



At a Glance

Navy Exchange

Industry

General merchandise retailer for US Navy personnel and their families

No. of stores

100+

Number of employees

15,000

Locations

Worldwide

Solution

Epicor Retail Audit and Operations Management

“We had all our new systems working together seamlessly in a short time. That was probably our number one benefit with Epicor Retail Sales Audit: timely interfaces to our other systems.”

Joe Lange
Field Accounting Manager
The Navy Exchange

Business Challenge

The Navy Exchange (NexCom), a large general merchandiser to US Navy personnel and their families, was hindered by a highly decentralized, manual auditing system that was too slow, inconsistent, and did not allow a full and current view of their expanding operations.

Solution

Epicor Retail Sales Audit, the core component of Epicor Retail Audit and Operations Management, enabled NexCom to centralize, streamline and accelerate its auditing operations while reducing errors, risks, and labor.

Business Benefits

- ROI in less than one year, based on a reduction of 168 in-store auditing positions and 30% of cash office staff
- Better, pro-active business decisions based on the availability of timely, accurate information
- Improved security and fraud control

The Navy Exchange was established in 1946 to improve the quality of life for sailors, and provides an expansive range of services and merchandise for its patrons around the world. Operating more than 100 main stores plus a ship stores program, the Navy Exchange maintains annual revenues in excess of \$2 billion.

Prior to their current systems, the retailer used the financial component of an automated retail merchandising system to manage receipts at the stores — a system that dated back to the early 1980s. One to four people were employed at every store to audit the data, which was then sent on to Head Office for review and validation.

Overcoming the limitations of manual auditing

"Our retail stores operated independently and performed manual cash counts. They also were backing into tender amounts and manually entering cash amounts from the cashiers by register to determine cash over and shorts in the stores," says Joe Lange, Field Accounting Manager at the Navy Exchange. Processes tended to vary from store to store, and were slow: They were closing on a monthly basis, approximately three weeks after month end. The Navy Exchange recognized the need to overhaul their financial systems.

The retailer's greatest challenge was dealing with end users' concerns about changing systems and processes. The "cultural shift" associated with implementing new systems was seen as a threat. In order to achieve their corporate goal, the Navy Exchange had to introduce technology in a way that would ease such concerns.

The retailer decided to revamp their systems from start to finish by implementing Epicor Retail Audit and Operations Management (formerly Sales Analytics from NSB), a cash counting application from ATS Money Systems, and ReconNET from Trintech® for bank reconciliation. "We used the Epicor Retail solution as an impetus for us to drive new processes at Navy Exchange," says Lange. "We've introduced best practices in cash management and auditing at our retail operations, from the minute we receive payment right through to when we invest it."



Streamlined automation, made simple

Designed for multi-channel retailers, Epicor Retail Sales Audit receives and cleanses transactional information coming from any point of sale, over any sales channel, and sends the cleansed data on to other Head Office systems. The Solution makes it easy for users to identify and correct problematic transactions, and has been shown time and again to increase productivity tremendously.

"We selected Epicor Retail Sales Audit because of the way the screens are laid out and the simplicity of the process," Lange adds. "It has a good, logical flow, and is easy to use."

The retailer invested a significant amount of time in defining the skill set and hiring the right people to perform the centralized Sales Audit function and to work with the various software applications. "It took us around six to eight months, including the time it took to put together a position description, determine the right salary, and solicit applications, to get the people we felt were the right associates for the job."

They also invested time in ensuring a smooth transition at all stores to the new systems and processes. There was a significant education effort, as well as training, for store personnel who had to adapt to the new, more automated processes.

Fast integration

"We had all our new systems working together seamlessly in a short time," Lange confirms. "That was probably our number one benefit: timely, accurate interfaces to the other systems."

ROI in less than one year

The Navy Exchange realized large savings in costs thanks to the new systems and processes. "We reduced our cash office staffs by one-third and permanent on-hand funds by 30%, effectively eliminating all the sales audit positions at the stores. All together, with both systems, we eliminated about 168 positions."

More timely information, more time to react

With the new system, the retailer is now closing once a week, with data automatically posting to the general ledger, instead of closing once a month. "When you go through a four- or five-week selling period, you can't take corrective action for the next selling period," Lange observes. With data posting by the Wednesday of the following week, Head Office can now respond faster to what's happening in their business.

"We've reduced our shortages by more than 50%, thanks in large part to the improved timeliness of information," Lange confirms.

Tighter security on cash and inventory

Thanks to Connected Retailer Sales Audit, the retailer discovered a lot of overages and shortages that were previously hidden. Some employees had been committing fraud, submitting false coupons, or "disguising" shortages by manually offsetting the numbers against sales. Sales Audit pinpointed these anomalies at the cash register, and, with the help of hidden cameras installed by loss prevention officers, the dishonest employees were identified.

Helping out with Sarbanes-Oxley compliance

The Navy Exchange has begun procedures for ensuring Sarbanes-Oxley compliance, and finds the Sales Audit system helpful for documenting the flow of data. "It's easier now to map the flowchart showing where all the data goes in," says Lange. "And it's easier for our auditors, because all they have to do now is test our systems to ensure a transaction ends up in the G/L the way we've mapped it out."

Empowered employees make for happier employees

With the system, Navy Exchange employees who work in auditing are more challenged, and Lange has noticed the positive effect on their performance. "Our associates don't have to key in numbers anymore," he comments. "Now, they're analyzing and assessing situations — they've become true knowledge workers. And they enjoy it; it's far more motivating work."



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