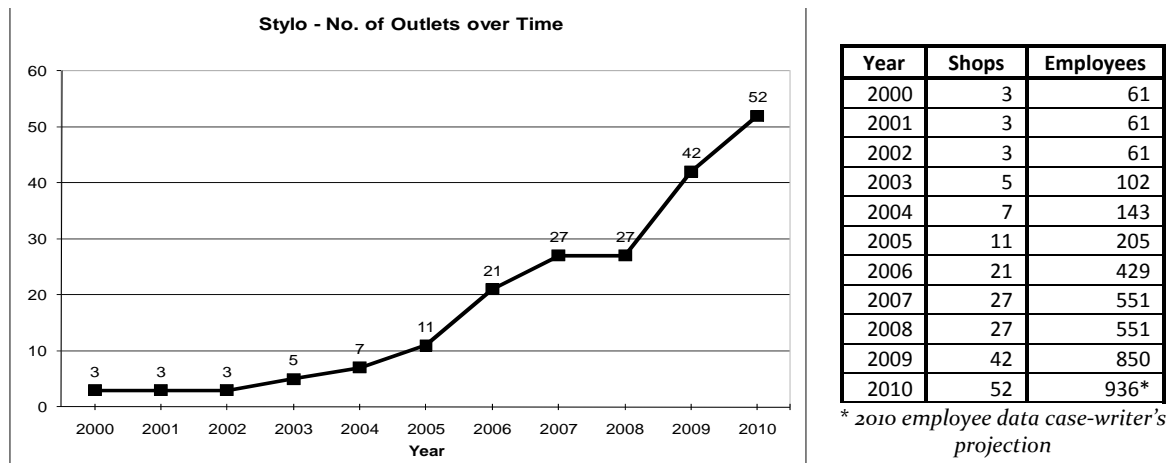


Retail IT decisions at Jay-Kays¹

Leveraging the Stylo Shoes experience

December 2010: Jahangir Khan’s visitors exited, the door shut behind them and he fell into deep thought. As proprietor of the 58-outlet clothing retail chain “Jay-Kays”, he asked himself if he should invest Rs. 9 million in the system that had just been presented to him by Hashim Ali (CEO, Mantaq Systems)? His outlet replenishment systems had once again been stretched to the limit during this wedding season. Come February-end, there would be an opportunity to bring in major system changes. However, the nature of these changes would need to have been “negotiated” well before then.

Figure 1: Stylo retail outlet growth over time



Source: Company Documents

Hashim had left Jahangir with a third-party study that detailed how another major retail chain, Stylo Shoes, seemed to have braved such a change successfully. The senior-most Director at this ladies’ footwear business, Mazhar Siddiqui, admitted that their unstable management systems had been at the point of total collapse. Prior to Mantaq, they had already experienced two unsuccessful IT projects. Yet in early 2009, they expanded retail outlets from 27 to 42 (Figure 1) even while the Mantaq project was still in progress. Now the total outlet count stood at 52.

The study did analyze the various benefits of the Mantaq Systems project at Stylo Shoes. However, being asked to part with Rs. 9 M (about 5 times the cost of his current retail management system) Jahangir had to seriously consider whether these were real system benefits? Could the benefits instead be explained more by Stylo’s management capabilities? To what extent, then, would any benefits be transferrable to his business? What aspects from the shoe business would be re-usable in a clothing retail business, and what was unique to ladies footwear? Given he already had a system, could he not re-engineer it to match the performance gains seen at Stylo?

¹ Stylo Shoes, Mantaq Systems and the case facts and quotes related to each are real. However the organization “Jay-Kays” and the individual Jahangir Khan are fictitious. They are used to disguise a factual situation faced by at least four of Mantaq’s potential clients at the time of writing. The other details about “Jay-Kays” are therefore typical of these clients’ businesses.

This case was developed by Assistant Professor Shazib Shaikh at the Lahore University of Management Sciences solely as a basis for class discussion. Cases are not intended to serve as endorsements, sources of primary data, or illustrations of effective or ineffective management. This case may not be quoted, photocopied or reproduced in any form without prior written consent from the Suleman Dawood School of Business at the Lahore University of Management Sciences.

Jahangir had committed to give feedback to Ali by the end of the week. Seeking answers to his questions, he began a detailed review of the story of Stylo Shoes and its Mantaq Systems project.

Stylo: background and growth strategy

From 1974 to 1992, Stylo had remained restricted to Anarkali, one of the oldest major markets in Lahore (Pakistan). Originally, it was owned by Mazhar Siddiqui's father and called "Bano Chappal". The change of name to "Stylo Shoes" marked the second-eldest brother, Javaid Siddiqui, joining Mazhar in the family business in 1986. By 1992, ownership was with the brothers and they had two outlets in Anarkali. In 1997, they followed their major local rival Ehsan Chappal Store (ECS) into another local shopping hub, Liberty Market.

By 2003, all four Siddiqui brothers were each running a Stylo outlet. At this point, a friend of Munawwar Siddiqui (the third-eldest) – having recently done his MBA - advised them to pursue an expansive retail-chain strategy. He meant that the brothers move to a separate head-office with centralized purchases, allowing a larger number of outlets to be run by middle managers. Javaid and Munawwar were quite excited by this idea. Mazhar agreed to the initial phase of moving to head-office, but only half-heartedly:

"I thought that if we were not personally at the shops then our business would collapse."

The eldest brother saw this as "a gamble of only Rs. 300,000" (the rent to be incurred with just moving the new head office premises for six months).

However, during this trial period, the existing outlets did not suffer. Mazhar described the resulting change in vision, and their adventure outside Lahore towards the end of 2003 as follows:

"Since 1986, our vision was never to make tonnes of money – but our vision was to be #1 and to build a name for ourselves. Having gone from #1 in Anarkali to #1 in Lahore, we thought we need to be #1 in Pakistan. Our brother, Munawwar, was adamant that we must open in Islamabad for that to happen. So that's what we did. There was a grand 3-day, buy-1-get-1-free opening sale. We filled the city with banners, spent Rs.80k on all this marketing. It was unheard of for people like us. It was a hit."

- Mazhar Siddiqui, Proprietor, Stylo Shoes

The rapid expansion strategy took off from here and Stylo reached 52 outlets over the next seven years (**Figure 1**) with a single central warehouse located at an industrial estate in Lahore.

Ladies fashion footwear²

Variation in ladies' fashion footwear came essentially from its three parts: the top, the heel and the sole (**Figure 2**). There were about 24 general footwear classifications that Stylo itself used to guide the new product development process (**Figure 3**). The three general seasons targeted were summer, winter and the wedding season (which itself usually came in the winter). The outlets of ECS and Stylo based in Lahore each stocked 800 to 1000 designs (each shade counted as a separate design). There were five sizes per design and four pairs per size.

It was small manufacturers in and around Lahore and Karachi that hired designers, not Stylo. No formal contract of design exclusivity existed. On occasion, Stylo did ask manufacturers for designs

¹ "Chappal": traditional slippers worn in the Indo-Pak region. See photo snapshot in Figure 3.

