BIZCOMMUNITY

The dangers of legacy software for retailers embracing digital journeys

By Allan Dickson

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Companies across industries are grappling with the economic impact of the global pandemic, few more so than the embattled retail sector. Without a doubt, 'making the numbers' is rare amidst weaker revenue.

Allan Dickson | image supplied

This means that there is inevitably a strong focus on cost containment, including IT spend - often resulting in the dilution or even abandonment of IT initiatives that are essential to retailers' long-term competitiveness.

The worst-hit are likely to be those companies which have regularly deferred replacement of stable older IT systems ‘for another year’ to save money. Today, many existing portfolios contain proprietary and highly modified best-of-breed applications that may span several generations of technology. Functionality within these may be brittle and difficult to change - requiring expensive interfacing and laborious integration, amidst other things.

E-commerce taking centre stage

Consumers now adopt technology that improves their lives at an ever-accelerating pace. In the USA, the internet reached an 82% adoption rate in 20 years, whilst the smartphone has exceeded that adoption rate in less than 12 years. This trend has been underscored during the pandemic, whereby consumer behaviour has rapidly gravitated to online shopping.

This continuing and swift adoption by consumers of technology-based solutions has had a material impact on the retail industry. Many longer-term plans for entering the online marketplace now have to be cast aside to meet customer expectations. They must move up the priority list from the tactical ‘will do’ to the strategic ‘must-do’ categories. There is no negotiation anymore, nor the time to wait.

Wasteful IT strategies, legacy systems

Yet the question remains, why have so many retailers been glacially slow in adopting technology-based innovation?

In many cases, it arguably comes down to myopic control of IT spend.

To begin with, legacy application maintenance still takes up an inordinate amount of IT human and financial resources. Notably, the findings by US-based company, RSR Research, indicate that a typical IT budget is split 48%: 52% between infrastructure needs and business applications. The latter portion is typically then split 46%: 54% between new development and the maintenance of the existing portfolio of systems.

This means that the lion's share of the IT budget is focussing on keeping the lights on, rather than shedding new light – and paving the way for a new era of digitally-led retail.

In short, bold steps - and appropriate budgets - need to be embraced in order to start moving to a more flexible core. That said, even focussing on their core is not enough. Consumers are looking for retailers to add pieces to all of their platforms – yet this is difficult to achieve with legacy systems.

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The problem may even extend beyond the legacy code to the IT resources themselves. The traditional method for applications development and support – the hierarchical Waterfall approach – was largely used with legacy applications. This required detailed documentation and deadlines were not particularly tight.

IT now has to move fast and adjust its own way of doing business to accommodate the speed of business and consumer change. New skills, using Agile development methodologies and practices - including prototypes and iterative sessions - now have to be employed to deliver timeously on doing little things that make a big difference; and of course, finding new ways to add value for the consumer.

Forward-thinking IT paying dividends

Some local retailers have invested in updating their technology and systems over the past few years, allowing them to flex and adapt during the recent pandemic and position themselves for the 'new normal' beyond.

These retailers have been able to extend the reach and range of the services they offer consumers by leveraging previous IT investments. Each of them acknowledges that a commitment to continuous improvement in customer experience is the new normal.

Naturally, many smaller retailers may feel that their pockets are not as deep as these Tier 1 retailers, but unless they learn to focus less on cost containment and more on technology investment, their consumers - and shareholders - may leave them behind.

As Mark Lamberti, founder, architect and former CEO of Massmart for 19 years, once remarked: "You cannot grow your profits just by cutting costs."

To move ahead and survive in the highly competitive retail sector, players will have to bite the bullet and spend money to make money.

ABOUT ALLAN DICKSON

Allan Dickson is the independent chairman at redPanda Software. He has more than fifty years of experience in the IT industry and holds qualifications in Economics from the University of KwaZulu-Natal and Information Resource Management from Harvard Business School. Dickson is one of the most experienced retail systems people in SA. His retail systems experience spans Clothing and Textiles (as CIO at the Edcon Group), FMCG (as IT executive at Woolworths) and Furniture (as IT director at Ellerines Group).

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