



We're extremely impressed and the business can't fail to be delighted with the results returned and the opportunities ahead of us.

Simon Thomas, CIO, Borders

## Reinventing Borders. From subsidiary to stand-alone in under a year!

### The challenge

When Risk Capital Partners bought the UK subsidiary of Borders Group Inc. in September 07, the purchase included retention of the global brand name, and ownership transfer of the stores, their stock and expert staff. But the assets stopped there. The inherited cost structure was not sustainable and required completely rethinking. After review, systems were identified as both the cause and the cure. Business re-engineering was prescribed.

### But here lay the problem

95% of all systems and 75% of all business process services were being fulfilled from the States. Cutting the parent umbilical was an enormous challenge. Projects like this usually take eighteen months. The crux was that system shut down was contractually scheduled, unaffordable to sustain thereafter, and just twelve months away.

With systems come processes – the deep-rooted, fundamental drivers that define how a business operates. With newly formed Borders (UK) Ltd piggy backing entirely off its former US parent's systems, local requirements versus global operations were chalk and cheese.

Importantly here, the dictated merchandising and supply chain processes were labour-intensive, cumbersome, inflexible, outdated and unresponsive to customer demand. This is a major drawback in the book industry where there is such a tight window to maximise sales. The inherited business structure and working methodologies were pre-moulded, well engrained, expensive to maintain and compromising profits. Where the business was and where it needed to be, were poles apart.

But the chance to overhaul any business, let alone the UK's second largest wholly owned high street book chain, doesn't present itself every day. This was a significant, unique opportunity; not only to transition to an independent business, but to also take a one-off, radical look at how it could, moreover should, reengineer its cost structure and streamline itself for optimal performance, future growth and ultimate profitability.

The decision was made. Borders had to divorce itself from its procedural ancestry.

Not belittling the in-own-right importance and complexity of implementing a totally new infrastructure, the replacement of hardware, telephony, networks and an Intranet was not where the 'value add' lay.

Infrastructure had to be replaced irrespective. The vehicle for adding real value had to be a cost-effective, application-based technology solution that could unlog the arteries and uplift the heart beat of the operation, quickly. These were the areas of Supply Chain, Merchandising, Merchandise Planning, Finance and Management Information for 41 stores, their concessions and a brand new transactional web site. Getting these right would reduce costs and increase sales and profits.

### Fulfilling the requirement

Borders was faced with a seemingly impossible compromise. The project had to meet the inflexible timeline yet a stringent budget too. Traditional ERP solutions could meet the former, a component based solution the latter. But neither could achieve both. There was a solution however, The Retail Suite – the UK's first end-to-end, 'Software-plus-Services' retail business solution from Itim. Being fully .Net, web-based and hosted, The Retail Suite would enable cost effective, rapid configuration and development around new, best-for-Borders processes, and unprecedented implementation speed. The Retail Suite would fulfil the objective, to provide a fully integrated, PCI certified, end-to-end solution to streamline core business processes and cut Borders' costs.

- All systems replaced
- Aggressive time and financial targets met
- Return on investment in under one year

## How the objectives were met

After three-months-of-twelve used on strategy determination, options review, decision-making and approval, Borders met with Itim for their first project meeting. From there, the initiative was delivered in, an astounding, thirty weeks. But it's the deliverables of this deadline-achieving project that are truly tremendous. The strategic objective was a shake up, and elimination of unnecessary costs. The team delivered. Systems and processes were totally re-engineered, under three pillars of change:

### Supply chain and stock holding

Borders' inherited central distribution model was impacting margins. The Retail Suite enabled daily replenishment direct from suppliers. This addressed customer demand, made for a more responsive, cost-effective business, reduced stock by 20%, liberated cash and increased sales. Now, replenishment against 300,000 products across 41 stores is automated and runs daily, in minutes. EDI orders are now with suppliers within 20 minutes, and stores use HHTs to book in stock direct and create GRNs, which are centrally matched against invoices and their associated POs. The whole process is now automated and exception or algorithm based, requiring minimal clerical intervention.

### Head Office process streamlining

UK business processes, all mirroring the former 'USA way', were completely reengineered. In particular, the Buying and Merchandising processes, for 300,000 stocked products and an extended in-print catalogue of over 3,000,000 titles, were untenably resource hungry. Three world-class, streamlined, workflow modules were created in response – Catalogue, 'Front List' Ordering, and 'Back List' Replenishment Management. These pull related product information together, enabling concurrent, common work on multiple products, and providing both micro-management and rules-based volume automation tools, in one application.

### Systems independence & affordable managed service

To fulfil their independence objective, Borders had to meet an inflexible timeline, but within a stringent budget. Traditional ERP could meet the former, a component based solution the latter. Being fully .Net, web-based and hosted, The Retail Suite enabled cost effective, rapid configuration and development around new, best-for-Borders processes, and unprecedented implementation speed. The time/cost compromise was removed and the objective fulfilled – the timely delivery of a fully integrated, PCI certified, end-to-end solution to streamline core business processes, which would cut Borders' costs.

At the outset, this project was a big dilemma. Was it to exceed budget but hit deadlines, or meet budget but exceed deadlines? The only option not available was to do nothing. But then The Retail Suite option presented itself.

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The Retail Suite saved Borders 40% against their budget. Further, supplied on a monthly subscription basis, Borders did not incur capital costs, saving cash instead for other important initiatives.

The Retail Suite is the first Software-plus-Services, end-to-end solution for retail. Borders now benefits from the significant reduction in fixed annual costs that only this innovative delivery and payment mechanism can bring.

Even under normal expenditure terms Borders has achieved Return on Investment in less than one year – impressive considering the project has turned a cost of acquisition exercise into a self-funding programme that is now the foundation for future opportunities and improvements. In Software-plus-Services terms however, this initiative has truly enabled a benefit now, pay over time advantage. There are numerous ways in which to account this, but there is no hiding from the financial benefits. If simply taken over a five-year payment term, ROI has been delivered in just 2.34 months.