

MYDIN

Overview

Country or Region: Malaysia

Industry: Retail

Customer Profile

Headquartered in Kuala Lumpur, Mydin Mohamed Holdings has 17 stores across Malaysia that offer a huge assortment of low-cost items.

Business Situation

The flow of information between local stores and headquarters was slowed by paper-based processes. This slowed decision making and caused Mydin to miss some sales opportunities.

Solution

Mydin implemented several electronic workflows using Microsoft® Windows® SharePoint® Services to speed communications and reduce errors.

Business Benefits

- U.S.\$600,000 more supplier discounts
- Stock request time reduced from 5 days to 3 hours
- New product request time reduced from 3 weeks to 5 days
- IT support requirements reduced
- Network ready to handle planned expansion from 17 to 27 stores this year

Financial Benefits

Net present value per user	U.S.\$2,000
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Net present value	U.S.\$543,000
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Internal rate of return	220%
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Payback	5 months
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Malaysian Retailer Speeds Purchasing Decisions, Saving \$600,000 Annually in Merchandise Costs

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Malik Bin Murad Ali, IT Manager, Mydin Mohamed Holdings

Mydin Mohamed Holdings is the largest discount retailer in Malaysia, with 17 stores spread throughout the country. Mydin relentlessly pursues bargains from suppliers to execute its everyday low price philosophy. To take advantage of short-lived supplier promotions, Mydin required a quick procurement process and an accurate assessment of store inventory. To improve communications between buyers and stores, Mydin created workflows using sites based on Microsoft® Windows® SharePoint® Services to document all current products, manage inventory levels, and handle new product requests from stores. The new processes have significantly reduced the cycle time for purchasing decisions, enabling Mydin to take advantage of promotions that suppliers offer. Mydin passes along the discounts to its customers but estimates that the additional sales generated have increased annual profits by nearly U.S.\$300,000.



“Almost all of the new projects we are looking at involve SharePoint. Really, every process that we have can be standardized through Windows SharePoint Services, and I would expect to see the same level of benefits being achieved in many other areas of the company.”

Malik Bin Murad Ali, IT Manager, Mydin Mohamed Holdings

Situation

Mydin Mohamed is one of the largest discount retailers in Malaysia, with 17 Mydin Wholesale Emporiums located across the country. The stores are always bustling with activity, drawing shoppers by offering consistently low prices on every item in the store.

Mydin offers a huge selection of products in its stores, from clothing and cosmetics to office supplies, with the average store carrying more than 170,000 items. Mydin works with around 3,000 suppliers to source the items for its stores. The suppliers are mostly located in China and India, but Mydin also carries many local items from Malaysia.

Mydin constantly works with suppliers to obtain goods at the lowest possible price so it can offer lower prices to its customers. One way Mydin accomplishes this goal is by taking advantage of supplier promotions when they are available. Promotions are offered by suppliers on limited quantities of goods and are usually short-lived. To take advantage of them, Mydin's management team needed information about store inventory levels. “The suppliers typically have a very small quota for promotional items. If you want to buy in bulk, you need to place an order that day. Therefore, determining each store's quota as fast as possible is a major requirement for us,” explains Malik Bin Murad Ali, the IT Manager at Mydin. With Mydin's paper-based processes, this information was often difficult to gather in a timely manner and reduced Mydin's capacity to take full advantage of promotions when they were available.

Improved communications with the stores was also needed to enhance Mydin's merchandising strategy. Marketers at headquarters were constantly updating the stores with information about new promotions. Mydin also needed a system to educate the store employees on the thousands of new items the retailer stocks each month.

Given Malaysia's cultural diversity, store managers typically carry a wide assortment of local products. The store managers constantly seek to add new products to meet their customers' needs, and the system for suggesting new items sometimes prevented the managers from carrying the right items to catch local trends.

Solution

To speed the flow of information between headquarters and local stores, Mydin decided to develop electronic processes to replace some of its paper-based systems. The first step for Mydin was getting the proper information technology infrastructure in place. Mydin investigated many solutions, but determined that Microsoft offered the best functionality at the lowest cost. “We chose Microsoft products because they are easy to deploy, easy to manage, and we can hire people that are already trained to maintain them. For many other competing products, we just can't get people who can work on them. We have ten people managing the IT needs of a 3,000 person organization. We wouldn't be able to do this with any other technology,” notes Ali.

