

Retailer builds platform for fast growth

As one of Australia's fastest-growing discount variety retailers, The Reject Shop decided new systems were needed to support its vision of 400 stores – and chose SAP for the job. Nathan Dukes reports.

The Reject Shop needs no introduction. The Australian retailer is famous for its broad range of discount merchandise, with a focus on everyday needs and lifestyle.

The retail chain is also one of Australia's fastest growing discount variety retailers. At last count, the company operated 187 stores, including 16 new stores which opened this financial year alone. The company has already set the goal of breaking last financial year's effort of 22 new stores.

The speed of growth in terms of outlets is matched by its financial performance – 22 per cent profit growth year on year, and 19 per cent growth in sales year on year in 2009.

While its legacy system had met their needs and served them well, as the company grew, its needs began to change. As a result, the Reject Shop started to rethink its IT strategy, according to The Reject Shop chief information officer (CIO), Darren O'Connor.

"About five years ago we were looking at the systems we had, and what would need to be different if we wanted to be a retail chain of about 400 stores. Back then, we thought we would outgrow our existing system at around 200 stores," he says.

"There were limitations in its architecture that limited its scalability for the number of stores, and it was limited in its sophistication. We forecast we would not be able to do certain things required to complete overnight processing, and no amount of new hardware was going to be able to solve that."

The Reject Shop employed a team of business analysts to assess the company's existing IT structure. They then developed a list of solutions that could be kept, and what would need to be

Company: The Reject Shop (ASX: TRS)

Website: www.rejectshop.com.au

Key challenges: Operating the business around the implementation, finding external resources which would fit culturally within the business.

Project objectives:

Replace an existing system which the company had outgrown. Solutions were implemented to support finance, merchandising, freight forwarding and real estate.

Solutions and services: ECC 6.0 – MM, SD, FICO, RE and BW.

Implementation highlights: On time and on budget; smooth integration; excellent set of blueprints with very few elements 'to be confirmed' made for a straightforward realisation, and subsequent testing

Key benefits: Ability to withstand a fast growing business; greater visibility into merchandise purchasing.

Existing environment: CRMS-COBOL based system for Retail Management which covered Merchandise and Finance.

Implementation timeframe: 12 months

Database: Microsoft SQL 2009

Operating system: Windows Server 2003 R2 64bit on IBM hardware

Proposed upgrades: Merchandise Assortment Planning (MAP) and Forecasting. The company is also investigating Adobe Forms.

case study] The Reject Shop

replaced. This process allowed them to identify several issues an implementation would need to solve, and served as a guide for potential vendors to develop a proposal.

The IT department identified six solutions that would meet the company's needs, and partners who could implement them. The Reject Shop then issued an RFP document, setting out the scope of the project.

"We wanted to see each of the systems in their best light," O'Connor says. "We wanted to see how they tackled difficult problems, not easy ones. As soon as we published that RFP, I think three of the potential vendors withdrew immediately."

Challenges

The first challenge for the company was staffing. Being able to continue operating effectively and efficiently was a key concern. The company wanted a heavy presence of internal resources working on the project, but fitting the project around existing requirements proved difficult.

"A lot of people work more than one role. Freeing up people to work on a project team is a big task because often people are very busy. We consciously went and told people we wanted them to be on this team, and figured out who we needed to backfill to make the time available so they could work full-time on the project," O'Connor says.

Pooling external resources proved equally challenging. For The Reject Shop, the fit needed to be cultural as much as it was technical. While potential partners were working on the RFP, The Reject Shop met with the vendors and interviewed their key staff.

"We assessed them for not only their experience, but also their cultural fit with the organisation," O'Connor says. "We're very conscious of the particular culture here. It's a fairly pragmatic, practical, value-oriented culture. We didn't want anyone coming in who was incompatible with that."

This process was undertaken almost six months before The Reject Shop started working with a vendor.

Once the potential vendors had completed the RFP, the proposals were assessed and the solutions ranked. The business finally chose Ciber, primarily because of its retail experience, but also for its experienced implementation team.

Implementation

The original scope for the SAP footprint covered Finance and Merchandise solutions. The Reject Shop decided it didn't want SAP going out to stores, so the legacy systems in the stores were rolled back and a new solution was created before the SAP implementation began.

During the final scoping, a number of changes were made. One of the company's suppliers was acquired by another organisation, which meant The Reject Shop had to develop a new freight forwarding interface. They also originally intended to integrate their existing property management system, but instead chose to implement SAP's Real Estate solution, which was added incrementally during the implementation.

The company had planned for a 12 month project, but Ciber proposed a nine month timeframe.

However because this would have resulted in the implementation going live during a certain high risk period during the year, The Reject Shop asked for the project to be extended to 11 months.

"We basically thinned it out," O'Connor says. "We took the contingency we had in the project schedule, and we put it back into the ends of the major phases of the project."

