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IT investments to drive retail sector growth

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Planning technology investments so that they support and enable business objectives is a long standing challenge for all large organisations, particularly those in the fast moving retail sector.

Figuring out the best areas to invest in IT to give the greatest value to the business is one of the fundamental challenges facing chief information officers and part of tackling this challenge is to get the IT and 'C' level business planning functions working together.

This was particularly true at J Sainsbury, the UK-based supermarket group, which operates in a fiercely competitive market where the smart use of technology can enable a retailer to differentiate its services and reach more customers, thereby increasing its market share.

Sainsbury took the strategic decision to bring its IT functions back 'in-house' in 2006 after outsourcing them to Accenture five years earlier and subsequently appointed Rob Fraser as CIO in mid-2009.

Among his first initiatives, Mr Fraser simplified the organisational structure of the IT division, created a Technology Planning unit dedicated to longer-term technology planning and appointed Julian Burnett as chief technology officer to head up the new planning function.

One of the first issues that Mr Burnett faced was that Sainsbury's IT systems had started to become a little 'long in the tooth'. "Certainly from an infrastructure perspective quite a lot of the hardware and software infrastructure was getting rather old and we needed to step into the renewal phase," he says.

More significantly he says, "Sainsbury's business strategy had started to move ahead of the investment profile in IT and there was a bit of a disconnect between the IT capability, and what was required to support our business ambition."

The IT vision he says, was to be recognised as the best IT team in the retail industry and to deliver relevant technology systems in a simple, cost effective way would support the company's growth plans.

So, in May 2010, Sainsbury's IT team led by Mr Fraser and Mr Burnett began to put together a five-year 'road map' that would address these shortcomings. This type of planning is known in the IT sphere as architecture-led planning or a 'capability-led road map' and can only be achieved when the IT function of an organisation works very closely and in a specific way with senior management from other functions within the business.

To assist in the process, they brought in UK-based Glue Reply as a consultant. "Longer-term IT planning was not a feature of the division I joined, so when I arrived I had a relatively small team of folk available to me to do this," explains Mr Burnett. "So I needed an expert partner."

Glue provided both an injection of expertise and the capacity to grow the IT team quite quickly. “Glue also came with some pre-built patterns of how to do road map development work which was helped us accelerate the project,” he adds.

To facilitate collaboration between business units and the IT team, Mr Burnett set up a governance group he called the Enterprise Technology Board. “I used that as the vehicle to really get the thought process going about how long-term and short-term planning is different, and how planning together rather than planning separately can yield much more effective decision-making,” he says.

Until then he says quite a few IT investment projects had been made in isolation without the benefit of collaboration across division leading to duplicated efforts. “Working together, combining all of the collected knowledge and wisdom from across Sainsbury’s business divisions with the IT team yielded a much more efficient and effective long-term plan for IT investment.”

By October 2010, the IT team had the first draft of the new IT plan. “Actually quite a lot of time was spent not in developing the road map itself, but developing the approach that we’d take and engaging with our business colleagues to help them understand the difference between relatively short-term tactical and project-oriented planning, and more long-term strategic and enterprise-wide planning,” explains Mr Burnett. “I’d say that we probably spent about three months just talking about how we were going to do it.”

But this effort paid off, he says, because Sainsbury’s operating board endorsed the first iteration of the road map with the full support of the chief executive. “More importantly for me, it was endorsed on the back of the recommendation that we got from everybody who had participated.”

The road map was built around two classes of investment, explains Mr Burnett. “The first class of investment was ‘outcome-driving’ – the things that would deliver direct an attributable benefit to the outcomes and the strategies that Sainsbury is pursuing,” he says. “The second class of investment is in ‘foundational investment’, those things that underpin how we will deliver those outcomes over many, many years to come.”

Foundational investment, in turn, was divided into two types, ‘IT foundational investment’ and ‘business foundational investment’. IT foundational investment mostly involves infrastructure modernisation. So for example, Sainsbury is actively ‘virtualising’ its servers – turning a single server into multiple ‘virtual’ servers which are much easier to manage, more efficient and cost effective.