Mydin deployed the following Microsoft products to enable its work process improvements:

- Microsoft Windows Server™ 2003 operating system with Active Directory®.
- Microsoft Office Standard Edition 2003.
- Microsoft Office SharePoint® Portal Server 2003.

Mydin chose atQuest Solution to deliver and implement this solution, which affects more than 3,000 Mydin employees, because they have a proven track record in delivering complete portal solutions, and have excellent project management skills. atQuest studied Mydin's business processes to completely understand the impact this solution would have on each department to ensure the solution would be effective and the deployment would flow smoothly. Using

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Mohamed Holdings

atQuest’s Smart Enterprise Portal Framework, Mydin deployed this solution to over 18 branches in less than 9 weeks.

Mydin also worked with Microsoft partner SourceCode Technology Holdings, which supplied its K2 workflow software for Microsoft Office SharePoint Portal Server 2003. Using the K2 software, Mydin set up the following sites based on Windows SharePoint Services to handle three business processes:

Stock Request. When a buyer at headquarters wants to know the stock levels for a particular item, he or she goes to the SharePoint site and initiates the request. The software sends an e-mail message to the store. This message contains a link to the SharePoint site where the store personnel can enter the quantity of the item in stock. The response time is now typically two or three hours, a vast improvement over the previous system, which averaged five days.

Product Browser. This system enables any Mydin employee to go to a SharePoint site and type a description of an item to receive a picture of the item as well as detailed pricing and supplier information. The *Product Browser* system is frequently used by store personnel to check pricing but is also for many other purposes. An employee might check the system before completing a stock request or a buyer might use it to verify check supplier information before placing an order. The system also enables each store to use a common picture in promotional materials.

New Product Request. When a store manager wants to carry a new product to meet a local demand, he or she must notify management. The *New Product Request* system facilitates this process. The manager completes a form that includes a digital photograph and posts it to a SharePoint site. The appropriate managers can then make a decision on the product at their next meeting. This system has reduced cycle time to process new

product requests from three weeks to five days.

Benefits

The new electronic processes have helped speed the flow of information between the stores and the Mydin management team. The additional information has enabled the team to make quicker decisions and take better advantage of the promotional opportunities from suppliers—promotional items now make up 20 percent of total revenues for the company. “We are now able to take advantage of many more supplier promotions, leading to savings of \$600,000 to \$800,000 for Mydin. We pass along these savings to our customers, but the additional promotions help to generate sales throughout the store and have helped improve our profits,” notes Ali. The additional sales generated have produced an internal rate of return (IRR) of 220 percent and produced a payback of 5 months. See the cumulative cash flow graph.

The *Stock Request* SharePoint site has helped the management team keep closer track of current inventory levels at stores. When a promotion is offered by a supplier, the team can get an accurate picture of current inventory levels and make an informed decision of the maximum quantity they can order.

The *Product Browser* SharePoint site has reduced communications errors between headquarters and the local stores. With an average of 170,000 items at each store and thousands of new items replacing old ones each month, being able to quickly determine the exact item being discussed in a promotion description is important. Additionally, the store personnel use the information to improve customer service because they can easily determine the item a customer is requesting.

By reducing the cycle time for new product approvals from three weeks to five days, the