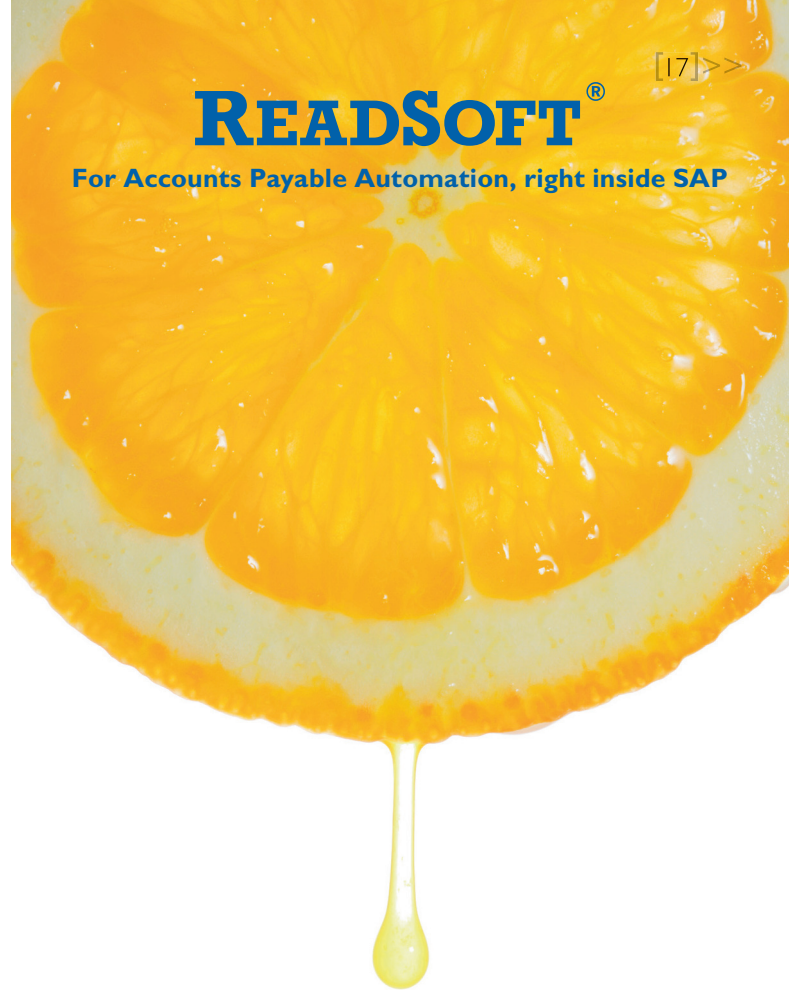
This was a conscious decision by the project leaders to make sure the project was 'finished'. The Reject Shop didn't want to leave certain issues to be determined during realisation, so this additional time allowed the project team to properly complete each section of the project, and meant they could address issues as they arose without running off schedule. If they ever did get behind, they had the ability to catch up without rushing.

Blueprinting began in May 2008, but the initial stages of the project began almost 16 months before. Around 60 individuals worked on the implementation over the course of the project, with around 15 at any one time.

Thorough organisation and forward planning is a key theme running through the project. The project manager began several months early to organise what would be needed to start work on day one, and they organised for blueprinting to be completed on their actual system, not a test system. Additionally,

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Integration

data migration started around four months before the implementation project started.

Integrating existing systems with SAP proved to be painless, O'Connor says.

"That is notoriously an area where implementations get off the rails. The integration was smooth, from our legacy data warehouse environment, our warehouse management systems, our point of sale system and our store operations systems. All had to be integrated into SAP, and that went particularly well."

Looking back over the project, O'Connor says validation of article maintenance could have been better organised the first time through.

"Certainly we'd be looking for validation rules to be much tighter from day one. It's difficult for humans to do things right all the time. It's easy for a computer, but it's hard for a person," he says. "We know how to do that now, and we've got some projects underway to do that, but back then we were focused on getting it up and running."

The Reject Shop went live with the new systems in May this year.

Results


O'Connor says the main advantage they have seen as a result of the implementation is an increased level of detail.

"It's the capturing of the intent," he says. "What did that person actually intend to happen? It can all be captured within SAP, so it makes it very clear."

"Now, stock turns up at distribution centres and the purchasing documents are all coded up so that we know exactly what the quantity to be expected is, and exactly what we paid for it. That gives us clarity on what's going on."

Given the reasons for undertaking the project, achieving a set return on investment was not a priority. Although value was important, the implementation was "more of a need than a want".

The key benefits, according to O'Connor, have been scalability, the ability to cope with the demand of more stores, and importing procedures.

"Our overseas purchasing is vastly improved. The difference between the sheer amount of manual intervention you had to have before and the level of what we do now, is superb." 



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