² This section incorporates the findings of two MBA projects at the Suleman Dawood School of Business, Lahore University of Management Sciences. In 2003, a consumer behavior study of the ladies footwear market in Lahore was carried out as part of the MBA group project: Farooq et al 2003. The second project focused on the 2006 status of the Stylo supply chain and new product development processes: Soomro et al 2007.

in certain categories. Rarely, it would forward certain materials to help with design innovation. Product lifecycles were quite vulnerable to entry of imitations in the mass market.

Figure 2: Common variations in heel, top and sole



Figure 3: Classification of footwear used by Stylo

1. Chappals
2. Sandals
3. Slippers
4. Softies
5. Shoes
6. Sports

- Sub-categories of 1-4:
- a. Bridal
 - b. Fancy
 - c. Formal
 - d. Semi-formal
 - e. Casual
 - f. Trendy



Example of Chappal variety (traditional Indo/Pak slippers)

Ladies footwear was typically produced with low economy “stuck-on sole technology”.³ This was usually a labor intensive process (10 pairs/worker/shift) and involved technological investments of around Rs. 0.3 million. Combined with ownership of product design knowledge, this made ladies footwear a first choice for outsourcing even for Bata and Servis, the two largest general footwear retail chains in Pakistan. Stylo itself had 300 vendors. However, both Bata and Servis marketed its ladies fashion footwear through outlets quite separate from their regular stores (the former using the brand “Marie Claire” and the latter “Sole Collection”).

Earlier control systems

Before setting off on the rapid expansion strategy after the Islamabad experience a tough question arose: how to do this without losing operational control? The experience with IT before that had been limited to two student projects:

“We didn’t know: ‘What is software?’, ‘How do you use it for reporting?’ We kept a person for daily data-entry of receipts. But, four-to-six months passed and we didn’t even bother

³ Ghani & Rana (2005)

to get any reports or see what was happening. ‘Bugs’ entered and six months later the second project had ended.”

- Mazhar Siddiqui, Director, Stylo Shoes

At the end of 2003, Mazhar consulted an old friend, Ijaz Butt – then at a mainly gents’ shoes retail chain, Borjan, with 10-15 outlets. Butt brought in his former IT Manager; Rizwan Qureshi who took four months to build a system for Stylo similar to the one he helped design at Borjan. Later, both Ijaz and Rizwan were hired by Mazhar.

Mazhar reported that it was Butt’s new control system that allowed them to progress in leaps. Before, each outlet independently submitted its order and the head office simply added them up without much prioritization. Butt drew up a replenishment system which ensured the head office intervened at the time of stock arrival at the warehouse. It then distributed based on its own prioritization given that they now had access to the most current outlet stock-level information in the system. Mazhar estimated that this initiative allowed inventory levels to be cut by about 25%.

With now seven outlets in 2005, Mazhar said that reports were becoming unreliable. Inventory reports produced conflicting results. Though they had workarounds, further store expansions would test these ad-hoc processes. Also, the system was completely reliant on one person. So they proceeded to their second major IT-based replenishment system.

A consultant Stylo that had hired recommended a software firm that had been spun-off from Nirala Sweets (a major local sweets retail chain). They were commissioned to implement the Nirala system at Stylo.

This project went on for two years. Stylo’s Audit Manager described issues that arose during the adaptation of this system:

“The database was more suited to a smaller number of SKUs as sweets have fewer features and, on the whole, they do not change very regularly. Both database design and reports continually had to be customized to provide more details. We would identify ten requirements. But just getting to the third would mean a lag of months; by which time we were having problems again with the first. It took me 4-5 months to introduce a feature that would allow me to perform stock-taking.

The system did eventually start working. But as our organization grew, departmental capabilities and utilization increased. The power that information could wield now was immense. Naturally, demand for it multiplied. A database at a shop would go corrupt. Meanwhile we would be in meetings and one of the directors would say, ‘No, mate – this data you have is wrong – there must be something that’s been left out.’ A fear grew over us: we didn’t know whether our decisions had any correct basis at all.”

- Muhammad Bilal, Audit Manager, Stylo Shoes

It was later discovered that some errors were also related to how the system was being used by employees. There was mis-typed data-entry at various stages, such as when labeling boxes with barcodes and after inventory checks. In spite of all this, Stylo’s management persisted with the Nirala system (and its faults) for a period of two and a half years..

Upgrading to an “off-the-shelf” system

Mid-way through 2008, Mazhar attended an event organized by Mantaq Systems. He was quite impressed by the presentation. It was precisely what he thought he was looking for. Everything was there “off-the-shelf”.

However, Stylo's management hesitated for two reasons. Firstly, they were already procuring another system, Oracle Financials, for their Accounting and Finance department. Mantaq Systems were offering Microsoft's Dynamics Retail Management System (RMS). Problems in "integration" (having the two systems operate with each other) were feared. Secondly, the management had now resolved to make "best-of-the-breed" investments. They increasingly saw technology as critical to their business and decided that they should not compromise on quality.

Based on this understanding, they shortlisted "Retail Pro" that was produced by a company specializing solely in retail management systems. They also found a local vendor for this international brand who had positive references from their last implementation at HKB (major Lahore-based departmental store chain). The counterpart of the Stylo IT manager at HKB was a friend, so he was invited to present on Retail Pro (minutes of the meeting in **Exhibit 1**). Mantaq were similarly invited separately to make the case for RMS at Stylo. More assured by the integration capabilities with Oracle, more impressed by its features and with other references for the local vendor, Stylo opted for Retail Pro. Implementation began with a pilot that attempted to allow retail operations management between the warehouse and two major Lahore outlets. But, as the audit manager put it:

"Their lack of expertise in configuring the system became quite evident when they immediately got stuck on certain issues, e.g. when we asked them to ensure online updates took place daily or that SKUs were not routed to certain places. There were problems in getting the link-up between head office and the shops to function. It seemed they had sent a low-skilled team; in fact, effectively it was only one person handling the implementation. On the other side, our Oracle Financials implementation was also in progress and they had a better two-three person team."

- Muhammad Bilal, Audit Manager, Stylo Shoes

Then suddenly the local vendor of Retail Pro wound up its operations. Stylo tried to contact the office providing back-up support in Dubai. But the regional office in Kuwait informed them that the Dubai license re-seller was not legitimate. While a new re-seller in Pakistan was in the pipeline, the management at Stylo felt they could not take on someone with no experience of the local terrain. Then finally, at the end of 2008, the news came in that Retail Pro was also a victim of the then widespread global financial crisis. It had filed for bankruptcy.⁴

Given this situation, Stylo Shoes re-opened its consideration of RMS but questioned their implementation experience. Ali was surprised that Stylo did not find Mantaq Systems to have enough experience at the first sales pitch:

"At the time we did have some noteworthy clients with successful implementations: besides Servis, we had English Boothouse, Cotton & Cotton [clothing], etc. The perception that we had only worked for Servis was probably because the others were not as large scale. Stylo, having the complexity of 20-40 outlets and a few thousand SKUs could not relate with these other projects. Then, a number of these were still work-in-progress. In fact, at the time we perhaps only had installations at 15-20 outlets of Servis. By January 2009 we had reached 100."