“Our ambition here is to move to essentially a private cloud compute model for our infrastructure, initially ‘on-premise,’ so within our own facilities,” he explains. “We are moving towards a strategy that won’t necessarily see us moving to public cloud but would give us that ability to should we choose to.”

Sainsbury’s business foundational investments are the big long-running projects that have been identified as necessary to support the company’s long term business strategy. So for example, for the past 18 months, Sainsbury has been moving all of its online business on to a new multi-channel e-commerce platform.

“When I say ‘multi-channel’, it is true multi-channel in that it will give our customers the capability to shop Sainsbury at home on, the move, in the store, in fact, with some new digital store capabilities as well," says Mr Burnett. "It's that classical any time, any place, anywhere and it is not only the ability to shop but also to access services and return products.

He says some of the shorter-term projects that Sainsbury has implemented such as its 'Click and collect' scheme that enables customers to shop at home and collect in-store have already been a huge success and have now been implemented in almost 600 shops.

The second big investment programme has been the upgrading of Sainsbury's entire point of sales system. "We're moving to the next generation of Point of Sale (POS) systems in-store," he says. "They are interesting because they work in concert with our e-commerce strategy and will give us the ability to create a very much richer experience in-store for customers and to give customers a far greater choice of how they shop in the store. "

So for example, Sainsbury, like most of its competitors, has implemented self check-out in its stores over the past few years. By combining its new e-commerce technology and its e-POS programme Sainsbury plans to give its customers the ability to use mobile technology actually in stores.

"This isn't necessarily shopping on your mobile phone while you're on the bus," explains Mr Burnett, "this is about being able to use your mobile phone to access enhanced product information, be provided specific targeted offers and promotions and ultimately being able to pay with your mobile phone while you are in the store."

Mr Burnett emphasises that delivering these features involves significant work behind the scenes on how to maximise the value and usefulness of customer information. "We are actively developing a unified view of customer information to see if we can drive greater value for customers by providing much more relevant offers to them," he says.

Sainsbury's CTO also emphasises that the IT road map is not static and continues to evolve. "We know the world changes and we know things occur that we need to react and respond to, so our road map takes us on a course and we follow that course quite diligently, but from time to time things do occur that we need to respond to."

To accommodate these changes the company conducts a twice yearly that involves reappraising the outcomes and the benefits that Sainsbury is seeking and making adjustments in term of project priorities and sequencing where necessary.

"If there are things that come into the plan that we need to respond to, we'll find a place in the road map for them," Mr Burnett says. "Now we can look at the capabilities that those new things demand and we can determine whether we're already delivering something and therefore could bring it forward, or, if we're not delivering it, then we can introduce it into the plan in a much more managed way.

"In the past if somebody had rocked up to IT store and said, 'right, I need this now,' we would have gone off and done it and it could have created some unintended consequences elsewhere in the portfolio of work that we were delivering. Now, if somebody turns up and says 'I need this now,' we can step back for a few minutes, take a look at the impact and implications of that and introduce that project in a much more effective way into our overall delivery programme."

Overall Mr Burnett says that having a long-term IT enables the company to prioritise IT investment and that by taking a broader view it can lay down the foundations that will support the many changes required over the next five years. In addition he says it has focused attention on extracting the maximum value from IT investments. “People have recognised that you can get more for less if you work together to build one integrated investment programme and that if you do invest in an integrated programme, you can do it more quickly and more effectively.”

At the same time, he says, “If you look at the balance of our IT capital versus operational costs, we’ve moved the ratio significantly in favour of investment, which is absolutely appropriate to drive the growth strategy that we have overall in Sainsbury.” Today he says Sainsbury is investing broadly twice as much as it spend on operational IT running costs compared to about a 50:50 split before he arrived.

Two years into Sainsbury’s big IT makeover, he says the improvements and benefits of the integrated approach adopted by the IT department and business units are clearly visible. But he adds, the single biggest endorsement for the approach came when Justin King (Sainsbury’s CEO) likened the road map to the ‘Making Sainsbury’s Great Again’ (MSGA) strategy, to Sainsbury’s IT.

“MSGA has been hugely successful in turning Sainsbury’s performance around over the past six years and I believe that the road map gives us an opportunity to do the same for Sainsbury’s IT over the next five years.”

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