IBM Institute for Business Value

Cloud for retail

Improving data access, increasing demand and reducing costs

Overview

Technology is rapidly changing the business model for retail. Instead of retailers pushing products out to consumers, technology-enabled "smarter consumers" now tell retailers exactly what they want, when they want it and how they want it delivered. Within this ever-changing landscape, cloud computing offers a new path for sustainable, efficient, flexible growth. Retail leaders have shared with us their top reasons to adopt cloud computing: better data access and analysis, increased customer demand and reduced costs.

Using a combination of cloud-delivered services, companies accelerate time-to-market and enhancements that differentiate the customer experience. Cloud can drive significant value creation and competitive advantage. So what can retailers do to realize these benefits?

Our experience with cloud computing underscores its power to fundamentally shift competitive landscapes by providing a new platform for creating and delivering business value.[1] To take advantage of cloud's potential to transform internal operations, customer relationships and industry value chains, organizations across industries must determine how best to employ cloud-enabled business models to drive sustained competitive advantage.

Cloud computing can empower retailers to address their greatest opportunities and challenges. Not only can cloud enable new, dynamic business and operational models, it can also help fundamentally change cost structures. What's more, retailers can use cloud to meet changing customer expectations – for access to digital channels, contextual relations and consistent digital and physical shopping experiences.

New shopping technologies – such as mobile capabilities, smart sensors and social networks – allow consumers to pay for products on their mobile phones, achieve perfect price visibility (where the price pleases both consumer and retailer) or "showroom" (examine products at retail locations and then order online). And, emerging markets offer even greater opportunities for growth. In this environment, it is imperative that retailers embrace new ways to improve customer experiences and expand operational efficiencies.
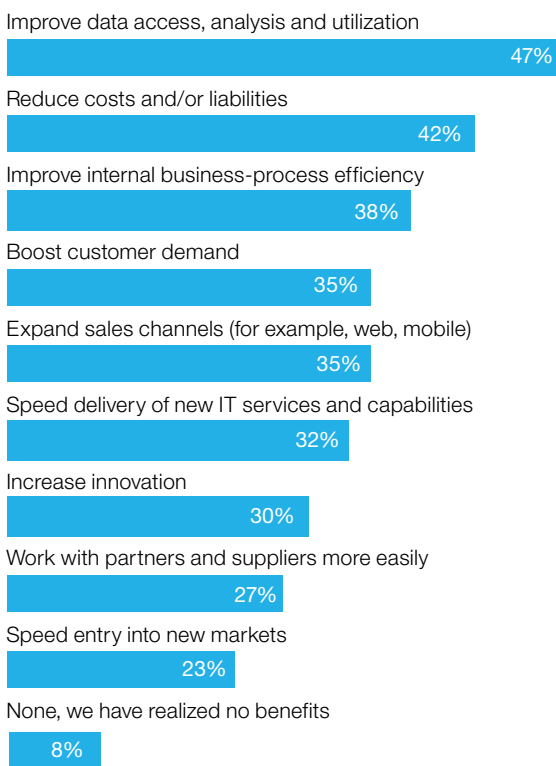
Cloud is transforming the business of retail

For the retail industry, cloud computing offers the potential for significant improvements. Cloud can help retailers redefine and personalize customer relationships, transform and optimize operations, and create more efficient merchandising and supply networks.

IBM Cloud

Figure 1
Retail executives report improved data usability and reduced costs from cloud technologies

Clients have realized significant benefits as a result of cloud adoption during the last two years

Improve data access, analysis and utilization
47%

Reduce costs and/or liabilities
42%

Improve internal business-process efficiency
38%

Boost customer demand
35%

Expand sales channels (for example, web, mobile)
35%

Speed delivery of new IT services and capabilities
32%

Increase innovation
30%

Work with partners and suppliers more easily
27%

Speed entry into new markets
23%

None, we have realized no benefits
8%

Source: "Mapping the cloud maturity curve" by EIU, March 2015. Question: "What business benefits has your company realized as a result of using cloud technologies?" n=128

Leading retailers leverage cloud for:

- *Operational innovation* – Simpler and faster processes drive internal efficiency; reduced complexity enables better governance and expanded access to more and broader data to manage risk; and IT capacity is better aligned to business volumes.

