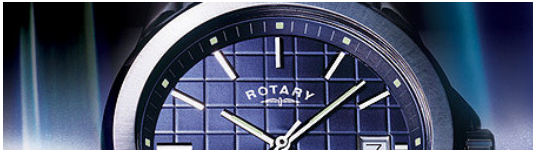


## Case Study: Rotary Watches

### Profitability reporting now runs like clockwork at Rotary Watches

*The PrecisionPoint Business Warehouse for Dynamics NAV is helping to increase Rotary Watches profits by producing segmented gross margin reports by product and by customer*

*"We now understand fully the profitability that we generate from each of our customers," says Gary Williams, group financial director at Rotary Group Holdings Ltd. "The beauty of the PrecisionPoint BW is that once each report has been set up, all you do is simply change parameters and refresh the data to produce the analysis required. It is then possible to drill-down into the detail of the report and analyse margins for each product sold to an individual customer, which is invaluable."*



#### A family business

Rotary is a family-owned business established in 1895, and is the dominant volume brand in the United Kingdom, providing dress watches to the masses. Its timepieces are currently sold in over 35 countries worldwide. The company has a turnover of £25 million and 140 employees.

#### Whence profits?

Just before Williams joined the company Microsoft Dynamics NAV™ (formerly called Navision) had been implemented. Earlier in his career Williams had selected and implemented Navision at another company and has always found it to be an excellent product for transaction processing. However, like most accounting systems, it can be difficult to extract management information.

"If you have a talented IT department with time on their hands or an unlimited IT budget, you can produce reasonable reports from Dynamics NAV," he says, "but, as with most transaction processing systems, the Dynamics NAV database will generate these reports very slowly. Even though complex reports can be written, they are very expensive to write and very slow to run."

Williams soon found that the business was having difficulty understanding the profitability of its various different customer groups. Before customer review meetings, finance staff would have to extract lots of information from different parts of Dynamics NAV to calculate profitability manually. This was important, but time consuming work that gave rise to a conundrum.

"Two of my responsibilities were to streamline the finance function and to maximise profits wherever possible," says Williams. "The only way that both objectives could be achieved was to get away from the manual analysis work needed to understand where we were making our profits. This could only be achieved by putting in a new reporting system."

#### "PrecisionPoint BW sounded too good to be true"

A number of products were considered and the company came very close to purchasing a well known static report writer after one of its staff had attended a week long training course.

"We finally decided not to go with this particular report writer because of the very need to send somebody on a weeks training course," says Williams. "We wanted a product that didn't require substantial user training. As people come and go in an organisation the last thing you want is to have to send everyone on training courses just to use a reporting system. The product was also quite expensive and needed a lot of administration."

After this option was shelved Williams received a mailshot from PrecisionPoint Software. "As with most marketing literature, it offered something that sounded too good to be true," he says. "PrecisionPoint BW seemed to be exactly what we were looking for. My IT Analyst and I decided to go along for a free half-day workshop to find out whether it was."

"We were both very impressed with what the product appeared to be able to do," says Williams. "As an uneducated user, I was surprised by the quality of the reports that I managed to produce."

In order to evaluate the software in-house Rotary signed PrecisionPoint Software's 'try before you buy' agreement. In a couple of hours a PrecisionPoint consultant installed the Business Warehouse software at Rotary's London head quarters in Regent Street and ensured it was working properly.

Time was spent looking at what PrecisionPoint BW could and couldn't do. The objective was to test the accuracy, reliability and flexibility of the system. As part of the testing, Williams wanted to reconcile the sales and cost of sales information produced by PrecisionPoint BW to that held in Dynamics NAV. This would be the first step towards analysing profitability."

"By the end of our testing, we were convinced that it was the right product for us," says Williams. "PrecisionPoint BW obviously had lots of other possibilities within the organisation, but I could justify the investment to the Board from the benefits to be gained from the profitability reports alone. These would show us exactly where we make money and where we don't."