- Hashim Ali, CEO, Mantaq Systems

Mazhar got in touch with the Managing Director of English Boothouse and investigated that implementation. He reflected on his findings in the following words:

"While the Servis implementation was impressive, it was English Boothouse that was of more concern to us. Their lines of products, like us, were fashion items. When I spoke to

⁴ Subsequently, Retail Pro was rescued by other investors and is currently doing normal business to the best knowledge of the author.

the MD, he told me how they had only spent 20 days and had done a professional job. That laid many of my fears to rest”.

- Mazhar Siddiqui, Director, Stylo Shoes

The Microsoft Dynamics RMS project

Defining the system for Stylo

In January 2009, Mantaq Systems were asked once again to make a presentation. The cross-functional project committee at Stylo headed by Imran Farooq (Finance Manager) now quizzed them on a number of design details (meeting minutes in **Exhibit 2**). They satisfied them that Oracle integration would be possible. Two key customizations of RMS were agreed on: (i) the Distribution Form, originally designed by Ijaz Butt but that had evolved over time (referred to as “PO matrix sheet” in **Exhibit 2**) and (ii) the “Sales & Stock Form” (similar to **Figure 8** seen later).

Ali explained:

“The strength of RMS is not really that it offers any specific “best practices”. It is actually that it is a very generally defined system that can be customized easily to our customer’s requirements. This is a better system model for our market.”

Regarding the project approval process at Stylo, Ali noted:

“Stylo has been quite unique amongst our clients, leaving aside Servis which is a mature organization. Mr. Mazhar has always emphasized that ‘the team will decide’. Everyone, whether Accounts, IT, Retail Operations or Internal Audit would have their say at the meetings and would quiz us. When it came to final negotiations, that’s when Mazhar would interact directly, but we would be grilled by the team otherwise.”

The first two months of the RMS project involved a complete study of the “as-is” processes (**Exhibit 3**). The majority of this time required the Stylo project committee to be continually engaged. They led this effort and obtained sign-offs from the designated owners of each relevant process at Stylo. Then gaps were identified between RMS and the “as-is” processes. Beyond the two major customizations identified at the start, it was agreed that Stylo would change its own processes and no major changes to RMS would be required.

Bilal (Audit Manager) stated that the professional team that made up the project committee were engaged in the project beyond their original full-time duties for these two months. They also had to guide and motivate their colleagues to change to the software by presenting these as international practices, he said.

Implementation

“The software Retail Pro was impressive, but we have now learnt the hard way that implementation experience of the local vendor was perhaps much more important.”

- Javaid Siddiqui, Director, Stylo Shoes

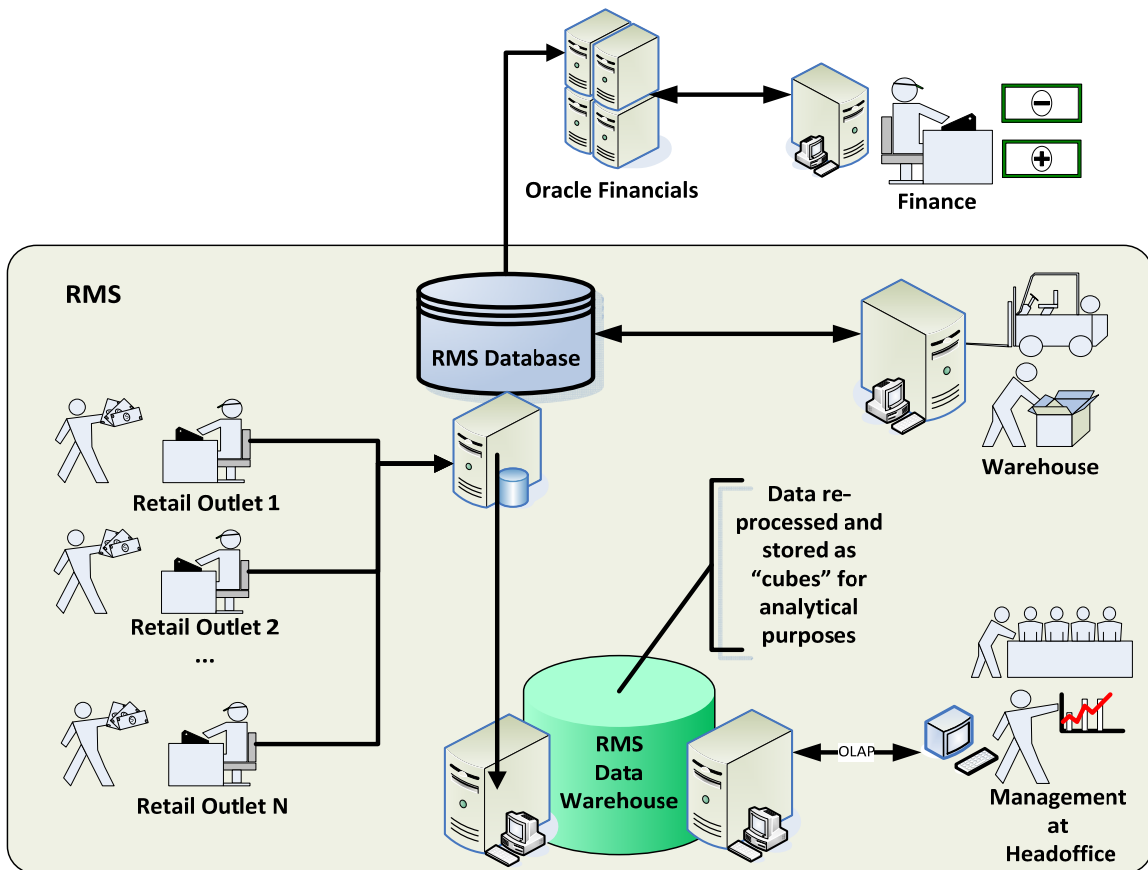
By April 2009, implementation began, starting with a pilot that again attempted to interlink the warehouse with the two Lahore outlets. Within a week, data was successfully being exchanged and users gave the green signal to proceed. The old and new systems were run in parallel for a month at the warehouse to ensure complete migration of orders. On May 24th, the system was live at all Stylo locations. Mantaq had originally committed to go live by end of April based on the normal duration of previous projects. However, Qaisar Iqbal (Project Manager) reported that this was the first time they had encountered such a large number of SKUs. Because of this, the database set-up time and

initial synchronization had to be adjusted. Beyond that, they felt the project reached its live date smoothly. Ali noted that the customizations themselves had taken 40% of the time on the project, but had translated to only 4% of his costs.

