

# WORLD QUALITY REPORT

2011/12

## CONSUMER PRODUCTS, RETAIL, AND DISTRIBUTION

### The Consumer Drives Technology Innovation

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**This is an extract from the *World Quality Report 2011-2012* which presents findings from a global survey completed online by over 1,200 CEOs, CFOs, CIOs, IT directors and managers, and quality assurance (QA) directors and managers around the globe. The goal of this report is to examine the state of application quality and testing practices across different industries and geographies.**

**The full report can be accessed at [www.capgemini.com/testing](http://www.capgemini.com/testing) or [www.sogeti.com/testing](http://www.sogeti.com/testing).**

The Consumer Products, Retail, and Distribution (CPRD) sector represents a large and diverse group of companies including consumer products manufacturers, retailers, distributors (such as logistics companies, postal systems, trucking), and transportation (including airlines, airports, rail operators, etc.) Clearly, organizations in each of these sub-sectors have their distinct technology needs, but they are all part of the broader consumer supply chain and therefore share a close connection to the end-user.

Technology is critical at every step of the consumer products supply chain. Sophisticated IT systems help today's companies develop new offerings and bring them to market, manufacture the right amounts of merchandise, deliver the goods to the correct place, make timely business decisions, analyze large amounts of data, and run retail outlets.

Retailers rely heavily on technology and automation to keep their operations running smoothly and cost-efficiently. Additionally, the technological connections between suppliers and retailers are increasing dramatically, as more sales, shipping, promotion, demand, and inventory data is shared between trading partners. CPRD, however, is an industry with very low margins. Most retailers, for example, operate with margins between 1% and 3% and rely heavily on high sales volumes. Therefore, it is difficult for these companies to allocate substantial resources for investment in new technologies, especially when there's no immediate and substantial return on investment (ROI).

But ultimately, in this industry, technology innovation is driven by the consumer. Retailers are selling a larger percentage of their products online. Consumers can access online stores using computers, smartphones, tablet devices, and kiosks. They use specially designed applications and social media sites to compare prices and make purchasing decisions. This type of consumer behavior forces retailers to become more innovative and use technology to compete for customers' attention. It presents a considerable challenge to this already extremely cost-conscious and low-margin industry. Most retail companies can't afford to spend more than 1% or 2% of their operating budgets on IT. But without additional investment in mobile and Internet technologies, retailers lose their competitive edge. In today's world of the technology-savvy consumer, smaller retailers often lose the battle because they are unable to compete with the larger players on IT spending and technology innovation.

Traditionally, most CPRD companies relied on custom IT systems to support their unique business processes. Naturally, over the years, this approach has created a cluttered IT landscape with a large number of scattered applications – many at the end of their useful life, and too outdated to be integrated with modern technologies and platforms. Today, many IT organizations have embarked on the modernization journey and are adopting a range of packaged systems – such as Enterprise Resource Planning (ERP), Supply Chain Management (SCM), Transportation/Logistics, Workforce Management, Merchandising, Product Lifecycle Management (PLM), CRM, ecommerce, and BI. However, overall the IT landscape in the CPRD industry remains very complex. Even companies who choose to adopt packaged solutions tend to heavily customize and localize their systems, making it harder to keep IT simplified, centralized, and streamlined.

This extensive customization and integration of the new packaged enterprise applications with the old legacy systems often presents quality challenges. It is essential that these interfaces and custom reports be carefully tested throughout the application lifecycle. An interesting dynamic that is specific to this sector is the fact that most retailers will not introduce new software releases into their production environment during their peak selling seasons such as the holidays, back-to-school, etc. This creates a need for tight scheduling of testing and moving software into production. If a window is missed, it can delay the application “go-live” date by months.

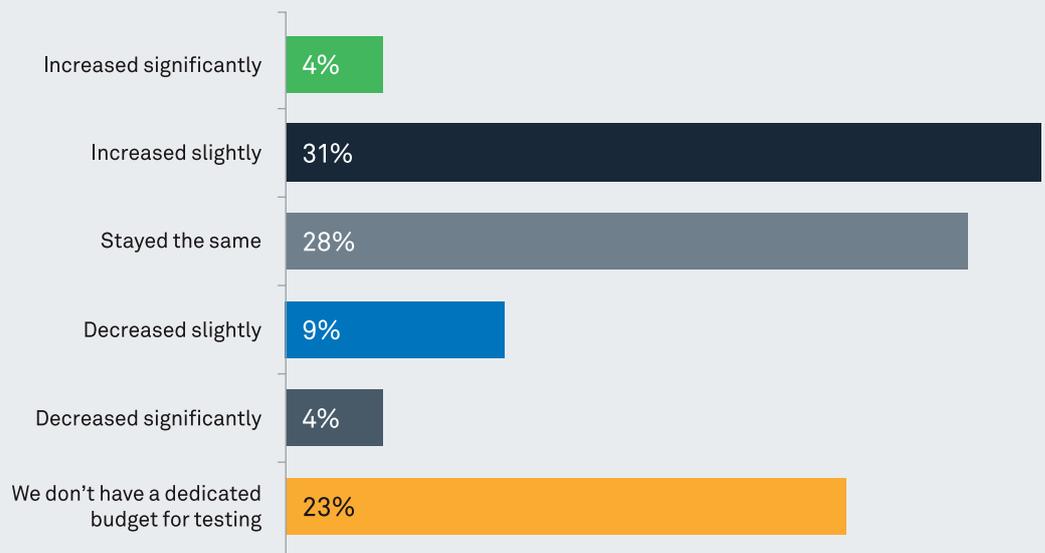
Unfortunately, in an industry with such low margins, quality is not always seen as the top IT priority. Retailers are lagging behind other sectors in adopting new technologies and security awareness. They often see data security and integrity as the domain of the other vendors that they interface with – such as credit card companies – and are very conservative when it comes to spending money on security validation and other types of application testing.

However, as retailers become more sophisticated in their interaction with the consumer and more reliant on data and analytics, their attitude toward software quality is beginning to change. Over a third of the survey respondents (35%) in the CPRD sector say that their QA budgets have increased over the past two years, with a further 28% stating that their budgets for application quality have stayed the same (see Figure 25).

Overall, it is consumer behavior that fuels innovation in the CPRD industry. The margins are unlikely to change and, to stay competitive, companies have to explore new technologies and come up with different, highly innovative ways to attract the price-conscious consumer. Investing in modern technologies is not a guarantee of success or increase in market share, but failure to adopt the latest trends in mobile and Internet commerce and modernize their BI applications is simply not an option.

FIGURE 25

HOW HAS THE PERCENTAGE OF BUDGET ALLOCATED FOR THE TESTING FUNCTION (INCLUDING TESTING PROCESSES, TOOLS, AND RESOURCE COSTS) CHANGED OVER THE LAST TWO YEARS?



## Contacts

We value your comments and ideas. We welcome you to contact us in relation to any questions you might have concerning the 2011-2012 *World Quality Report*.

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Together, Capgemini and Sogeti have developed innovative, business-driven quality assurance (QA) and testing services, combining best-in-breed testing methodologies (TMap® and TPI®) and the global delivery model, Rightshore®, to help organizations achieve their testing and QA goals. Capgemini and Sogeti have created one of the largest dedicated testing practices in the world, with over 8,200 test professionals and a further 12,500 application specialists, notably through a common center of excellence with testing specialists developed in India.

More information is available at:  
[www.capgemini.com/testing](http://www.capgemini.com/testing)  
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