

## Overview

**Country or Region:** United States

**Industry:** Retail

### Customer Profile

PsychoBaby parlayed an evocative name, charming merchandise, a fashionable location, and attentive customer service into a highly successful baby's clothing, toys, and accessories store in two years.

### Business Situation

Every month's growth made it harder to manage the matrixes of sizes, colors, and designs of scores of products. Sometimes an item's charm, rather than known salability, dictated a purchase.

### Solution

Merchants Solutions proved Microsoft® Business Solutions Retail Management System and a module by Retail Information Technology Enterprises (RITE) would neatly track stock in the store and on the Web.

### Benefits

- Matrixes of sizes, colors, and designs are finally under control
- Reports prevent overbuying of traditional items when others sell better
- Consultants and CPA work smarter with timely and accurate reports

## Multichannel Baby Store Cuts Teeth on New Retail System That's a Howling Success

“We hemmed and hawed about the cost of a new system....But looking at the money we're saving in mistakes, oversights, and smarter buying decisions, you come out ahead quicker than you think.”

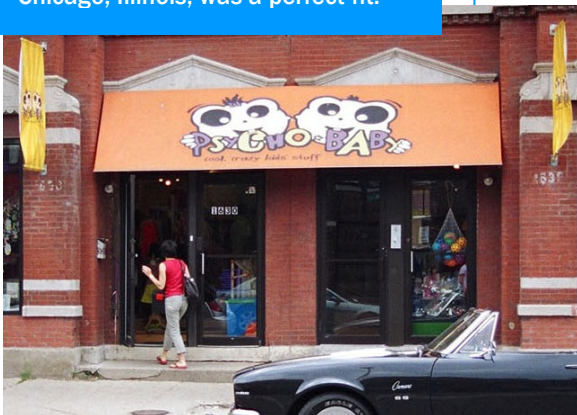
Marlo Hoffman, Co-Owner, PsychoBaby

PsychoBaby's eclectic mix of high-end baby clothing, toys, books, footwear, and accessories was a good fit for busy, entertainment-oriented Bucktown in Chicago, Illinois. Rising stock levels and longer lines signaled a healthy, growing business, but owners Marlo Hoffman and Lisa Starbuck sensed unseen problems. A few customers grumbled about long lines and left annoyed. Tracking sales and receipts by register was iffy. Matrixes of sizes and colors were hard to track. Stock that owners expected to sell well had to be discounted. Most retail systems were costly and fussy or underpowered. Then Merchants Solutions demonstrated Microsoft® Business Solutions Retail Management System. Installation and learning went fast. Now buying occurs by the numbers, and a module by Retail Information Technology Enterprises (RITE) will keep the expanding Web site in lockstep with actual inventory levels.

“Our inventory used to look like the inside of a baby’s bag. Now it lines up like bars on a crib. Accuracy starts at the POS and propagates through the company.”

Lisa Starbuck, Co-Owner, PsychoBaby

PsychoBaby’s colorful storefront in the exciting Bucktown area of Chicago, Illinois, was a perfect fit.



## Situation

With just over two years in business, PsychoBaby’s 2,000 square-foot store in the lively Bucktown neighborhood of Chicago, Illinois, and growing Web site sell “literally thousands of baby items, when you consider the matrix of items, colors, sizes, and designs,” says Co-Owner Marlo Hoffman.

Credit for expanding the store to eight employees, two registers, and sales over U.S.\$1 million in fiscal 2005 goes to the owners’ long hours, reinvesting money into the business, imaginative merchandising and buying, and a provocative brand name that arose from an offhand remark, according to Lisa Starbuck, Co-Owner.

## PsychoBaby’s Growing Pains

The store’s burgeoning Web presence offers a hint of its complete inventory, with more merchandise coming: diaper bags, clothes of every description and for every season, toys, books, puzzles, games, cards, footwear, music and other DVDs, even baby’s jewelry and tooth-fairy pillows for boys or girls.