Features of the RMS system

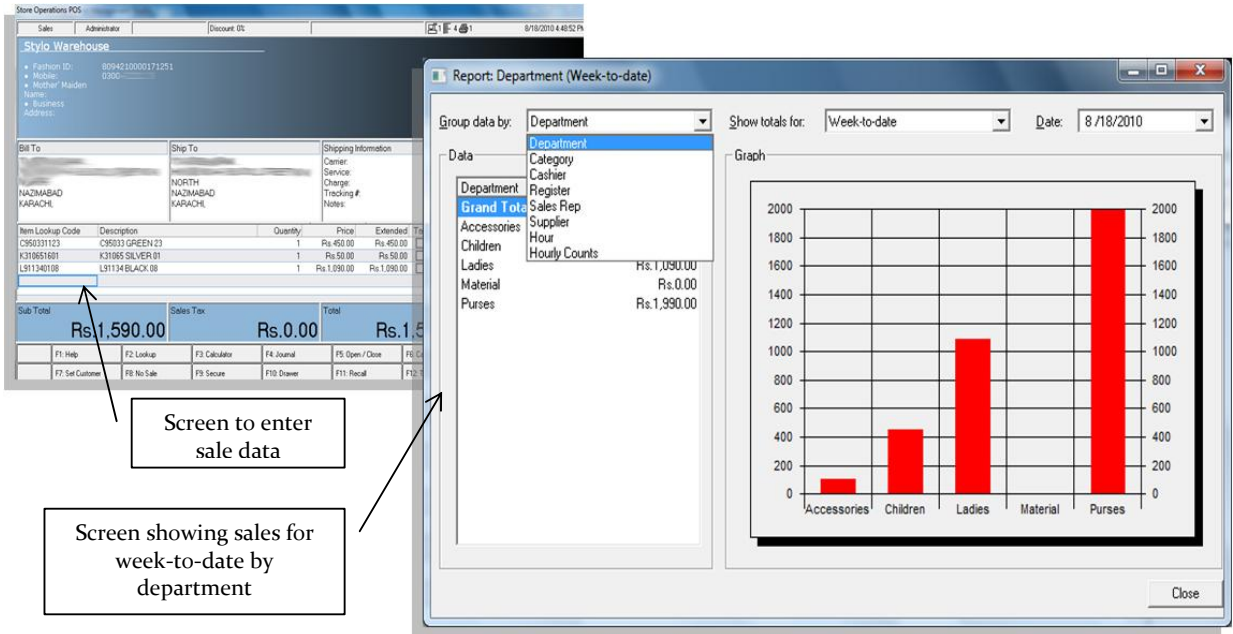
The RMS system worked at two levels: (i) processing of transactions at the warehouse and retail outlets and (ii) “data warehousing”, i.e. re-packaging and delivering data for decision-making and internal controls (Figure 4). Something previously unavailable was the basic analysis of transaction data now possible at the stores, such as weekly sales data by category (Figure 5). But the second level of the system enabled “pivoting” and “drill-down” analysis which, respectively, allowed the same data to be viewed from different angles and at different levels of detail (Figure 6 and Figure 7). It was this second feature that impressed the Stylo management as they felt more flexibility in creating customized reports (compared to their last system). Given the compatibility with Microsoft Excel, some staff designed their own personal worksheets to build reports on top of RMS output (Figure 8). But this did require sealing off the data from immediate updates and pre-arranging the data along three dimensions (“cubes”). This resulted in the increased need for regular data maintenance checks.

Figure 4: Conceptual structure of RMS installation at Stylo



⁵ The diagram only focuses on functionality and does not represent the actual amount of hardware in use.

Figure 5: Screenshots from RMS System (retail outlet view of single and weekly sales)



Screen to enter sale data

Screen showing sales for week-to-date by department

Figure 6: Screenshot of “Sales vs. COGS” report at the head-office allowing “pivoting” and “drill-down”

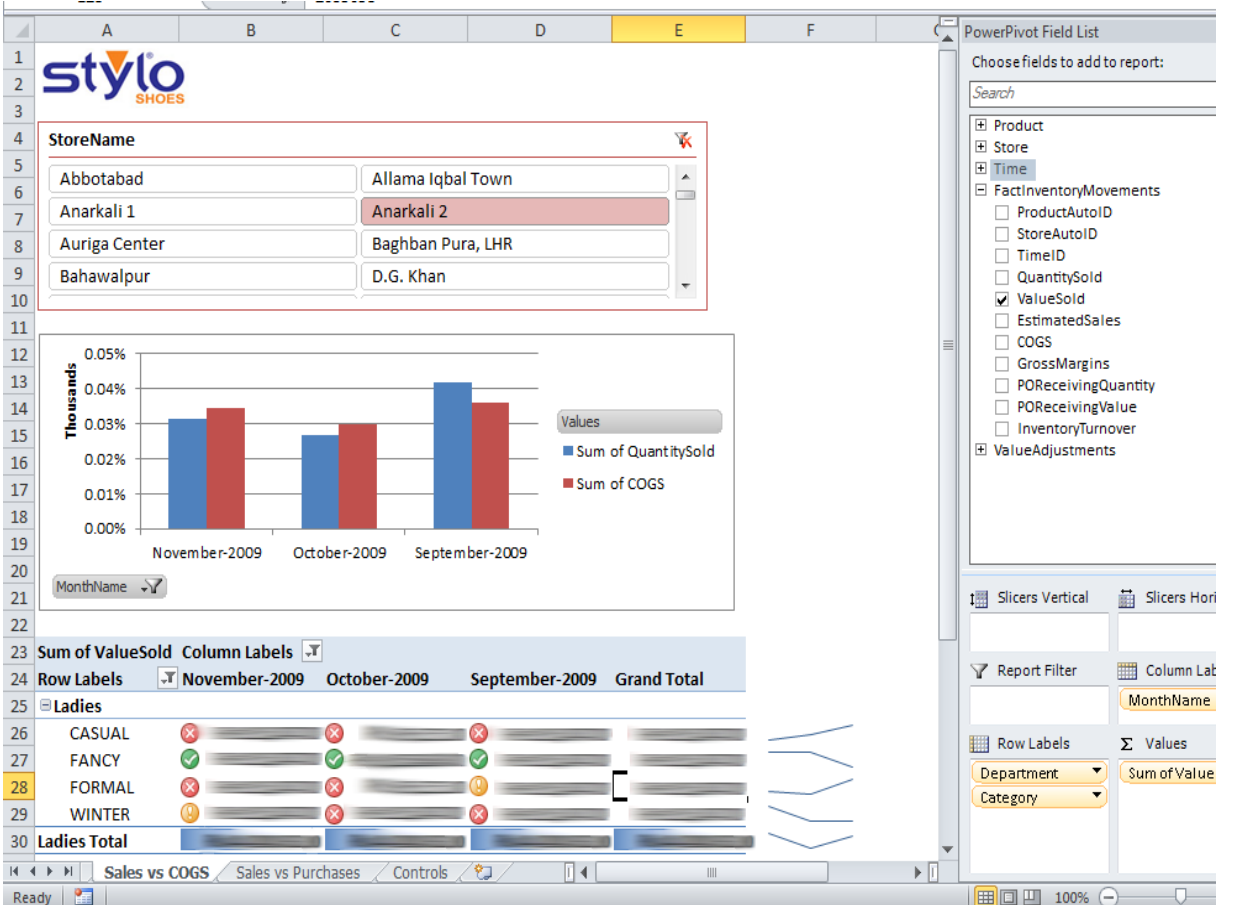


Figure 7: Screenshot showing a sample “drill-down” of Ladies shoe sales “pivoted” on certain ratios

