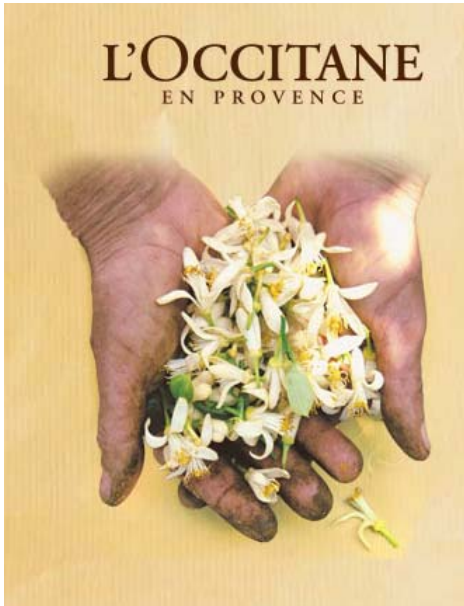# Customer Success Story

L'Occitane Australia, Sydney Australia

With comments by Ian W Wainer
Chief Financial Officer

Customer Profile:

L'Occitane is well-known and admired around the world for its unique range of fragrant products for body, bath and home, created using traditional ingredients and time-honoured formulations from Provence.

L'Occitane Australia comprises four Business Units
1. Retail: 14 company owned and operated retail stores (growing by 5 stores each year)
2. General Wholesale Customers
3. Department Stores Customers
4. Business to Business

Business Challenge:

"At the core of the problem was our Excel based budgeting and forecasting system. The annual budget was set with high level drivers which had many disconnects with operational planning and controls. Unfortunately that was all we could do with Excel. Each manager ran their own sub system in Excel to measure and control performances in their area of responsibility"
commented Mr Wainer, CFO

"In Retailing your business is profitable when you have less than three stores or more than 25. In between this number and your Admin component kills you" commented Ian Wainer, L'Occitane Australia's CFO. "So we had to learn to do more with fewer resources".

The challenges were:
1. reduce resources consumed by the weekly and monthly reporting cycle.
2. reduce stock levels at stores and warehouse without reducing service levels
3. increase analysis on store sales and productivity
4. determine Promotional Effectiveness to increase Marketing Expenditure ROI.

The overall challenge was to integrate all facets of the company within a Business Performance Management framework.

Reducing the Reporting Cycle:

Reporting to the Hong Kong regional head office and France took approximately 40 man hours per month. The business challenge was to increase the analysis while reducing the reporting cycle.

"Accounting is the last served of every organization—everything ends up in the accounts. So create retail store budget without building everything from the ground up… at the SKU and employee levels….is a difficult proposition"

"To complete our weekly monthly reports we ran reports from our Micronet Accounting and Point of Sale System over and over again with different parameters. We then transposed the numbers from these reports to fixed format excel reports for each store and business unit" commented Mr Wainer. "The Excel reports had complex links which needed to be changed every time we had a new store opening or a business rule changed. Clearly this was inefficient"

"A colleague recommended that we look at a tool that would make our life easier. We saw that we would immediately benefit from PowerOLAP but when we discussed it with our Head Office we discovered that they were already on track with Prophix, another Budgeting solution. So we investigated both and bought both"

"Accounting is the last-served of every organization. Everything ends up in the accounts. So creating retail store budgets without building everything from the ground up—at the SKU and employee levels—made no sense."

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The Micronet system had over 1 million records in the Sales system alone. So what we needed was a system that would be integrated along all parts of our decision process, not just at budgeting time. PowerOLAP's integration with SQL server allowed all our Sales, Inventory and GL data to be brought into the cubes daily without intervention.

"The monthly fixed format reports were an absolute breeze to integrate with PowerOLAP. For each store we had 7 key drivers that we needed to report on and compare to budget. With PowerOLAP the integration to Excel is down to the cell level which means we can pick up each of the seven store drivers directly from PowerOLAP. The report is refreshed simply by pressing the F9 key

"The monthly fixed format reports were an absolute breeze to integrate with PowerOLAP. For each store we had 7 key drivers that we needed to report on and compare to budget. A pivot based tool would provide the table of data but you would then need to summarise and transpose the data into the fixed reports. With PowerOLAP the integration to Excel is down to the cell level which means we can pick up each of the seven store drivers directly from PowerOLAP. The report is refreshed simply by pressing the F9 key.