“Our first year, we wrote sales slips by hand, and used [Microsoft®] Excel® for sales reports. We kept purchasing records in various places around the office, so that wasn’t as tight as it should have been,” says Hoffman.

But the greatest challenge owners and staff faced was tracking register sales, deriving inventory data, then planning purchasing based, hopefully, on stock levels.

“We couldn’t wrap our arms around 12 categories and all the matrixed items inside each one,” says Hoffman. “My worst memory was when we bought too much footwear. It was lovely, it was cute—and we had to put most of it on sale.”

## POS Accuracy Vital Storewide

Troubles actually began at the point of sale (POS). “Checkout was too slow,” says Starbuck. “Especially during holiday rushes, I saw customers who couldn’t wait. Standing in line, they’d put down purchases, and walk out. That made my heart sink.”

“The pressure of impatient people in line sometimes caused errors in the sales records,” she says. “It might be a price someone guessed at rather than get a price check and hear the line groan. It might be some scribble we couldn’t read, or an unclear quantity.

“All of which messed up inventory. We couldn’t tell what was sold, or what disappeared into a mommy’s bag. With unclear quantities sold, we had no idea what to buy unless we did physical inventories all the time. And we did a lot of informal shelf checking. You don’t realize at first that a good part of your purchasing dilemmas probably started with inaccurate records at your POS.”

Yet Hoffman and Starbuck’s acumen at purchasing the right items, displaying them well, and keeping themselves in front of customers to urge sales and learn new trends continued to nourish the business. But both knew that their skills in buying and marketing were being drained by hours spent over paperwork.

## Solution

Owners had known a system was inevitable, but nothing seemed a good fit. “When we first opened,” says Hoffman, “we looked at Retail Pro, but we thought it was both costly and fussy. We examined from one end of the spectrum to the other.”

During their survey of retail management systems, another retailer told the owners about Microsoft Business Solutions Retail

“Installation was absolutely easy and seamless. Merchants Solutions and the Microsoft product were the reasons why.”

Lisa Starbuck, Co-Owner, PsychoBaby

Although toys were selling better than traditional tees, only Microsoft Retail Management System reports made this trend clear.



Management System. “Merchants Solutions, our Microsoft Certified Partner, helped us through the presale trade-offs and planning. That investment of time showed us they were the right set of people to stick with us through our growth years,” said Starbuck.

Microsoft Retail Management System was installed in March of 2005. “Installation was absolutely easy and seamless. Merchants Solutions and the Microsoft product were the reasons why,” says Starbuck. Soon staff were ringing up sales and lines were moving again.

#### **Growth Spurts**

But businesses evolve and PsychoBaby was outgrowing its first phase of automation. As Web sales grew, owners saw they needed tighter coordination between inventory levels and their Web site.

“The problem,” says Hoffman, “was to ensure the site accurately reflects stock on hand. This is crucial for any retailer, but more so for us since some items are custom or one-of-a-kind buys. There won’t be a restocking or back order. We didn’t know what items to photograph for the site or which ones should get a write-up. Did we have enough stock to warrant it? When we sold out, how long would it take to edit it out of the site? When we changed the price in the store, would we always remember to change it online?”

Again, the owners’ best skills were being siphoned off into necessary but nonoptimum chores. They considered hiring a person to dedicate time to keeping the site updated and coordinated with stock on hand, but disliked adding another person to the payroll.

#### **Customers Win When Partners Partner**

Merchants Solutions called in Microsoft Certified Partner Retail Information Technology Enterprises (RITE) of St. Cloud, Minnesota, for the job because RITE had provided enhancements to Microsoft Retail

Management System for other Merchants Solutions clients.

According to Rick Feuling, President of RITE, “RMS Web Store Connect by RITE works with the Microsoft Retail Management System database, so anyone writing a retailer’s Web page can make it interact with inventory in real time. We built this program with Microsoft .NET [connection software] technologies to be operating-system independent and enable the Microsoft data to slide into the PsychoBaby Web site, which was built with Java.”

