

Datamonitor: Retailing in a Recession - The Opportunities for Outsourcing on reports-research.com

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Retailers' focus in the downturn provides opportunities for outsourcing

Increasing economic pressures affecting the retail industry means companies in Western Europe and North America will increasingly look to outsource technology and business processes in a bid to cut costs, and focus on core skills. This is according to a new report by independent market analyst firm, Datamonitor. The report, "Retailing in a Recession: The Opportunities for Outsourcing", looks at the business processes retailers are outsourcing, and why.

"To survive or succeed in the downturn, retailers will be looking for efficient ways to generate revenue by managing the demands of the customer, while at the same time making cost savings across the organization", says Christine Bardwell, retail technology analyst with Datamonitor and the report's author. "Many are looking to technology and services to help cut the cost of managing inventory, non-critical business processes and store operations. Although retailers are outsourcing in a recession, the types of contracts have changed; large scale infrastructure overhauls are less common. Instead retailers are requesting a mixture of services on lower value contracts, or transformational deals over longer periods of time."

Cost reduction is the main driver for outsourcing in recession-hit retail

In the current uncertain environment, the priority for a retailer will be to protect margins. In a climate of falling sales, while facing cost and finance pressures, retailers are battling to keep afloat. As such, cost cutting has become their main priority and any option for reducing loss is being considered.

"Cutting down on staff and inventory, the two biggest costs for a retailer, will be the principal areas of focus", says Bardwell. "Cuts in these areas offer a two-fold opportunity for outsourcers as retailers will be looking to service providers to help cut costs across the business; and will also be short of staff, or having trouble managing correct stock levels so will look to outsourcers to provide the solution."

Previous experience and small capital expenditure makes retailers reluctant to outsource

One of the biggest current hurdles to outsourcing is the industry-wide reduction of capital expenditure (capex) in retail. As capex must go a lot further than a year ago, retailers now require outsourcers to offer flexible payment structures, for instance by offering shorter-term contracts with monthly payments.

The shift from capex to operational expenditure frees up capex for more pressing issues. Previous experience with service contracts has caused retailers to doubt whether the benefits of outsourcing outweigh the challenges that can arise. Barriers to outsourcing include the unrest caused by offshoring jobs, language barriers, and retail sector expertise requirements.

Retailers require, strong, flexible partnerships that can evolve with their business

According to Datamonitor, retailers will expect outsourcers to not only know the demands of the retail industry, but also the challenges of their particular retail sector. As such, a service provider must endeavour to understand the nature of the business in order to work in partnership with the retailer. Outsourcing is not a silver bullet but with flexibility of services, payment schemes and contracts, the relationship between retailer and service provider will be a happy and successful one.

The report also assesses the key suppliers of infrastructure technology outsourcing (ITO) and business process outsourcing (BPO) to the retail sector. IBM is the top outsourced service provider to retail, with 14% market share but the report says this could be set to change as competition in the space heats up.

Bardwell concludes:

“The recession is pushing retailers to consider outsourcing in order to achieve cost saving and enhanced operational efficiencies. But competition in the services space is strong. Retailers are looking for more than just a supplier; they need a partner. A service provider that takes strides to understand the pulse of the organization will win over.”

Datamonitor: Retailing in a Recession: The Opportunities for Outsourcing

Scope of this research

- * Contains analysis of the difficulties and opportunities retailers face in the current economic downturn.
- * This report looks at the opportunities available to IT and BPO service providers in North America and Western Europe.
- * Provides analysis on leading players in the market and discusses future predictions
- * The report also offers recommendations to vendors about how best to target the retail sector based on recessionary requirements.

To purchase this Datamonitor report Retailing in a Recession: The Opportunities for Outsourcing, please contact:

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