

## **Retail Directions Case Study Series: June 2008**

### **Case Study – The Body Shop**

#### **Summary: Australian IT ingenuity powers international retailing success**

Retail technology specialist, Retail Directions, has been designing and expanding its pace-setting retail management software for nearly 15 years. Supported from the company's Melbourne headquarters, this unique and innovative technology is used by retailers across the globe, providing advanced retail management software that handles with ease multiple product types, currencies, languages and tax regimes.

One retailer whose business requires a highly functional, robust and scalable software system to manage its outlets across the world is internationally renowned brand, The Body Shop (TBS). Retail Directions has been servicing the IT needs of The Body Shop's various business units, including TBS International (France, Germany and the UK), TBS Switzerland, TBS Australia and TBS New Zealand, for over ten years.

#### **Background: 30 years plus of The Body Shop**

The Body Shop® was founded by entrepreneur the late Dame Anita Roddick in 1976, when she started selling hand-mixed naturally inspired products from a small shop in Brighton, England. The company quickly became a cult brand and experienced explosive growth with franchise outlets popping up around the world. In 1999, TBS shifted its operational and management structure out to the regions, creating four different business units in the UK, Europe, the Americas and Asia. In 2006, TBS de-listed from the London Stock Exchange and became part of the L'Oréal Group. TBS International Plc now has over 2,000 stores in 54 countries, trading across 25 different languages, 12 time zones and supplying over 1,200 products.

#### **In the beginning...**

TBS Australia opened for business in 1983 and like many retailers at the time, was using very basic cash registers which could provide only minimal record keeping around what products had been sold. By the early 1990s, the directors of the Australian and New Zealand TBS master franchise were keen to move to a more accurate EPOS system, but after evaluating several suppliers and their products, they soon realised that there was no system available that met all of their retail management needs.



At the time, Retail Directions was assisting The Body Shop on various technology-related projects, so its team was challenged to build a purpose-made, reliable and modern point-of-sale system that would meet all the needs of The Body Shop.

Retail Directions responded by designing an intuitive Point of Sales system, otherwise known as Retail Directions' signature SMS software.

SMS was fully integrated with Retail Directions' RMS - the Head Office merchandising and logistics management system. The RMS system was designed to allow retailers central control over key aspects of their business, such as managing and monitoring stock, range, promotions, stores, warehouses, people, sales and profits.

Retail Directions also successfully designed its breakthrough product, SalesCube®, an innovative On-Line Analytical Processing (OLAP) tool which enables retailers to perform in-depth analysis of sales, profit and stock. Years ahead of its time, this remarkable product was available to retailers long before the concept of data-warehousing and data-cubing became common practice in the industry.

The newly develop POS application was rolled out across Australia's 80 TBS stores over the next couple of years, with more than 25 New Zealand TBS stores going live with the system in 2000.

Barrie Thomas, Director of OLT Retail Ltd which holds TBS franchise for New Zealand says that since implementing the Retail Directions POS and Head Office software, his team has developed a far superior knowledge of the business through access to 'live' sales information and accurate records of stockholdings in stores and warehouses.

"We especially notice the benefits of the Retail Directions system around the Christmas trading period when we bring in a third of our revenue for the year," Mr Thomas said.

The RMS, SMS and SalesCube® products allow TBS New Zealand staff to successfully plan for and manufacture accurate numbers of TBS best-seller Christmas gift packs, a task which was virtually impossible under the previous retail management system.

"Retail Directions' software is robust, reliable and perfectly in tune with our specific retail needs. It requires only minimal operator training and gives staff the detailed reports they require to manage the business and react quickly to consumer trends and customer feedback," Mr Thomas said.



“We are very happy with the product and intend to keep it as an integral part of the way we do business.”

### **The snowball effect**

In parallel to the deployment of the Retail Directions system in Australia and New Zealand, TBS International was also sourcing a new retail management system to manage its operations in continental Europe and the UK. However, TBS International’s requirements were significantly more complex and needed to accommodate each country’s tax system, language and currency.

The directors of The Body Shop Australia and the Retail Directions team took the now proven software solution to TBS International, but found that the UK-based members of the board were initially skeptical about implementing an IT system conceived, designed and supported by an Australian business. However, the Australian product proved superior to other systems available on the market, and in 1999, Retail Directions celebrated TBS International becoming its first overseas client.

