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This customer story is based on information provided by Noel Leeming Group and illustrates how one company uses IBM products. Many factors have contributed to the results and benefits described; IBM does not guarantee comparable results elsewhere.



MORE FOR LESS AT NOEL LEEMING.

Reader Value

- Noel Leeming found spending money saved it money when it replaced a retail system that was past its use-by date
- The retailer's state-of-the-art IT infrastructure means customer transactions are faster and service better
- Noel Leeming's new retail system is resilient and flexible so business processes can be tweaked on the fly

Key Benefits

- The rollout has increased the retailer's system performance, solved ongoing reliability and support issues and given it a sound IT platform for the next five years or more.
- Faster processing speed means reports which used to tie up point of sale terminals for minutes at a time now happen within seconds.
- The new SurePOS 300 units have a built-in processing capability that lets them run the group's POS software locally, so if the link with the back office system fails, there's no interruption to customer service.
- The group now has a system that's up to date and under warranty – and therefore more attractive to a potential buyer.

Key innovation

Consumer technology and appliance retailer Noel Leeming Group has replaced an ageing point-of-sale and back office system in the space of a couple of months without interrupting normal business and at a modest cost of about \$1.3 million.

Noel Leeming Group

- Group has a combined 91 Noel Leeming and Bond & Bond stores
- Since 2004 has been owned by Australia's Gresham Private Equity
- The chain's retailing heritage stretches back more than 100 years
- The group has revenue of about \$500 million
- It employs about 1100 staff, 17 of whom are in IT

noelleeming.co.nz

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For a retail chain that sells the latest technology to avid consumers, Noel Leeming Group's point-of-sale (POS) and back office computer systems were far from state of the art.

It had POS systems that were so old that, as new Noel Leeming and Bond & Bond stores were opened, POS terminals to equip them could only be found on the second-hand market. The group's ageing IBM® AS/400 back office machine had also "pretty much come to the end of its life", says chief financial officer Mark Conelly.

"The business had been under-invested at the time of acquisition," says Conelly, who joined when Gresham Private Equity bought the company from Pacific Retail Group in 2004. But the previous owner's "if it ain't broke, don't fix it" attitude had ended up as false economy, he says.

"You start getting into a position where your performance suffers and you can't really see the cost of that until the system falls over. The second thing, which you do see the cost of, is that it becomes increasingly hard and costly to maintain."

The first step in doing something about matters, was to replace the AS/400 in October 2007 with an IBM System i5 525 Express. "That's just taken the whole business a step forward in performance terms."

IBM supplied POS units, as well, Conelly settling on SurePOS 300

devices after consideration of a number of options. "We got an independent review just to ensure the SurePOS 300 range was appropriate for us," he says.

The new POS unit does not have an integrated printer, which the company has taken as an opportunity to streamline its processes, eliminating some form printing. "That's absolutely delivered functionality improvements at point-of-sale."

Their built-in processing capability lets them run the group's POS software locally, so if the link with the back office system fails, there's no interruption to customer service. "Staff can undertake a sale at the point-of-sale without the main computer being online," Conelly says.

"It was a very, very successful rollout – we never really faltered."

Noel Leeming Group CFO Mark Conelly

The transition to the new SurePOS 300 devices took place without a hitch over about eight weeks, despite Conelly opting to continue tweaking the group's custom-written POS software during that period.

"We were worried about the transition. One option is to freeze the system but when you're in a dynamic business, you really need to maintain maximum flexibility.

"In the eight-week deployment phase the business could have come along and said, 'We want to do this', and the last thing you want to have to say is, 'Sorry, you can't action that till the end of the freeze', so we kept that flexibility right through."

The risk was rewarded with a smooth transition. "It was a very, very successful rollout – we really never faltered," Conelly says.

Solutions partner Gen-i helped with identifying and specifying the required equipment, then worked with Noel Leeming to negotiate pricing and install equipment in some of its premises.

"Noel Leeming did most of the integration itself," says Dougal MacDiarmid, client manager at

Gen-i. "But certainly the bits that we were involved in – procurement and delivery of the equipment – were excellent and the rollout that we did do in certain parts of New Zealand went really well.

"Noel Leeming was looking for cost reduction and speed improvements and got both of those. The ROI was pretty short, given the maintenance it was paying on old equipment."

The new hardware platform for the POS units cost about \$750,000, which Conelly considers a modest sum, and the back office system, and a second back-up machine, a further \$550,000. It's been money well spent.

"We've mitigated risk in that we no longer have out-of-date machines, we've eliminated quite a lot of cost in that we've got a warranty period and therefore are not paying any maintenance at the moment, and when we do start paying it again it will be considerably cheaper than previously. We've also refreshed to a more contemporary piece of kit and extended the life out to 2012-13."

Greater processing speed means reports which used to tie up POS terminals for minutes at a time, initially confusing operators who thought their request hadn't been actioned - now happen within seconds. "We had stores ringing a number of times saying, 'We pressed the button and it comes back to the menu – it hasn't done the update'. We'd tell them the job was done and that they were just experiencing the improved performance of the new POS system– that's been quite dramatic in a number of areas.

"When you put something in that's the best part of 10 years younger, you're inevitably going to get more out of it."

■ Mark Conelly can look back on Noel Leeming Group's point-of-sale and back office system upgrade with a great deal of satisfaction.

■ The rollout of about 260 IBM SurePOS 300 units and a System i5 525 Express back office machine has increased the retailer's system performance, solved ongoing reliability and support issues and assured it of having a sound IT platform for the next five years or more. Plus, the company has deployed a second back office machine to provide back up, a luxury it hasn't had before.

■ Conelly, who led the upgrade effort, says he had two things in mind as he undertook it.

- ▶ First was to enable the transition to be made without having to freeze the business' systems for the two-month rollout period.
- ▶ Second was to ensure the company implemented a system that wouldn't put off any future potential buyer of the group, a meaningful concern when owned by a private equity investor. "One of my mantras has been that anything I do in the technology space is directionally sensible, relatively mainstream and keeps options open."

■ With the IBM point-of-sale devices and back office machine, he's confident he has done that.

Additional Resources IBM

■ For more information on IBM POS systems and more: ibm.com/products/retail

■ You can read more about IBM System i 525 Express here:

- ▶ ibm.com/systems/i/hardware/525/index
- ▶ ibm.com/businesscenter/nz/express/surepos

■ You can read more about IBM's thought leadership on retail from its Institute of Business Value:

- ▶ ibm.com/services/us/index.wss/industry_library/imc/a1000063

Noel Leeming

■ Noel Leeming Group's Mark Conelly is chief financial officer, but he also manages the retail chain's IT. That means he has a keen interest in both the business and technical sides of retailing.

■ To keep up with the business of retailing, he reads articles from the UK and Australia, while his IT interest is catered for by a combination of local print publications and websites, and vendor presentations.

■ Local IT information sources Conelly relies on include:

- ▶ istart.co.nz/index
- ▶ nzherald.co.nz/technology/news/headlines.cfm?c_id=5
- ▶ nzbusiness.co.nz

