

## **Federated Co-operatives Limited partners with ISM Canada, signalling a transformation in IT services management**

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Federated Co-operatives Limited (FCL) is embracing a new approach to managing its IT mainframe environment, and plans to work with IT innovation partner ISM Canada to enable smarter retailing in Canada's most successful non-financial services co-operative.

Driven by FCL's mission, the idea is to modernize and foster new value creation for the organization and its co-operative retail members.

A second-tier co-operative formed in 1928, FCL provides centralized wholesaling, manufacturing (primarily the Consumer Co-operatives Refineries Limited refinery complex in Regina, SK), marketing and administrative services for its member-owners, currently 246 autonomously-owned and operated retail co-operatives which together with FCL make up the Co-operative Retailing System (CRS).

Serving 1.3 million active individual members in 500 communities across Western Canada the retail members of the CRS operate more than 2,000 facilities, including: gas bars and convenience stores; grocery stores; general merchandise outlets; agro-centres; liquor stores (in Alberta); and, crop supplies outlets. As such, the CRS has a highly visible, often dominant presence in many communities across Western Canada.

FCL itself earns annual revenues of between \$7 and \$8 billion, and realizes net savings (net income) of between \$400 and \$700 million annually (depending on a variety of factors), and was ranked 52<sup>nd</sup> in the Financial Post's Top 100 Canadian companies in 2010.

This position gives FCL valuable strength and stability from which to take the decisive steps that will transform today's success into tomorrow's smarter retailing for the CRS.

### **Willing to buy, as well as build**

It begins with a willingness to embrace change, to move outside FCL's traditional practice of in-house management of IT services. This practise derived from a long history wherein FCL built the necessary infrastructure, applications, systems and capacities strictly from within—an approach that served the organization well for many years.

However, to maintain leadership in Western Canada's retailing sector FCL believes it is now time to buy as well as build. "We must develop 'best-of-breed' IT services, and deliver real IT innovation, in the shortest time possible to help our co-operative retailers grow and thrive," said Faramarz Farahani, FCL's Vice-President, Technology. "For that objective to be realized, we need to consider fresh ideas from outside our traditional practices, to supplement and complement our in-house IT functions."

Taking the first step in that direction FCL has partnered with ISM Canada, an IBM subsidiary, which brings nearly four decades of experience in IT services delivery to leading public and private sector organizations. This track record of excellence is coupled with access to IBM's global capabilities across all industries. Values-driven and Saskatchewan-based, ISM Canada will help FCL shape its IT transformation, while at the same time freeing the co-operative to focus on advancing its core businesses and serving the member retailer members in the CRS.

"ISM Canada provides deep core expertise in IT services, as well as a track record of success delivering innovative IT services and solutions," said Faramarz Farahani. "This is coupled with commitment and the capacity to act in a complementary way with FCL to drive IT results."

### **Mainframe and applications will be modernized, new capabilities introduced**

The initial part of the transition will see ISM Canada assume responsibility for running FCL's mainframe from its office in Regina. This move allows FCL to leverage the scale of ISM Canada's data centre, along with improved process management, to realize greater efficiencies in all aspects of its operations.

FCL's member retailers will also benefit from related services, such as business continuity and resiliency (BCRS), storage services, and more.

Over the next few years, intense focus will be placed on a major modernization of FCL's critical applications systems including, (but not limited to): petroleum, logistics, RMS, ERP and CRM. These applications will be either updated and improved, or replaced with today's powerful tools and systems that will help FCL's member co-operatives compete to win in a market characterized by growing competition—often from global retailing giants.

With the transformation, FCL's co-operative retail system will over time benefit from greater efficiency and flexibility together with more powerful, resilient systems. Faramarz Farahani sees a "more seamless experience" with stronger functional integration emerging across the organization.

### **Setting the stage for smarter retail**

Web-enabled integrated supply chain applications are helping businesses manage production lines, inventory, and order fulfillment more effectively. The changes underway at FCL will pave the way to enable deployment of such IT innovations, reducing time-to-market and helping FCL take advantage of new opportunities or changes in the business landscape to realize its business objectives.

Smarter retail means helping co-operative retailers make better use of their growing treasure trove of data to get closer to their individual members and customers, with the potential to strengthen loyalty online and at the storefront. Improvements in FCL's capacity to collect, integrate, and analyze data will be within reach as a part of the IT transformation currently underway. The first step will be to improve the collection of data to measure, monitor and understand better the business-critical systems. Next, FCL will improve upon the analysis of this

data to see patterns and identify new opportunities. IT optimization of systems, applications, and practices will sustain the transformation for FCL.

Shoppers today seek both storefront and online options, and Web-enabled applications will play a role for FCL. Additionally, Web-enabled cloud solutions may be developed to help FCL manage and generate information that supports planning and decision-making.

"Technology is really a business enabler," said Faramarz Farahani. "We believe we must innovate, we must embrace the opportunity to transform the way we provide IT services to our retail co-operatives. We believe this is essential for co-operative retailing to maintain our competitive advantages and grow individual members' and customers' trust and loyalty."

***For more information***

Anne Mowat  
ISM Canada  
[mowat@ca.ibm.com](mailto:mowat@ca.ibm.com)

Vic Huard  
Federated Co-operatives Limited (FCL)  
[v.huard@fcl.ca](mailto:v.huard@fcl.ca)