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is at the heart of the matter

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TAKING RETAILING TO HEART

Hallmark discovers BI is at the heart of the matter.

BY KEVIN O'ROURKE

Hallmark is in the business of making people feel special. For almost a century, the company has been pumping out heart-warming greeting cards and gifts via 4,000 Hallmark Gold Crown stores along with 43,000 mass and specialty retail locations. Hallmark also reaches key consumer touch points via its family-oriented television specials.

On the revenue side, Hallmark's big chain retail programs are the crux of its \$4.1 billion business. Albeit smaller, its 500 company-owned Hallmark Gold Crown stores are the life breath behind merchandising and product development initiatives for the U.S. market. They are the testing and proving ground for all non-Gold Crown retail channels (the other 3,500 Gold Crown stores are independently owned and operated).

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“The stores are a showplace,” says Doug Fricke, Hallmark's IT business development director. “They lead the way relative to our strategies and directions.”

Three years ago, Gold Crown stores functioned very differently. For starters, Hallmark was not in the big picture retail business. Primarily a wholesaler, it lacked retail infrastructure. It would open Gold Crown stores and then turn them over to an independent owner. In 2004, it owned and operated about 400 Gold Crown locations.

Hallmark changed its strategy when it decided to make a formal investment in retailing, says Fricke: “We were challenged to quickly establish a more appropriate retail technology solution. One of the first building blocks was a more flexible business intelligence solution. We had a fairly limiting data warehouse with a very fixed structure and not a lot of dynamic reporting capabilities.”

At the same time, Hallmark was being challenged by a complex technology system on the wholesale side.

“Hallmark was taking an awfully long time to build an enterprise data warehouse on the wholesale side,” says Fricke. “We were struggling to utilize a data model across the complexities of all of our systems.”

Kirk Low, senior allocations and operations manager, describes the situation in 2004 as follows, “We had people analyzing data at approximately 400 stores with about 500 SKUs of data. We needed a way to manage the business. We had a real rich database with store, SKU, weekly, and day level data. We were data rich but information poor. We were using multiple reporting tools. It was cumbersome. Our reporting was very manual and sequential.”

Hallmark retail analysts had to run one report, then had it processed and answered before they ran the next. The team had to access report after report after report to get the final finding. Report processing speed was very slow. Often, it took 30 minutes to generate an answer. “If you wanted to change or add something, there was a lot of effort behind it,” adds Low.

With such a cumbersome system, Fricke wondered how long the retail group would have to wait for its part of the data base to be created. “If we had to be next in line, who knows how long it would take for them to get started on it.”

A Dramatic Change

The Hallmark of today took its queue from Hallmark founder Joyce C. Hall. Faced with the blight of commercial decay pervading his urban Kansas City neighborhood, Hall launched a renewal plan that resulted in a bustling residential, office, hotel and entertainment district. “I just don't like to sit around and wait for something to happen,” he said. “It's more fun making it happen.”

Fricke and his team did not sit around either. They began looking for a quick fix to their predicament. Hallmark had already established corporate standards for using Teradata decision support hardware and MicroStrategy as an enterprise reporting tool. The team sought to learn what would work best in that environment. That search led them to **QuantiSense**.

From July 2004 through the second week of November, Hallmark installed the data warehouse on its Teradata machine and sourced and loaded all retail data history. Metrics were defined and basic reports and dashboards were created. “The biggest benefit was the speed with which we were able to build the data warehouse,” says Fricke. “What we have done from the fall of 2004 until now is build a suite of reports, using all the metrics, that is specific to Hallmark. The biggest benefit was the speed of being able to build a retail data model with over 300 metrics and a set of base reports that we've used along with the metrics to create our own new reports.”

According to merchandise planning manager Julie



Doug Fricke (middle), Kirk Low and Julie Lonergan added speed and flexibility to BI reporting.

Lonergan, the change has been dramatic. “In our old tools, we had to go through large amounts of data with the objective of putting many metrics on a report to get the answer. With **QuantiSense**, we have got the ability to exception report. There is much less time spent churning through data to get an answer. Whether it is data drilling capabilities or creating an exception report to identify our top sellers, or conversely, looking at our bottom sellers, time is now spent making decisions rather than gathering data.”

