

Research Study: Cloud-Based Business Solutions Suite Delivers Key Performance Improvements to Retailers



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Executive Summary

Many firms – including those in the retail sector – have achieved more-efficient and agile business operations by using cloud-based ERP and retail management software.

The retail sector has a well-earned reputation as one of the most challenging industries for participants to navigate successfully. Retailers – be they traditional brick and mortar companies, online sellers or, often, a combination of the two – must manage complex supplier relationships and inventories while also catering to the sometimes mercurial wants and needs of their end customers. For retailers, “supply and demand” is more than a trite catchphrase. Rather, it encapsulates an ever-shifting and intricate relationship that

demands real-time data, accurate forecasting and efficient operations if the retailer is to generate profits in a business characterized by razor-thin margins.

In short, retailers truly need a 360-degree view of their business, encompassing suppliers, consumers and the many processes that connect the two. With little room for error, retailers must not only track critical operational metrics closely, they must continually strive to make their processes more efficient and effective.

Retail Metrics Encompass Supply-Side, Demand-Side

Retailers sit at the nexus between wholesalers and distributors on one side, and end buyers on the other. They must deal with product availability and pricing demands from their suppliers, while keeping their store offerings competitively priced and in line with current customer demands. As friction-free online shopping options proliferate, maintaining customer loyalty as well as profitability is proving increasingly elusive. Among the operational challenges retailers face:

Supplier-side Challenges:

Product availability and pricing: All but the largest of retailers are at the mercy of their suppliers, who can set prices close to retail selling prices and whose products may not always align with changing customer demands.

Incoming inventory management: Retailers need to maintain inventory levels and mixtures aligned with the current and forecasted

consumer preferences, which aren't always the same as the suppliers' preferences and product lines.

Buyer-side Challenges:

Outgoing inventory management: Retailers must have good visibility into inventory levels and purchasing trends to ensuring that inventories are stocked to meet both current and future demands, while limiting overstocking and forced discounting.

Customer satisfaction: In addition to ensuring that they have the right product selection and price points, retailers must work to engender customer loyalty while also increasing the number and value of products each customer buys.

Ecommerce operations: As higher percentages of retailers enter the online selling realm, they must deal with everything from cart abandonment rates to rapid and accurate processing of orders and shipments.

KPIs That Matter

Like many of their peers in other industry sectors, retailers have been investing in cloud applications because of their low upfront costs and faster time to deployment, their highly efficient and flexible functionality and their low IT demands. Given the range and interdependencies of retailer's supply-side and demand-side operations, a multifaceted suite that integrates many functions on top of a shared-data foundation is especially valuable. That's why many retailers have been able to measure and improve their KPIs after adopting NetSuite's cloud-based business solutions suite. By interviewing and surveying representative

NetSuite customers in the retail sector, market research firm SL Associates identified which KPIs these companies track as well as the improvements they've realized by basing their core operations on NetSuite's multifaceted business suite.

Deploying the common NetSuite platform as the foundation for their core business processes generated a range of impressive KPI improvements, as illustrated in Figure 1.

Improving KPIs Organization Wide – contd.

Figure 1: Typical Retail Business KPI Improvements

Category	KPI	Results
Business Visibility	360° Visibility & Actionable Insights	Increased 30% - 60%
	Business Agility	Improved 20% - 30%
	Reporting Time and Resources	Reduced 30% - 50%
Financial Management	Gross Margin Performance	Improved 2% - 5%
	Time to Close Financial Books	Reduced 40% - 60%
	Audit Time	Reduced 10% - 40%
	Accounting Staff Productivity	Increased 30% - 50%
Enhanced Store Experience	Customer Loyalty – Sales Growth	Improved 3% - 5%
Enhanced ecommerce and Web Experience	Online Conversions	Increased 10% - 35%
	Cart Abandonment Rate	Reduced 10% - 20%
	Time to Process Online Orders	Reduced 30% - 50%
Marketing and Campaign Planning	Repeat Customer Sales	Improved 30% - 60%
	Customer Visit Frequency	Improved 10% - 20%
Merchandising and Inventory Planning	Automated Inventory Markdowns	Reduced 20% - 40%
	Inventory Management – Out of Stocks	Reduced 5% - 25%
Customer Service and Customer Experience	Faster Resolution of Customer Issues	Improved 30% - 50%
IT Management and Resources	IT Support Resource Costs	Reduced 30% - 50%
	Cost to Purchase and Maintain Servers	Reduced 100%
	Business Continuity/Disaster Recovery Costs	Reduced 50% - 75%

Source:
SL Associates, 2014

Conclusion

The different types of KPIs shown in Figure 1 represent just some of the business processes and measurements that can help retailers determine how well they're performing. Many of the improvements shown spring from the breadth and ease of use of the NetSuite business solutions suite, and its delivery as a cloud-based service. Finding a business solution suite sold as a cloud-based service has become a highly desired, and increasingly required, purchasing consideration. After all, cloud vendors take responsibility for managing, updating and securing the solutions that run in the cloud.

