

Expanding Clothing Chain Pins Down Sales, Trims Tasks, and Adds Instant Reports

Selling 13,000 men's and women's clothing and accessory items from a growing chain of 40 stores across the United States had burst the seams of Kuhlman Company's first information technology solution. Busy store staff and managers were often late reporting their hours, sales, inventory, and requests for transferred merchandise. Business Microvar Inc., a Microsoft® Certified Partner, installed Microsoft Retail Management System and Microsoft Business Solutions—Great Plains®. Today, chain-wide knowledge is immediate. Stores' closing reports are automatic, complete, and available in seconds. Sales and customer data slides into Microsoft Great Plains software, and accounting tasks that were once complex and time-consuming are now finished in minutes with much higher accuracy. Standard and customized reports guide decisions with facts, not guesses.

BUSINESS SITUATION

Kuhlman Company, Inc., of Minneapolis, Minnesota, opened its first store in June 2003. Two years later, the company had grown to 34 stores and its stock was trading over the counter. By year end, store count will reach 58 in 18 states and Washington, D.C.

Because Kuhlman stores' "small-box" floor plans encompass 500 to 2,000 square feet, smart merchandising is paramount. Tasks and steps must stay lean. Yet, Kuhlman's complex overall business model includes purchasing raw and finished goods from United States and European vendors, sewing most items, selling private-label merchandise to other retailers, and a high reliance on in-store inventory.

The chain sells more than 13,000 items of "Uniquely tailored Anglo-Italian apparel" of "Uncompromising quality at an uncommon value," in the words of the company Web site. Stock includes men's suits, blazers, pants, shirts, and accessories—while dedicating six stores to an equal assortment of women's fashions and accessories.

But tracking receipts, customer records and purchases, inventory levels, transfers, plus hours and commissions for 150 employees, was unraveling the company's basic information technology (IT) system.

Scott Kuhlman, Chief Executive Officer, comments, "In this business, fast and accurate information can effect positive changes—or vice versa, and we could not get timely reports from the old system."



BURIED IN ACCOUNTING TASKS

Jon Gangelhoff, Chief Financial Officer, describes his own big-picture frustrations with the earlier system: "We couldn't connect more than ten stores with our makeshift system of Intuit QuickBooks Point of Sale and hierarchies of spreadsheets created with Microsoft® Excel® [spreadsheet software]. It gave us 'islands' of information. Gathering data entailed manual processes and e-mails from each store. Local data was combined into regional spreadsheets, then finally into national workbooks. Human factors often made these late or incomplete. Our smartest people were hamstrung by fragmented

data."

Kuhlman's first information system wasted staff's time in dozens of labor-intensive tasks. Jocelyn Puegner, Business Analyst in charge of retail operations, details a few typical difficulties facing retailers who outgrow a basic IT solution. "End-of-month physical inventory adjustments only resided in each store's computers, so we had to

trust that each location was diligently sending us their total adjustments. But we soon learned some sites were losing inventory almost daily, yet we saw no records of it. Then, when some stores missed our download of new merchandise into QuickBooks POS, we had a huge mess. Overall, we couldn't put our costs into QuickBooks POS because they could be displayed at stores. Furthermore, we weren't able to lock down specific functions or assign security levels."

CUMBERSOME BOOKKEEPING

Barbara Langdon, Director of Cash Management, describes the layers of complications she dealt with when growth exceeded the capacity of the entry-level system. "Since 90 percent of our business is credit card receipts, I had to reconcile stores' daily bank statements against daily totals from each card, then post these to the general ledger, debiting cash and crediting an account for sales receivables. I then debited this account by creating dummy invoices for each sale by store to get a monthly total.

"Balancing this receivables account against what was actually sold but not paid was very, very time-consuming because there were so many unknowns and variables. We were never sure inventory and profit were correct—or even close, yet the process used up at least four full days each month.

"I also ensure all cash is deposited, which required getting copies of each store's cash tender reports to match deposits—and I lost time repeatedly requesting reports from busy store managers with problems of their own. This took at least another two to four hours a week."

Langdon's other responsibility as payroll manager required calling to remind employees to turn in hours and waiting for time cards to be e-mailed or faxed. "Then we hoped they were accurate, because we had no way to verify hours worked."

SOLUTION

"We looked at the entire retail system marketplace," says Kuhlman. "Then we had three vendors set up in-office demos that we worked with for weeks. Microsoft kept having a solution for everything we threw at the system, whereas other systems gave us problems we didn't want to live with."



