



Case Study: Virgin Megastore Realizes Profit Gains to the Tune of \$1.5 Million

With 20 massive retail stores selling more than 400,000 SKUs and handling over 7 million customer transactions annually, premier entertainment specialty retailer Virgin Megastore generates huge amounts of data. This creates an essential need for actionable, timely information in order to manage the business effectively. Nonetheless, Virgin was severely handicapped by a system that didn't deliver.

Analysis Team developed a Data Warehouse and Business Intelligence solution that led to increases of \$1.7 million in earnings and \$500,000 in profit in the first four months, translating into annualized increases of \$5 million in earnings and \$1.5 million in profit. This sizable, quick return on investment was directly attributed to the new system:

1. Key performance indicators, including shopper traffic, customer conversion rate, number of transactions and average dollar ring, were reported to store managers every 15 minutes throughout the business day.
2. Real-time data armed managers with information to drive behavioral changes in staff. As a direct result:
 - Customer conversion improved 10% (an increase of more than two percentage points).
 - Average sales transaction value increased by \$1.30, compared to the previous sales period (after adjusting for seasonal variances).
3. Profit gains were even more notable given decreased shopper traffic at the same time.
4. Overall, the solution empowered the staff and drove a major cultural shift in the organization, generating major long-term benefits.

Background Virgin Megastore operates a complex, dynamic business. With a large and ever-changing inventory and a wide variety of marketing promotions, Virgin needed actionable information delivered in real time.

Virgin's system for managing orders, sales and inventory on the AS/400 wasn't geared to deliver this. "We knew that we needed better Business Intelligence," said Robert Fort, Director of Information Technology (IT) for Virgin Entertainment Group, North America. "People were frustrated. They couldn't get their hands on their data, and every time they needed something new, they had to go through IT. Besides, we needed to begin influencing the results rather than just reviewing them." Virgin's market share and key performance indicators were eroding. The solution chosen needed to return value quickly.





The Results Virgin first brought in Analysis Team to teach senior management about Data Warehousing and Business Intelligence, and train them on how to evaluate Business Intelligence software. “It was just what we needed,” said Alan Flaesgarten, Senior Manager of Applications and Development. “What Analysis Team provided up front was basic training in the tools and processes so that our cross-functional team knew what to expect and what to look out for.”

Next, Analysis Team put the training into action, engaging Virgin in the evaluation process to select a Business Intelligence platform. Using live data, Analysis Team built prototypes in each of two final Business Intelligence platform candidates. After working with both models for a week, the Virgin team chose Microsoft Analysis Services, using a Microsoft SQL Server data store.

To design the optimal application for Virgin’s business needs, explained Fort, “We needed someone to provide the link between the technology and the business. We looked once more to Analysis Team to provide that critical link, along with their data design and BI expertise.” Analysis Team designed an extensible foundation to support both real-time reporting and summary-level trending.

While designing the application, Analysis Team helped Virgin identify and resolve data integrity issues. “Where there was a business decision to be made,” observed Flaesgarten, “Analysis Team didn’t just pose the question. They sat down with us and explained the problem along with the short- and long-term implications of the different options so that we could make educated decisions.”

In a remarkably short timeframe, Analysis Team built a comprehensive Data Warehouse and Business Intelligence solution with rich capabilities:

1. Within weeks of the project beginning, the first phase was completed. Shopper traffic is reported every 15 minutes.
2. Complex point-of-sale (POS) information was brought live in just three months. Every 15 minutes, store managers receive key performance indicators such as customer conversion rate, number of transactions, and average dollar ring.
3. Graphical performance summaries display business trends and performance benchmarks via Virgin’s intranet, using Microsoft SharePoint® Portal.
4. Information can be accessed through Excel to easily create reports, such as:
 - Sales trend and product ranking reports.
 - Marketing campaign analysis.
 - Product profiling and benchmarking.
 - Market basket analysis.
5. The solution entails a low “total cost of ownership” due to Analysis Team’s knowledge transfer.





Most important, the solution delivered value in short order. “Analysis Team recommends a phased approach that aligned perfectly with our philosophy,” said Fort. “It was this—coupled with their efficient work ethic—that allowed Virgin to begin deriving benefit in a mere three months.”

“I can only call this project a success,” concludes Fort. “Store managers enthusiastically embraced this solution, as has the executive team. Best of all, we recovered our costs within the first three months. What Analysis Team delivered became mission critical to Virgin Entertainment Group immediately. We aren’t going to give that up!”

Analysis Team delivers high-return Business Intelligence solutions. Analysis Team, Inc. develops customized, automated solutions that significantly improve business performance analysis, management reporting and planning, to drive financial growth. Our real-world experience in business, technology and project management helps our clients to maximize value from their business data and existing information systems.

Analysis Team’s consulting services include Business Intelligence assessment and strategy, software evaluation and selection, complete application design and implementation, and knowledge transfer to client staff. By focusing on the unique needs of each client, Analysis Team provides objective advice and delivers practical solutions that achieve clear return on investment.

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