



LOKAD: Embracing The Cloud

Lokad, recently named Windows Azure Platform Partner of Year by Microsoft, was one of the most impressive companies exhibiting at this year's EuroShop trade fair in Düsseldorf. ESM meets Matthias Steinberg, CEO of this dynamic business.

While 'cloud computing' has been around for a couple of years now, its use in retail has remained relatively limited until recently; for the most part, the possibilities offered by cloud technology seem somewhat vague, and something best left to the IT experts. However, Paris-based Lokad.com, developers of cutting edge sales forecasting technology, have harnessed the immense processing power of 'the cloud' to develop Salescast, a forecasting solution that is scalable to providing true point-of-sale level forecasts for retailers with thousands of outlets (a first worldwide), delivers much higher accuracy, and, the company claims, is able to outperform existing forecasting solutions several times over. For example, Salescast is the first solution to fully automate the forecasting process, and to provide automated forecasts for promotions and new product launches. Lokad's proposition to retailers is to significantly reduce supply chain cost, IT cost and stock-outs, without

the need for investment.

Last year, Lokad was named Windows Azure Worldwide Partner of Year by Microsoft, an award that recognised innovation, competitive differentiation and customer value through the use of Windows Azure. Azure, for the uninitiated, is Microsoft's cloud computing platform. Launched in 2009 (and currently with an estimated 30,000 engineers working on it), Azure enables businesses such as Lokad the possibility to 'rent' thousands of additional

servers in order to accommodate large scale forecasting, on a scale not seen before.

"Retailers today are under a lot of pressure to reduce cost at the same time as increasing customer satisfaction and sustainability of the firm. Improving the forecasting accuracy is a very effective way to directly reduce inventory levels, cost and CO2 emissions at the same time as increasing sales and customer satisfaction via reduced stock-outs" says Lokad CEO Matthias Steinberg.

"The problem is that forecasting is very complex and requires a lot of IT resources. Existing forecasting software is built to work within the resources of an in-house IT environment," says Lokad chief executive Matthias Steinberg, "and need to take a lot of shortcuts and simplifications to actually make it possible to forecast with a system

that can run on-premise, at the cost of accuracy. You also need a lot of manual work – technicians adding their intelligence to the system in order to get satisfactory results, which is tedious and costly.

"Cloud computing gives us a virtually unlimited amount of computing power and storage. It has allowed us to remove the



Left: Lokad's Joannes Vermorel receiving the Microsoft Windows Azure Worldwide Partner of the Year award from Microsoft's Jon Roskill and Allison Watson

constraints that existed previously and build a forecasting solution that is more accurate; that's much more scalable; that can do a lot more. And at the same time, it's much cheaper, we estimate the total cost of ownership at about one tenth."

Salescast is a software-as-a-service solution that is simple to implement (all that is needed is a data link), and reliable – as the solution runs 'in the cloud' as a service, there's no need for investments, maintenance or costly upkeep. Until now, developing accurate forecasting has been an expensive affair, requiring investment in technology and a skilled operations team in order to deliver accurate results. Salescast software operates on a 'pay per use' basis, meaning that retailers can utilise it when and where they need it, and aren't tied to a costly in-house software solution. Salescast technology can also be fully integrated into your existing business software platform, at a fraction of the traditional cost associated with such technology. A further important advantage is the fact that Salescast can be trialled and benchmarked against the current forecasting practice cost free and within days.

"If a retailer doesn't currently have a sophisticated forecasting solution, we can work as a standalone solution," says Steinberg. "If they do have an existing forecasting solution, for example, SAP, we can be the engine of that solution; we can put a new motor in it. The user interface will stay the same, the staff will still be able to operate as they did before. But the accuracy, and additional capabilities of the software will be greatly enhanced, which directly translates into reduced inventory, stock-outs and cost for the company."

What's more, the cloud computing platform enables Salescast to be fully scalable, providing a solution to both 'mom and pop' operations and multi-faceted retail conglomerates with hundreds of thousands of SKUs. The unprecedented processing

capabilities offered by Windows Azure enables the delivery of much more accurate forecasts at a much larger scale, at full automation.