Winning the TBS International business was a significant coup for Retail Directions and its software quickly gained exposure to new markets across Europe. Ivan Levy, who leads the Head Franchise Operation of TBS Switzerland, is one such customer who was introduced to Retail Directions through his dealings with TBS International.

### **The Swiss challenges**

TBS Switzerland team started working indirectly with Retail Directions in 2002 after buying the software and hardware through TBS International, which managed and serviced all TBS software systems at the time. Each market was provided with a standard setup.

Mr Levy said there were complications with this arrangement because TBS Switzerland operated a mixture of company-owned and franchised stores. This forced TBS Switzerland to run two head office systems in parallel – the standard RMS (retail) configuration provided by TBS International and File Maker-based in-house system, in order for TBS Switzerland to function effectively as a retailer and a wholesaler at the same time. The Retail Directions solution deployed in 2002 by TBS International only handled the retail part of the operations. System support for Switzerland was also provided by the TBS International from the UK.

“We quickly realised that we ended up with a cumbersome, inefficient and costly solution,” Mr Levy said.



Running both the head office systems required a constant headcount in the logistics department and an IT team of close to five people to manage the multiple interfaces and integration between the systems.

“We were running a very inefficient system configuration that desperately required rationalisation. In order for us to have full compatibility with TBS International’s systems and to place orders directly from our own and franchised stores in Switzerland to warehouses in the UK, we had to find a new approach,” Mr Levy said.

TBS Switzerland had been trading for over 20 years, operating 29 company stores and eight sub-franchised stores across the country. The business had enjoyed considerable success but needed to upgrade to a single, cost-effective retail management system that required minimum staffing, with minimum disruption, in minimum time.

“What we needed was a single, effective retail and franchise management system that was easy to use and offered maximum flexibility, adaptability, stability and integration – with all of the front end bonuses, such as EFT, loyalty programs, analysis tools and ease of store operation,” Mr Levy said.

### **The benefits**

As a former Retail Board Director at TBS International, Mr Levy saw first hand the benefits that TBS International experienced when it decided to migrate from an expensive and inflexible UNIX based system to what Mr Levy describes as ‘the nimble and versatile’ RMS and SMS systems provided by Retail Directions.

“Knowing the team at Retail Directions and seeing its success working directly with TBS International made our decision easy when it came to choosing a supplier to upgrade our systems,” Mr Levy said.

“We walked away from the standard configuration of SMS and RMS that was originally provided by TBS International and phased out our in-house File Maker system. Instead we deployed a custom configuration of full store SMS and head office RMS software, directly from Retail Directions. This move delivered on all those requirements that our business desperately needed – from the seamless ordering with our main supplier, to the invaluable analysis tools, the great loyalty program system, and integration with our standalone accounting system.”

The business invested approximately A\$100,000 in the software and a similar amount in the hardware, and was steered through the migration by a Retail Directions’ senior analyst who was



based in Switzerland for two months. The system, which went live in September 2006, is now used extensively by the retail, logistics and account teams.

“We are thrilled with the Retail Directions system. We have been able to reduce our running costs by A\$200,000 a year and we have all the analysis and functionality tools at our finger tips,” Mr Levy said.

“We got the entire investment back – including hardware - in 12 months. It has definitely streamlined our operation and brought the maximum of efficiency that we were hoping for.”

### **The future**

“Our next focus is to expand the customer loyalty program and to deploy a gift voucher system via the Retail Directions software,” Mr Levy said.

The SMS product offers powerful customer relationship management tools, including customer sales tracking, customer loyalty and relationship management, and customer order capture and fulfillment.

“The best thing about the Retail Directions software is that there are so many options available with this system,” Mr Levy said. “The possibilities are endless.”

Retail Directions’ Managing Director, Andrew Gorecki, says Retail Directions is always on the lookout for new, proven technologies and business trends to ensure its products deliver a strong, competitive edge for its clients.

“We are continually enhancing our system to allow clients access to the best, innovative retail management solutions that can be run with minimal effort,” Mr Gorecki said. “We are pursuing a single aim – to provide our clients with the world’s best retail system.”

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