

As inflation soars and customer behavior changes, retail enterprises need to adapt instantly. Enterprise service management enables the digital transformations that allow for this agility, driving improved customer satisfaction, cost savings, employee productivity, resilience, and innovation.

Service Management of Cloud Resources Is the Engine of Transformation for Retail

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Introduction

The past two years — with the pandemic and supply chain challenges, geopolitical unrest, and constraints on everything from apples to xylophones — are prologue for the coming storms of disruption. Talent shortages and inflation; a transition from high capital, high ongoing fuel costs to high capital, almost no operating cost energy; and regional geopolitical alliances will drive further changes to both buyer needs and the ability of retail companies to meet those buyer needs.

Retail buyer behavior is, in particular, influenced heavily by current inflationary trends and a global depletion of savings built up during the past two years. This trend has already caused inventory alignment problems for retailers ranging from massive multinationals to local mom-and-pop operations. The behavior has also caused a fundamental shift in thinking about how to support those retail spaces. Increasingly, digital technologies are integrated into common workflows, from stock checking to purchasing and both curbside and remote delivery.

Additionally, retailers face a unique set of labor force conditions. On one hand, they have to deliver training to a growing mobile and high-cost workforce for their stores. On the other, they must retain a high-demand, low-tenure technical workforce to support the growing array of devices and technologies to deliver on their core services. Both groups benefit from digitally delivered training, adaptive intelligent digital workspaces, and focused employee experience efforts.

The combination of labor challenges, changing buyer behavior, supply chain chaos, and digital innovation demands an agile response unconstrained by the technology supply chain. This response is driven by real-time data, clear processes, and an integrated understanding of the retailer's digital estate (both datacenter and cloud), digital store, and physical stores and warehouses as well as the human beings that bring the digital and physical to life. IDC calls this response "digital transformation."

AT A GLANCE

WHAT'S IMPORTANT

For the retail industry, the current supply chain environment will continue to be unstable as transportation costs remain high, manufacturing agility is compromised by regional tensions, and labor shortages constrain logistics.

KEY TAKEAWAY

Enterprise service management enables the digital transformations that allow for agility, driving improved customer satisfaction, cost savings, employee productivity, resilience, and innovation.

IDC data indicates that companies with enterprise service management (ESM)/IT service management (ITSM) systems are twice as likely to have achieved a high level of digital transformation, reaping up to 20% boosts in employee productivity, innovation, operational efficiency, and organizational resilience. These improvements are driven by:

- » Clarity about what assets the retailer owns and operates, where the assets are located, and the status of those assets
- » Automated, integrated processes supporting everything from device remediation to putting in requests to getting assistance when something goes wrong
- » The ability to continuously improve, driving innovation from the bottom up and top down and responding to both strategic direction and the on-the-ground reality experienced by associates at their point of work (stores)

Delivering on continuous improvement, particularly in a digitally enabled environment, drives a shift in the location of compute resources. Corporate datacenters remain a strong platform for private, centralized workloads with very stringent licensing or technical requirements. Increasingly, cloud platforms provide a very different range of services, closer to the actual place of work, reducing latency, improving reliability, and driving the ability to experiment unbound by the physical side of the technology supply chain.

These cloud providers have also supported a wide range of innovations in artificial intelligence/machine learning (AI/ML) technologies, which would be difficult if not impossible to reproduce within corporate boundaries. These technologies will become more important both for delivering on the promise of automated processes and for addressing labor shortages in the retail and technical sides of the business.

These two related changes — digital transformation and the cloud adoption that supports it — drive improvements in a number of areas for the retail sector, as shown in Table 1.

TABLE 1: **Improvements from Digital Transformation in Retail (%)**

Revenue	16.9
Cost savings	23.6
Profits	20.7
Customer satisfaction	25.0
Operational efficiency	25.1
Employee productivity	24.6
Innovation	22.1
Less business risk	19.8
Less time to market	25.0
Business agility	22.0
Sustainability	25.1

n = 161

Source: IDC's Future Enterprise Resiliency and Spending Survey, May 2022

Benefits

Clearly, businesses in the retail sector are already gaining benefits from digital transformation enabled by IT service management systems and the corresponding change in their digital estate. These benefits include but are not limited to:

- » **Innovation.** Retailers operating amid supply chain chaos, labor challenges, and changing customer behavior must innovate across their enterprises, from stores to warehouses to corporate offices, to meet the moment. Changes to buying patterns must be translated into changes in presentation, location, purchasing, and forecasting within hours, not days. Shifts in who visits a physical store due to changes in transportation costs or employment patterns need to be noticed and accounted for, while ideas related to location conditions from weather to store events can be submitted, assessed, and implemented in hours in a true digital enterprise.
- » **Cost savings.** Retail is, to a great extent, a business of cost control. Nothing can be wasted — not merchandise, not store equipment, and certainly not operating funds on unneeded or unused IT or technology resources. ESM/ITSM systems, with their ability to track assets as well as their ability to track how, when, and why assets are used, allow the enterprise to match its internal resources to its needs as closely as it matches its inventory to its customers.
- » **Employee productivity.** By encoding processes and matching them with digital actions, ESM/ITSM systems enhance the ability of the individual employee and teams to work in concert, allowing the retailer to do more with fewer, less tenured people. This productivity is going to become increasingly important, and consequently a target for AI/ML automation, as the labor force changes, particularly in the Global North.
- » **Customer satisfaction.** By bringing all of an enterprise's resources to bear at the moment of customer contact, the retailer can deliver superior customer service, including understanding a particular buyer's behavior to make specific recommendations, ensuring stocking is at optimal levels despite supply chain disruptions, or juggling a store's staffing needs with the need for employees to have stable worktimes so they can achieve their own goals and therefore engage with their jobs.