RITE specializes in customizing Microsoft Retail Management System, so the Microsoft partner worked with ePageCity, the customer’s Web developer, to define and deliver the middleware tool.

“Very soon, our Web site will know and reflect accurate stock levels in real time. We’ll avoid stock-outs and over-orders,” says Hoffman.

“This partnership of [Microsoft] Partners has been very advantageous to PsychoBaby and other customers,” said Robert Buffo of Merchants Solutions. “Such partnerships bring differing knowledge sets to the project, and the deliverables to the customer are first-rate, first time.”

#### **Benefits**

“Our inventory used to look like the inside of a baby’s bag. Now it lines up like bars on a crib,” says Hoffman. “Accuracy starts at the POS and propagates through the company. We know what we sold, what we bought, and what we received. We subtract one from the other and that’s how much is on hand, less some shrinkage.

#### **Reports Fuel Better Strategy**

“Guesswork buying is behind us,” asserts Hoffman. “Now we know baby accessories, toys, athletics, and books turned over fastest.

“Now we’re seeing the revenue difference between what we ordered wisely, versus the traditionals we might have ordered on a knee-jerk reaction.”

Marlo Hoffman, Co-Owner, PsychoBaby

We can track inventory turns and know that toys give us over four turns a year. “Yet a whole line of basic cotton tees had been sliding for 12 months. Without clear reports, it was easy to overlook that. Seeing it in black and white was an eye opener. Reports showed us we better rethink our fall orders. Traditional retail thinking would have led us to buy the ‘safer’ tees. We saved thousands in what would have become slow merchandise.

“We followed the numbers and bought toys, books, and other more interesting items. Now we’re seeing the revenue difference between what we ordered wisely, versus the traditionals we might have ordered on a knee-jerk reaction. This revenue difference is a big deal to any retailer, especially when you can repeat it several times a year.

“Getting a reckoning on everything we had bought, what actually arrived, what was sold, and what was waiting for a pickup used to take us several days. Then it was out-of-date and the numbers were iffy. Now we have it at day end, and we can bet the business on it.”

### **Faster Knowledge Helps Business Allies**

PsychoBaby gets input on business strategy from RMSA, a nationwide consultancy based in Riverside, California. “RMSA backtracks

our sales and product-movement numbers. They do the analysis steps so we know what to mark down and what to buy,” says Starbuck.

Ryan Jorstad, Analyst for RMSA in Chicago, Illinois, says, “Good planning and forecasting of customers’ needs puts the right mix of attractive items on their shelves. There’s no question that accurate and near-real-

time reports speed our work and nurture smarter decisions for our customer.”

Hoffman reports, “Our accountant is very happy because we have accurate sales tax data and sales by register. Better reports save her steps and contain our costs.”

### **First Steps at the POS**

Basics of Microsoft Retail Management System were easy to learn and apply. “The product’s ease of use is actually a money benefit,” says Starbuck. “The screens are very self-explanatory, straightforward. Demonstrate them once or twice and most associates [understand] it. That saves us money by focusing our time on finding new goods, buying, and comparing prices. Of course, employees become competent and productive faster, too.”

The Transactions on Hold feature in Microsoft Retail Management System is proving invaluable. “You don’t just use it when a customer remembers something mid ring-up, and has to go get it,” says Starbuck. “Transactions on Hold remembers unfinished sales even through the day’s closing. Customers forget their credit card and come back days later to finish the transactions.”

Hoffman says, “We’ve cut steps and hours from our old process of marking down items for promotional sales. We put up a sign over the sale area, change the price in the system, and let the scanner and the program do the rest.

“We cut out whole tasks from employee administration. We dropped time cards altogether. When associates log into their register, that’s when they’re on the clock. When they log out, they’re off. Microsoft Retail Management System tallies their active time on the job and we send the reports to a payroll company.”

This nook stirs together all PsychoBaby “cook-wear” and cooking kits for kids.