“There’s nothing you can think of that we don’t track”

— Beyond The Rack, President and Chief Merchandising Officer

The whole company runs on NetSuite today

Having a reputable cloud provider handle these and other critical business processes – as well as providing the platform for ecommerce sites in some instances – frees companies from performing these tasks, which are often outside of their areas of core competency. And, as shown by the following examples of representative NetSuite customers, having a comprehensive and fully integrated business solution suite foundation on which to conduct a wide range of business operations can greatly improve the efficiency and effectiveness of many KPIs that are critical to retailers of all types.

For additional information about NetSuite's cloud-based solutions, visit the company's website at www.netsuite.com/retail.

NetSuite Customer Experiences

[That Fish Place – That Pet Place](#)

Founded in 1973 as That Fish Place, the Lancaster, PA-based retailer of pets and pet supplies and services now operates under the name That Fish Place – That Pet Place (TFP-TPP). In 1998, the company added an ecommerce site to complement its 88,000 square foot retail storefront. With about 135 employees, TFP-TPP currently generates about \$19 million in annual revenues.

After running its business for many years on an HP3000-based Ecometry retail software platform, the pet store migrated to a ProfitCenter ERP and ecommerce solution. TFP-TPP had a small IT staff (currently two IT professionals and a data analyst), so appreciated that ProfitCenter was an early cloud-based solution. Over time, however, the retailer found that the solution was inflexible, difficult to customize and had limited reporting and inventory management functionality. “We had to do a lot of workarounds and manual work for everything from forecasting to entering purchase orders,” says TFP-TPP’s chief operating officer.

Following an extensive evaluation and selection process, the retailer shifted its business operations and ecommerce site to the NetSuite business solutions suite. TFP-TPP has since achieved a range of operational and financial benefits, according to the COO, led by the suite’s “superior” reporting capabilities. “We can generate reports much more quickly,” he says. “For me personally, I’d say there’s been at least a 30 percent reduction in the time I spend generating reports.”

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— Chief Operating Officer

Among the other NetSuite-derived benefits the company’s COO cites are:

- A drop in the monthly financial close time from 30 days to 14 days
- About a 50 percent reduction in the time required to conduct audits
- A 19 percent reduction in inventory out-of-stocks, thanks to the better, more granular forecasting that NetSuite provides
- A 33 percent increase in online conversions thanks to shopping cart and checkout enhancements as well as the provision of shipping information and other data
- A 10 percent increase in the number of ecommerce transactions per customer, largely due to highly targeted promotions that the NetSuite platform permits
- About a 25 percent increase in the conversion rate for online customers

TFP-TPP has also seen “a noticeable improvement” in customer satisfaction, the COO says, thanks to NetSuite’s ability to help the store better manage its customer loyalty program, respond more quickly to email inquiries, and – via workflow scripting – quickly direct customer service queries to the appropriate person.

In another customization of the NetSuite solution, TFP-TPP built a number of fraud controls into the system to speed its order approval process. “Now we don’t require manual reviews by our call center managers,” the COO explains. “The system flags maybe three or four suspicious orders each day. That alone probably saves 20-30 hours of work per week in the call center.

NetSuite Customer Experiences

SportStop.com

One of the premier online retailers of lacrosse equipment in the U.S., SportStop.com employs just 15 people but grew its revenues by 15 percent in 2013 to about \$7 million. The firm has no IT staff, and decided to shift from its Zoovy ecommerce platform to NetSuite SuiteCommerce in early 2009, primarily to better manage its fast-growing inventory.

“The one thing that kills most of retail is not properly controlling your inventory,” says SportStop.com’s founder and president. “You can have too much, too little or not the right things, and as my sales grew, my inventory was expanding rapidly.”

NetSuite gave the retailer the ability to calculate inventory trends and sales trajectories much more dynamically and to apply much finer-grain controls to its inventory. That inventory has grown from 2,000-3,000 SKUs prior to deploying NetSuite to 20,000 unique SKUs today, he says.