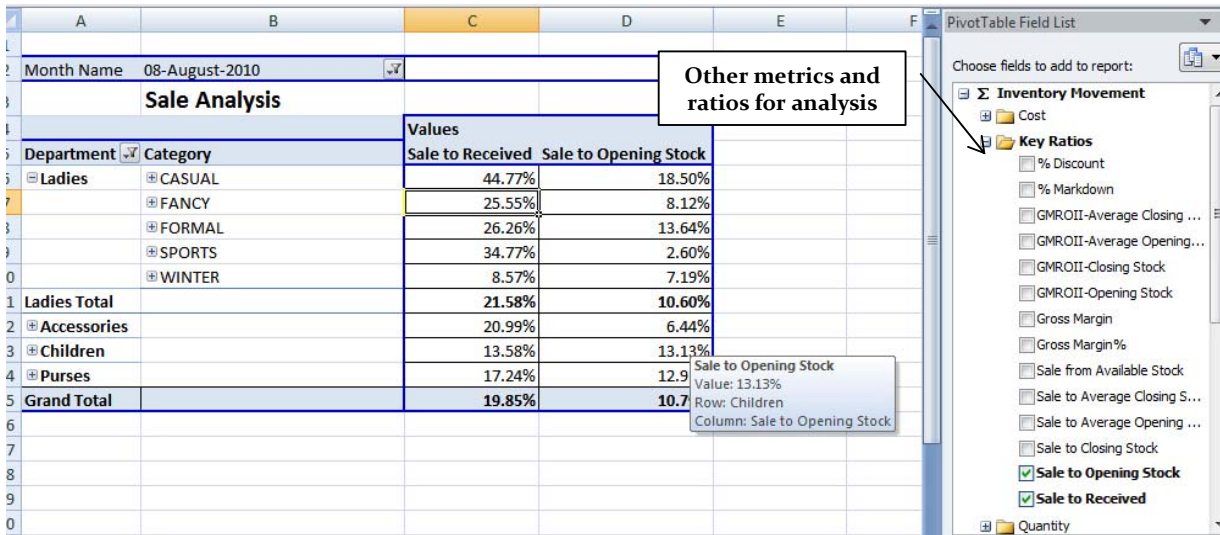
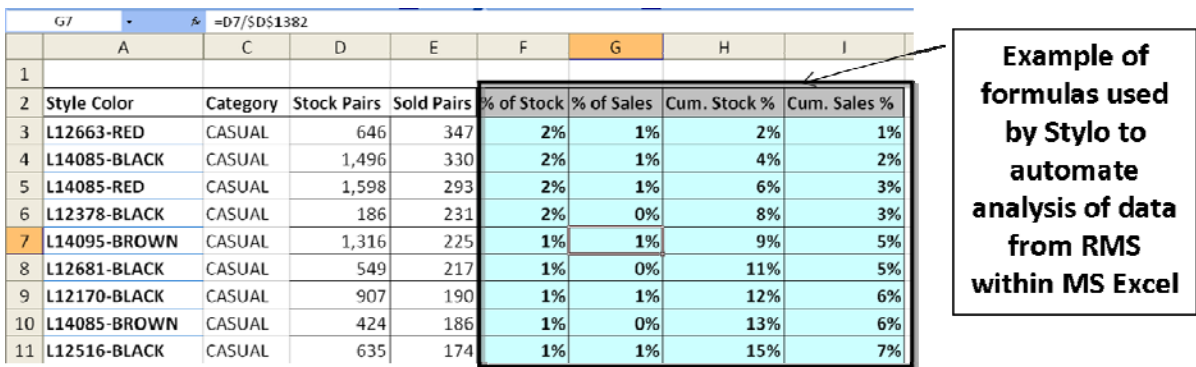


Figure 8: Sample RMS data extended further by Stylo internal calculations for sales contribution



Benefits cited by Stylo

The study cited benefits realized at Stylo in two stages. The immediate ones were captured in the following quotes six months after going live:

“Personally, the major way I have benefited from the system is that for the past three years I was totally focused on controlling operations. The system always needed us. Now we are free to focus on more high-level issues and we have reliable data to do that.

We had many expectations the first time we saw the RMS presentation by Mantaq about what reports we would be getting. We are now getting everything we had hoped for at the click of a button without fear that the system will breakdown anytime.”

- Mazhar Siddiqui, Director, Stylo Shoes

“I cannot quantify the benefits, but the difference was clearly felt. Before, we would start meetings not knowing whether we had the right data. Now, we could carry out quick decision-making for centralized purchasing – with the confidence that what we were seeing is true. There is more discipline in our internal controls and business processes.

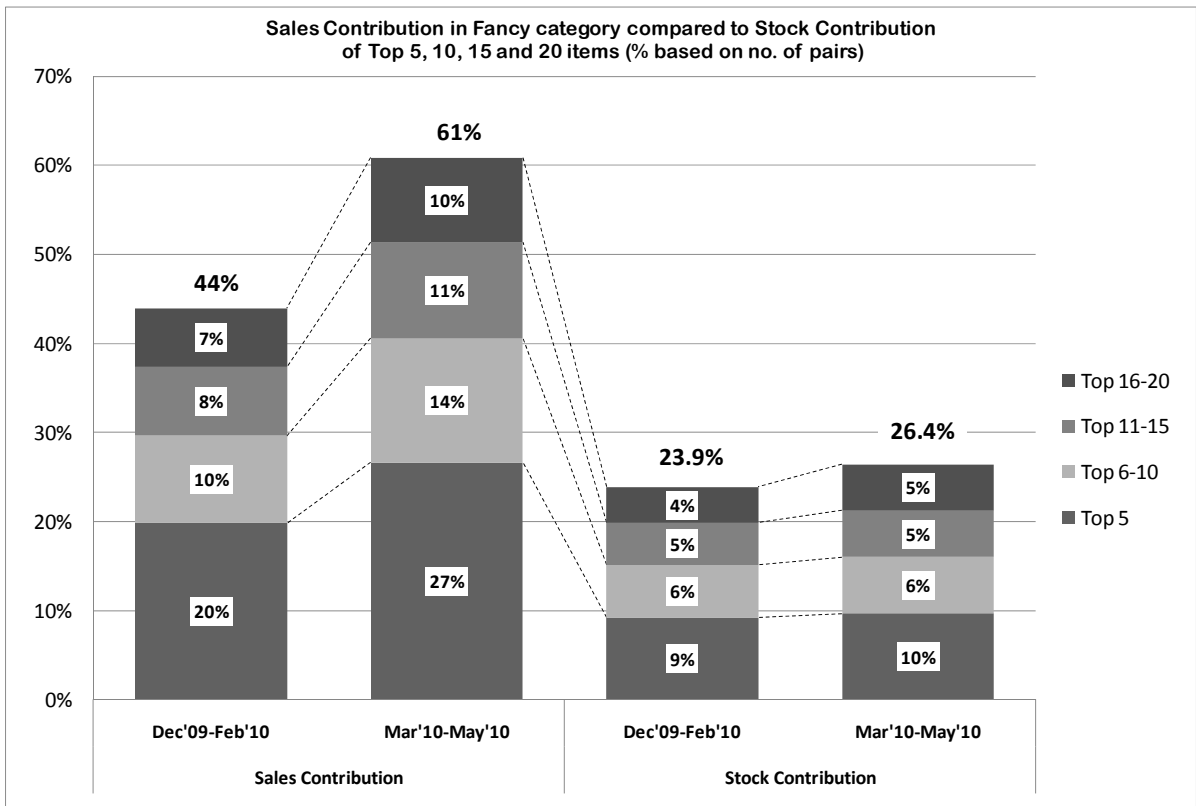
We won't need another software change for another 5-6 years. We have even completed the integration with Oracle Financials, in-house, on our own. But note that cost-benefit analysis of the system must take into account the cost of the internal Stylo project team, including the Manager Finance heading it. They were totally dedicated to this project for the whole five months."