- *Revenue model innovation* – Customer relationships, data and other assets are monetized more readily; time-to-market is enhanced; and relevant partner services are incorporated more easily.

- *Business model innovation* – Third-party services extend into the retailer ecosystem; open collaboration and sharing are expanded; new types of business can be pursued; and innovation is introduced systematically.

As part of the "Mapping the cloud maturity curve" survey by the Economist Intelligence Unit (EIU) in March 2015, 128 retail executives were asked to identify their organizations' top business drivers behind cloud adoption. The top-three drivers cited were to improve data access, analysis and utilization (cited by 42 percent); boost customer demand (36 percent); and reduce costs and/or liabilities (33 percent).

In addition to seeking the motivations behind cloud adoption, the survey also asked retailers which benefits their organizations have realized as a result of cloud. Forty-seven percent of the same industry executives said cloud has delivered improved data access, analysis and utilization, while 42 percent indicated reduced costs and/or liabilities, followed by 38 percent with improved internal business-process efficiency (see Figure 1).

As cloud adoption by retailers matures, other benefits will also accrue. Business users will be able to design and prototype applications quickly. Organizations will benefit from new user-driven, mobile and cloud-centric information technology. Cloud will support transformation of enterprise IT functions, roles and responsibilities. And business managers will increasingly use cloud for application development to enhance agility.

Along with benefits for the enterprise, cloud also brings the potential for increased customer benefits. Cloud can facilitate new and expanded channels, as well as improve access to client data, allowing for better tailored products and services. By enabling more integrated, compelling customer experiences, cloud helps strengthen customer loyalty and market advantage for first movers.

Access the full "Mapping the cloud maturity curve," study here: **ibm.com**/cloudmaturity

To learn more about how you can partner with IBM and explore our as-a-service cloud portfolio, please visit **ibm.com**/cloud-computing/us/en

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Charting the path for cloud adoption

To succeed with cloud, retailers have to assess its impact on the operating model and determine what actions are required for more effective cloud adoption.

- *Source and manage partnerships and alliances efficiently.* Automate procurement and sourcing functions. Define service-level agreements to secure customer data in a shared environment.
- *Proactively redesign business architecture and processes.* Integrate legacy processes into new cloud-enabled, dynamic processes. Establish available and reliable cloud-based platforms.
- *Change organizational design and governance.* Prepare to mitigate data privacy and compliance risks with strong risk management systems.
- *Evaluate existing performance management.* Develop strategy and metrics that address new levels of reporting complexity. Build performance metrics into contracts for cloud-based services.
- *Develop critical new cloud capabilities.* Foster skills in customer and service orientation; vendor and relationship management; and virtualization and network technologies. Build deeper data analytic and operational capabilities.
- *Increase adoption of emerging technologies.* Update IT strategy to support new business strategy and cloud enablement. Adjust budgets to cover costs of legacy systems and new network bandwidth.
- *Reassess location strategies for optimal cloud adoption and to enhance the customer experience.* Decommission or consolidate technology assets.
- *Promote organizational culture changes.* Educate employees about organizational changes, addressing resistance by IT or other functions.

How can IBM help?

IBM has a unique position in the marketplace with consulting services and enterprise-grade cloud offerings. We are ideally positioned to engage clients in conversations to identify cloud adoption entry points that move beyond cost cutting to transforming business models through cloud capabilities that include:

- Business and technology strategy consulting services that help clients leverage cloud to develop executable strategies and transform their businesses, operations and organizations by delivering business value through technology.
- The next generation, enterprise cloud service delivery platform, IBM Cloud solutions offer clients unprecedented service level control. This common IBM architecture for private, public and hybrid clouds is based on IBM hardware, software, services and best practices.
- A robust set of IBM Cloud services: computing, storage, backup, SAP, security and unified communications.
- Consulting, design, implementation and infrastructure component management services that create an IT environment dynamic enough to effectively support cloud computing deployment.

Reference

1   Berman, Dr. Saul, Lynn Kesterson-Townes, Dr. Rohini Srivathsa and
    Anthony Marshall. "The power of cloud: Driving business model
    innovation." IBM Institute for Business Value. January 2013. http://
    www-935.ibm.com/services/us/gbs/thoughtleadership/ibv-power-of-
    cloud.html

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