Why Lowe’s and Target Brought Their Technology Teams In-House





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Key Insights:

While off-the-shelf technology works for smaller brands, retailers the size of Lowe’s and Target sometimes struggle to find solutions that fit. And, when they outsource their tech needs, the result is often dreaded silos in which staff can’t collaborate.

At the National Retail Federation’s event in New York this week, the chief information officers (CIOs) of Lowe’s and Target discussed what prompted them to bring IT in-house in recent years and how the move has impacted their organizations for the better.

Two tech reckonings on Cyber Monday

Mike McNamara, executive vice president and CIO at Target, described his first Cyber Monday with the retailer in 2015 as

a “fairly grim affair,” in part because Target had to throttle web traffic all day long.

“We had a lot of trade that day, but it was not necessarily a celebration,” he said.

The retailer was also dealing with some other problems.

“The Target I joined, the business had lost its confidence a bit,” he said. “Morale was not super, the IT team was a bit bloated and broken. In reality, it was still reeling from the data breach of 2013, which shattered its confidence. It was in early recovery mode with lots and lots of people [in IT], mostly outsourced. We had almost 10,000 heads total, which is way too many for Target.”

McNamara spent the next year bringing everything back in-house and reducing the number of projects by focusing on those that made the biggest difference to Target shoppers.

The reality is at a certain point of scale, you really do have to build it yourself.
Mike McNamara, evp and CIO, Target

Seemantini Godbole, evp and CIO at Lowe’s, joined in 2018 and said the home improvement retailer was in a comparable position after it, too, had outsourced its IT needs. Cyber Week 2018 was her second week on the job and she, too, said it “didn’t go so well,” but didn’t elaborate.

That’s when Godbole started talking about “putting our fingerprints on our experience [instead of using off-the-shelf technology],” adding, “Some of the technology out there is great if you’re a smaller size retailer, but, as you grow in scale, the products don’t keep up.”

Tech is where growth is happening

It was after those Cyber Mondays that each retailer had their tech epiphany.

“Technology is such a core part of our customer proposition,” McNamara said. “Two-thirds of our growth is through digital. We are by and large about tech [and realized we] have to build that ourselves.”

On a similar note, Godbole said Lowe’s CEO Marvin Ellison spent his first week on the job in 2018 in stores and saw staff working with different products to serve customers, which was “a painful sight to watch.” Meanwhile, the retailer faced additional challenges on Lowes.com.

The CIOs said in-housing was therefore not a hard sell.

In McNamara’s case, Target reduced the number of engineers from 10,000 to between 3,000 and 4000, which saved hundreds of millions of dollars and “buys you two friends: the CEO and the CFO.”

Because Target is seeing a lot of growth from buy online pick up in store (BOPIS) orders, McNamara said the retailer is focused on how to get stuff to shoppers quickly and easily, which includes supply chain and fulfillment—but not accounting and payroll.

“We build everything except for stuff that is not retail-specific,” he added. “The reality is at a certain point of scale, you really do have to build it yourself. There’s also a competitive advantage in being first. Target is certainly ahead of the market [in combining] digital and physical. I’m still waiting for that to be a commodity offering.”

Target has also invested in its data science team and has 1,000 people working with AI alone in functions like pricing and forecasting, and has incorporated machine learning to solve a range of problems, such as “making sure graphic T-shirts don’t say anything naughty,” McNamara said.

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