



## Epicor Success Story

# Cornell's Hardware

Increases margins with improved inventory planning, profitable pricing strategies, and data-driven decisions

### Company Facts

- ▶ Location: Eastchester, New York
- ▶ Industry: HWHC
- ▶ Number of Locations: 1
- ▶ Web site: [www.cornells.com](http://www.cornells.com)
- ▶ Affiliation: True Value



### Success Highlights

#### Challenges

- ▶ Forecasting product sales for improved inventory investment
- ▶ Pricing for maximum profit
- ▶ Merchandising to increase sales and margins

#### Solutions

- ▶ Epicor® Eagle® Pricing Planner
- ▶ Epicor Eagle Inventory Planner
- ▶ Epicor Eagle Performance Manager

#### Benefits

- ▶ Increased margin by 2 percent
- ▶ Reduced inventory by 5 percent
- ▶ Increased profits from end-cap displays

Cornell's True Value Hardware is a thriving hardware business. Since 1909, Cornell's has offered a diverse mix of hardware and housewares along with rental and repair services. Like many retailers, Cornell's is always looking for ways to improve business health and increase profit. "A retail business like ours is inherently competitive and challenging to manage," said John Fix III, president of Cornell's. "There is always this sense that it can be done better. No matter how well I think we are doing at increasing sales, managing inventory or pricing competitively, I know that we can improve. The question is how?"

### Optimizing inventory investments

Cornell's has been using various tools, techniques, and data to make inventory decisions. "I thought we had squeezed all we could by using suggested order points to have good inventory turns and make wise inventory investments," said Fix. "We forecasted by using sales and inventory data from our Epicor Eagle system and had been using suggested order points for a long time."

Cornell's is now using state-of-the-art forecasting models found in the Epicor Eagle Inventory Planner application. "Today we have a number of different forecasting algorithms to choose from, and we can use different ones for individual SKUs," said Fix. "In fact, you can let the system automatically evaluate which of the 18 different forecasting algorithms is best for each

SKU. There was no way to do this before Inventory Planner. We can also more easily adjust our forecasting models as business conditions change. The flexible models gives us more accurate order points, which increase our confidence and leads to better inventory investments. We now use Inventory Planner for all our order point calculations because we know it helps us make better use of our inventory dollars."

Cornell's has seen great results with Inventory Planner. "We reduced our inventory by about \$50,000, which is about 5 percent overall," said Fix. "At the same time, we had about a 10 percent increase in sales. Our returns have reduced, as have our out-of-stock incidents. We're doing more business with less inventory."

## Boosting margins with improved pricing

One of the challenges Cornell's faces is its limited physical space. "Real estate is very expensive in our area—we have 27 parking spaces, and we will never get more," said Fix. "So the challenge is how do we get more profit dollars out of our existing space? While Inventory Planner helps us stock the right products, Pricing Planner helps us make sure we're getting the full margin we can for each item, while presenting a good price image."

Whether determining mark-up over cost, or adjusting prices to be competitive, effectively using data to make pricing decisions is critical, yet it's not always easily done. "Before, it was a time-consuming manual process to evaluate competitive pricing," said Fix. "We'd visit stores and jot down items or look through their ads. In addition, we were never confident in which True Value suggested pricing tier we should use for each item. Then we faced implementing price changes, which was also time-consuming."

By using the Epicor Eagle Pricing Planner application, Cornell's now has the ability to better utilize True Value's suggested retail pricing levels by adjusting prices at an item level. "I decided to

take advantage of higher margins and set my retail price to True Value's tier two pricing level, but only for certain items," said Fix. "Instead of running a large batch of price changes every few weeks, I can do three or four smaller sets of price changes in a single day. It's more flexible and saves a lot of time."

Cornell's collects and uses competitive pricing data with smartphones. While at competitors' stores, managers simply identify the competitor and scans items. "I easily see our items with pricing much higher or lower than our competitors," said Fix. "We can now quickly adjust our prices to compete with that pricing. We don't have a big box store nearby, but this will be an indispensable tool at any competitors' location."

Perhaps the most important pricing weapon Cornell's relies on is the ability to analyze the effect of pricing changes. "If I consider raising an item's price by 2 percent, I can see how it will translate to sales and margin," said Fix. "I can more accurately assess price sensitivity so that I can find the ideal price point where I make more margin even if fewer units are sold. I also use 'what if' analysis to determine where we should focus our pricing attention. I take an area or product class and apply a hypothetical price change to see the total effect. From that, we prioritize our time."

The end result is that Cornell's increased margin and eliminated manual pricing tasks. "The ability to analyze pricing and perform more pricing changes has been terrific for our business," said Fix. "We've gained 2 percent in margin in one year, and margin is still increasing."

## Using data to make informed decisions

Performance monitoring is evolving from intuition, to reports and spreadsheets, and more recently to real-time dashboards. Cornell's now uses Epicor Eagle Performance Manager to readily understand the business and make adjustments to improve the bottom-line. "I see my business health in just a few dashboards

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**““We gained 2 percent in margin in one year, and margin is still increasing.”**

John Fix III, President, Cornell's Hardware

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or screens, including inventory, sales, accounts receivable, and important metrics like GMROI, turns, days outstanding and more," said Fix. "I can drill into the details as needed to really uncover underlying causes—alerts notify me of problem areas. I can also analyze the effectiveness of discount coupons or other offers, like 'Buy One, Get One'. With all that knowledge, I can readily see and solve problems and make changes."

Epicor Eagle Performance Manager software has analytical tools that help Cornell's use data in new ways. "Market Basket is a very powerful tool that identifies items that customers purchase at the same time," said Fix. "I can then merchandise those items together to increase sales. For example, True Value recommends that leaf rakes and gloves to be merchandised with paper leaf bags. The Market Basket analysis shows that in our store plastic trash bags should be merchandised with paper leaf bags instead. In 2011 we sold less than a dozen rakes on an end cap with paper leaf bags, while this year we sold about 60 boxes of plastic bags during the same time period. That generated an extra \$250 in margin for the same display location."

Performance Manager's easy-to-use, customizable user interface enables tech-shy managers to access the data they need quickly without wading through complicated data sets, spreadsheets or reports. "You can use the software from day one without any programming or technical expertise," said Fix. "Performance Manager exposes our team to data and metrics we didn't have before. Each day managers are empowered with information as they look at the comparative graphs for inventory, sales, and margin and drill down for ways to improve those key metrics. They can see which items didn't sell, the most profitable customers, or department performance at a glance. We are more aware of our business and can now find new opportunities for improvement. It's a fantastic tool for improving business performance."

"The Planner Series enables us to ensure we're in stock with the products that customers want and at a price that they're willing to pay, which generates enough margin to cover our operating expenses, make a profit, and invest in future enhancements," said Fix. "It helps us expand the business and keep growing."

## About Epicor

Epicor Software Corporation drives business growth. We provide flexible, industry-specific software that is designed around the needs of our manufacturing, distribution, retail, and service industry customers. More than 40 years of experience with our customers' unique business processes and operational requirements is built into every solution—in the cloud, hosted, or on premises. With a deep understanding of your industry, Epicor solutions spur growth while managing complexity. The result is powerful solutions that free your resources so you can grow your business. For more information, [connect with Epicor](#) or visit [www.epicor.com](http://www.epicor.com).



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