



## Microsoft Dynamics Customer Solution Case Study



### 34-Store Chain Grows 10 Percent Annually with the Help of a New Retail and Financial Solution

#### Overview

**Country or Region:** United States

**Industry:** Retail

#### Customer Profile

Started by mother and daughter in 1980, Peekay, Inc. has grown to 34 locations selling couples' romantic products from well-appointed stores.

#### Business Situation

A decade-old point-of-sale system, hard-to-match hardware components, and inadequate financial software slowed expansion. Further, finding people who knew how to use the proprietary database software the company used was difficult.

#### Solution

A three-store test of Microsoft Dynamics™ Retail Management System proved successful, opening the door to a comprehensive solution that included Microsoft Dynamics GP and Retail Analytics and Merchandise Planning (RAMP) from Professional Advantage.

#### Benefits

- Management gained time and new tools to open or remodel new stores annually.
- Business-based purchasing rapidly and accurately replenishes shelves.
- Quick staff training, thanks to logical POS screens and familiar user interface.
- RITE Gift add-on replaced expensive gift-card provider.
- Restructuring SKUs and rethinking processes opened gates to growth.

“For each new store, we painlessly replicate the software/hardware configurations and pre-populate inventory data. This helps make 5 to 10 percent annual growth very achievable.”

Phy Abramson, Chief Operating Officer, Peekay

Phyllis Heppenstall and daughter Kris founded Peekay, Inc. in 1980 as a direct-marketing company. They saw a market for adult products tastefully presented and sold. In six months, revenues had reached U.S.\$500,000. Fiscal year 2007 ended with 31 stores and 20,000 daily transactions. As new marketing channels developed, an Apropos point-of-sale and inventory management system proved difficult to modify. When Peekay's initial three-store network of Microsoft Dynamics™ Retail Management System, installed by New West Technologies, demonstrated its worth in speed, ease, and flexibility, the comprehensive retail application was expanded chain-wide. Next, management chose Microsoft Dynamics GP to create an enterprisewide solution. Peekay and Microsoft® Gold Certified Partner Tectura rethought and streamlined processes, clearing barriers so expansion can encompass several new stores a year.



“The capabilities in Microsoft Dynamics RMS were new to us. Implementing them opened our eyes and helped us review our business processes. This new foundation will help us manage our business better.”

Rex Bratton, Vice President of Finance, Peekay

Tasteful, upscale interiors typify Peekay's remodelling campaign. Its all-Microsoft software IT solution gives executives and managers new time for renovations and marketing.



## Business Situation

Peekay, Inc., named for the first initials of founders and owners Phyllis Heppenstall and daughter Kris Butt, has become one of the nation's largest and most rapidly growing retailers of romantic and adult products. Customers range in age from 18 to 78, and 60 percent are women.

Thirty-four tasteful stores, 20 in Washington and 14 in California, branded as Lovers, A Touch of Romance, and ConRev, discreetly display and partition from 3,500 to 5,000 SKUs so that their storefronts adhere to local expectations. Lingerie typically fills the front window, while other products reside in less-visible areas of the store. The Tukwila, Washington, Lovers store is the largest, covering 15,000 square feet on three floors.

Phyllis and Kris founded Peekay in 1980 with U.S.\$600 and within six months had recruited 32 representatives and reached half a million dollars in revenue. Their first store opened in 1982 in Auburn, Washington. Understanding the need to have their business accepted and promoted within each local market, Phyllis participated in civic activities and associations. She is a Founding Member and Advisory Committee Member of the Auburn Business Enterprise Center and an advisor to Free Speech

Coalition. The company earned Pacific Lutheran University's Family Business of the Year Award.

## Working Uphill

The combination of an aging retail and inventory system and Sage MAS 200 for payables and accounting constantly stifled Peekay's plans to grow. Rex Bratton, Vice President of Finance says,

“Very few people understood or could work with Apropos' proprietary database, so we were on borrowed time. Finding staff or support for changes and updates was almost impossible. And that situation was only going to get worse.

“We needed a mainstream expansion solution using widely supported applications. If we could smooth processes and provide information in ways our staff needed it each morning via electronic dashboards and operational reports, we knew our people would ensure growth. Our primary selection criterion was a fully integrated solution. All applications had to be on the same platform and transfer data seamlessly between each other.”