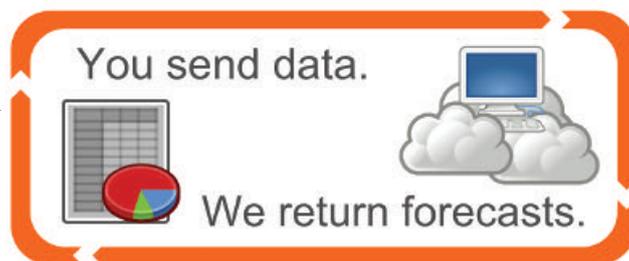
Here's an example. If you want to forecast the seasonality of a particular product, the seasonality of products that behave similarly in your range is a good place to start. While, in theory, this seems simple, the processing power needed to identify these products is immense - if you have 10,000 SKUs, the number of possible associations between two SKUs is a hundred million. Similarly, forecasting at the level of the point of sale instead of the warehouses can improve the accuracy significantly, but can easily multiply the forecasting volume a hundred fold. In-house systems do not have the capability, or indeed

the server capacity, to do either, which is a missed opportunity to improve the accuracy of the forecast. Given that cloud computing gives flexible accessibility to potentially thousands of servers to calculate results, the possibility of getting accurate results is increased substantially. And what's more, by eliminating labour, electricity and other costs from the process, retailers can significantly save IT cost too.

"Improved accuracy can mean less capital is tied up

in warehouses, and cost is driven out of the supply train," says Steinberg. "Similarly, I have fewer out-of-stocks, meaning the customer is happy and I sell more. 10 per cent more increased accuracy translates into 5 to 10 per cent less inventory, as a rule of thumb. If we can provide a 20 per cent higher accuracy for example, that's up to 20 per cent less capital put into the supply chain. That's a big saving."

But is it safe? Steinberg admits that while



there are those that doubt the security capabilities of cloud computing – all data is stored off-site, for one thing – it can actually prove more secure than traditional in-house solutions. "We obfuscate the data, meaning we work with completely anonymised sales data, stripped of a lot of information that would make it usable," says Steinberg. "For example, we don't need to know a product's name, and we can strip it of all information that would make it readable. When we return the information, the data that has been removed is reinstalled, and the retailer can use it as an accurate forecast based around the same parameters.

"Also, we believe strongly that cloud providers can provide the highest standard of data security that typically is far superior to anything that is economically feasible on-premise. Because cloud technicians are specialists in building super high-security data centres, at a huge scale that's not economical for any company, security is of the utmost importance."

Lokad has already signed up a number of leading retailers to its service, including a major European retailer that was struggling to find a solution capable of providing point of sale level forecasts for thousands of locations, a major worldwide wholesaler



Above: Matthias Steinberg, CEO of Lokad

Exclusive Offer to ESM Readers

Lokad are offering European Supermarket Magazine (ESM) readers the chance to sample, free of charge, the incredible accuracy and processing power of the Salescast software platform. For retailers, Lokad will carry out a proof of concept cost-free, and deliver a benchmarked against the retailer's current forecasts, which allows a direct comparison to the status quo and the quantification of the cost saving potential. A proof of concept takes approximately 3 weeks and requires minimal management attention. [Note: this will require access to retailer data]. For further information, contact Lokad at +44 740 888 0487, email sales@lokad.com, or visit www.lokad.com

(Number One in its particular area) that struggles with a very large catalogue of more than one million product references, and a major franchise-based European retailer that has difficulties with the diversity in its network - and the lack of centralised resources to support a traditional, costly forecasting package. In each case, the Salescast system is used in conjunction with existing in-house software, adding massive back-end processing capabilities.

Salescast provides multi-site, multi-channel and multi-POS support, as well as native support for day, week, month and year seasonalities, sales promotions and product launches, cannibalisations and network effects, trend and product life cycles and correlations between product sales. For further information, contact Matthias Steinberg, CEO, Lokad, at +44 740 888 0487, email sales@lokad.com, or visit www.lokad.com