IT SERVICES

LEADERBOARD '08

RPE Ranks in Key Categories for 2nd Annual Customer Satisfaction Survey

TOP IT SERVICES SUPPLIERS		
RANK	COMPANY	SCORE
1	IBM Global Services	32.91
2	JDA Consulting Services	30.99
3	Microsoft	30.78
4	Deloitte Consulting	30.52
5	LakeWest Group	30.30
6	HP Services	30.23
7	Infosys	30.10
8	Accenture	29.35
9	NCR	29.02
10	SAP Consulting	28.00
11	Capgemini	26.79
12	Fujitsu	26.71
13	SAS Consulting	26.58
14	BearingPoint	26.29
15	Oracle Consulting	26.17
16	CSC	26.12
17	EDS	26.08
18	Cognizant	25.14
19	Wipro	25.03
20	Tata Consultancy Services (TCS)	24.91
[illegible]	...hus	24.65
22	RPE	24.59
[illegible]	...ion Associates	24.53
24	H.B. Maynard (Accenture)	24.00
25	Ciber	23.95

TOP IT SERVICES PROVIDERS FOR ON-TIME AND ON BUDGET		
RANK	COMPANY	SCORE
1	LakeWest Group	3.67
2	HP Services	3.54
3	Microsoft	3.44
3	Infosys	3.44
5	IBM Global Services	3.24
6	EDS	3.23
7	JDA Consulting Services	3.17
8	RPE	3.07
[illegible]	[illegible]	3.07
[illegible]	...nture	3.04

For the full LeaderBoard survey, please go to next page.

IT SERVICES LEADERBOARD '08

Second annual satisfaction survey of top IT services firms in retail

BY PETER RUSSO, SENIOR CONSULTANT PAC

TOP IT SERVICES SUPPLIERS

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18	Cognizant	25.14
19	Wipro	25.03
20	Tata Consultancy Services (TCS)	24.91
21	Karabus	24.65
22	RPE	24.59
23	Kurt Salmon Associates	24.53
24	H.B. Maynard (Accenture)	24.00
25	Ciber	23.95
26	Keane	22.51
27	Point of Sale Services (PSS)	22.46
28	HCL	22.24
29	ACS	22.19
30	Satyam	22.17

In 2008, Pierre Audoin Consultants (PAC) has forecast that 8.6% of IT spending will come from the retail sector (compared to 28% from the public sector and 20% from manufacturing). For IT services (project services and outsourcing) the portion for retail is less than 7% of the total.

These lower figures lend support to the notion that technology investments in retail tend to be applied to maintaining existing, legacy systems. A shift toward greater investment would indicate an externalization of IT technologies and resources, and increased usage of packaged software, which inevitably will be more modern and advanced.

PAC sees change coming to how retailers leverage IT, however, as the survey question about how much IT services is externalized has grown year over year. The number of retailers who externalize more than 30% of IT services operations has increased from 44% to 53%. In addition, 66% see the level of externalization increasing over the next five years, with only 6% expecting a decrease.

When looking at total IT services budgets for 2009, 45% see budgets increasing, which is down compared to last year's 54%. Conversely, 13% now see IT budgets decreasing, compared to 10% last year.

One can reasonably assume this is due to the more challenging economic conditions that retailers are facing. However this may not be entirely bad news for IT Services suppliers. In many ways, tough times force retailers to make staffing decisions that favor outsourcing. It may also force retailers to finally move away from outdated systems that are becoming increasingly expensive to maintain and limiting flexibility to quickly adjust to fast-changing conditions.

PAC expects retailers will shift from the high-growth, "race for space" strategy toward becoming increasingly customer focused, and this will result in a postponement of some software and hardware investments. While this will have an effect on IT services investment, PAC sees this as being more deeply felt by hardware-related IT services suppliers and regional suppliers, rather than large, national IT services providers.

IT SERVICES OVERVIEW

For this study, *RIS* and PAC included all forms of IT companies that offer IT services, including large pure IT services suppliers (e.g. IBM, Accenture, Capgemini), niche retail focused IT services suppliers (e.g. LakeWest Group, Karabus, KSA), IT services arms of software vendors (e.g. Microsoft, SAP, Oracle), large hardware technology suppliers with significant IT services offerings (e.g. NCR, HP, Fujitsu), as well as offshore IT services players (e.g. TCS, Wipro, Satyam).

