

In an Unpredictable Retail Climate, Debenhams is Ambitious about Expansion – and CODA Sits at the Heart of its Finances



Transactions

Analysis

Control

Expert Services

Debenhams' strategy to drive future profitability and grow market share is clear. The company operates 139 stores throughout the UK and Republic of Ireland and 30 international franchise stores in 14 countries. With plans to increase the total UK and Republic of Ireland Stores to 240 and the new Desire concept to 100 stores, this is no mean feat, but one that Finance Manager Michael Conway relishes.

"What differentiates Debenhams from other retailers is our unique combination of own-bought brands, exclusive designer ranges and leading international brands, with much of our merchandise sold exclusively through Debenhams," says Mr Conway. "When we de-merged from the Burton Group in 1998, and became independently listed again, we continued to develop our exclusive own ranges and now have 25 'Designers at Debenhams' ranges and 55 own brands, which have encouraged strong growth and given us the ability to transfer our department store concept overseas."

Debenhams has since then witnessed more change to corporate structure including its acquisition by Baroness Retail Limited in December 2003. The company once again floated in May 2006 raising £1.7 billion, and following its acquisitions of a number of stores from Allders, and more recently Roches Stores, now boasts approaching 20% of the total in United Kingdom department store sales.

Since 2003, under its current management team, growth has been accelerated and profitability transformed. Sales increased by over 20% to more than £2 billion and over the same period Debenhams improved the efficiency of its capital expenditure programme, particularly relating to refurbishments and new stores which, combined with the increase in operating performance, has resulted in significantly increased returns. In 2005 alone, total sales were up 9.7%, and 14 new stores opened in the year, including eight former Allders' stores.

"Substantial investments have been made in opening new department stores, modernising and refurbishing our existing department stores, online sales and establishing a new small store concept, Desire by Debenhams," explains Mr Conway. "This amount of change and growth requires significant vision, a strong management team, and reliable information systems. We are reaping the benefits of recent changes and constantly seek ways to drive efficiency throughout the business."

In August 2001, the company made the decision to replace its ageing finance system with new financials, procurement and invoice matching applications. Given Debenhams' complex accounting structure it was vital that it chose a system that could grow with it, and cope with the constant introduction of new stores to the accounts structure as well as a huge volume of transactions every day.

Debenhams has consolidated its systems, and CODA-Financials now supports the entire finance operation from a single location, with EPOS, Payroll, and Invoice Matching systems all integrated with the latest version.

CONTROLLED FINANCE ADDS STAKEHOLDER VALUE

Sitting at the heart of Debenhams' financial operations, the CODA software is installed centrally, hosted on an AS400 mainframe, and accessed online using CODA's Web-browser application, CODA e-Finance. It accommodates Debenhams' vast chart of accounts easily and allows its finance team to analyze information at a detailed level.

Debenhams uses this information for regular planning and budgeting, setting budgets in place twice a year and re-forecasting every period. "We work to 12 accounting periods in a year and CODA copes with this very well," explains Mr Conway. "We have reduced month end to around a week, and budgeting is made easier because it's very easy to pull historical information out of CODA. Our period end journals can contain as many as 20,000 lines of information, so it's vital that we are confident about the numbers. In addition, we use CODA-XL, a flexible tool with a familiar user interface, for creating customised reports."

As an organization watched very carefully by analysts and shareholders, it is crucial that public information relating to Debenhams' performance is accurate. Historically, retail is an industry that suffers seasonal peaks and troughs, but like most organizations, it is vital that Debenhams generates a year-on-year increase in stakeholder value. According to Mr Conway, "this value comes from a combination of cost management through improved control and efficiency, offering a choice of innovative value for money merchandise and rapid expansion, and our CODA finance system has helped support our drive to generate this value."

DIRECT ACCESS TO FINANCIALS AT STORE LEVEL

One of the main benefits of CODA's finance system to Debenhams is that each store management team can view performance summaries securely via customised menus online. This empowers them to take control of operations by providing access to the necessary information for proper financial control over sales and costs. This in turn encourages them to identify areas to improve profit and performance.

"We are confident that CODA helps us be more efficient as an organization by providing easy access to the right information at the right time," adds Mr Conway. "New stores can be set up and accounted for within minutes which supports our ambitious expansion plans and the flexibility inherent in CODA's element structure enables us to analyze detailed financial information and report as appropriate."

