



www.lush.com

An internationally recognized cosmetics retailer, LUSH aims to develop the best natural products and bring them to market with a compelling social message. Mirroring this philosophy is the company's approach to managing its business processes. With customer satisfaction top of mind, LUSH saw an opportunity in streamlining their demand forecasting to better serve their customers and improve efficiencies. The company wanted to forecast product demand by leveraging historical purchasing patterns for any given store for any future date. They also knew that keeping the store shelves stocked at optimal levels would raise LUSH's sales, increase customer satisfaction and decrease costs. LUSH leveraged Prophix to drive significant economic gains in a remarkably short time.

Background

Operating in North America since 1996, LUSH is a world-renowned cosmetics company with more than 700 stores in 43 countries. LUSH produces and sells handmade products, including face masks, soaps, hand and body lotions, and hair treatments.

"Prophix's capabilities for demand planning have allowed us to get the right products to the right place at the right time, and to streamline the inventory flow for our business."
— Mike A. Coulter
IT Director
LUSH North America

Recognizing the Problem

Historically, LUSH's store managers would prepare purchase orders after analyzing the previous year's sales data. They reviewed the numbers bi-weekly throughout

the year, and more frequently during the Christmas season. Unfortunately, the inability to accurately forecast demand carried the increase risk of lost sales, lower margins and poor customer service. The cumbersome process of filling out purchase order requests reduced the amount of time that store managers could spend on the shop floor. Despite their best efforts, last minute stock requests forced costly air shipments. Without the ability to properly forecast, stores would have to liquidate their overstock during the post-season sell-off, resulting in lower margins.

Implementing a Solution

The RSC Group's background in management and IT consulting enabled them to close the gaps between the customer's needs and the Prophix solution. First, RSC's implementation approach involved an examination of LUSH's business processes. This process review highlighted areas

Prophix Partner Information

The RSC Group

Western Canada's largest business advisory, consulting, and technology services company

Partner since Q1 2010

LUSH implementation conducted in Q4 2010

Quick Facts

Industry

Retail

Company Info

Operating since 1996 in North America

Annual revenue: \$100+ million in North America, \$500+ million globally

Locations: 150 in North America, 700+ globally

Employees: 2,000 in North America, 10,000 globally

North American head office: Vancouver, British Columbia

Return on Investment

- Revenue acceleration and customer satisfaction:
 - 15% YOY increase per store
 - More face time with customers
- Cost reduction and improved business productivity:
 - \$500,000 savings in not-lost inventory over a two month period
 - Reduction in inventory days on hand by 7 days
 - Decrease in the frequency of shipments to stores, cutting costs, increasing sales opportunities, and reducing LUSH's carbon footprint

for automation and streamlining. Next, RSC developed a solution that would leverage Prophix's flexible CPM solution to quickly yield meaningful results for LUSH.

Prophix in Action

PROPHIX 10 allowed LUSH to reduce their costs of goods sold, increase their profit margins, and minimize the amount of leftover stock at each store. Using Prophix for demand planning provided LUSH with a forward-looking view into their organization by empowering them to measure, analyze and validate corporate strategic plans against actual results. According to Mike Coulter, IT Director of LUSH North America, with Prophix up and running by the American 'Black Friday' shopping holiday, LUSH's "shift from ordering scared to ordering smart" would save the company \$500,000 in not-lost inventory that Christmas season. Since implementing PROPHIX 10, the stores have realized an average revenue growth of 15% year-over-year and have reduced their days on hand inventory by more than 7 days. Although the effect is difficult to quantify, Mike Coulter believes that customer satisfaction has increased significantly, with Prophix directing "the right products to the right place at the right time." The accuracy and speed with which the Prophix solution produces information has provided more than just a fiscal return for LUSH. With store purchase

orders now generating automatically, employees and their managers have time to focus on customer service.

Benefits

Additionally, with less frequent orders and fewer shipments from distribution centres by land and air, the company has not only been able to reduce its costs and improve its employees' productivity, but also enjoy a reduction in its carbon footprint. With a 90% end-user adoption rate country-wide and generating a return for LUSH within 7 weeks of going live, even a store without an experienced manager was able to apply the forecast that the Prophix solution suggested and accept the purchase orders generated by the system. This particular store was 100% stocked and profitable during the Christmas season.

Bottom Line

Built 100% on the Microsoft SQL Server 2008 R2 stack, PROPHIX 10 adds further advantages via the solution's compatibility with existing technologies, including MS Office, MS SharePoint and MS Dynamics. For LUSH, this means leveraging their existing software investments to increase user adoption rates, reduce training requirements, and offer peace of mind when the time to upgrade arrives. Prophix's seamless integration with MS Dynamics also compliments LUSH's IT infrastructure in order to deliver a solution with a low

total cost of ownership, high return on investment, and rapid time-to-value. As Mike Coulter explains, "PROPHIX 10 is an incredibly helpful system, one that we plan to use for some time."

