



## Microsoft Business Solutions Retail Management System Customer Solution Case Study



### Overview

**Country:** United States

**Industry:** Retail

### Customer Profile

The Cycle Loft generates U.S.\$3 million in annual revenues selling 14,000 SKUs of bicycles and related services, clothing, and accessories.

### Business Situation

Owner Jerry Slack's idea to slim inventory was bumped up against an older system that couldn't provide enough speed and agility to give him the reports or instant data needed.

### Solution

Only a Microsoft® Windows®-based solution could give Slack the data portability and nimble reporting he demanded. Other bike dealers guided him to Microsoft Business Solutions–Retail Management System.

### Benefits

- Sales up 100 percent, stock down 40 percent
- Seeing margins at POS helps close sales
- Data exports easily to financials
- Owner likes "supreme inventory control"
- Handles tricky work orders and layaways
- Flexible reporting delivers the right data

## Bicycle Retailer Pumps Up Cyclical Business and Keeps Inventory Lean

“The biggest thing we needed was complete data portability compatibility. And nothing delivers that better than a Microsoft-made POS management product.”

*Jerry Slack, Owner, Cycle Loft*

Cycle Loft is a full-service facility that sells bicycles of all kinds, related accessories, triathlon gear, and clothing. The store's Fit Lab customizes stock and made-to-measure, custom-fit bicycles to each rider. At 17,000 square feet, Cycle Loft is the third largest bike store in the Boston area, selling more than 4,000 bikes per year ranging from U.S.\$200 to more than \$6,000.

But inventory ballooned unprofitably. Although customer base mounted, the previous information system was error-prone and difficult to export from. Owner Jerry Slack needed a tighter grip to turn and control inventory.

Microsoft Business Solutions–Retail Management System (RMS) helped him trim stock and suppliers. Now he sells more and gets special concessions from manufacturers.

“Computerize as fast as possible. Do not view that money as an expense; see it as an investment. I’ve had seven computer systems.... Each one has paid for itself in its first year.”

Jerry Slack, Owner, Cycle Loft

## Situation

Cycle Loft’s single store with 28 employees on five lanes sells U.S.\$3 million annually in a complete range of bicycles and accessories. The two-story, 17,000-square-foot building is the third largest bike store in the Boston area. Bikes start at \$200 and reach \$6,000. High-end bikes, often purchased by the part with each frame dimension hand-fit to the owner, are only 5 percent of unit sales but 15 to 20 percent of revenues.

Yet this was not an easy hill to climb until, 10 years ago, it dawned on owner Jerry Slack that he was holding too much inventory, selling too little, and buying from too many vendors. Slack set out on a campaign of Expansion Requires Simplification.

He cut his bicycle and equipment suppliers from ten to the two most responsive and well-rounded vendors that he had dealt with, that is, Trek Bicycle Corporation and Specialized Bicycle Components, Inc. A few weeks of sales and specials reduced his supply of goods and gear that had been slow rollers from the beginning.

“There were times I looked at the showroom floor and wondered if we were still in the bike business,” Slack says. “But something funny started to happen. We cut inventory 50 percent but sales rose by 33 percent. And we started to make money.

“We could give better deals because, as we became more important to our two suppliers, we got prices that helped us compete better. We got faster deliveries on in-demand merchandise, which increased foot-traffic in and people riding out.”

Slack dropped broad-based, shotgun-style advertising and began promoting Cycle Loft’s capabilities by supplying mechanics and support vehicles to health-related, fund-raising benefit rides.

He back-pedals at high-volume Web sales. “Many manufacturers don’t allow it. They want their bikes assembled, sized, and fitted to the buyer; same with helmets and tights. If I ride a bike saddle forty miles a day, I want to sit on it first. Cycle Loft’s service department only accounts for 8 percent of revenues, but assembles 4,000 bikes a year for free.”

Cycle Loft’s Web site at [www.cycleloft.com](http://www.cycleloft.com) advertises a wide range of products and publicizes forums, biking articles, events, employment opportunities, and customer testimonials. But it has no shopping cart.

Slack quips that the bicycle business is cyclical, going from 20 percent of capacity in winter to 120 percent in spring and summer on a rough bell curve. “We do 80 percent of our business in 50 percent of the year,” he says.

But all Slack’s good ideas hit a bottleneck in his previous point-of-sale (POS) and IT system. To maximize turns with leaner inventory, he needed stock levels, current rates of sale, historical product success, and even vendors’ real-time availability and pricing. Their biggest operational sore spot was managing inventory to maximize turns and profits and to keep customers returning.

Based on an earlier version of Microsoft Visual FoxPro® database development system, the commercial application was stable but its back-office flexibility, reporting power, and ease of use were not built in.

“So we needed the data moved into Microsoft Excel to get reports and see trends, compare year-to-year sales levels, and a lot more,” Slack says.

But another weakness of the old product was an inability to easily export to Excel. Transfers had to be done by hand, or piecemeal, or

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Jerry Slack, Owner, Cycle Loft

through a multi-step conversion process. “You can’t keep moving business data that way without mistakes,” Slack says. “It has to be easy, automated, and right on the money. When it wasn’t, we lost money.”

### **Solution**

“The biggest thing we needed was complete data portability compatibility. And nothing delivers that better than a Microsoft-made POS management product,” says Slack. He began reading, searching the Web, and asking fellow dealers for referrals and ideas.