Inventory Control:

The retail operation is subjected to seasonal and promotional fluctuations. Normal stock analysis could not cope with store replenishment methods unless huge safety stocks were held. Safety stocks succeeded in larger than expected inventory holdings at each store. Originally L'Occitane investigate statistical methods for their store forecasting but there were too many assumptions and rules to absorb.

"We had a simple solution if we could get the history data easily. We developed the Last Six and Next Six concept. Say we were in Week 42. We would take history from the last six weeks of store sales plus Weeks 43 to 49 from Last Year and add our factors to arrive at a projected weekly sales figure for the next six weeks. Not very scientific" commented Mr Wainer "but workable if you could get the six week history data easily".

A PowerOLAP cube was set up with a Week dimension to provide the history data.

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"The business rules to accommodate such a model are complex. This is where PowerOLAP's and Excel were such a powerful and flexible combination. Many of the rules were built into PowerOLAP but some rules needed human intervention. For example, Store 14, as a new store, had at least six weeks history what about the six weeks from last year? The Excel model picked up Store 14 Last Six numbers then Next Six from Store 3, 7, and 9 because these stores we close approximates to Store 14"

"We now have our simple and effective Store Replenishment model—represented in Excel but stored in PowerOLAP"

Store Analysis:

A Stores Analysis cube was set up which tracked sales by Hour, Day, Week, Month, Year, Store, Product Range and Sales Person. Weekly Payroll data by Sales Person is brought into the Store Hours cube. Trading patterns for each store were easily reviewed and store scheduling enhanced.

Data was previously accumulated by several people in Excel spreadsheets to report on key Productivity drivers such as "Dollar Sales per Hour".

> *"We are now able to track significant drivers such as Dollar Sales to Dollar Labour. …We think we can save over $100,000 over the next 12 months with this"*

"We are now able to track significant drivers such as Dollar Sales to Dollar Labour. We may not have been able to alter the total hours but we could affect the mix of staff types. The PowerOLAP model gives us the ability to review this and many other drivers. We think we can save over $100,000 over the next 12 months with this" commented Mr Wainer.

Store Promotions, ROI and Sales Forecasting:

In-store promotions are conducted by each store through out the course of the year. A single product category is promoted over a period of three to six weeks.

"Tracking the effectiveness and thus using that knowledge for forecasting was somewhat difficult" commented Wainer. "Each promotion often spans more than one accounting period and in a totally different time period from the last years promotion. Seasonal adjustments also clouded the picture. So what would we take up as a forecast adjustment?"

The Store Analysis cube had the answer. "Sales based on Product Category across the page and Week down the page smoothed out seasonalities and immediately showed the large spikes in promotions. The uplift factor is now used in the Sales Forecasting process

The Budgeting Process and Disconnects:

"We knew the drivers of this business but we could not measure them easily and consistently."

"At the core of the problem was our Excel-based budgeting and forecasting system. The annual budget was set with high-level drivers which had many disconnects with operational planning and controls. Unfortunately that was all we could do with Excel. Each manager ran their own sub-system in Excel to measure and control performances in their area of responsibility" commented Mr Wainer.

"The templates for our Excel based budgeting system were sufficient. The problem was that there we so many linked files consolidating up to one yearly budget number by business unit. New stores had to be added so the links all needed modification. For our first budget we removed all the Excel links and used the templates in stand alone mode"

"PowerOLAP was used to interrogate the key drivers from the Sales and GL systems and applied to the excel templates. PowerOLAP's OLAPWrite function easily picked up the figures—if we had an error, we knew straight away. It was simply a matter of copying and pasting one PowerOLAP Write function to the appropriate cells. 150 GL accounts per store were successfully dynamically linked to PowerOLAP with one copy and paste. Easy."

"In effect we used the Excel spreadsheet templates to perform store budgets and PowerOLAP's hierarchies to do all the consolidations. No complex spreadsheet links, no mess. We felt comfortable doing this in the first year. Next year we will do everything totally connected to PowerOLAP.

The PowerOLAP budget numbers are sliced to Excel which then get uploaded into the system in France.

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Going Forward:

"The budget and forecasts will, from now on, be true bottom-up affairs. Everything will be done at the SKU level which will then feed the General Ledger. It is the only way we can truly link operational plans with financial plans and avoid all the disconnects we have had in our business. All the little sub systems will go."