Case Study: Business Intelligence Furnishes
Restoration Hardware with Profit-Building Tools

RESTORATION
HARDWARE

For specialty retailer Restoration Hardware, changing trends and geographical variances in product preferences make timely access to sales and operational information key to doing business. Daily metrics shape management decisions that have a significant influence on the bottom line. However, Restoration Hardware had a very manual, time-consuming process to generate and deliver key reports to management. Supporting 104 stores in two countries and with continuous new store openings, their system could not keep up with the pace of business, significantly hindering timely decision making.

Restoration Hardware needed the ability to quickly generate "flash" (daily at-a-glance) reports with sales, customer traffic, order and inventory information, with maximum flexibility and ease of use. Analysis Team developed highly automated Business Intelligence solutions that:

1. Changed store performance reporting and analysis from a manual process requiring up to four hours each business day for data gathering, formatting and distribution to an automatic 10-minute process resulting in an email delivered before managers arrive to work each day.

2. Changed reporting for product sales and merchandise planning from a cumbersome process yielding data-poor reports weekly to an automated solution delivering data-rich reports daily.

3. Generated tangible efficiencies, such as saving 1000 man-hours annually for report generation.

4. Enable managers to make better informed, timely decisions that increase sales and reduce inventory and operating costs.

5. Provide ad-hoc reporting and analysis capabilities previously not available.

6. Allow Restoration Hardware's IT staff to add and modify performance measures, given the solution's extensible design and complete knowledge transfer provided by Analysis Team.

Background Restoration Hardware had a laborious process to generate daily sales performance and customer traffic reports on each of its stores. The "Sales Flash" reporting process required up to 4 hours every day to manually gather, input, format and distribute sales data using Excel spreadsheets. Store expansion made the process even more cumbersome. Reports typically weren't available until late the next day.

Restoration Hardware also had very limited reporting capabilities for merchandising planning and operations management. The existing process required Restoration Hardware to extract data from the mainframe system (STS) and import this data into Microsoft Access. Reports from Access were only available weekly.
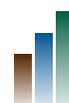
Product class information could be accessed daily only by printing "canned" reports in the mainframe system. For style (SKU) level information, managers used mainframe screens that did not contain key information like gross margin, receipts, on-order and comp store (or same store) variances (aggregate comparisons that include only stores open for at least a full year).

Overall, the manpower and time required created substantial delays in delivering actionable information to managers. "We quickly realized our growing need to streamline this critical process. To help us better understand which technologies would be best suited towards our specific business requirements, we looked to the expertise provided by Analysis Team," said Anne Wilson, Director of MIS.

Restoration Hardware recognized not only the technical expertise, but also the practical business understanding that made Analysis Team the natural partner. As Tony Overbaugh, database administrator, commented, "Analysis Team is in tune with our business. Their knowledge of our industry, our underlying business needs, and our business model allows them to offer better insights. This is their niche." Restoration Hardware engaged Analysis Team to develop Business Intelligence solutions that integrated with their corporate Oracle database.

The Results Analysis Team developed "Sales Flash" and "Merch Flash," two highly automated Business Intelligence solutions for Restoration Hardware, in under two months each. They used Hyperion® Essbase®, Hyperion® Analyzer, Oracle SQL Plus, Microsoft VBA, and process automation software to create a "lights-out" process that then generates reports in Microsoft Excel and delivers them automatically via email.

The "Sales Flash" application provides a wide range of key performance indicators at store level, including targets and actuals for:

- Sales dollars, units, number of transactions, store traffic and labor hours.
- Calculated metrics, such as comp % (same store year-over-year variances), shopper conversion rates, shopper to associate ratio and average transaction amount.

The "Merch Flash" application loads, calculates and provides daily access to product data as detailed as SKU-level (for 9000 SKUs) by store, including:

- Gross and net sales, returns, discounts and markdowns, gross margin and comp %.
- Inventory, inventory receipts and on-order, and Marked Out of Stock.

Both applications offer significant flexibility, including:

- Enabling data analysis by any slice in time.
- Accommodating the addition of new stores and restructured districts.
- Showing data according to different store classifications.
- Providing significant ad-hoc reporting and analysis capabilities.
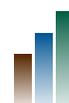
Restoration Hardware has realized a profound impact as a result of the projects. Michael Durbin, Director of Merchandise Planning, lauds the benefits, stating that "these reports are the backbone for helping us make merchandising decisions day in and day out. The 'Merch Flash' is particularly useful for seeing which categories are driving the business and which ones are not. This helps us make decisions on expediting orders, canceling orders, markdowns, etc."
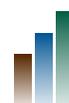
The entire organization has benefited from enhanced fact-based decision-making capabilities. Overbaugh states, "the Analysis Team project has added huge value. Executives and managers are able to make decisions daily by viewing reports that arrive before they do. The improved access to financial, merchandising and other information has added to the bottom line."

Analysis Team delivers high-return Business Intelligence solutions. Analysis Team, Inc. develops customized, automated solutions that significantly improve business performance analysis, management reporting and planning, to drive financial growth. Our real-world experience in business, technology and project management helps our clients to maximize value from their business data and existing information systems.

Analysis Team's consulting services include Business Intelligence assessment and strategy, software evaluation and selection, complete application design and implementation, and knowledge transfer to client staff. By focusing on the unique needs of each client, Analysis Team provides objective advice and delivers practical solutions that achieve clear return on investment.

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