Trends

Automation is front and center in digital transformation and digital-first business. Over 80% of companies have already deployed automation tools to employees (IDC's *Future of Work Survey*, May 2022). These tools range from fully articulated workflow engines to task-based apps that can be customized on the fly to better suit a specific work environment. IDC sees this automation trend continuing, especially as the labor force transforms.

Part of what's driving this transformation is that although there is not a global labor shortage, labor markets are not global. The labor market for a retail store or warehouse is its immediate area, not somewhere across the globe. As local labor markets display constraints in terms of people willing or able to do specific jobs, or simply lacking the skills to do so, companies will deploy two approaches:

- » **Training to create new skills they may need, backed up by retention policies to keep people with those skills both at the company and in the industry entirely.** These efforts will still need to improve as countless boot camps and particularly development immersion training have proven effective at "training" technical skills but not at improving the labor pool over time.

- » **Automating jobs that cannot be otherwise staffed.** Traditional automation, within or between completely digital systems, is already giving way to robotics and 3D printing, the translation of digital automation into physical reality. Automation will increasingly accelerate because computing, particularly cloud computing, will meet the need created by unfilled jobs rather than replace existing workers.

The current supply chain environment will likely continue to be unstable as transportation costs remain high, manufacturing agility is compromised by regional tensions, and labor shortages constrain logistics. Add to this a fundamental transition in the energy profile powering civilization and it seems likely that the current economic volatility will continue for at least the next eight to ten years. Honestly, the level of transformation is likely to drive radical disruption for the next thirty years, but that is beyond the time horizon for most planning processes.

Considering BMC

With decades of experience providing ServiceOps solutions, BMC offers modern, AI-driven service and operations management solutions that retailers can use to deliver the differentiated services vital to serving their customers and driving their businesses. BMC Helix Service Management:

- » Enables employee self-sufficiency with AI-powered virtual assistants and knowledge
- » Empowers line-of-business service excellence (e.g., HR, customer service) with prebuilt content, workflows, and employee engagement portals
- » Reduces response time with real-time auto-correlation of incidents and proactive problem identification
- » Integrates service and operations management for major incident management and other ServiceOps use cases
- » Brings DevOps into centralized change management for predictive change risk assessment
- » Reduces manual effort with auto-task bundling and case assignment

Thanks to supply chain optimization powered by ML and AI, along with the ability to access all data and assets regardless of location, retailers can leverage the right data at the right time to enhance the customer journey. Self-service tools and chatbots meet the needs of customers when and where they want to engage, creating and enhancing loyalty and engagement. Automating tasks that would typically require human intervention frees up people resources to develop and deploy strategic customer solutions that improve business outcomes.

With BMC Helix, retailers can optimize their Google Cloud environments and enable data-driven business with integrated products and services for dynamic service modeling, cloud migration planning and optimization, and service and operations management. BMC's Helix Cloud Migration Simulator helps retailers properly determine cloud resource needs, better predict costs, and plan operational budgets. Once they're up and running, BMC Helix Continuous Optimization keeps retailers in control of infrastructure costs by optimizing resource utilization and automatically detecting any anomalous spending patterns.

Google Cloud provides organizations with security, infrastructure, platform capabilities, AI, and industry solutions. Google Cloud delivers enterprise-grade cloud solutions that leverage Google's cutting-edge technology to help companies operate more efficiently and adapt to changing needs, giving customers a foundation for the future while being secure and compliant. Customers in more than 200 countries turn to Google Cloud as their trusted partner to solve their most critical business problems.

BMC and Google Cloud have partnered to help retailers streamline and accelerate their cloud migration journeys and digital transformation efforts. The BMC Helix solution aims to deliver reliability, scalability, flexibility, and business value to customers. Google Cloud's focus on supporting global enterprise customers with data analytics and ML/AI, coupled with the BMC Helix platform's open, microservices-based architecture, provides even more companies with the innovation and technology choices they need to succeed amid ever-changing market dynamics.

Challenges

ESM systems founded on ITSM systems are not without their drawbacks. Some challenges are as follows:

- » Recent issues with major cloud vendors have proven that although impressive in size and scope, the "cloud" is not immune to physical supply chain factors. Isolated instances of capacity constraints have emerged over the past 12–18 months and are likely to continue for the foreseeable future. Additionally, cloud cost containment is a serious issue, with industry surveys showing some cloud-based projects costing 4x as much as an equivalent on-premises installation. Proper selection and design of cloud workloads along with proper management are key to preventing this part of the transformation from becoming crippling expensive.
- » ESM/ITSM systems are, by design, built for office workers rather than the employees on the floor or in the truck. This design is not just an interface issue; these systems were originally intended for use supporting knowledge workers in office environments. Such systems are clunky to use outside of those environments, something that can be partially offset with automation and natural language processing. The inclusion of greater physical contextual awareness and deeper integration with IoT and operational technologies would also help mitigate this concern.

Conclusion

Transformation through automation is the only solution to today's chaotic retail environment. Companies have consistently found that a combination of cloud agility and the discipline driven by enterprise service management/IT service management helps ignite and anchor that transformation. In the retail industry, companies that have invested in cloud, ESM, and ITSM have experienced better results than companies without these critical components.

Transformation through automation is the only solution to today's retail chaotic environment.

About the Analyst



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Shannon Kalvar is Research Director for IDC's IT Service Management and Client Virtualization Program, responsible for delivering research for and advising IT executives, vendor management teams, and investment executives. Mr. Kalvar's research coverage includes IT service management, desktop as a service (DaaS), virtual client computing, cost transparency tools, software asset management, and the use of AI and NLP for service management.

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