Let the Shopping Cart Do the Driving: How Web Retailers Can Boost Revenues With SDN

Posted by Karthikeyan Subramaniam on May 28, 2014 at 8:51am View Blog

In the fall of 2011, Target had scored a major retailing win -- unveiling a collection from popular Italian designer, Missoni. The line was priced at a fraction of what it usually costs and had attracted huge attention. But just three hours after the Missoni line was introduced on Target.com, the interest was so great, that it brought the company's website down for hours. What started out as a retailing coup, soon turned into a PR, and IT, disaster.

While there's been much talk about how software defined networking (SDN) can help reduce CAPEX and OPEX, there's another side of the benefit equation -- the ability to increase revenues and profitability. Now that IT teams from all industries are being asked to do more with less—and to come to the table with ideas on how to improve the bottom line -- the possibility that SDN could actually improve profitability is game changing.

SDN and the Profit-Based Policy Mechanism Way

Enter the notion of the Profit Based Policy Mechanism -- which leverages SDN tools and technologies to identify transactions at the individual flow level and prioritize them based on the profitability. With Profit-Based Policy Mechanism, online retailers can ensure that non-revenue generating traffic never undermines revenue generating transactions. SDN also enables online retailers to 'auto-scale' IT resources to automatically increase and decrease to match network traffic -- ensuring they always have the resources to keep sites running, and purchase transactions flowing, but are never spending money on unused resources.

In the case of Target, people who were looking at pictures and videos of newly released designer items were consuming most of the IT resources, causing purchase orders to stall and the entire system to fail. If Target was able to "dynamically" prioritize purchase transactions, they would not have been a victim of their own success.

Today's carriers and enterprise networks are facing what some are calling the 30/30/3 problem. Enterprises are experiencing a 30% growth in data, which is driving up IT costs (up to 30%), while enterprise incomes are only growing at an average rate of 3.3%. IT departments from online retailers are being asked to do more with less and one way to do that is to focus resources on the areas that are revenue generating.

Profit-Based Policy Mechanism is more than just technology -- here are some changes IT teams need to make:

The Big 3: Identify, Classify, Prioritize

Before services can be prioritized, they need to be properly identified and clearly decoupled from each other. In the case of a retail website like Target, services include the portal, video, shipping and billing -- which are all in HTTP. Using RESTful Web services or Service-specific URLs IT can identify and classify different web services.

Team Up Business With IT

IT and business managers need to work closely together to ensure IT resources are driving revenue. In the case of an online retailer, business teams would review their IT budget and determine what percentage should go to video, shipping and transactions. IT can then use SDN software tools to translate target spend figures into specific SLAs for their cloud services, network, compute and storage resources and use real-time dashboards to monitor how money -- and resources -- are being used.

With the help of SDN, online retailers—and companies from all industries -- are seeing impressive reductions in CAPEX and OPEX. With Profit Based Policy Mechanism, online retailers will be armed with the resources they need to tackle the 30/30/3 problem and deliver on the promise of using IT resources to improve the bottom line

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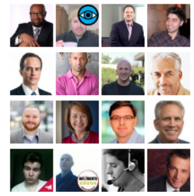

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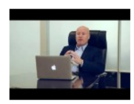

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