This year, we also tabulated scores based on whether respondents were large enterprises (over $500 million in revenue) or mid-market or SMBs below $500 million in revenue. The results showed many differences, although a select few IT services suppliers were able to crack both markets successfully (IBM, Microsoft, Oracle, JDA and LakeWest Group). Others were very strong in one area and not the other. As an example, Accenture was the second highest rated IT services supplier to large enterprises, but number 12 in the mid-market space. NCR, on the other hand, was rated the fourth strongest IT services supplier in the mid-market, while dropping to number 20 in the large enterprise.

This make a lot of sense, since Accenture is coming from a high-end

TOP IT SERVICES PROVIDERS FOR LARGE ENTERPRISE*		
RANK	COMPANY	SCORE
1	IBM Global Services	25.20
2	Accenture	23.56
3	Microsoft	23.38
4	JDA Consulting Services	23.26
5	LakeWest Group	22.80

** Retailers with >$500 million in revenue*

formational approach to major IT projects, a path not as suitable to SMBs in complexity and price. While NCR, which now lacks the large enterprise data warehouse solution of Teradata (spun off last year) commonly acts in a support position to its volume reseller network of POS solutions.

Once again, IBM Global Services was the top-rated IT service supplier in our survey, scoring a top rating in nearly all criteria, including Recommendation Status, Meeting Set Expectations, Integration Capabilities and Depth of Offerings. It was also top rated for both Large Enterprises and Mid-Market.

TOP IT SERVICES PROVIDERS FOR MID-SIZE ENTERPRISE*		
RANK	COMPANY	SCORE
1	IBM Global Services	27.07
2	Microsoft	26.40
3	LakeWest Group	24.08
4	NCR	22.87
5	Deloitte Consulting	22.18

** Retailers with <$500 million in revenue*

This is due to the fact that IBM has one of the most complete IT services offerings and a historic presence in the retail sector as a major hardware player with a large and healthy reseller network.

The most surprising change in this year's LeaderBoard is with JDA Consulting Services moving all the way up to number 2. This may be due to a concerted effort by the company to bring additional value to its acquired solutions (Manugistics and an ongoing effort to acquire i2) through a concerted integration plan.

Microsoft came in at the number three spot, a high rating that comes from its high brand awareness, since its services unit is mainly focused on the large enterprise space and is limited in size compared to the traditional IT services suppliers.

Deloitte Consulting, while a smaller and much less globalized IT services supplier than Accenture or IBM, has benefited from renewed investment in its consumer products and retail unit, and has had a particularly strong few years in its packaged enterprise application services business (aligning with SAP especially). It also has benefited from strength in the area of fiscal scrutiny and financial standards and controls.

LakeWest Group rounds out the top five, and is the list's leading example of an IT services retail specialist, combining retail business consulting with IT services focused on retailer operations, store systems and the supply chain. LakeWest is also one of the few IT services suppliers that was seen as a leader in both the large enterprise and the SMB space.

DOMAIN EXPERTISE

Domain expertise is viewed as the most important criteria by respondents when considering an IT services supplier, with nearly 40% of respondents choosing it as the most important factor. More than two-thirds of respondents state it is among the top three criteria. We believe this is a result of so many retailers continuing to use homegrown IT systems that require a deep-level of industry expertise simply to maintain them, along with the requirement of understanding a company's process flows in order to modify and extend solutions.

Within the top 10, JDA Consulting Services took over the top spot in this critical criteria, joined by two other software suppliers, SAP and SAS. This is a positive trend to see on the market, since customers have increasingly been asking software suppliers to take the lead/responsibility on large application projects, which has required software suppliers to hire outside help and increase their own retail knowledge and understanding. In the long-run, we also believe this will have a positive impact on the quality of retail-specific application software.