SUPPORT FOR SUPPLIERS

One of Debenhams' key objectives has been to create a faster, more effective supply chain. Vast improvements in supply chain management have enabled Debenhams to improve its gross margins. Good progress has been made in shortening the supply chain through better fabric and production planning which has helped reduce delivery times and improve its ability to respond rapidly to market trends. Debenhams is committed to working with reputable suppliers and manufacturers and has strict codes of conduct in place governing these relationships.

In order to remain competitive in a crowded market, Debenhams requires the same control over communications with suppliers and takes a unique approach. It has established a supplier portal to provide current information to suppliers about their account including payment progress. "The portal only works because we have access to timely information via CODA," says Mr Conway. "We have significantly reduced the time spent taking calls from suppliers with account queries, so another efficiency saving, and again, once a supplier is approved, it is very easy for us to open a new account with them. It's a win-win."

REGULATION AND CORPORATE GOVERNANCE

Control is the mantra for Debenhams, particularly now, when Stock Exchange listed companies are subject to more scrutiny than ever before. Fraud in particular is something that Debenhams has to be wary about. Driven in part by its insurers, it has policies in place to combat this and to ensure competitive prices based on its procurement processes. Three tenders must be raised for any work required and a minimum of two people must be involved in the raising and authorization of purchase orders and receipting.

The biggest challenge has been reporting under International Financial Reporting Standards (IFRS). As well as being a major change programme, conversion to IFRS involves having comparative figures. To produce these, many companies will need to use two charts of accounts – increasing work through manual consolidation. CODA-Financials is one of the few products that allows companies to produce these figures through a single chart of accounts.

Debenhams reported under IFRS for the first time at 2006 year-end. Mr Conway explains: "Our old system wouldn't have coped with IFRS. I believe CODA has helped reduce our cost of compliance with these rules as everything required for the reports is already held in the system. It also means that approval of accounts is much easier because we can quickly show where those figures have come from and we are more efficient as a result. This could have been complicated by our recent acquisitions, but we take a 'rip and replace' approach, replacing their systems with CODA which is relatively easy to do, so we'll be able to account for those companies under IFRS as part of Debenhams reasonably quickly and painlessly."

AMBITIOUS SYSTEM ENHANCEMENT PLANS

As a leading edge retailer, Debenhams is keen to ensure that its systems are state of the art and has ambitious plans to add to its solid finance foundation. Working as a BETA partner, the next phase of the project will be integrating CODA's new procurement application with Financials. In its drive for efficiency, Debenhams wants to cut out as much manual work as possible, so automation of procurement processes as well as automating invoice matching, another vital component, will save time and provide better management information quicker. It will also provide information to feed back into the supplier portal.

Another phase in the project has seen Debenhams implement Image Integrators' PROCURA "Intelligent" invoice data capture solution. As a CODA partner solution, the system integrates easily with the existing finance software and reduces the time taken to process the 420,000 paper invoices and 580,000 electronic invoices received by the department store every year. It supports Debenhams' growth strategy too, because as stores are added, the number of purchase invoices increases. Without the new software, more finance staff would be required to process the growing stream of documents, and Debenhams had no desire to add to headcount and costs.

The PROCURA solution also encourages better communication with suppliers as it is integrated to the supplier portal. Image Integrators takes all invoices submitted by suppliers and processes them electronically and in the case of emailed invoices, automatically removes an attached PDF for example, and processes it. If invoices are found to be non-matching, suppliers are automatically emailed by Debenhams without manual intervention, so efficiency has been improved dramatically.

With such efficiency drives, Debenhams is confident it can meet its growth targets with CODA at the heart of operations. A single finance system that is flexible enough to change with the organization and readily provide precise information on business performance.

"We believe we have saved time and money using CODA and will continue to do so as we expand and improve systems and processes," concludes Mr Conway. "CODA understands retail and has been very supportive over the years, developing enhancements to the product in new versions in answer to feedback from us. We have full confidence in them."

ABOUT CODA

CODA is the choice for finance professionals who need business software and services they can count on.

We provide award-winning Financial Management solutions that help organizations to streamline and automate their finance processes (from accounting and procurement to reporting and analysis) and to achieve better compliance and corporate governance. CODA applications work seamlessly with each other or independently and they integrate with other leading operational systems to maximize the return on your broader IT investment too. And our products are all underpinned by expert consultancy, training and support services, delivered by teams of experienced accountants, business analysts and technology specialists.

Founded in the UK in 1979, the CODA Group now employs more than 550 people and has offices around the world to deliver easy, local access to sales, service and support. Around 2600 medium and large organizations, across all sectors, use CODA solutions to control costs, drive performance and ensure compliance, while remaining agile and responsive.