Even with the 10X growth of its inventory items, SportStop.com has been able to drop its former practice of allowing people to backorder out-of-stock items. “We realized that, because we were ordering so well, if we were out of an item, 99 percent of the time the supplier was also out,” he explains.

Also, “since we control inventory so well, we don’t have to run a bunch of promotions to get rid of stuff we’re overstocked in,” he continues. “We buy right and can resist pressure from brands to buy lots of some product.” In part because it doesn’t have to do so much discounting, SportStop.com has added 2-3 points to its margins since deploying the NetSuite solution, he says.

“The one thing that kills most of retail is not properly controlling your inventory,”

— Founder and President

The integrated NetSuite platform has also helped the retailer improve customer service and retention, while also keeping its employee headcount in check. NetSuite’s CRM capabilities have allowed SportStop.com to maintain the same number of employees in customer support even as its sales have tripled over the past five to six years. “We also have about 50-60% of our sales coming from repeat customers,” he says, “up from 30-40 percent in the past.”

NetSuite Customer Experiences

[Saddleback Leather](#)

A designer and retailer of high-quality leather luggage, briefcases and accessories (made by a sister company, Old Mexico Manufacturing, based in Leone, Mexico), Saddleback Leather employs about 40 home-based employees. The company deployed a NetSuite ERP, CRM and SuiteCommerce suite in late 2011, giving it a “one-stop-shop” for IT software, says the firm’s IT manager.

Having a common and standardized foundation for both development and reporting has delivered a variety of benefits. “Sales reporting is just so easy,” says Saddleback’s operations manager. “I can’t image not using NetSuite to generate those reports.”

The online retailer, which places high priority on

***“I can’t image not using NetSuite to generate those reports,”
— Operations Manager***

customer service, uses NetSuite CRM to manage its customer relationships (having imported its former Salesforce.com CRM data into NetSuite), and has just deployed SuiteCommerce Advanced, in part to gain access to the services ability to support buyers using mobile devices.

[Beyond The Rack](#)

Beyond the Rack is an online private shopping club that offers heavily discounted designer brand apparel and accessories to its members. Typically, the company launches three sales events each day, starting at specified times and typically lasting no more than 48 hours. When each event ends, the merchandise is no longer available.

This business model requires a powerful and customizable inventory control system due to the large number of SKUs Beyond the Rack handles, and their fleeting nature. “Everything only lasts a few days, and we go through about 300,000 SKUs each month,” says president and chief merchandising officer of the 430-employee retailer. The inventory and financial systems must also be scalable – Beyond the Rack’s revenue grew by 23 percent during 2014 to about \$200 million.

After first relying on Excel-based reporting and analytics, the company deployed a NetSuite business suite solution about five years ago. The solution’s ability to be easily customized was a critical factor for Beyond the Rack. Out of the box, the NetSuite analytics were set up to run through every SKU whether there was inventory behind it or not. With the company’s constant turnover, “that could bring the system to its knees,” if Beyond the Rack hadn’t been able to customize NetSuite to align with its unusual business processes.

Beyond inventory management, “the whole company runs on NetSuite today,” he says. Among other benefits, Beyond the Rack had dropped its financial closing time from 2.5 weeks to 10 days or less. “We track everything on NetSuite,” he says, “everything from our sales, event productivity, SKU productivity, image count, units sold and inventory amounts. “There’s nothing you can think of that we don’t track.”

NetSuite Customer Experiences

[Tree of Life](#)

Since opening its first Sydney, Australia-based shop in 1992, Tree of Life – a fashion and apparel retailer – has grown to more than 50 stores, 300 employees and, in 2013, \$27 million (Australian) in revenues. Attracted by the cost savings and light IT requirements of the cloud computing model, Tree of Life deployed a NetSuite ERP, CRM and SuiteCommerce solution in 2007. In addition to its cloud-based delivery, “the ability to be in one ecosystem and getting a whole view of the company was very beneficial,” says the retailer’s CIO, who also serves as the NetSuite solution administrator.

“The ability to be in one ecosystem and getting a whole view of the company was very beneficial,”
— *Chief Information Officer*

That common business platform also encompasses the point-of-sale (POS) terminals in each of the firm’s 50 stores, following Tree of Life’s recent deployment of a NetSuite POS solution. The multi-channel retailer – whose online orders still only account for about 3 percent of its total sales – is working to take advantage of the cross-channel capabilities that the common NetSuite foundation can provide. “It’s a big priority for us to improve our cross-channel sales,” the CIO says. “To sell on the web and ship items to the store for pick-up, for example. I see a lot of our stock sitting idle.”