its annual three-day Comprehensive Merchandise Planning Seminar in Orlando Florida on November 14, 2001. Several Discount Department Store and Specialty chains attended. On day one they discussed planning processes, methods and organization approaches along with a workshop to define a new planning process in a retail company. On day two RS&S presented Advanced Planning Techniques and discussed included Merchandise, Store, Store Clustering, Space, Assortment and Allocation. Day 3 focused on automated systems and implementation.

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