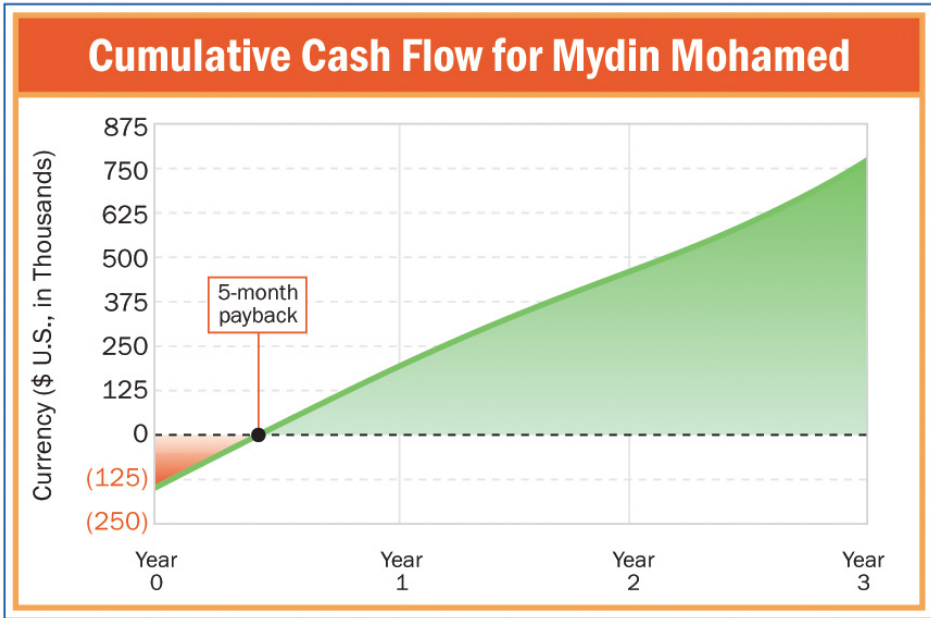


Figure 1. Mydin Mohamed estimates positive cumulative cash flow in approximately 5 months, based on calculations of the solution's costs and benefits.

New Product Request SharePoint site has enabled the store managers to become more responsive to local tastes and generate additional sales

Mydin continues to find ways to improve communications with Windows SharePoint Services and hopes to use the sites for more functions in the future. "Almost all of the new projects we are looking at involve SharePoint. Really, every process that we have can be standardized through Windows SharePoint Services, and I would expect to see the same level of benefits being achieved in many other areas of the company," notes Ali.

As an additional benefit, Mydin has seen significant improvements in its network speed as more processes are moved to Windows SharePoint Services. Employees can now post large files on the SharePoint sites rather than sending them through e-mail. These reductions in network usage are important for Mydin because network bandwidth is often constrained, especially to remote store locations. Mydin expects that its current network infrastructure will now be able to handle its planned expansion from 17 to 27 stores this year.

How Benefits Were Measured

Navigant Consulting, Inc., an independent consulting organization, performed a cost and benefit analysis to determine financial measures associated with the investment in the Microsoft Office System solution. When determining costs and benefits, the value of the labor time was included.

The costs calculated include:

- Software licensing.
- Hardware.
- Training help desk, IT, and employees.
- Deployment (strategy, imaging, add-ons, rollout, and installation downtime).
- External professional services.

To determine the cost of IT time, labor time was multiplied by the fully burdened hourly rate for IT staff. For example, the installation time was 10 minutes per desktop, so 400 desktops x 10 minutes = 67 hours, which was multiplied by the fully burdened IT rate to determine the cost of installation.

The following business improvements were used to help calculate the benefits:

- Reduced networking costs.
- Time saved organizing and prioritizing e-mail.

To determine the value of time saved, labor time was multiplied by the average fully burdened hourly rate for the employee population.

Using established cash flow analysis, standard financial data was measured, including: *payback*, the time that it takes a company to recoup its investment in the solution; *net present value*, the total value to the customer from investing in the solution, expressed in today's dollars; *NPV per user*, the NPV divided by the number of users affected by the solution; and *internal rate of return*, the rate of return that the customer realizes from investing in the solution. The internal rate of return equates the present value of cash flows to zero.

For More Information

Navigant Consulting, Inc., (NYSE: NCI) is a specialized independent consulting firm that assists clients in addressing the critical challenges of business model change, regulation, and risk. NCI's Value Impact Analysis (VIA) Practice focuses on helping clients understand the value of major investments including IT investments. For more information about NCI, send e-mail to via@navigantconsulting.com or go to: www.navigantconsulting.com

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For more information about Mydin Mohamed Holdings BHD products and services, call (011 603) 2693 - 7815.

For more information about atQuest Solution products and services, call (011 603) 7710 6632 or go to: www.atQuest.com

For more information about SourceCode Technology Holdings products and services, call (877) 822-5552 or go to: www.k2workflow.com



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While every organization has unique considerations for economic analysis, this study highlights key areas of value from the Microsoft Office system.

Microsoft Office System

The Microsoft Office System is the business world's chosen environment for information work, providing the programs, servers, and services that help you succeed by transforming information into impact.

For more information about the Microsoft Office System, go to: www.microsoft.com/office

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- Microsoft Windows Server System
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