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The IT world is being hit with a phenomenon called "cloud computing". What is it? How is it being deployed? What are its potential benefits to the society at large? The article below discusses its impact on society, especially in the retail sector.

Cloud Computing: The Future of Retail

Cloud computing is the latest “in-thing” in information technology nowadays. It refers to hosted IT services, platforms, and infrastructure that are shared, delivered, and distributed over the Internet; collectively known as a “cloud of computing”. This set-up can be accessed by every user, and each will pay only for the services that are he/she uses.

The cloud can provide on-demand server computing services, such as what Amazon provides in its Web Services. Customers can configure their servers to their specifications and they only have to pay for what they consume.

People can also try to develop software applications within the cloud, through companies hosting programming platforms. Additionally, users also have the ability to use specific software in the cloud, with the vendors providing only hardware support.

Obviously, with this up and coming technology already gaining adherents throughout the IT community, it is only a matter of time before cloud computing becomes commonplace in the business and economic sectors. The retail sector is fast becoming affected by the potentialities presented by cloud computing.

Cloud Computing in the Retail World

Is retail being left behind as applications are moving to the cloud?

There has been a considerable amount of buzz about businesses running software, like customer relationship management (CRM), accounting, human resources, and other office applications, in

the cloud. Big-name companies such as Amazon, Salesforce.com, Microsoft, and Google are also making the move to cloud computing. Instead of implementing their complicated applications themselves with their own IT departments, businesses can opt to run the apps on a shared data center. In SaaS (Software as a Service), which is one of the main offerings of cloud computing, applications can be provided on demand, over the Internet.

With all the noise being made about the benefits of cloud computing for big business, retailers seem to be left behind. The Association for Retail Technology Standards, the standards division of the National Retail Federation (NRF-ARTS), released a report called "Cloud Computing for Retail" to provide guidance for obtaining the benefits of this computer technology. The ARTS Cloud Computing Workgroup, at their ARTS Users' Meeting, also had a whitepaper intended to bust myths around cloud computing in retail.

However, a cloud-based killer app for the retail industry has yet to emerge, which is probably what is preventing retailers from enthusiastically joining the cloud computing bandwagon. At an International Data Corporation (IDC) conference about cloud computing, the retail industry had many attendees, but they told IDC that they were still investigating cloud computing and were not yet ready to buy. They also expressed their interest in the concept of the private cloud, which is just another way of saying that they want to use the technologies behind cloud computing to operate their own clouds for their businesses, possibly because they have issues with the security of data in the public cloud.

David Dorf, the director of technology strategy for Oracle Retail, advises retailers to choose cloud computing for apps that are not mission critical, like expense reporting or invoice matching, so perhaps the killer app that cloud computing needs to become more attractive to retail will be involved with the more generic processes such as these. There are already some products trying to leverage the cloud computing wave for retail, like an e-commerce cloud platform that lets retailers integrate social networking features into product detail pages on their websites.

The Impact of Cloud Computing on Retailers

Internet-based computing has a number of implications for businesses. Among other things, retailers are empowered to improve their production and services while, at the same time, giving them opportunities to cut back on expenses.

Real-time Insight

How does a business get an accurate picture of its business performance at any given point? The traditional practice of business analysis, depending on how the data is gathered, provides information that may come in hours or days after data extraction. Now, this information isn't as "real-time" as we think it is. This information is something that actually happened several hours ago, which implies the consequent risks of possessing stale data.

With the emergence of cloud computing as an avenue for accessing business applications on the Internet, retailers are beginning to understand the beauty of data analysis delivered real time. Real-time analytics provide retailers with real-time insight into the current performance of business operations in comparison to key performance indicators. Aside from real-time insight, this application is beneficial for retailers because it allows predictive modeling, which can improve the effectiveness of business operations.

Using real-time insight, retailers can fine-tune customer programs as necessary and immediately address problems with supply chain, merchandising, or marketing departments of their operations, among others. For example, using real-time inventory data, a retailer can re-organize the supply chain to ensure that the right product is delivered at the right time. Not only does real-time analytics allow easy and time-saving inventory, it also cuts costs for extra inventories, which means more money for his business.

Increased Savings

Retail cloud computing helps retailers monitor and immediately address deficient operations, thereby saving them any further costs due to deficient merchandise. On top of that, cloud computing decreases company expenditures, translating to further increased savings for the retailer.

Randi Levin, the chief technology officer of the City of Los Angeles, recently revealed how cloud computing has helped her city save millions of dollars in information technology costs. Several more government agencies are implementing cloud computing and have achieved as much as 50% in savings associated with IT operations. If this works for large cities, imagine the billions of dollars in cost savings this can give retailers.

Maintaining hundreds of computers and managing an IT department are not only demanding responsibilities, but they are also very expensive accounts. Cloud computing allows retailers to manage these critical applications centrally, thereby reducing both costs and complexity.

The Future of Cloud Computing in Retail

Cloud computing is widely adopted by small retailers who want to maximize their technology budgets in order to provide value to customers and generate returns. Cost savings, streamlined processes, increased productivity, convenience and simplicity, flexibility, scalability, and better customer experience are among its advantages. Retail cloud computing hasn't caught up yet with Tier 1 retailers since many of these services and solutions are not yet mature enough for the market.

With cloud computing, retailers won't have to worry about traditional software licenses, administration, or data storage. There are providers that offer cloud based services that include full-blown applications, data storage, desktop management services, managed security services, and spam filtering.

It is also a more economical solution for retailers. Operational and infrastructure costs are significantly reduced due to the pay-as-you-go service of cloud computing. You only get charged for the amount of computing resources you use. You are just paying for what you need and when you use it.

It is a way to increase capacity without having to spend a huge amount as upfront payment. Retailers won't have to invest in new infrastructure, acquiring software licenses, or training new personnel. Instead of having to buy software and store data in your office, you can take advantage of the availability of remote servers. This enables retailers to easily manage their online business. Retailers not only have the opportunity for short-term value creation, but they also get a long-term competitive advantage.

The interoperability and agility of systems in cloud computing makes it beneficial for retailers, customers, partners and suppliers. It reduces complexity for retailers and provides opportunities for high returns. There is faster access to customer data and higher throughput in transactions. Customers can surely benefit from more responsive systems and speedier turnaround times for transactions. Customer experience is enhanced through faster, easier transactions. A satisfied customer will keep coming back.

The future looks bright for retail cloud computing. It benefits companies and organizations big and small. Retailers must employ a strategic focus on the usage of cloud services. Cloud computing aggregators and integrators are rapidly on the rise and are most certainly the IT technology of the future for retail.