



PEAK Solution For Retail Distribution Application Saves a National Retailer Over Half a Million Hours Per Year

ORGANIZATION:

A multi-billion dollar retailer who designs and markets an extensive range of fashion apparel and accessories. The company has over 500 retail stores nationwide and over 600 international stores.

APPLICATION:

A retail distribution application to update inventory and pricing through a scanner equipped handheld wireless computer.

ENVIRONMENT/SITUATION:

The company was spending approximately 40 hours weekly at each store for manual entry of SKU numbers in receiving and transfer tasks. In addition, errors in a manual re-pricing technique that was performed weekly led to inadvertent markdowns, effecting the company's margin.

KEY BENEFITS:

- Accurate inventory numbers which means less stock-outs, better customer service, and greater revenues
- Accuracy in pricing to protect the company's margin
- A 624,000 hour savings per year, which is the equivalent of approximately 300 full time positions that can now be used to improve customer service instead of data entry



Overview of Organization

In the past, it took approximately 40 hours per week at each store to receive inventory and record store transfers. Most of this time was spent in keyboarding each SKU number into the cash register. The weekly task of making price changes was difficult because store employees needed to identify the items from verbal descriptions on spreadsheets. Errors caused by miskeying information and by misidentifying styles were common.

The company has improved all of these processes by equipping each store with a scanner-equipped handheld wireless computer and developing software for each application that runs on an AS/400 host. Employees now simply scan each item as it comes in from the distribution center and also scan items transferred to or from another store to update the inventory records. For pricing updates, they scan the ticket to quickly and accurately determine the updated price for any item. The company estimates total savings at an average of 40 hours per week in each of the 300 retail stores where it has been installed, freeing up the equivalent of 300 full time positions that are being devoted to improving the customer experience.

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Challenge/Opportunity

Employees at the stores performed the receiving operation once per week, opening every package and keying in the SKU number for each item by hand in the cash register. This

took a considerable amount of time and created the potential for errors. Another concern was that items were not entered until the end of the day so they could not be offered for sale until the day after they were received. In addition, the company's inventory records were always one day out of date. Transfers to or from another store were performed using a similar manual process. The time expended on these operations averaged 40 hours per store for receiving and 5 hours per store for transfers per week.

Buyers sent out spreadsheets to each store once per week identifying by brand and style items that were to be re-priced. Employees in the store would then locate the items based on their physical appearance and mark the new prices on the tickets. The primary problem was that it was not always easy to identify items whose prices had changed so there was always the risk that items that should have been marked down would not be and items that were not supposed to be marked down would be. In many cases, it was difficult to determine the style of the item so re-pricing the item rested on the judgment of the employees.

The company has used handheld wireless computers that interface with the warehouse management system in their distribution centers for a number of years. Recently the company's information technology leadership determined that the 3,000 scanners used in this application needed a technology refresh. They worked with PEAK Technologies, a leading systems integrator, to evaluate and select new wireless handheld computers. PEAK had already provided printers, consumables and service for the distribution centers and now provides service for the new equipment as well. In addition, as part of PEAK's Priority Gold program, the company is eligible for replacement printheads at no extra charge

"Working with PEAK on the distribution center application was a very positive experience so we asked for their thoughts on how the in-store applications could be improved," said the company's retail systems manager. "PEAK's experience in developing and implementing many similar applications in both retail stores and distribution centers was extremely valuable in steering us in the right direction. A major concern was that we did not have IT staff in the stores to assist with

CASE STUDY

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installation, training and service. PEAK solved this problem by utilizing their national field service organization, one of the largest in the auto ID industry, to handle all of these jobs."

Application/Solution

The company's programmers developed the application for handheld wireless computers that run in 5250 emulation mode to gain access to the company's AS/400 inventory application. Rather than keying in the items, the store employee simply scans the label on the outside of the package. The inventory system already knows the contents of the package so there is no need for the employee to break open the box and scan the individual items. As the items are scanned, they are instantly transferred from the distribution centers to the store's inventory and can immediately be placed for sale.

A very similar application was developed for sending and receiving items to and from other stores. Again, the employee simply answers a few prompts on a handheld wireless computer, such as which store the item is being sent to. They scan the item, and the transaction is entered into the inventory system. Both of these applications save considerable amounts of time, primarily by eliminating the need to key the item numbers. They also eliminate the potential for data entry errors that in the past often made it necessary for the accounting department to diagnose and correct errors. Finally, the inventory application is updated as soon as the transaction is completed so reports are accurate as of the time they are created.

A third application was created that allows employees to scan the ticket of any item and then displays the price of the item. This application has nearly eliminated mistakes in re-pricing items by providing positive verification of the price during the re-pricing operation.

When the application was ready to roll out, PEAK service engineers took the handheld wireless computers and wireless access points to each store. They performed a site survey, installed the access points, loaded the terminals with software, and tested everything to make sure it was working correctly. Then they trained the store employees in how to use the terminals and the applications. The company also selected a service contract with PEAK so that if the store employees have a problem with a terminal, they can simply ship

it back to PEAK for repairs. In addition, a PEAK service engineer can be dispatched to the stores throughout the country.

Benefits/Results

"These three applications have provided dramatic time savings throughout our retail organization by eliminating the need for time consuming manual data entry," said the company's manager of IP communications "We estimate that each store previously spent a total of 45 hours for receiving and store transfers every week. The new application reduces the time required for these two jobs to about 5 hours. We have rolled the application out to 300 stores so far, saving approximately 624,000 hours per year, which is the equivalent of approximately 300 full time positions. Rather than reducing our staff, we have invested the time that was saved in delivering improved service to our customers."

"Beyond that, these three auto ID applications provide additional, but hard to quantify, savings through more accurate and timely information," the retail systems manager concluded. "By avoiding miskeying errors and providing real time updates, we now have more accurate inventory numbers which means less stock-outs, better customer service, and greater revenues. Furthermore, the ability of the price identification application to avoid pricing errors helps us protect our margins against inadvertent markdowns. We installed this application in 120 stores in 2004 and 180 stores in 2005. It worked nearly without a glitch and has already paid back our initial investment several times over. We have an aggressive store-opening program for this year and we are planning to install this application along with the new handheld wireless computers as part of our new store build program. We are also looking at several ways to expand these applications while keeping our eyes open for other opportunities to use auto ID to improve our bottom line."

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Company Manager



A PLATINUM EQUITY COMPANY

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