## Combining Solutions

Peekay tested a mini-network of Microsoft Dynamics™ Retail Management System (RMS) installations in three southern California stores. New West Technologies assisted with the roll-out and implementation. After meeting with several companies, Peekay selected Tectura to propose, coordinate, and install an enterprise-wide solution based on Microsoft® software. “We looked to Microsoft as our advisor,” says Bratton. “They had recommended Tectura as a strong Microsoft Gold [Certified] Partner to design and implement a complete enterprise solution.”

Phy Abramson, Chief Operating Officer at Peekay, says, “During interviews and demonstrations, managers and staff liked this solution. We decided to expand it to all stores because it worked well at the point of sale, for tracking stock, and had good store-level reporting. Microsoft Dynamics RMS gave us the familiar Windows® feel. Touch-screen capability gave us a very fast way to train sales associates. Since our entire solution would run on Microsoft SQL Server®, we knew we could develop our internal skills and readily find professionals trained on the

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Rex Bratton, Vice President of Finance,  
Peekay

Microsoft platforms and applications. Support was assured. Demonstrations showed us that added functionality was possible through add-on programs.”

### Solution

Peekay began to roll out Microsoft Dynamics Retail Management System and Microsoft Dynamics GP in January 2006. RMS ConnectPro from Professional Advantage helps integrate data from Microsoft Dynamics RMS with Microsoft Dynamics GP.

As installations continued, Bratton foresaw that one barrier to expansion was the old and inconsistent numbering methods of Peekay’s inventory SKUs. Undertaking an ambitious renumbering project would ease system integration, enhance system usefulness, and facilitate expansion “We open-stock only 5,000 items, but we keep approximately 25,000 in the system to allow stores to direct-ship items not on their shelves and to keep historical items for comparison so we make better buying decisions,” Bratton says.

Tectura Corporation provided and installed Microsoft Dynamics GP and coordinated other partners’ work. Tectura is a leading global provider of integrated Microsoft business solutions to mid-market companies, larger enterprises, and their divisions.

Peekay has since upgraded to Microsoft Dynamics RMS 2.0 and Microsoft Dynamics GP 10.0, adding Retail Analytics and Merchandise Planning (RAMP) from Professional Advantage. RAMP’s reports maximize chain-wide availability of desirable stock while cutting the costs of excess inventory. Purchasing and stock management is done from the home office in Auburn.

Abramson says, “Purchasing starts with RAMP. It suggests product needs and offers a familiar spreadsheet interface. We buy more efficiently using min-max requirements we set for the stores and warehouse. Our buyers like RAMP because they see how its accumulated data provides better replenishment predictions.”

### An Easy Network

All stores use Microsoft Dynamics RMS Store Operations for store-level point of sale (POS), stock tracking, and local reporting. Microsoft Dynamics RMS Headquarters collects store data and presents detailed and big-picture data to Auburn.

“Our stores connect seamlessly to Microsoft Dynamics GP to manage our warehouse, wholesale, Web business, purchasing, payables, banking, and financial reporting,” says Bratton. “We haven’t found anything this system can’t handle. We even found its bill of materials was the right solution for the products we package in our warehouse.”

### Benefits

“We’ve proved this all-Microsoft platform will let us add or remodel several new stores

A new storefront in Issaquah, Washington displays items in keeping with neighborhood standards. Stores can access 25,000 SKUs for sales comparisons and orders.



### Seeing Farther

“The capabilities in Microsoft Dynamics RMS were new to us. Implementing them opened our eyes and helped us review our business processes. This new foundation will help us manage our business better,” says Bratton.

“We manage products at least two ways: direct shipment to retail stores, and one-time purchase-replenishment distribution to stores from our Auburn warehouse. Our first attempts at modernizing these weren’t a great improvement. But ongoing examinations with Microsoft Certified Partner Tectura yielded a much better solution,” Bratton adds.

“We use the matrix functions in Microsoft Dynamics RMS and Microsoft Dynamics GP to tightly track exactly what SKUs are selling where, and what’s still on our shelves.”

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annually and free up managers’ time,” Abramson says. “For each new store, we painlessly replicate the software/hardware configurations and pre-populate inventory data. This helps make 5 to 10 percent annual growth very achievable.”

#### **Specific Tools**

“The Detailed Sales Report in Microsoft Dynamics RMS is our daily tool,” Bratton says. “We use it for daily sales reporting, which is instantaneous when the stores close, and to validate data going to Microsoft Dynamics GP. We have a three-way PO-matching process that allows our warehouse to receive goods and forward the paperwork to accounting for invoice processing.”

