

Case study

adidas Retail sets a course for the future with Connected Retailer solutions



By implementing Connected Retailer Merchandising, together with other NSB solutions, a North American sporting goods giant is gaining unprecedented control over its inventory, improving productivity, and reducing costs.

Background

For more than 80 years, adidas has been a global leader in the sporting goods industry, delivering state-of-the-art sports footwear, apparel, and accessories. adidas-Salomon, the brand's corporate parent, offers a broad portfolio of sporting goods and related products. The company has total global net sales of US\$8.3 billion and global net income of US\$403 million.

adidas Retail, the US retail division of adidas-Salomon, currently operates 70 stores across North America and is growing fast. Sales for adidas Retail have steadily increased as the company continues to launch successful marketing campaigns, and volume has tripled over the last five years.

adidas Retail has been an NSB client since 1999. Before implementing their new solution, they ran their merchandising on a Unix-based legacy system. Although the legacy system satisfied their needs, as the retailer grew and the face of retail started to change, the old system could not live up to their strategic requirements. "The R12 system was stable and consistent. We knew what to expect from it, day in and day out," says Vince Jackson, Director of Retail Information Systems, adidas Retail. "But it was limited in what it could achieve."

Challenge

adidas Retail has been growing fast, with hot products on the market and top-performing athletes endorsing them. As requirements arose for the IT department, such as integration of their merchandising with an SAP Financials system and a warehouse system, the retailer started to look for a new merchandising system. And as they surveyed the market, they discovered a whole new world of possibilities. "When we saw what was possible with new technology, we started to develop a more powerful vision for the future, and we wanted the technology that could help us achieve that," says Jackson.

Solution

With this in mind, adidas Retail selected the entire suite of Connected Retailer solutions to take them into the future of retailing. They purchased Connected Retailer Store, Merchandising, Planning, Sales Analytics, and CRM. At the core of their systems is the Connected Retailer Merchandising Solution, which streamlines operations, unifies asset management, and helps retailers learn the truth about their business. This powerful retail enterprise solution features an open-architecture design that provides unprecedented flexibility, scalability, power, and control.

Merchandising's centralized transactional database and support tools enable retailers to make and execute better decisions based on accurate, current, and shared information. By using consistent data to guide all processes, the solution automatically synchronizes and integrates all key functions, including planning, ordering, pricing, flow, sales, margins, and inventory management. Connected Retailer

adidas Retail facts at a glance:

- North American division of the global sporting goods leader
- Channels: Retail stores, outlet stores, franchisees, Web, wholesale
- Brands: adidas Sport Performance, adidas Sport Heritage, adidas Sport Style, Salomon, Mavic, Bonfire, Arc'Teryx, Cliché, TaylorMade, adidas Golf, Maxfli
- O/S: Windows NT
- Server: Microsoft SQL
- Connected Retailer Solutions: Store, Merchandising, Planning, Sales Analytics, and CRM

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VINCE JACKSON,
Director of Retail Information Systems,
adidas Retail

Merchandising optimizes ROI by improving the performance and coordination of every process in the retail cycle.

The importance of teamwork

To ensure a smooth implementation of the Merchandising solution, adidas brought together various teams from across the business to discuss the current and future status of their IT systems. Before holding a formal Product Review Meeting (PRM), representatives from each department helped document processes and put together a wish list for the new system. Once the project was underway, these same individuals were involved in the rollout and training, and became the “super users” who would go on to provide training to end users.

“Creating ownership among the different business groups was critical to the overall success of the implementation,” says Cindy Martinez, Retail Systems Analyst, adidas Retail. “We made sure everyone felt their voice was heard, which helped them feel they had a vested interest in a smooth rollout of the project.”

Jackson supports this view and has strong advice for the CIO or VP of Systems who is attempting to win support for a new systems implementation. “You must get the support of the business owners,” he avows. “You have to go to the head of buying, the head of planning, the head of operations, everyone who will be affected by the change. They must want to own the new system. We’ve seen in our own organization how relationships have improved and ultimately help get everyone excited about the project.”



Standards-based implementation

NSB uses a proprietary Solution Implementation Methodology (SIM) that employs best practices throughout the implementation process. “With SIM, everything is documented and properly scoped,” says Jackson. “It’s well formalized, and we have a good understanding of where we are at all times.”

adidas found that the standardized methods, along with the organization of the team members from both adidas and NSB, made a vast difference to the implementation. “We have an executive sponsor who has been very involved in ensuring the project moves along. Having one primary point of contact on each side has made the process much smoother,” Jackson confirms.

Results

Rapid ROI

adidas expects to see ROI on their merchandising system within two years, thanks to the cost savings they will realize and the increased efficiencies they’ll see across the business. In addition to Merchandising’s many qualitative benefits, adidas was also able to determine quantitative benefits to identify ROI on the new system.

Optimizing inventory

Connected Retailer Merchandising delivers a central, accurate view of inventory at all times to everyone in the organization, from store managers to buyers. This centralized view dramatically improves the performance of various operators touching the system. “The system and user-defined Inventory Status give us a true picture of what is available to sell and in what location,” says Jackson. “Inventory Status gives planners, stores, and Inventory Control a better view of true ‘on-hand,’ which will save at least 20 hours per week.”

Easier inventory counts equal cost savings

Before acquiring the new system, adidas had to “freeze” their inventory for two weeks to take an inventory count, an event that took place twice a year. “That’s four weeks of inventory freeze per year to accommodate inventory counts. We lost sales during those times because we can load up the stores only so much during those periods,” says Jackson.

