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# Taking the Byte Out of IT

As IT systems make the way we do business simpler, learning about how these systems work and finding the right one for our business is increasingly complex. Margaret Miller talks to the general manager – corporate of Retail Directions, Steven Power about what retailers should be on the lookout for in an IT system.



**HOR:** What does the retailer need to prepare when deciding to change IT systems? Should they have a wishlist of what they'd like the system to achieve? And what sort of groundwork is needed before comparing system supply companies?

**SP:** The first step is to ensure the selection team is led by a person with extensive (wide) retail and IT experience. Once this is secured, there are a number of fundamentals to consider (listed below in order of priority).

- **SYSTEM ARCHITECTURE:** the system needs to be able to handle the current business requirements using modern but proven technology, whilst having the capability to support future developments, e.g. growth of the business, changes in the nature of stock sold, going overseas, franchising, etc.
- **FUNCTIONAL FIT:** it needs to be approached with an open mind, for example think about changing the business process rather than the system if the process supported by the system is better than that which is currently used by the business.
- **USER INTERFACE:** an intuitive interface is the key in stores, because many hundreds (even thousands) of people need to be

proficient in the use of the system and ongoing training for casual staff, if required, is expensive.

- **STABILITY AND ACCURACY OF THE SYSTEM** (check the reference sites).
- **THE QUALITY OF THE TEAM BEHIND THE PRODUCT.**
- **THE RELATIVE SIZE OF THE SOFTWARE VENDOR** – if the vendor is too large (relative to the retailer), they will not give the retailer enough attention, or too small – they may not be around for long.
- **THE TOTAL COST OF OWNERSHIP OF THE NEW SOLUTION:** up-front cost, recurring costs and operating costs. The cost needs to be compared against benefits and the payback and should be no longer than 12-24 months.
- **RISKY TECHNOLOGIES** e.g. 'thin client' at Point of Sale must be avoided. The potential risk to the business is just too high.

In our view system architecture should determine at least 30-40 percent of the selection. Most retailers ignore the architecture altogether, this is like buying a house without checking that it is structurally sound. Functional fit is around 20-30 percent and the system must support a wide range of obvious

functionality. You have to be able to discount a transaction, void a line and accept more than one tender. In relative terms the cost is less relevant, as long as it is reasonable i.e. it can be recovered within 1-2 years (in full). Cost needs to be seen in terms of value – a good system will pay for itself quickly in terms of increased sales (through better in-stock position and effective promotions), lower cost (reduced inventory and reduced shrinkage) and higher profits (better management of GP).

**HOR:** In your experience what are the key factors retailers need in a quality IT system? Given that this would vary from industry to industry, there must be some overlap of basics needed.

**SP:** The core requirements are that the system adds up, (many don't, especially when it comes to unusual transactions such as stock lost in transit!), is stable, and performs at a reasonable speed. Once such fundamentals are covered, the next fundamental issue is that of integration. Unless a single system is used to run the entire retail enterprise, interfaces will be required. It is estimated that the cost of running interfaced systems increases the total cost of retail IT by 40 percent (duplication of data, missing runs, the cost of reconciliations as well as difficulties in upgrading one part of the interlinked solution as interfaces may need to change as well).

**HOR:** Has GST changed retailers approach to IT? Are GST compliance rules a problem for an up-to-date IT system as they can change as tax ruling change?

**SP:** Retail Directions was supporting GST (VAT) long before it was introduced in Australia, as we have customers in many European countries, plus Singapore and New Zealand. Our software allows retailers to support stores in various tax jurisdictions (e.g. a single system can run stores in the UK and in France), including those which have multiple tax rates – for example, there are five rates in France and three rates in the UK. If such rules were ever to be introduced in Australia, this would create a significant problem for many retailers as a number of systems currently in use are only able to support a single GST rate for the entire store, with exceptions (i.e. no tax) at item level. Furthermore, such systems cannot support rate changes at a pre-defined time.

If the GST rate was to change to e.g. 12.5 percent on a given date, Retail Directions software

allows retailers to set the trigger date and the system will start applying the new rate automatically when it becomes due.

**HOR:** Retailers are often in remote areas of Australia and find IT support difficult, do you service customers in the more remote areas?

**SP:** Retail Directions' head office is based in Melbourne, yet we have customers all around the world. By using remote access via the internet, we can handle any issues that may arise in any global location. As long as there is a telephone line present, we can help. Furthermore, our systems are engineered not to require support, we recognise that POS is a mission critical application, and so our software is very robust and resilient to all of the typical interference and interruptions that occur in a retail environment.

**HOR:** Many *Hands on Retail* subscribers are owner operators and feel IT is too difficult for them. They aren't IT trained but want the best for their business, is there a solution for them as much as for the big retailers?

**SP:** In our experience, retail IT can be quite complex, and some people are more talented in getting it right than others. Hence, retailers should not feel intimidated in any way if they don't have full understanding of retail IT – one cannot be an expert in all areas. This is why they need to rely on external help for guidance.

**HOR:** How has IT changed retailing in your opinion? What are the major changes IT has brought about for retailers?

**SP:** There is no question that a properly implemented, good system will make money for a retailer. As early as the '80s a leading consulting organisation determined that scanning alone can improve the bottom line by two percent. For a retailer who turns over \$50 million, this means \$1 million of additional profit (!). Today, we have far more capable systems than just scanning at the Point of Sale. Our software can handle automatic store replenishment, forecasting, re-buying, time in attendance processing, staff productivity analysis, quadrant analysis (two dimensional ranking), voids tracking and more. The vision of a 'digital dashboard' which retailers can use to drive their retail chains has become a reality. ❖