- Muhammad Bilal, Audit Manager, Stylo Shoes

After these six months, Ali felt higher benefits possible from RMS were still not being reaped. At a dinner with Mazhar, he mentioned business intelligence tools and techniques that could improve performance. Due to his early association with various projects at Servis Shoes and the insights he felt Mantaq had developed in the local retail industry, he suggested he could bring in some "best practices" that would improve Stylo's merchandising and replenishment if taken on as a consultant. Mazhar accepted this proposal for an additional Rs. 1 M in November 2009.

The study therefore cited a second stage of benefits by June 2010. Following the consultancy, certain slow-moving SKUs were "killed", and inventory was focused on "hot-sellers". Their improved availability seemed to have allowed relatively higher volumes of "hot-seller" sales. For example, from winter 2009 to spring 2010, Stylo recorded that the total number of pairs sold in the "fancy" category was more or less the same. However, by spring 2010, the top 20 "fancy" items⁶ were contributing an overall 17% more pairs in sales. This was after re-allocating only 2.6% of the inventory towards these "hot-sellers" (Figure 9).

Figure 9: Contribution of Top 20 "Fancy" items to sales volume versus share of inventory

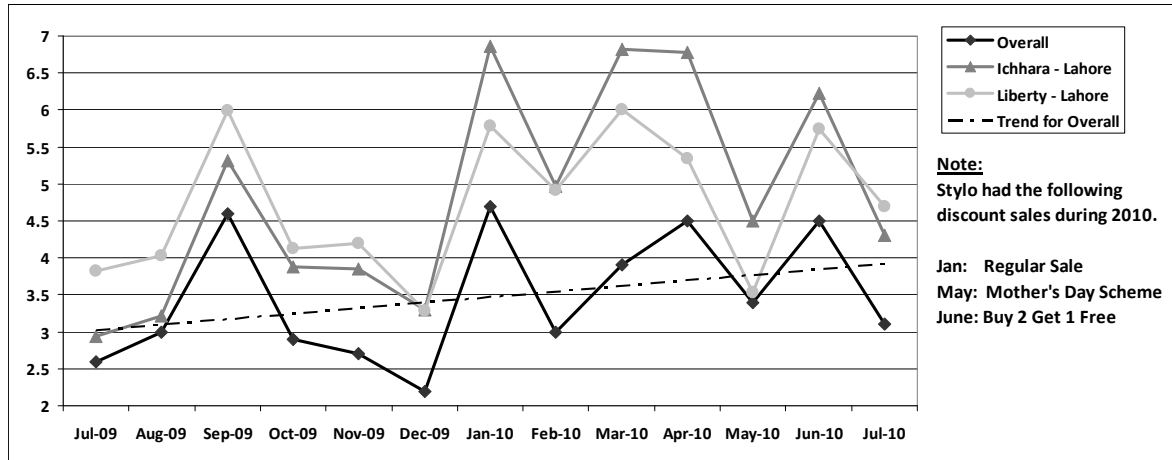


Source: Stylo Shoes company documents

⁶ There are around 1000 SKUs only in the fancy category

Other cited benefits included improved budget control. High variances had been accepted previously due to the lacking systems. But these were now brought down from 30% to within 10%. Then, inventory turnover ratios were showing an upward trend (Figure 10).

**Figure 10: Inventory turnover ratios overall compared with two Lahore outlets
(trend line derived based on least squares regression)**



Source: Stylo Shoes company documents

What had brought about this change? Ali had worked closely with Sajid Siddiqui (Director, Supply Chain & Merchandising) and his associate, Shams Din (Manager Planning & Budgeting) in the consultancy project. Most quotes on this subject therefore came from them:

"The main recommendations we adopted were three. First was that we classified our SKUs into A, B, C and D. A were our "hot sellers" and D were those that would be "killed". Second, we profiled our shops into four different "clusters". Before, all shops had to be treated the same. Now the shoes we stocked at an outlet would depend on the cluster it belonged to. Third, we separated between planning (related to new products) and replenishment (ensuring stocks for outlets)."

-Sajid Siddiqui, Director Supply Chain & Merchandising, Stylo Shoes

"The impact of the consultancy was simply that senior management was now better focused on issues which had not seemed important at first. We have now grown to 44 outlets. But our inventory levels are the same as when we had 27. The main thing we did is cut down our "dead articles" for which orders went out just because they were there. Product breadth was not considered a major problem before.

In terms of the system, we always had the capability for these reports. But until you don't enhance the skills of your employees, the variety of reports that could be got was limited...Overall, the organizational learning has been huge."

- Shams Din, Manager Planning & Budgeting, Stylo Shoes

"We knew we had a problem with the number of SKUs. But what Ali helped us with is to put numbers to it and highlighted it for everyone."

- Javaid Siddiqui, Director, Stylo Shoes

Status at the end of 2010

Stylo's management (especially the Supply Chain team) acknowledged that RMS, combined with the techniques introduced in the consultancy, had demonstrated improvements. However, Shams also highlighted some knock-on effects that this had on the organization as a whole:

“After the consultancy project with Ali, we were really focused on diverting attention to our Category A items. However, that did mean defining many of our SKUs as Category D. Many were reluctant to “kill” items, even though they only required one or two pairs. They argued that these were needed for shop display. The variety allowed them to engage the customer and this had always been an important feature of the Stylo outlet. So, in fact, sales and stock contributions have moved back to previous ratios until we resolve what to do with the empty display space at our outlets. We are considering the spacious European outlays. But this will take time. While we have optimized, moving to a focused product breadth will require the rest of the organization to be aligned with this strategy for it to come through in our overall performance indicators.”

- Shams Din, Manager Planning & Budgeting, Stylo Shoes

Value-addition of the project?