TOP IT SERVICES PROVIDERS FOR DEPTH OF OFFERINGS		
RANK	COMPANY	SCORE
1	IBM Global Services	4.10
2	SAP Consulting	3.58
3	Deloitte Consulting	3.55
4	Microsoft	3.47
5	Accenture	3.44
6	Infosys	3.38
7	NCR	3.28
8	JDA Consulting Services	3.24
9	Oracle Consulting	3.20
10	HP Services	3.18

"DOMAIN EXPERTISE IS VIEWED AS THE MOST IMPORTANT CRITERIA BY RESPONDENTS WHEN CONSIDERING AN IT SERVICES SUPPLIER, WITH NEARLY 40% OF RESPONDENTS CHOOSING IT AS THE MOST IMPORTANT FACTOR."

TOP IT SERVICES PROVIDERS FOR DOMAIN EXPERTISE		
RANK	COMPANY	SCORE
1	JDA Consulting Services	3.71
2	IBM Global Services	3.63
3	NCR	3.57
4	Microsoft	3.49
4	Deloitte Consulting	3.49
6	SAP Consulting	3.44
7	LakeWest Group	3.40
8	Accenture	3.29
9	Infosys	3.26
10	SAS Consulting	3.21

IBM and NCR closely follow JDA, which is no surprise given their long-time presence in the space (over 100 years for NCR) along with both company's presence in both the hardware and IT services segments of the retail sector, which requires a high level of retail understanding in order to truly deliver a turn-key solution.

DEPTH OF OFFERINGS

Depth of Offerings is the third highest rated measurement by respondents. Within this criterion, five of the top 10 are global IT services suppliers, with IBM showing a sizable lead over other suppliers. This is no surprise since global IT services suppliers have the resources to offer the most comprehensive solutions. Many have strengths in all areas of IT services, including project services, outsourcing and hardware maintenance.

It was again surprising to see several large software suppliers in this ranking, including Microsoft and Oracle. However, Oracle is increasingly taking the lead on IT services work around its retail prod-

TOP IT SERVICE PROVIDERS FOR INTEGRATION CAPABILITIES

RANK	COMPANY	SCORE
1	IBM Global Services	3.94
2	Microsoft	3.37
3	HP Services	3.35
4	Infosys	3.30
5	JDA Consulting Services	3.23
6	Accenture	3.20
7	Deloitte Consulting	3.13
8	Fujitsu	3.09
9	Oracle Consulting	3.06
10	EDS	3.00

ucts, since very few IT services suppliers have resources and credibility through so many acquired retail-specific products (Retek, ProfitLogic, 360Commerce). Additionally, the AIA solution (Application Integration Architecture) aims to integrate the solution to develop cross-module processes; essentially requiring knowledge of all solutions.

Microsoft Consulting Services is increasingly involved in architecture and complex integration projects aligned around its large software portfolios, where the company can offer high-end IT services to tie together many of its solutions from enterprise applications to office automation to system infrastructure and tools. Given the large amount of custom development in the retail sector, visual studio consultants from Microsoft are very prominent on the market as well.

INTEGRATION CAPABILITIES

Our view of systems integration as a crucial capability for IT services suppliers is confirmed in the survey finding that it is the second most important selection criteria. Retail IT continues to be among the most complex in the IT industry. While this is true due to the cohabitation of various homegrown legacy solutions, best-of-breed point solutions and "patch work" processes, there is an added complexity in the retail industry from the dual maintenance of both back-office corporate systems and large distributed store operations systems.

Additionally, there is a common frustration between retailers and IT suppliers about what is a truly a "turn-key" solution, in that even "packaged software" requires a large amount of customization and integration with specialized systems that are not yet covered out-of-the-box. Because of this situation, Services Oriented Architecture (SOA)

TOP IT SERVICES PROVIDERS FOR MEETING SET EXPECTATIONS

RANK	COMPANY	SCORE
1	IBM Global Services	3.64
2	Microsoft	3.31
3	Infosys	3.27
3	LakeWest Group	3.27
3	HP Services	3.27
6	JDA Consulting Services	3.24
7	Deloitte Consulting	3.22
8	Accenture	3.14
9	NCR	3.09
10	Capgemini	3.00

has grown quickly from a topic discussion to substantial pilots.

