

Predictix

Brochures on the Cloud

Cutting through the haze
of cloud marketing

February 2011

US

Two Midtown Plaza
1349 W Peachtree St.
Suite 1880
Atlanta GA 30309

T +1.404.478.2090
F +1.404.601.7478

UK

31 Southampton Row
London WC1B 5HJ

T +44.203.178.5315
F +44.203.008.6011

predictix.com

The “Next Big Thing” revisited

The cloud is all the rage these days, from Microsoft's "to the cloud" commercials to the NRF Big Show, where it seemed nearly every vendor was touting its cloud offering. But study those cloud announcements and marketing spin closely, and today's cloud narrative for the most part mirrors the mid-1990s, the last time people were so abuzz about a new technology that would change the world. Back then, every self-respecting company rushed to be on the web. But what did that really mean? Simply this: lots of "brochures on the web," the same old content in a shiny new browser for the world to consume. Experts raved about how people could now find any information they wanted, "pull it" from the web, and instantly give anyone and everyone global reach. All true, yet far from the promise the web would fulfill.

The obvious (and limited) benefits of a simple view of the cloud

The early movers on the web seized something entirely new and jumped on its most obvious implications, which did not require a complete re-thinking or re-architecting of what came before it. Yet the true impact of the web (which is still playing out) started taking shape when people began to envision and deliver entirely new technologies and business models made possible by the web.

Seen in this light, today's rush to the cloud is no different. Everyone has grasped the obvious implications: put an existing application on the cloud, and you no longer need to purchase the hardware it runs on. Make that application accessible from the cloud, and you (sort of) get a version of the "anytime, anywhere" access we've become accustomed to on the web.

Simply putting an existing application on the cloud, however, does not make that application any different or any better. It's the new "brochure on the web." Being "on the cloud" is a step, but not a leap; delivering old applications on the cloud will never yield transformational value. The cloud's true impact can only be felt when you envision and deliver solutions that are "*of the cloud.*"

Let's take two examples that are familiar to retailers, forecasting and price optimization. In a world of limited, expensive, purchased computing power (the "pre-cloud" world), anyone building a forecasting or price optimization application has to make difficult trade-offs to get a "good enough" answer, since solving for the best answer is prohibitively expensive. After all, even a "good enough" answer costs millions of dollars in hardware alone for a large retailer. Even with such large investments, forecasting runs still take many hours over the weekend (and the hardware sits idle the rest of the week), and running a single "real-time" pricing scenario can take half an hour to return an answer to a user, a painfully long time for someone trying to make many decisions over the course of a busy day.

Now imagine a world where you can call on unlimited, cheap, on-demand computing power. You call up 10 or 100 servers on the fly, only for the time you need them, for a few thousand dollars a month. The savings are without a doubt substantial. Yet these savings, as compelling as they are, are no more than the “brochure on the cloud” value.

The true benefits of designing for the cloud

When you instead *design* forecasting and pricing solutions *for the cloud*, you can truly leverage the power of the cloud. How? At such low costs, you can afford to call on far more computing power, exactly when you need it, and run analyses that would never be practical or even feasible on purchased hardware. By applying much more sophisticated science, and calling up far more computing resources on the fly, you can solve for the *best* answer, and if needed, get that answer in seconds. When applications are “of the cloud,” retailers can begin to see truly transformational results.

In our own experience, we have consistently achieved 30-50 percent more accurate forecasts and delivered real-time pricing answers in seconds for our clients – much better results than are possible with traditional solutions. Those better results drive real business benefits: higher sales, higher margins, fewer stock-outs, better performing inventory, lower inventory investments with higher service levels, faster decisions, and higher customer satisfaction.

The transformation the cloud can bring will take years to play out; those companies that bet early on the cloud are already demonstrating how being “of the cloud” can bring truly new and better solutions to the table. Even they have only scratched the surface, and will continue to find new ways to leverage the power of the cloud. For those companies heavily invested in the legacy technologies that pre-dated the cloud, the transition will test their willingness to abandon their current solutions (and their lucrative maintenance streams) in order to develop entirely new solutions for the cloud. It’s going to be an interesting ride.