“SmartLists are by far our most-used feature. Users are very capable with SmartLists, and we are building even more-efficient views with SmartList Builder using Export Solutions for common reporting needs. Add in Crystal Reports and we can provide information to our managers in more useful ways than we’ve ever seen,” Bratton adds.

Gift cards are a growing factor in retail revenues. Using RITE Gift from Retail Information Technology Enterprises (RITE), Microsoft Dynamics RMS allows Peekay to track each card, manage its Preferred Customer Program, and be more cost-efficient in the process. “Gift cards were managed by an outside vendor, but that cost us dearly. We now manage gift cards with RITE Gift, eliminating annual fees and dollar hits on every transaction. We plan to add considerably more cards as we grow. But with RITE Gift, we can keep redemption expenses flat. That’s a huge benefit,” explains Bratton. “We use the matrix functions in Microsoft Dynamics RMS and Microsoft Dynamics GP to tightly track exactly what SKUs are selling where, and what’s still on our shelves. Nearly 70 percent of stock requires matrix tracking, so we needed an efficient way to add new

SKUs, especially since about 25 to 30 percent of our products are also seasonal. PowerOps from Digital Retail Systems speeds SKU creation and matrix functions in Microsoft Dynamics RMS.

“Everyone in the company uses some aspect of the new system. The Microsoft look and feel made training easy. Most screen options work similarly whether you’re doing inventory, purchasing, payables, or receivables,” continues Bratton.

“Sarbanes-Oxley compliance is a priority for us as we continue to grow. Knowing that Microsoft and Dynamics GP provide solutions that help us to comply was an important consideration,” adds Abramson.

#### **Suggestions to Retailers**

Bratton observes, “Too many retailers think a conversion can make a new system look like the old one. Any culture wants to retain its sacred cows. We had been using Apropos for 15 years, and some staff understandably did not want to change every SKU they knew.

“But you must really assess what your goals require the new system to do. If you ignore that, you leave out of your upgrade everything you’ve learned. You’d only get a fast version of clunky, decades-old processes and technology. The world has changed and you have learned. Incorporate your new agility and adaptations into your conversion.

“Even if change is sometimes wrenching, you’ll thank yourself later if you rethink old processes, not just your screens.”

## 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 Peekay products and services, call (253) 351-5001 or visit the Web site at:

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For more information about New West Technologies products and services, call (800) 466-7839 or visit the Web site at:

[www.newestech.com](http://www.newestech.com)

For more information about Tectura products and services, call (650) 585-5500 or visit the Web site at:

[www.tectura.com](http://www.tectura.com)

For more information about Professional Advantage products and services, call (701) 235-2363 or visit the Web site at:

[www.profad.com](http://www.profad.com)

## Microsoft Dynamics

Microsoft Dynamics is a line of integrated, adaptable business management solutions that enables you and your people to make business decisions with greater confidence. Microsoft Dynamics works like familiar Microsoft software such as Microsoft Office, which means less of a learning curve for your people, so they can get up and running quickly and focus on what's most important. And because it is from Microsoft, it easily works with the systems that your company already has implemented. By automating and streamlining financial, customer relationship, and supply chain processes, Microsoft Dynamics brings together people, processes, and technologies, increasing the productivity and effectiveness of your business, and helping you drive business success.

For more information about Microsoft Dynamics, go to:

[www.microsoft.com/dynamics](http://www.microsoft.com/dynamics)

### Software and Services

- Microsoft Server Product Portfolio
  - Windows Server® 2003
  - Microsoft SQL Server 2005
  - Microsoft Office SharePoint® Server
- Microsoft Dynamics
  - Microsoft Dynamics GP 10.0
  - Microsoft Dynamics Retail Management System Store Operations 2.0
- Microsoft Office
  - 2007 Microsoft Office suites
- Windows Vista®
- Windows XP

### Third-Party Software

- Retail Analytics and Merchandise Planning by Professional Advantage
- ConnectPro by Professional Advantage
- PowerOps by Digital Retail Systems

### Hardware

- Hewlett-Packard ProLiant rack-mount servers
- Hewlett-Packard StorageWorks 1000 Modular Smart Array
- Dell notebook PCs
- Generic desktop PCs
- CobraPOS 478 All-in-One
- Zebra receipt printers

### Partners

- New West Technologies
- Tectura
- Professional Advantage

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