### **Platform and Partner**

“We wanted and needed a software platform that would allow us to grow,” Slack says. “I picked Microsoft RMS, and then went scouting for a dealer who understood the bicycle business. I think that was wise because Digital Retail Solutions has been great for us. We were all on the same track. Defining needs went fast and so did installation.”

Running a bike shop means wheeling and dealing, which required a system to tell staff the lowest permissible sale prices for 4,000 SKUs.

### **Profitable Pricing**

“Selling bicycles is a balancing act,” says Slack. “Since you can’t discount some bikes, we discount other things to give a package price they can’t beat elsewhere. But with the old system, we couldn’t know product cost or a markup, or ‘not-below’ selling price. Sometimes we’d lose money; other times we’d lose the sale. We couldn’t know what we had to know at the time of sale. We’d only find out later!”

Slack needed ways to handle repair work orders, gift certificates, and the complicated matrix inventory problems of items coming in different models, colors and sizes—which can change yearly.

### **Installation**

In the end, the solution also had to be easy to learn. “We had planned installing the new system during slow winter months, but hardware issues postponed it till late February—exactly when people start looking for bikes and supplies,” Slack says. “Suddenly, we were learning new software just as we were getting crowded and before we had all our usual people.”

By March 2004, Microsoft Business Solutions–Retail Management System was installed, running, and the staff had no trouble ringing up their growing sales.

### **Benefits**

“Microsoft RMS didn’t give me my good ideas,” says Slack. “But it’s the tool that helps me implement them. I am very confident that Microsoft is the overall toolbox that will help us grow.”

### **Less Stock, Higher Revenues**

“Today we have 40 percent less inventory than we used to and we sell twice what we did then,” Slack says. “That comes from supreme inventory control. But it also derives from its Microsoft SQL Server™ database being so eager to get along with other products, particularly the Microsoft Office suite.”

Slack exports data from Microsoft Retail Management System straight into Microsoft Excel for analyses such as comparing current versus last year’s costs from vendors, or checking how much a given product category is up over last year.

### **Impressing Customers**

Slack says, “The point of sale is where you show your customer if you’re organized or scattered all over the place. This software gives our guys the edge. We can look up an item so many different ways to get its price,

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Jerry Slack, Owner, Cycle Loft

its right name, and the amount on hand. It takes literally seconds and it’s very impressive. Both the item and customer databases are a joy to work with.

“We do the sales, layaways, and work orders all at the POS. This is the customer-centric part, and it had to be fast and simple, even when business isn’t—like when we have to add to a work order as we go along. Or when a customer remembers something as he checks out. We don’t make the line wait. We put that sale on hold and run the rest of the line.”

#### **Behind the Scenes**

“We, as users, customize and ‘memorize’ reports ourselves,” says Slack. “And we asked our Microsoft Certified Partner to build some pretty trick ones for us. Digital Retail Solutions has been an unbelievable vendor. We have reports we never had before and they are providing excellent support in all areas.

“They installed an extremely useful margin calculator. I give each salesperson the power to make deals, especially for our racing club and others. In the old days, we couldn’t even see our costs during a sale; now we can know our profit during the sale.”

Cycle Loft uses the Internet to send a purchasing file to suppliers. Items arrive pre-labeled as specified, ready to be put on the sales floor.

#### **Getting More from the System**

Jerry Slack has his eye on the targeted marketing and e-mail capabilities in Microsoft Retail Management System. “As cyclists get better, they want better bikes and gear. As teenagers grow, they need larger bikes. The guy who bought the fashion helmet last year is a good prospect for this year’s new design. The way to economically touch each one of them is to know who bought what. If we get a

good buy on stiffer-framed bikes, we’ll mail notices out to just the right set of people.”

He thinks other retailers should “Computerize as fast as possible. Do not view that money as an expense; see it as an investment. I’ve had seven computer systems since being in the bike business. Each one has paid for itself in its first year. Your payback in better inventory control is fast.

“Even if you have to borrow the money to upgrade to a modern retail system, you’ll get your return on it because you are saving employees steps in jobs they do many times a day, many days a year,” Slack says.

## For More Information

For more information about Microsoft products and services, call the Microsoft Sales Information Center at (800) 426-9400. In Canada, call the Microsoft Canada Information Centre at (877) 568-2495. Customers who are deaf or hard-of-hearing can reach Microsoft text telephone (TTY/TDD) services at (800) 892-5234 in the United States or (905) 568-9641 in Canada. Outside the 50 United States and Canada, please contact your local Microsoft subsidiary. To access information using the World Wide Web, go to: [www.microsoft.com](http://www.microsoft.com)

For more information about Digital Retail Solutions products and services, call (800) 322-9471 or visit the Web site at: [www.digitalretailer.com](http://www.digitalretailer.com)

For more information about The Cycle Loft products and services, call (781) 272-0870 or visit the Web site at: [www.cycleloft.com](http://www.cycleloft.com)

## 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

- Products
  - Microsoft Windows Server™ 2003, Enterprise Edition
  - Microsoft SQL Server 2000
  - Microsoft Windows XP Professional
  - Microsoft Exchange Server 2003
  - Microsoft Business Solutions—Retail Management System Store Operations
  - Microsoft Office 2000 Professional
  - Digital Retail Solutions—Bicycle Bundle for RMS

### Hardware

- Dell Xeon server
- Dell OptiPlex POS workstations
- Epson TM88iii receipt printers
- Cherry keyboards
- Symbol LS 2200 scanners
- MMF cash drawers

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Document published August 2004

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