BOTTOM LINE

The Perfect Fit: IBM/Memorex System Takes Data Out of Mothballs for Mens' Clothing Store

Point-of-Sale devices in KG Retail stores feed sales and inventory data into the company's computer system, where it is stored on Memorex disk drives. More than three million inventory items are stored on the drives, and inventory accuracy has increased by approximately 10 percent.

30,000 Man Hours a Year Eliminated in Invoice Accounting System; More Than Three Million Inventory Items Tracked Accurately.

ENGLEWOOD, Colorado—From shoes to BVD's, KG Retail knows how to turn out the well-dressed male west of the Mississippi. However, the chain's computer system was 8 years old in 1984, and keeping track of inventory, sales, and purchase orders was becoming a problem.

"We decided to take our data out of mothballs, and install a new computer system that would give us better control and institute times savings," says Bob Mercer, vice president of MIS for KG Retail. "The results have been excellent. We have eliminated more than 30,000 work hours a year, and have increased inventory accuracy by approximately ten percent. We expect to increase accuracy even more in the near future."

The Western Man

KG Retail, a division of Chromalloy American Corporation, is a chain of 90 mens' specialty stores located throughout the western United States. The stores carry everything that the well-dressed male might require, from jeans to pinstripe suits to bathrobes. In 1986, sales will approach $100 million.

The company's day-to-day operation is slightly unusual for a retail chain. Orders are shipped directly to each store rather than to a central warehouse. This puts inventory on the shelves much more quickly than the central distribution method which, in turn, means that goods can move faster. However, all administrative functions are centralized at the Englewood headquarters.

According to Mercer, each store carries approximately 31,000 items of inventory at any given time. The MIS department must therefore keep track of more than three million items of inventory, as well as 42,000 sales transactions each week. In addition, approximately 12,000 purchase orders are processed every month.

"We were trying to manage all of this with an eight-year old computer system and paper reports sent in from the field," says Mercer. "A year ago, in 1984, we upgraded by purchasing a used IBM 4341 with eight megabytes of memory."

Peripheral Perks

In addition to the mainframe, the MIS department needed personal computers, terminals, disk and tape drives, and a variety of other equipment. Unfortunately, the vendor they had selected could not provide tape drives in a timely fashion. "We began looking at other vendors, and discovered that Memorex could provide exactly what we needed in record time," says Mercer. "Our first order was for two 3261 tape drives that we use for backup and archival purposes."

After that initial order, Mercer began to look at other Memorex offerings, next purchasing a 1270 communications controller to direct incoming data from the individual stores. "We selected the controller because it is hardwired and requires no programming to install," says Mercer.

Soon, 37 Memorex 2178 terminals were purchased, along with a 4303 printer, which was smaller and required less electricity than other vendor's equipment.

Two Memorex 3695 disk drives were purchased to supplement existing drives. According to Mercer, the power per dollar was much greater, and the Memorex drives provided an important feature lacking in other drives under consideration. "Basically, the Memorex drives provide two paths to the data, even if you don't have a full string," he says. "This means faster access time."

Finally, 15 Personal Computers were purchased and tied to the mainframe. Because Point-of-Sale (POS) cash registers were already installed in each store, the new computer system was in place and ready to go.

Sales and Inventory

The POS devices are key to the entire computer operation. When a sale is made, the clerk keys vital data into

The input/output speed of Memorex disk drives is responsible for a 500 percent data throughput increase at KG Retail, a leading men's store in the western United States. The drives also store a vast array of data, including more than three million items of inventory, 42,000 sales transactions a week, and 12,000 purchase orders each month.

the terminal, including cost, discount, if any, size, color and any other information necessary for inventory purposes. Other data is also keyed into the POS, including transfers to other stores and payroll. The data is stored on diskettes throughout the day.

Each night, the computer automatically dials each store, transferring the data to the mainframe via the 1270 communications controller. As the data comes in, an operator verifies that all stores are entered and that entry dates are correct.

The data is processed and placed into files, of which there are approximately 300. Key files include Purchase Order Generation, which holds approximately 177,000 items; Sales/Inventory, with more than three million items; Purchase Order File, with 400,000 line items; and Payroll for approximately 1100 employees.

All files are stored on the Memorex drives.

Every Sunday, sales and inventory data is summarized in the form of three reports: the Sales Report, the Merchandise Position Report, and the Opened By Report, which tracks buyers' purchases. In the past, these reports took 15 to 16 hours each to run. That time has now been reduced to only two to three hours each.

"This 500 percent increase in throughput is due in part to the computer, and primarily to the input/output speed of the disk drives," says Mercer.

In 1986, a bar code reading system will be installed in each store. The coded tag will provide all necessary inventory data, and will simply be passed over a reader for entry into the system. Mercer feels that this will all but eliminate inventory errors.

Purchase Order Management System

The Purchase Order Management System is also keyed in via the POS, because all orders go directly to the stores. When the items are received, the purchase order number is entered, along with the line on the purchase order and how many units received.

This data is collected nightly, and is compared with the purchase order stored on the disk drives to ascertain that it is correct. Data stored on the disks includes the class, cost, and stock keeping unit number of the items received. This data dovetails with the accounts payable system.

When the invoice is received at the KG Retail headquarters, it is entered into the system via a Memorex terminal. The computer automatically goes to the receiving records stored in the system and compares the invoice to goods received. If everything is in order, payment is authorized and a check is automatically printed. Approximately 12,500 invoices are processed each month.

"The nice thing about this set-up is that Accounts Payable has eliminated the need to compare and approve invoices," says Mercer. "In the past, this took about one hour per day per store, and required about 80 hours a week of central office time. Now, that has all been eliminated, resulting in a savings of 30,000 man hours a year."

Inventory Tracking: The Cash Register System

In the retail business, it is critical to know what is moving on a daily basis. When this is done, it is possible to track advertised items to see how well the ad is working. It is also possible to transfer inventory quickly from an area where it is not moving to another store where it is. It also makes it possible to keep inventory to a minimum, because reorder needs can be accessed and acted upon quickly.

KG Retail's "perpetual inventory" is stored on the disk drives in the central office, where all ordering is handled. A buyer can generate an order at any time by following a simple procedure.

First, the item under consideration for reorder is keyed into the system, and the computer pulls vital data from the disks and displays it. For example, the system informs the buyer of the ideal stock level for the store, the amount of merchandise currently in stock, and whether or not an order is pending. It then takes the process a step further and recommends an order.

The buyer can either override the order and kill it, or agree and confirm. When an order is confirmed, the system automatically generates the required paperwork to finish the order.

According to Mercer, the buyers used to order every two months. Now, because current data is readily available, they reorder once a month and may, in the future, order twice monthly. This helps keep the correct inventory level in every store with minimal investment.

"The new system is working well for us," says Mercer. "The equipment has been extremely reliable, with minimal downtime. Overall throughput has increased by 500 percent, with no increase in expenses over our old system."

Memorex

A Burroughs Company