“[W]e had previously put up only 2 percent of stock on our Web site. Knowing RITE’s Web module tells our Web site to drop an item as soon as we sell out makes us bolder. Look what putting all that extra merchandise on the Web can do for sales!”

Marlo Hoffman, Co-Owner, PsychoBaby



With dozens more bags in stock, PsychoBaby can now confidently publish all in-stock merchandise on its Web site.

#### Room to Grow

The owners are planning on digging deeper into their newfound reporting power. “Our tools have more power than we’re using yet,” says Hoffman. “We know there’s power to sift and bring out knowledge and trends that we haven’t seen yet. We use standard reports every day, and we’ve customized a few for our own needs. We just run the customized report when needed, and Microsoft Retail Management System plugs in the data for whatever time period we specify.”

PsychoBaby has recently begun to use replenishable gift cards. “Paper gift certificates are okay,” says Starbuck, “but they weren’t classy and credible enough for our image.”

“We’re going to automate other ways to reach customers, too. With thousands on our mailing list, we sort our postcards and outbound e-mails by the dollar amounts customers spent, by ZIP Code, and by past purchases using Microsoft Retail Management System. “Being able to tightly link several inventory parameters to the Web site will enable PsychoBaby to more confidently market on the Web. “ To not disappoint customers in case of large orders or stock-outs, we had previously put up only 2 percent of stock on our Web site,” says Hoffman. “Knowing RITE’s Web module tells our Web site to drop an item as soon as we sell out makes us bolder. Look what putting all that merchandise on the Web can do for sales!

“We’ll know what’s selling too fast in the store to put up on the Web, what to photograph, what to write up. Did we sell out over the weekend? We thought we’d have to hire and dedicate a person to coordinating Web content and inventory. Skip that! This is a one-time cost, its accuracy is far better, and RITE’s program can handle 500 hits a minute.”

“We hemmed and hawed about the cost of a new system,” says Hoffman. No one is jumping up and down to write that check. But looking at the money we’re saving in mistakes, oversights, and smarter buying decisions, you come out ahead quicker than you think.”

## For More Information

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For more information about Merchants Solutions products and services, call (800) 486-3214 or visit the Web site at [www.merchants-solutions.com/retail.asp](http://www.merchants-solutions.com/retail.asp)

For more information about Retail Information Technology Enterprises products and services, call (888) 267-RITE or visit the Web site at: [www.rite.us](http://www.rite.us)

For more information about PsychoBaby products, call (773) 772-2815 or visit the Web site at: [www.psychobaby.net](http://www.psychobaby.net)

## Microsoft Business Solutions Retail Management System

Microsoft Business Solutions Retail Management System offers a complete store automation solution for small and medium-sized retailers, streamlining point-of-sale (POS), customer service, and store inventory management, and providing real-time access to key business metrics. Microsoft Retail Management System is a comprehensive solution for single-store and multi-store retailers that empowers independent proprietors, store managers, and cashiers through affordable and easy-to-use automation. Microsoft Retail Management System has the flexibility and scalability to grow with a retailer's business. It works with the Microsoft Office System, Microsoft Windows® Small Business Server, and leading financial applications to provide end-to-end support from the cash register to the back office.

For more information about Microsoft Retail Management System, go to [www.microsoft.com/pos](http://www.microsoft.com/pos)

### Software and Services

- Microsoft Business Solutions Retail Management System
- RMS Web Store Connect by RITE
- Microsoft Office System
  - Microsoft Office Professional Edition 2003
- Microsoft Windows XP Professional

### Hardware

- PC4 back-office server; 2.4 GHz Pentium 4, 256 megabit RAM, and 40 GB drive
- Posiflex JIVA touch-screen, all-in-one POS terminals
- Epson thermal printers
- Symbol scanners
- M-S cash drawers
- POWERVAR power conditioners
- NETGEAR DSL router

### Partners

- Merchants Solutions
- Retail Information Technology Enterprises

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