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Executive Insights:

Analyzing Cloud Computing's Potential Impact and Deciding Where It Fits For Your Retail Operation

It's impossible to turn on the TV or walk down a street these days without seeing an advertisement touting the benefits of cloud computing. As businesses look for ways to reduce costs and focus their investments on core competencies, they are increasingly turning to cloud offerings, and the retail sector is no exception. A recent survey of retail executives found nearly half have used cloud computing and more than 30% were considering moving all applications to the cloud.

Retail TouchPoints Editor Andrew Gaffney recently sat down with Rob Henneke, Executive Vice President at Retail Process Engineering (RPE), for an inside look at how cloud computing is currently being deployed within the retail sector. Henneke shared some real-world examples of where cloud environments are the best fit as well as some honest guidance on what retailers should look out for before moving into the cloud.

Q: There has been a lot of buzz around cloud computing for a couple of years now, but it finally seems to be gaining some foothold in the retail sector. Why do you think that is?

A: There are several reasons. We can't discount the advertising that we're all seeing on TV these days to promote the benefits of the cloud. There are big companies spending a lot of money to bring cloud computing to the forefront.



Integrating people, process and IT.

Many retailers have trimmed their IT staffs over the last couple of years in order to cut costs while sales were soft. That means there are tasks to do and not enough people available to perform them, so retailers are looking for help from outside sources to pick up some of those responsibilities.

Cloud Computing has real benefits for retailers including lower costs, greater expertise, instant infrastructure, more flexibility and higher reliability. It is gaining acceptance based on the continuing lower cost, faster and more secure communications it offers. Based on the acceptance and track record of cloud computing, retailers have a comfort factor they didn't have three or four years ago. There's more acceptance that it's okay to have your data out there in the cloud where you don't see it and touch it every day.

Q: Are there certain sizes of retailer or types of retail models that best benefit from cloud computing?

A: For the medium to large retailer, where they may not have the depth on the bench to run or manage certain applications, it makes a lot of sense to put it out there in the cloud where the cloud provider offers both the infrastructure and application expertise.

Q: Are there certain types of applications that lend themselves best to the cloud environment within retail?

A: I would've answered differently a year ago. However, today we're seeing a broader range

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of applications that are being run in the cloud. We're running ERPs and point solutions, so it's a full range of applications .

Q: What are some of the benefits that a retailer should plan for or expect from a cloud environment--both short-term and long-term?

A: If it's a new application, they should expect a faster, lower cost deployment and lower internal costs because the cloud provider should be supplying the majority of the support. A retailer can expect higher SLAs and tighter security than they could provide internally. They should also expect more flexibility as their business changes over time – the ability to add or reduce computing power.

In many cases, a retailer can also expect a more robust deployment. For a retailer providing their own infrastructure in support of a particular application, they often can't provide redundancy that a cloud environment can offer.

Q: It's interesting that you mentioned that a cloud environment is often more secure than on-premise. Security had historically been one



of the concerns preventing retailers from moving applications to the cloud. What makes the cloud even more secure?

A: Any proper cloud provider will be a SAS 70 type II provider. This means they subject themselves to rigorous annual audits of their procedures, their physical plant, all the ways they handle the client's data. SAS 70 is actually an accounting standard and is much more rigorous than we find most of our customers would subject themselves to. This type of audit provides an easy way to make sure your provider is up to the highest standards for data security.

Q: We hear cloud computing referenced in a few different ways. Some of the options we hear are public, private, and hybrid kind of environments. Can you help explain some of the differences between those?

A: No matter whose definition of cloud you look at, you're probably going to get a slightly different answer. In a public environment you're running on the same equipment and in the same environment with many other customers. This is typical in lower-cost applications such as email service.

When you get into some of the private environments, the hardware is typically dedicated to a particular client or at least a secure partition is dedicated to a particular client. Although it's hosted and managed in an outside data center, the hardware is truly dedicated to that particular client, so they end

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up getting a private network. In retail ERP, we are primarily seeing private environments.

Q: Prior to cloud computing grabbing all of the headlines, most of the buzz was around Software as a Service (SaaS) delivery models for software. What are some of the key differences or commonalities between the two?

A: The most common definitions of the cloud, from some of the largest technology companies in the world, actually include Software as a Service (SaaS), Platform as a Service, Infrastructure as a Service (IaaS) and Data as a Service (DaaS) within cloud computing. So by that definition, cloud becomes this 'all-encompassing' group of services that can be delivered over the Internet. We're doing all of the above. We do SaaS, but we also do IaaS, where we own the hardware and are essentially renting it to a client using the client's application.

Q: For a retailer trying to decide if cloud computing is right for their company, what are some of the key factors that should be considered?

A: Certainly you want to look for a supplier

that has a track record of providing the types of service that you're looking for and has referenceable clients. To me that's a huge factor. Secondly, there is a decision that needs to be made: for the particular platform and application you're deploying, do you have expertise in house or is using outside help a more effective solution?

There are a lot of applications that may require 10% of a person's skill set or 10% of their time to maintain that application and platform. If you don't have those skills in house, and you're going to hire somebody to learn that particular platform, but then they're going to have 90% of the time with essentially very little to do, that's a great candidate for the cloud.

If you're in a geographic area where you have trouble hiring qualified people, or your labor rates are high, you're a perfect candidate for the cloud. We have clients that are in remote locations and have a difficult time hiring people, so it makes a lot of sense for them to utilize the cloud. It also may be related to financing. Some retailers prefer putting money into opening new stores and inventory, and they don't want to put a lot of capital into infrastructure. If that's the case, cloud computing is ideal. Venture capital companies are a prime example.

Q: What are some of the pitfalls or misconceptions you would suggest retailers look out for before they move into cloud computing?

A: I'll give you a real world example. Right now

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we're working with a large retailer that is hosting an application in the cloud with a software vendor. The assumption was that their software vendor was experienced. But it turned out this was the first time the vendor ever hosted the application in a cloud environment. They would have been much better off choosing a cloud partner that had actually hosted this application before. It goes back to that expertise. When giving a provider your business, be sure to do your research and confirm they can provide the necessary services and the secure levels required.

Q: Obviously RPE has been involved with cloud computing for some time, what are RPE's strengths?

A: We've been hosting client's systems for nearly 11 years now, and our data center is SaaS 70 type II certified, that's as good as it gets. Our company is well positioned to support cloud computing services as the retail industry expands into the cloud. We certainly have expertise in a number of applications that are specific to retailers – we only do work with retailers, no other industry. "We stay up all night so you don't have to" is our motto. 

About Retail Process Engineering

RPE is a leading strategic consulting services provider exclusively focused on retail providing implementation, integration, modification, business process re-engineering, system upgrades and systems management services for retailers worldwide. RPE also specializes in cloud computing including hosting, Software as a Service and managed services. Areas of expertise include JDA Software, Manhattan Associates, Manthan Systems and most leading software applications. Visit www.rpesolutions.com. 🟩

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