

## Retailers will be able to adopt technologies over cloud

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29 Mar 2010



*The IT and networking company, NEC India Pvt Ltd, popularly known for its POS solutions, are now going to offer diversified solutions to stores of all formats and sizes in retail. Therefore, they are in the process of building their cloud computing power and infrastructure at Bengaluru centre to address bottom of pyramid (BOP) retail customers' requirements. Excerpts from the interview of **David Arambhan**, head-retail solutions, India and Middle East.*

### **1. How would you define Indian retail?**

We look retail as one vertical where we need to create a brand, so we started off with POS hardware, which we launched last year in India. Besides, we see that the retail segment is by itself moving from unorganised to organised market. Though at present the unorganised retail is much bigger than the organised.

### **2. While the organised retail stands at five to six percent.**

It is very interesting that we have tendency to put percentage to the market size. Can you tell me what you would call Safal as? Organised or unorganised retail. You know they are opening 100 stores, however, they may not have technology solutions as POS machines, but they are pretty much organised in its own way. So the entire definition of organised or unorganised in retail needed to be re-looked in the months and years to come. We in NEC put brand like Safal at the bottom of the retail pyramid, we don't call it as unorganised. If we look at how retailer market is positioned here, the pyramid (representing retail companies of various sizes or volumes) can be divided into three different segments, the top represents big retailers like Big Bazaar, who have adopted POS, back-end technology, ERP etc and have gone for full-fledged technology deployments from SKU to stores. We have already targeted these businesses by introducing our POS hardware. There is a middle layer like Apollo Pharmacy, other chain stores, which are on PC or PC-POS technology levels, but they also have some systems like stores software, SKU software etc. The lower level, which is huge segment, as we conveniently call it unorganised sector, representing the bottom of pyramid (BOP) segment. Here, essentially lies the businesses such as Safal and Ferns and Petals, who are growing very fast. If you look at every pocket or nooks and corners in Delhi, you will find Ferns and Petals stores. Although, they may not be using POS machines, but they are very much organised and represent bottom of the pyramid. So this way we are

targeting the entire pyramid.

### **3. Does NEC cater to retail businesses of all sizes?**

Our key strength is that we are the only IT and network company in this space. What we are bringing on the table to our retail customers is those solutions that are built over IT and network platform. But if you look at just POS, it was the first step towards building brand NEC. We are growing 30 to 40 per cent year-on-year in the POS market. And we have also successfully gone beyond India and launched our operations in middle-east markets. Going forward, we will be introducing solutions in the retail segment which will be build on our IT and network platform. We are also seriously looking at cloud computing services offerings by us to retailers targeting the bottom of the pyramid retailers. So today, for example, Safal or Ferns and Petals are looking for IT enhancement, we would be having solutions to offer to them over cloud environment. Hence, we are building that SaaS platform to aim bottom of pyramid (BOP) retailers, so we are not just catering to niche (big) players who are our customers.

### **4. Please give us more details on cloud computing initiative.**

We have started building applications on the cloud. Currently, we are focused in creating cloud infrastructure and building it over NEC platform using our data centers and servers. We are already in talks with lots of network service providers. So together with them we are coming up with the applications that can be offered in an OPEX model to the companies, who will be interested in adopting the technologies.

### **5. What are you going to offer to retailers in the coming days?**

We have solutions for across the formats such as convenient stores, food and beverage, but we have not yet been localised the products for the Indian markets enviroment. So, we are creating an excellence centre in Bengaluru, which will be looking at customisation and localisation of our solutions for the Indian and middle east markets. So, in the coming year we will be able to to introduce our solutions in the retail space. We already have started the operations in the Bengaluru centre and we will be growing those operations to cater to retail market. NEC being three decades into retail, has end-to-end retail solutions for retailers. We are not just POS vendor. POS was the entry strategy into the Indian market, we would like to see ourself as total retail solutions company in the coming years.

### **6. What areas of operations is NEC charting?**

Technologies would be around POS applications. We would be offering POS and other functions over cloud. We will be targeting convenient stores, F&B formats etc.

### **7. How has retail industry has evolved over a period of time?**

The retailers, 4-5 years ago ,were focusing only on real estate. They were engrossed and occupied with the acquisition of lands, space and shop floors space. With the slowdown that happened in last couple of years, they have started re-looking at their strategies. So after building enough of floor space, now they are looking at optimisation, and while the

are looking at it, they cannot ignore IT as a tool for optimisation. Along with this change the cost sensitivity has also increased. The solutions built around cloud computing and those solutions that are easy to adopt and scale up are going to be key drivers in terms of companies selecting their technology. They have grown mature in terms of their growth strategy. The good thing about India is that retailers have made late entry into organised retailing and they have full basket of technologies available to adopt. It is very similar to when our banking sector first opened up for automation and the new banks were able to adopt technologies much faster than older ones. So the similar situation prevails in retail.

#### **8. What are the challenges that NEC has faced in this market?**

Because of the sheer size of the Indian markets, we made biggest investment. As a POS hardware services player, the first thing customers would like to know is that what service and support we can provide them? So, I think creating the sales and service network across India, which we have already accomplished, was the biggest challenge for us when we entered the market. The second challenge was to educate the customers to adopt the true POS architecture. This was because there is a lot of players in the market who sell PCs and call it as a POS. But when you talk about POS hardware, it is very unique in its shape and design. Unlike PC, to run POS things like TCO, power consumption, 24-hour-operation etc are very important factors. Problems faced in managing five boxes versus one box over a long run is something that customers might not necessarily consider when they look at the price difference between a PC and a POS. So we had daunting task to educate and sensitise our customers.

#### **9. What would be the IT infrastructure required to install a POS?**

There are two things in it. One is networks or IT back bone and second is peripherals. Now both things depends on what format retailers are in. The food court retailer would require different environment than a grocery retailer. Things common to them would be power requirements, cooling requirements, etc. However, for an standard environment, where 3-4 POS are installed there will be requirement of peripherals like scanner or printer, LAN environment to connect the POS, a storage server to manage the POS machine. If that superstore is connected to head quarter then something to upload and connect to it and standard networking broadband, bandwidth etc are the basic requirement.

#### **10. What are your future plans?**

Our upcoming cloud computing initiative would be latest in the market. We have answer to any retailer whether organised and unorganised to be able to adopt technologies through our cloud computing platform. It will enhance our market presence and also boost core strength of NEC being an IT and networking company. We are going to launch it in April 2010.