With the new system, adidas has full visibility into inventory in transit during their inventory counts. “We have shorter cutoff times and minimal interruption of product flow,” he adds. “We expect to lose fewer sales during inventory counts. And the Retail Support/Inventory Control and Finance areas will save about 10 hours at inventory time and 16 hours per month with cycle counts.”

Controlled markdowns and margin erosion

The system not only provides users with a better view into inventory, it also gives them the tools they need to act on this information more effectively. Merchandise Analytics, a component of the Merchandising Solution, allows users to quickly navigate through volumes of data and then take the required action on specified styles. Rather than just noting items that need to be marked down or transferred, the system allows the user to create “suggested” transfers or price changes where it makes sense — with all the supporting data on hand.

“Merchandise Analytics is a great tool,” Jackson confirms. “We can set up predesignated times for product to be marked down, depending on elements such as the cycle for the season, turns, age, or special promotions. If an item is doing well, we can take it off the markdown list. The system provides precise reporting on the performance of an item and how it reacts when we mark it down.”

The tools and the reporting are a strong combination for managing merchandise both effectively and to a fine level of detail across the business. “We can act at a more granular level, acting only on specific colors and/or locations that require a markdown,” Jackson adds. “Overall, it gives us more flexibility and a whole lot more visibility.”

Integration opens data flow across the business

Connected Retailer Merchandising features integration between Planning and the Open-To-Buy module, which helps ensure buyers are buying to the actual plan. Instead of working from spreadsheets and transferring this information to Merchandising, planners develop optimal plans in a sophisticated Planning application, which feeds directly to the Open-To-Buy. “As our buyers make buys, we can look back and ensure they’re fulfilling as needed and that they’re going to hit those plans. That’s definitely a benefit for ensuring we have the right product and the right amount of product,” Jackson says.

NSB has also integrated the Merchandising system with adidas’s SAP Financials system. This integration will bring substantial qualitative benefits to the retailer on several levels. “We’re now going to be able to get our information out at the level where we need it,” says Jackson. “The information we feed to the financials systems will go on to populate all their reporting systems. We’ll be able to integrate item match information directly from SAP into Merchandising, and that will allow us to import styles, put them in inactive status, and then choose which ones to activate. It gives us a great flow of product information, as well as financial results information, to and from SAP.”

Unprecedented flexibility

adidas is taking advantage of Connected Retailer Merchandising’s highly flexible architecture to accommodate some of their unique processes and procedures. For example, their European headquarters recently made the decision to move to a calendar month worldwide, while adidas Retail’s reporting was based on a merchandising calendar. “The new system allows us to post according to our own definition of a G/L period, which eliminates the need for manual entries and adjustments and also increases accuracy. That’s definitely been a benefit for us.”



.NET technology is easy to use and integrate. adidas’s options are also enhanced because of Microsoft .NET. The key components of Connected Retailer Merchandising — Allocation and Replenishment, and Purchase Order Management — are written on Microsoft’s .NET technology. NSB was one of the first vendors to market a .NET-enabled merchandising solution. “As far as I’m concerned, .NET is one of the easiest methods of integration and one of the thinnest systems out there,” says Jackson. “It gives you a lot of flexibility, and it’s a great tool for the future. We know it’s here to stay, and it’s just going to continue to improve.”

Eliminate hidden cost with a single-source partner

adidas has seen many benefits in moving to a single-source provider, and is pleased with the close partnership that has evolved between client and provider. “When it comes to eliminating cost, you want to minimize the number of vendors and support mechanisms you’re deal-

ing with,” says Jackson. “Sometimes that can armband you, but, on the other hand, you don’t have to deal with multiple vendors. That’s a huge savings in terms of time, integration requirements, and, ultimately, cost.”

Technology that supports your brand

Most people do not think of technology when they think about brand. And yet technology makes an enormous impact on your brand, by relaying information about your consumers and products in countless ways to your key decision makers. Jackson agrees. “If you’re trying to portray a particular image, you need to be able to create that image, and technology helps you do that. People and systems come together to create the brand. If you’re missing either of those elements, it’s going to affect the brand’s overall strength.”

In terms of talking to executive management, Jackson emphasizes clear direction based on clear communication. “It’s really important that you outline your vision for the future,” says Jackson. “What are you planning to do with this organization? What is the vision for retail two or three years down the road? You need to demonstrate to a CFO that your investment is fiscally responsible, but you have to do that with a solid vision for the future that captures the spirit of your company’s overall strategic direction.”

Vince Jackson, adidas Retail

As Director of Retail Information Systems, Jackson is responsible for short- to long-term strategic planning; selection, implementation, and management of all retail systems; as well as network, technology, and budgetary planning. Prior to adidas, he worked for Philips Magnavox as Manager of Retail Marketing for the retail stores division. He has received numerous awards, including two for Corporate MVP with adidas, and Manager of the Year with Philips Magnavox.

A sense of community

As adidas continues to roll out the rest of their new systems, they are benefiting tremendously from the user community for Connected Retailer. “We’ve been able to share ideas with other users in the client community, and they’ve been very beneficial,” says Jackson. “This community contributes to the overall strength of the systems — we can bounce ideas back and forth from a user perspective, which ultimately helps everyone involved. I’m confident that this collaboration will continue to help us discover more of Merchandising’s capabilities and benefits in the years ahead.”



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