Lead investigator Gangelhoff says, "We had to find a solution that was easy and fast at the registers, so it would enrich each customer's shopping experience. Yet it had to give us sophisticated management tools so we could get fast-selling merchandise on shelves immediately.

Microsoft Retail Management System met the specifications and offered integration with Microsoft Business Solutions—Great Plains® software. "Two vendor finalists had written programs to transfer their sales data into Great Plains," Gangelhoff recalls. "There was no comparison. The other solutions weren't intuitive or easy to use. But the president's eight- and ten-year-old daughters were soon ringing up sales on our Microsoft demo system."

Kuhlman and Gangelhoff judged the reporting capabilities superior in the Microsoft solution.

Microsoft Certified Partner Business Microvar Inc. (BMI) provided the winning software and enterprise solution.

Founded in 1985, award-winning BMI specializes in enterprise solutions using Microsoft Great Plains, Microsoft Retail Management System, and Microsoft CRM. To ensure system usability, BMI's five offices provide implementation consulting, training, development, and support.

SMOOTH INSTALLATION

During April and early June 2005, particularly hectic months when Kuhlman was adding many stores and going public, BMI installed the all-Microsoft solution. Says Kuhlman, "From what I saw, this installation was fantastic."

Gangelhoff rates the conversion "...a most remarkable accomplishment. We were in the thick of everything—I had a very busy travel schedule during the store conversion. Our first wave was converting 33 systems in 16 states from QuickBooks POS. When I got back to the office four weeks later, they were totally done."

Langdon sets the entire conversion, including installing and integration with Microsoft Great Plains, at less than three months. She says, "It was accomplished with minimal problems and errors, considering our accelerated conversion demands."

Puegner credits BMI. "They handled the initial install and syncing up the Microsoft Retail Management System. We continue to add stores and fine-tune systems. As we grow, the 'store template' that BMI made lets us tweak anything we like for all future stores. We also have two test systems we use to check out new procedures and train managers."

Scott Thelen, Account Executive at BMI, says that part of his team's tasks were to provide tools to measure and improve Kuhlman's most crucial metrics: inventory turnover and sell-through. Accordingly, BMI developed 10 specialized reports to help analyze those crucial barometers from different points of view, and another 10 for other company-specific tasks.



WHY THIS NETWORK?

Each site runs Microsoft Retail Management System Store Operations, the store-level solution that helps manage even very large stores. It can also help integrate single stores into an enterprise. Store Operations feeds data into Microsoft Retail Management System Headquarters, the enterprise-level retail solution whose reporting collects and presents data in store, regional, or enterprise formats. Headquarters' familiar spreadsheet format helps disseminate corporate updates, such as price changes, discount periods, between-store transfers, and new merchandise, down to individual stores, nationwide departments or categories, as well as store groups, regions, or the entire chain.

Kuhlman says, "From the beginning, we've driven customers to KuhlmanCompany.com, our Web site. We collect complete data on each store's customers and send out a weekly e-mail blast to over 30,000 opt-in addresses. We have an incredible percentage of these e-mails opened, which drives people to stores for special events, and to our site, which gets over 1.5 million hits per month." Web orders are extracted from the Web site servers; purchased items are located using Microsoft Retail Management System, and then shipped from the appropriate store(s).

"With a growing retail chain," observes Kuhlman, "you never know what piece of information—or capability—you'll need a year from now. Microsoft Retail Management System and Great Plains ensure that, when we challenge the system a year from now, the answer won't be, 'Sorry, the system can't do that.' Today, I always hear,

‘Yes, the system already does that,’ or ‘We need to write a report. Give me a couple of hours.’”

BENEFITS

Kuhlman reports, “Our farthest-reaching benefit is having accurate data, sliced the way we want it, at a moment’s notice. Very few retailers our size can do what we do. I expect the Microsoft solution will pay for itself in the first year. Just the staff hours it saves will do that.

“We have tighter knowledge on where inventory is. We know what’s in the delivery queue, in the warehouse, in transit, and at what store. Everyone uses the system, from warehousing, to store staff, to corporate. Managers know what they have, what they can get, how fast, and from where. We see and solve problems and bottlenecks immediately. We better understand our purchasing and shrinkage, and we’re saving employee hours and steps in stores and at corporate headquarters too.