The new system lets retail analysts run one query and drill through the data to learn how many stores are out of stock on a top selling SKU. It then replenishes the inventory, says Low.

“In the old world, we might have generated two or three different reports to get to that answer,” says Low. “The old world is very much dumping into Excel, running data, getting an answer and going through that a couple of times. Today we are running our business



almost completely on the **QuantiSense** system. Having one version of the truth makes a big difference. Before, you could be sitting at a meeting and getting into discussions based on conflicting data. Today, there is consistent reporting and metrics.”

Walking Before Running

Fricke and his team report that user acceptance of the new system has been wonderful. But the quick change

led to a minor side-effect — a sudden and dramatic increase in the number of reports.

“We didn’t put a governor on the number of reports and metrics to be created,” says Low. “Gradually, we grew to almost 900 reports. We recently cropped them down to our key 150 reports. We also had multiple metrics out there. We probably should have walked before we ran. We should have proceeded a little slower.

Another surprise was the slow end-user adoption

Hallmark BY THE NUMBERS

Founded	1910
Headquarters	KANSAS CITY, MO
Ownership	PRIVATE
Annual Revenues	\$4.1 billion in 2006
Employees	16,000 WORLDWIDE (4,300 in Kansas City)
Distribution	MORE THAN 43,000 RETAIL OUTLETS IN U.S.
Specialty Hallmark Gold Crown Stores	APPROXIMATELY 4,000
Corporate owned Stores	500

of the system’s graphical dashboard features. “We haven’t seen as much acceptance of the system’s graphical capabilities,” reports Fricke. “We will have to evolve to that. Now, we are more comfortable going through the raw data as opposed to looking at dashboards and graphs to derive answers. We haven’t seen as much use of the dashboards. But I think we have gained a lot more use in the metrics and the ability to get the definition of the retail environment. We have continued to add to the data model. We have implemented merchandise planning and put all planning data in it to make it more of a true data warehouse.”

Another bump in the road resulted from QuantiSense not having been originally designed to run on a Teradata platform. This created performance issues. “We had to convert that over to run on Teradata, retune it and enhance it to take advantage of how we were really running the tool,” says Fricke.

Making Connections

The Hallmark IT team has continued to add to the retail data warehousing project. “When we implemented the merchandise planning tool, we added the merchandise planning data,” says Fricke. “We have also added our key item data along with four-wall profitability, controllable expense information, and finally our store level customer satisfaction data. When we add assortment planning over the next two years, we will also add assortment solutions to that repository.”

Fricke says Hallmark is also beginning to use the new system’s many capabilities, such as its ability to create and distribute a series of corporate dashboards to hundreds of people company wide. “We are going to use more exception-based reporting to find stock outs, using the metrics to filter information and narrow it down to what we want.”

Only internal departments are currently using the system. Hallmark has not pushed it out to the field sales areas. District and field managers who support corporate stores also do not yet use the tool. Bringing them into the loop is part of a future plan. Fricke and his team are still considering having some basic sales information pushed to the store level.

The new system also is allowing Hallmark to upgrade its replenishment system. “We want to leverage the **QuantiSense** retail warehouse to help with replenishment.

The Power to Connect

The team is working on PCI compliance, assortment planning and has revamped its loyalty card program. While Fricke and his colleagues concede that the retail division is not the largest organ in the Hallmark body, an upgraded business intelligence solution is allowing this retail operation and testing ground to better determine what moves the consumer’s heart. **RIS**

Hallmark TECH TOOL BOX

HARDWARE:

POS: FUJITSU
Store Servers: DELL
Handhelds: INTERMEC
Network Infrastructure: CISCO
Decision Support Hardware: TERADATA
Broadband Provider: IPASS

SOFTWARE:

POS: SAP RETAIL
Handhelds: FIELD PERFORMANCE GROUP
BI Software: MICROSTRATEGY AND **QUANTISENSE**
Retail Planning: JDA
Campaign Management: TERADATA CRM
Replenishment: ORACLE RETAIL