

'Big brands need to localise their tech and processes'

EXPERT BYTES

Q & A : PAUL LANHAM

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Monday, April 16, 2007 at 0117 hours IST

He provides the tech power to brands like Jones New York, Nine West, Barneys New York and AK Anne Klein. Paul Lanham, CTO, Jones Apparel Group manages the group's IT initiatives, systems development, infrastructure and e-commerce projects. Paul narrates the long history of how disparate systems coming from a series of acquisitions were streamlined. He also led the move to offshore and is now the CEO of HCL Retail Business Solutions, a joint venture between HCL Technologies and Jones Group. In a conversation with Vrishti Beniwal, he discusses the pros and cons of outsourcing IT requirements and the ever-changing tech needs of retailers.



What prompted Jones to join hands with HCL? How was your IT department structured before you outsourced?

We decided to go to with HCL Technologies because of the business model they chose. It was a joint venture and there was no traditional outsourcing client structure. One of the downfalls in many outsourcing arrangements is a loss of certain operational control—who works under what, what is the right type of staffing, what is the pricing model. Another issue that arises in outsourcing arrangement is associated with a new company coming and taking over certain functions. There is a certain degree of inefficiency as the new company won't know about the culture and how you operate. This group enabled me to develop new applications. It was a strategic decision to have an outside party to facilitate us to tide over many of the difficulties we had to go through and to consolidate functions like infrastructure, applications and even some cultural things.

Do you think consolidation aids offshoring or outsourcing in anyway? Is that the right time to offshore or outsource your IT operations?

It's not right for everyone. If cost reduction is the sole view, it's much more risky. There has to be some sort of strategic reason like Jones went through. It could be to better competitors' enterprise or to implement a very important system. Consolidation in Indian industry implies that the entity is getting more powerful; they want to have critical mass and they tend more towards outsourcing functions.

Consolidation in itself a tricky process. Isn't it risky to outsource at that time?

It's a balancing act, but sometimes it's necessary to absorb that discontinuity or uneasiness in order to consolidate. Sometimes you just don't have the internal capability or skill sets to make the lead to where you are trying to go. But it all comes down to the fact that the means justifies the end.

How do you balance between Jones interests and advising its competitors on behalf of HCL Retail?

I try to stay in the background. I do reference call, speak at conferences, have private conversations. A couple of years ago, I spoke at a conference in Tokyo and I had private sessions with nine different retailers. We can always focus more on the technology. So I am not on the front end. I am more on the advice area and that has worked very well.

In my role of CTO at Jones, I would call my counterpart and we will have very frank discussion about specific aspect in the presentation. So that mechanism already exists within the industry.

What's your perception about the technology usage in retail?

As far as my understanding of the US goes, there hasn't been a wide scale adoption of technology. I agree that historically in the apparel industry, even in the retail industry to some degree perhaps, there has been slow down in the technology. Security is universal in terms of management of customer information. It's just as important as physical security at the store. Making the right decision in terms of innovation of technology is the key. It is important for a CIO to take a holistic view.

If new brands look at India today as the retail sector opens, what technology advice you will provide them?

Localisation is very important. Retailers tend to make mistakes applying their standard tech and processes to new ventures. Thinking that the brand is well known they don't make appropriate efforts to adapt to the local market. For instance, I was in Japan there is a different mindset to the utilisation of technology. So the challenge for software vendors, if they have decided to penetrate this market, is to take in account different mentality. I have seen retailers from Japan, US and other countries making the same mistake

What are the main challenges for CIOs in terms of meeting CEO expectations?

It's funny sometimes. The two talk different languages. It's important for CIOs not to be computer technologists. It's important to have dialogue to understand what does a CEO or CFO want.

Where do Indian companies go wrong in deployment of technology?

I think in taking a holistic view or long-term view in every structure. I call it blocking technology. You forget that you need to make significant investment in technology infrastructure in the background. It's difficult sometimes to fight for funding issues. CFOs don't understand necessity of certain investment.

How much does a typical retailer spend on technology?

In the US, it's typically in the range of 2-3% of the total revenues. In India, it is probably 7-8%. More dollars go into the point of sale terminal but the back-end takes more mind space because you typically have a high turnover in stores and the training is much straight forward.