“Each store links to Microsoft Retail Management System Headquarters hourly so we always know what’s going on in any store or region, at any given time. The reports let us see sales almost any way we want them. Then our point-of-sale data integrates into Great Plains, and we can do ad hoc reporting, at any level, in the [Microsoft] SQL Server™ database.”

Gangelhoff adds, “Now we create the reports we need to run our business expeditiously. We’re no longer pasting spreadsheets together, trying to catch up with changing circumstances.”

Puegner says, “Having a nationwide Microsoft Retail Management System network helped greatly with inventory and assets control. We like and use its standard reports, but we love the way our partner has customized reports specific to this company’s business needs.”

BRINGING IN NEW MONEY

By networking merchandise as one mass inventory, and customers as one large database—although both sets reside throughout the country—Kuhlman staff win sales and goodwill.

Kuhlman explains, “If a customer in the Galleria in Edina (Minnesota) wants five items, but Edina only has three in her size, the associate checks Microsoft Retail Management System to find others. If the customer agrees, we ring up the entire sale, get the customer’s name and address, and request the other store to mail the remaining items. We pay shipping, but we make the sale at full price.”

Puegner elaborates, “Treating all customers as global, not one store’s property, lets a New York customer find sizes and alterations when they’re vacationing and stop into our Miami store.”



STORE-LEVEL BENEFITS

Puegner says that end-of-day reports in stores now automatically include sales figures and inventory levels, which once required separate nightly counts. The process once took up to 30 minutes per store, and is now essentially a zero-time task.

Credit cards are integrated into Microsoft Great Plains daily by store and amount. Reconciliation now takes Langdon approximately five minutes, not

the hours it used to take, “This solution eliminates human errors, my phone calls, and all the waiting for information. I’ve gained time to watch management-level factors instead of doing many tasks that were really clerical. I spot problems before they get big and vague because a month has passed and no one remembers what happened.”

Each type of receivable—cash, Visa, MasterCard, Discover, AMEX—is set up in Microsoft Great Plains by store, eliminating Langdon’s previous receivable account with all the stores and receipt records, thus greatly speeding and simplifying her work.

“It now takes an hour a month, whereas I used to spend at least four hours on it,” Langdon says. “Receipts with complete sales data post to Great Plains, giving profit and inventory levels the accuracy that we never had before.”

Then Microsoft Great Plains posts this information to the computer bank account each day and Langdon adds in the odd items. “Using the sales data we import into Great Plains, cash accounting that once took me days to reconcile, now takes me 10 minutes. We can believe our general ledger like we never could before. And we spot errors in employees’ time cards easily, so I know we’re paying what people should really get. We all win.”

Langdon can now run sales reports, receipt reports, time card, and commission reports when she needs them and when they fit into her priorities. “I don’t have to keep asking for information, again saving me hours of waiting on information, and then having to rush to meet my deadlines.”

Puegner says, “Now we’re better able to track inventory movement with reports that show interstore transfers, breakdowns of categorized sales, taxes, and special codes for return reasons and price changes.”

A GROWING CHAIN GROWS IN KNOWLEDGE

Executives and staff continue to find new ways Microsoft Retail Management System can add value. Puegner is looking into mobile point-of-sale devices for line-busting (speeding transactions) and physical inventories. Gangelhoff plans to integrate Microsoft Great Plains construction management features to streamline and economize building new stores. The test systems are now exercising new processes and routines for Kuhlman Company credit cards and gift cards. The CEO of Kuhlman is confident the system will grow and adapt to future needs.



Puegner says, “If your retail chain isn’t well networked, you’re missing out on a lot of efficiencies. In retail, inefficiencies waste staff time and impact displaying the right goods at the right price. We see the future of our IT and accounting procedures and reporting getting better and better.”

Knowing many retailers face similar growing pains in IT and operations, Langdon observes, “The Microsoft Retail Management System—Great Plains solution keeps giving efficiencies and accuracy we’ve never had.”

Gangelhoff advises other retailers, “Check as carefully as we did on exactly how—and how smoothly—the IT systems on your short-list will handle credit card sales, gift cards, and all the things you’ll want later to promote sales and streamline operations. And always ask for working, in-house demos.”

Kuhlman adds, “Like any worthwhile effort, change is time-consuming. But once you make the decision, you’ll see

that Microsoft Retail Management System is a crucial enhancement to your overall retail efficiency, in the stores and at corporate.”