In tracking the history of systems before RMS, the third-party study cited excerpts from an earlier supply chain consultancy that Stylo had commissioned in 2007 (Soomro et al 2007). It confirmed that replenishment decisions were taken on the wrong numbers available in the information system. Also, only the current month’s sales and stock level were used to decide 10,500 daily stocking decisions (100 designs x 21 outlets x 9 sizes x 0.5 reduction factor). It also highlighted that in a non-peak season, it was observed that there were lost sales of 712 pairs (value estimated at Rs. 350,000) at a major Lahore outlet. It recorded certain items having inventory build-ups due to lags in responding to changing demand (“bullwhip effects”⁷ - **Exhibit 4**). 68% of a sample of 18,000 items had sold less than 5 pairs a month (**Exhibit 5**). Khan also noted certain recommendations from this earlier consultancy (**Exhibit 6**).

All of this raised many questions in Khan’s mind: Why had Stylo Shoes required the Mantag consultancy even though they were aware of their problems? What value had it added? Why did it take till six months after the RMS going live? Could Jahangir not implement such “business intelligence” through his current systems?

Jay-Kays: business & systems

Jay-Kays was very similar to other Pakistani fashion-oriented informal clothing retail chains, such as “Outfitters” and “CrossRoads”. Jahangir had moved straight out of college to establish this business in 2003. At the end of 2010, he had 58 outlets in the high-streets of all the major cities. His enterprise had focused on western apparel for men and women: shirts, tops, knitwear, jeans, trousers, jackets and other accessories. More recently, though, it had launched “JK - Just Kids” (a children’s line) followed by an “eastern-wear ladies label” called “Native”. All of this made Khan question whether any off-the-shelf system could cope with the complexity of his growing merchandising and retail operations? Would his “business intelligence” needs compare to Stylo’s?

He was having problems with his current retail management system. A local software-house had produced, installed and significantly customized the system. This vendor had experience of four other retail chain projects prior to coming to Jay-Kays. The current contract cost was only a fifth of the RMS price tag (in real terms). However, Khan could fully relate to the quotes from Stylo Shoes describing the situation with their Nirala-type system. Data output from it was not trusted by his management and workarounds were being designed. New report requirements were continually arising and so customization of the system was an on-going process. This current vendor had already mentioned to Khan that as his business grew, obtaining data for “pivoted” and “drill-down” reports (as in **Figure 6**) would require a separate “data warehouse” on top of the existing set-up at

⁷ Moving back up a supply chain, one observes that each party holds an exponentially higher level of inventory. This is usually because each adds extra inventory to cover against unreliability of demand it senses from only its closest link down the chain.

Jay-Kays (as seen in **Figure 4**). This option had a price tag that would more than double the investment in the current system. However, this would be the first opportunity for the vendor to experience implementation of a data warehouse.

Jay-Kays had, so far, managed to gain significant market-share by competing on what was termed “affordable trend-setting designs”. But, for Jahangir, managing the back-end distribution and merchandising remained an area where he was still learning about “best practices.” This added a final concern that he had to think about: the flexibility to customize versus the facility of pre-defined processes?

The decision

Jahangir gathered together his notes on the case study for the upcoming meeting with Mantaq. It was a busy season. He knew he only had a small window of time in which to take action. Things may even be delayed for a year, otherwise. He had next scheduled to review the performance of his own newly opened outlets with his management, so he had to wrap up his study of the Stylo case.

But the following key questions remained at the back of his mind:

- Could he not achieve the same value with his current system? Was the RMS system really worth five times more his current system?
- Had it been the Rs. 1 million consultancy or the system or simply the lack of management capability at Stylo that had allowed such benefits to be realized?
- Should he commission Mantaq Systems for an RMS installation at Jay-Kays?

References

Farooq, A., Masood, F., Nisar, H. and Maqsood, H. (2003), *Marketing strategy for the re-launch of Marie Claire*, MBA Project, Lahore University of Management Sciences.

Soomro, M.F., Shafiq, A., Bashir, M.S., Mukhtar, U., Ahmed, M.U. (2007), *Stylo Shoes: Supply Chain Management*, MBA Project, Lahore University of Management Sciences.

Ghani, J. A. and Rana, A. I. (2005) "The Economics of Outsourcing in a De-integrating Industry" *Centre of Management & Economic Research (CMER) Working Paper No. 05-43*, Lahore University of Management Sciences.

Exhibits

Exhibit 1: Minutes of Meeting where Stylo Shoes evaluated the Retail Pro product & vendor

Minutes of the Meeting dated July 18, 2008		
Stylo Shoes:	Mazhar Hussain Siddiqui	[Director]
	Azhar Rehman	
	Imran Farooq	[Finance Manager]
	Hafiz Muhammad Bilal	[Audit Manager]
...[Names of sales reps for local Retail Pro vendor]...		
Mr. ... gave presentation on Retail Pro software.		
In this regard, following were discussed in the presentation		
<ul style="list-style-type: none"> • More than 25000 installation in 75 Countries with 30 years of usage in retail industry • It includes Procurement, Inventory, CRM and Budgeting • Retail Pro 9 could be integrated with Oracle financial • Another application is available as DSS for B.I till and unlimited reports • It carries Flat file system in data base which reduces it size. • History is maintained in flat file system. • History data in available at Pos but restriction can be imposed. • Consolidated inventory and outlet wise inventory is possible. • Images available in inventory in H.O & shop also. • Data synchronization is well handled • USM medium can be used as offline data transfer • Maximum size of monthly DB is 3-4 MB at Ideas • It provides end user facility for screen designing • In-transit Inventory reporting available • Company wise and outlet wise min/max can be defined even on sizes • Vendor history is maintained • 240 price levels can be defined on dates/ seasons/departments • Price level change through excel worksheet update possible • Vendor item relation is based on UPC (Universal Product Code) • PO on horizontal sizes possible (will be advised by Arwentech as to possibility) • Picture on form level available • Manufacturer ID is available • Both Receiving against PO and without PO possible with security option. • Partial Receiving of item possible • Multiple POS receiving – customization • 3 way matching possible with oracle financial • Quality checking can be handled at received status but not updated until you create return and update. Then inventory will be updated with accepted quantity only • Defective (Indraj/TT) can be handled through sun-inventory system • Out slip/ dispatch – Customization • Logistics information can be handled after the doc generation on dispatches. • Exception report possible and will be prepared • Adjustment tool available with security at POS and WH • Item coding – both serial numbered and manual • One item code with sizes available • Graphic reports on sales available on the basis of department/vendor/attributes/sizes/store/cashier/salesman/ hours/week • Inventory with cut off date not available – could be customization • Customization in reports will be very minimum] • Biometric device can be attached at POS with its reporting • Commission and overtime can be handled. 		

Source: Company documents

Exhibit 2: Minutes of evaluation by Stylo Shoes of Mantaq Systems & Microsoft RMS**Minutes of the Meeting, Date: January 19, 2009**

Stylo Shoes:	Azhar Rehman Rizwan Ali Qureshi Imran Farooq Hafiz Muhammad Bilal	[IT Manager] [Manager Systems] [Finance Manager] [Audit Manager]
Mantaq:	Umair Moheet Omar	

Mr. Umair and Mr Omar were called on to give presentation of Microsoft Dynamics-RMS.