While retailers are commonly among the most conservative organizations in adopting cutting-edge technology, SOA at this point seems like an excellent answer in reducing complexity as a first step and increasing the alignment of IT with retail processes in the future.

CONCLUSION

Retailing, as far as a user of IT, has matured quite a bit in the past five years since the last economic downturn, and the question everyone thinks about today is what will be the effect on IT when the economy slows down this time?

It is clear that the housing bubble, subsequent credit crunch and financial crisis will have an adverse affect on many industries beyond banking. Most notably, it will have an effect on retail as consumers have less easy access to credit and must begin to live within their means.

In PAC's recent forecasts for 2009 and 2010, overall project services alone is estimated to dip two full percentage points of growth in each year. At the same time, these are still forecasted to be growing markets. Growth will be 3.8% and 4.8% for 2009 and 2010 respectively.

The reason for deceleration of growth, rather than outright decline is for several reasons. First, IT spending is already lean, thanks to imposed cuts and a "return to reality" following the dot-com bubble and the 2002-2003 recession. Secondly, IT projects within corporations are now commonly tied to concrete business metrics and a clearer return on investment. No one is simply implementing the next "killer app." Organizations are calculating what really makes sense to their business and whether now is the time to move to a new technology or implement a new application.

This survey, in conjunction with face-to-face interviews with IT suppliers and retail companies continues to suggest that large projects that have already started will continue. It is true that in many cases, cautious companies have prolonged deployment times and taken a more staged approach to roll-out, but it has been rare where healthy retailers have simply cut IT projects for the sake of cutting overall costs. This again speaks to the higher importance of IT than in previous downturns.

TOP IT SERVICES PROVIDERS FOR ON-TIME AND ON BUDGET

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1	LakeWest Group	3.67
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8	Fujitsu	3.07
8	RPE	3.07
10	Accenture	3.04

TOP IT SERVICES PROVIDERS TO RECOMMEND TO OTHER RETAILERS

RANK	COMPANY	SCORE
1	LakeWest Group	3.68
1	IBM Global Services	3.68
3	HP Services	3.64
4	Deloitte Consulting	3.57
5	JDA Consulting Services	3.45
6	Infosys	3.43
7	Microsoft	3.41
8	Accenture	3.38
9	ACS	3.36
10	BearingPoint	3.27

TOP IT SERVICES PROVIDERS FOR OVERALL SATISFACTION WITH PROJECT

RANK	COMPANY	SCORE
1	HP Services	3.86
2	LakeWest Group	3.78
3	Deloitte Consulting	3.65
4	Infosys	3.60
5	BearingPoint	3.54
6	IBM Global Services	3.53
7	JDA Consulting Services	3.50
8	Microsoft	3.38
9	Accenture	3.29
10	EDS	3.21

Moving forward, IT service providers in the retail space, especially Accenture, IBM and LakeWest Group, can continue to adapt to demand and support retailers that want to optimize and squeeze out additional efficiencies. Perhaps most importantly, top-rated IT services suppliers can help retailers move from a product-focus to a customer-focus to better identify and serve their most profitable customers. **RIS**

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STUDY METHODOLOGY

RIS and PAC posted the IT Services LeaderBoard survey in early September and closed at the end of the month, collecting responses from nearly 200 retailers, with nearly 58% of respondents coming from retailers of $500 million in revenues or more.

The survey used a grading scale (with one being the weakest and five being the strongest) covering such criteria as Domain Expertise, Depth of Offerings, Integration Capabilities, Ability to Meet Expectations, Ability to Deliver On-Time and On-Budget, Overall Satisfaction and Recommendation Status.

Suppliers to be evaluated were chosen based on knowledge of the IT services market, as well as quantitative data from exclusive PAC research. Respondents were asked to grade IT services suppliers that they had worked with in the past 12 months.

A standard score was then created for each supplier in each category. Unlike last year's survey, each retailer was asked to grade the importance of each of the seven major criteria. The weighting of the importance of each criterion was then applied to each company's criteria score, and a total weighted score was created for the overall IT Services LeaderBoard. **RIS**