In this regard, following were discussed in the presentation

- Mr. Umair explained that it will take almost 1.5 month to complete the system study and gap analysis
- Utilities developed are built in product for RMS and does not require any further cost.
- 2009 version will be released by the end of 2009. It is recommended that new version should not be installed until 2-3 months of release
- Marketing campaign information can be entered at POS for analysis at HO
- **Item wise matching of invoices with GRIR is available but more clarification will be provided after checking.**
- Auto PO based on min/max or sale basis can be generated and can be modified later before its release or placing. This can be used to change the cost based on the negotiation at the time of PO delivery.
- **Picture on PO is developed for other client and will be provided.**
- **Distribution form is to be developed and falls in customization**
- RMS can be integrated to Oracle financial either summarized values or on transaction basis through XML interface and import to Oracle Financials.
- Global option can be used by configuring one store and replicating the same configuration to other stores.
- All for All concept can be checked to restrict the data through security level.
- Handling of multi currency can be carried out on a single store based on the conversion rate set at Head Office.
- Picture of the article can be made available at POS by copying the picture folder at shop. Not configured yet.
- **Loyalty points redemption is not available but can be handled through Add on. Mr. Umair will confirm it.**
- Price change on shop basis is available
- In Transit reporting is available
- Server time will be the controlling time
- Cut off date stock reporting is available

Presentation will be continued on January 20th, 2009.

Source: Company documents

Exhibit 3: "As Is" Business Processes at Stylo

Process #	Process Name	Process Description
1.	Sampling and Selection	In this process items are selected for sale at Stylo stores
2.	Item Code Allocation	In this process selected items are added into inventory.
3.	Purchase Order Creation	In this process purchase orders are placed to vendor for the supply of selected items
4.	Item Receiving and GRN Creation	In this process items are received from vendors against purchase orders.
5.	Stock Distribution and Pick List Creation	In this process items are selected to dispatch them to store for sale.
6.	Item Receiving at Store	In this process items are received at stores and placed on shelves for sale.
7.	Return to Warehouse	In this process items are sent back to warehouse due to multiple reasons.
8.	Return to Vendor	In this process defective items are returned back to vendor.
9.	Inter Store Transfer	In this process items are transferred from one store to another.
10.	Item Receiving at Store (Store Operations)	In this process items are received at store and scrutinized before adding to inventory.
11.	Inter Store Transfer (Store Operations)	In this process items are sent by one store and received by another store due to multiple reasons.
12.	Return to Warehouse (Store Operations)	In this process stores return items to warehouse for multiple reasons.
13.	Stock Taking (Store Operations)	In this process physically stock is checked on each store and compared with the system.
14.	Sale of Items (Store Operations)	In this process items are sold on daily basis and sales are recorded in the system.
15.	Discount on Items (Store Operations)	In this process discount is allowed on sold items through multiple means.
16.	Cash Status (Store Operations)	In this process cash available at store is managed and its status is reported back to head office.

Source: Mantaq Systems "Business Process Document" report for Stylo Shoes

Exhibit 4: Examples of “bull-whip” inventories, adapted from Soomro et al (2007) report

<p>The graph for Item #1 shows monthly sales (solid line) remaining flat at approximately 50 pairs from February 2006 to July 2006. In August 2006, a 'Huge Order' (dashed line) spikes to nearly 300 pairs. This leads to a significant 'Inventory pile-up' (solid line) that peaks in August 2006 and then gradually declines through the end of the year.</p>	<p>Item #1</p> <p>“...A huge replenishment dispatch was made in August 2006 when the sales had been showing a fairly flat trend. In July a small increase in sales took place. This small increase could have motivated shop owners to send in larger than usual demands The planning team at the warehouse might have seen this as a signal that the design is finally picking up and could have ordered an even higher quantity from the vendors, or at least not reduced the quantity demanded by the outlet managers. This leads to a huge buildup of inventory. The plot clearly shows that sales are consistently around 50 pairs per month, making it a very stable design. However the large variations in the inventory and dispatches show that a strong bull-whip effect has caused an excessive build up of inventory.”</p>
<p>The graph for Item #2 shows a peak in sales (solid line) in November 2005, reaching about 220 pairs. This is followed by 'Large orders' (dashed line) in December 2005 and January 2006. However, sales in November 2006 are significantly lower than in 2005, illustrating a 'Few Sales in next Nov.' scenario.</p>	<p>Item #2</p> <p>“...illustrates an important problem faced by the planning team in the warehouse. This article had extremely good sales in November 2005 and then maintained its sales around 50 pairs per month till April 2005. The next year, either at the request of the shop managers, or through their own experience the planning team built up inventory before November. In Nov’06 we see a dispatch of about 150 pairs to shops. However the sales do not materialize. This was a design that was ‘hit’ in ’05 but failed to make an impact in ’06! This usually happens when newer improved designs are introduced that cannibalize the sales of existing hot sellers.”</p>
<p>The graph for Item #3 shows a peak in sales (solid line) in November 2005, followed by a 'Sudden Drop in Sales' in July 2006. The inventory (solid line) remains high after the sales drop, illustrating 'Inventory Left Standing'.</p>	<p>Item #3</p> <p>“No mathematical model can predict the vagaries of some fashion designs. The ...plot...shows a sudden decline in sales of a previously well selling article that left a lot of inventory standing. Previous sudden dips in sales were followed by subsequent increases but sales never increased for this item after the July’06 peak. Apparently it would have been very hard to predict this sudden death before hand!”</p>

Exhibit 5: ABC analysis contained in the 2007 consultancy report

Classification of 18,159 Items

Class	# of Items	% of Total Sample (18,159)
A (> 15 units sold/month)	2,135	11.76 %
B (5 ≤ units sold/month ≤ 15)	3,730	20.54 %
C (units sold/month < 5)	12,294	67.70 %

Source: Soomro, M.F., Shafiq, A., Bashir, M.S., Mukhtar, U., Ahmed, M.U. (2007), *Stylo Shoes: Supply Chain Management*, MBA Project, Lahore University of Management Sciences.

Exhibit 6: Recommendations noted by Khan from Soomro et al (2007) report

1. Warehouse managers, including procurement, planning and distribution managers should be organized into a single supply chain department with additional attention to vendor management.
2. A merchandising team should be created that included category managers. They would be responsible for profitability of respective categories, managing product addition and deletion.
3. A design team of artists and craftsmen should be created to ensure product innovation and proprietary ownership of designs. These could then be shared with multiple vendors.
4. Price-category SKU profiles must be defined and managed by the marketing department for individual shops and the whole chain. This would avoid clustering of too many designs in any single price category.

Source: Soomro, M.F., Shafiq, A., Bashir, M.S., Mukhtar, U., Ahmed, M.U. (2007), Stylo Shoes: Supply Chain Management, MBA Project, Lahore University of Management Sciences.