#### PrecisionPoint BW profitability reports

The deal with PrecisionPoint Software covered not just the software, but help in training Rotary staff in producing the profitability reports they wanted. The PrecisionPoint consultant had an accounting background and understood what Williams was trying to achieve and interpreted it in terms of the data to be extracted from Dynamics NAV into PrecisionPoint BW.

The company started off by just analysing sales data and direct costs to show gross margin. After that prompt payment settlement discounts were included,

which have a crucial effect on customer and segment profitability.

In cooperation with Rotary's new MBS Partner, K3 Landsteinar, the Dynamics NAV purchasing module was enhanced to include custom fields to attach certain purchases to customer, product and sales representative. Use of these fields allowed PrecisionPoint BW to attribute indirect costs, such as rep's travel or in-store display equipment, to provide contribution margin by customer and by product. The final stage was to allocate direct overheads. This would help to compare sales representatives and customers, as well as measuring absolute profitability.

PrecisionPoint BW achieves this because it provides a consolidation of all the core financial ledgers and key inventory tables in the Dynamics NAV system.

### Interesting stories and pictures

The Rotary system went live with ten users. Compared to a Dynamics NAV report which can take several hours to run, the PrecisionPoint BW reports take only a few seconds to refresh the Microsoft Excel reports.

Three users access PrecisionPoint BW constantly and get into a lot of detail and once the accuracy and completeness of the data was assured, PrecisionPoint BW reports are now included in monthly management report packs for decision-making purposes at board level.

"The spreadsheet interface works very well," says Williams. "In common with many organisations, a lot of people at Rotary are used to using fairly complex spreadsheets. Once they understand the basic concept of PrecisionPoint BW, they find the system quite straightforward. A further advantage of the system is that although it is easy to write reports, once they are set up, lots of other people can use them. They just change the parameters to suit their needs and refresh the data in seconds.

The sample report pack that comes with PrecisionPoint BW includes an Excel graphics report, with a number of pie charts and graphs. Williams was impressed and copied and adapted some of the samples to provide a graphical 'dashboard' to the Rotary PrecisionPoint BW data. This shows sales trends, top ten customers, top ten best selling products, etc.

The new reports are beginning to tell some interesting stories. From time to time a product is withdrawn from the market and inventories have to be cleared at a discount. The company now has the ability to see what impact a given discount will have in diluting overall margins.

PrecisionPoint BW has also highlighted a number of errors in the product costs that had been entered into Dynamics NAV. Some products had been given zero cost and others had been input with the decimal point in the wrong place.

As early as the trial period, PrecisionPoint BW had helped identify why the Dynamics NAV item ledger did not agree with the stock balance in the general ledger. Drilling down through the sales reports showed where the missing transactions were being posted, because Dynamics NAV had not originally been set up correctly. "We found that PrecisionPoint BW is not just a reporting tool," says Williams, "but also an auditing, analytical and problem-solving tool."

"When needed the support team have been fantastic. More often than not, we have found that the problem

had been a user problem rather than the system. As a piece of software it works very well."



### Benefits

Clearly, the biggest benefit so far has been the ability of PrecisionPoint Business Warehouse to produce interactive gross margin reports by segment. "Alongside Sales and Overheads, Gross Margin is one of the biggest numbers in the profit and loss account," says Williams. "It is very easy to understand what makes up sales and overhead figures, but many companies overlook where they actually make their profits because they lack comprehensive margin reports. Our PrecisionPoint BW reports tell us everything we want to know about our gross margin. Now we can interpret it fully because we can very easily get to a level of detail that explains why any number has changed."

Unlike reports from Dynamics NAV, or specialist report writing packages that give static top-level reports, PrecisionPoint BW reports are dynamic. "The beauty of PrecisionPoint BW is that we can produce a very simple top level summary report and if somebody wants something very specific we can just drill down through the numbers to the raw data behind it without writing numerous extra reports," says Williams. "It is absolutely superb - we are already delighted with the return on our investment."

Williams estimates that PrecisionPoint BW cuts down the amount of time it takes to prepare high level monthly reports by at least 25%.

### Filtering through the business

PrecisionPoint BW has proved itself with the segmented gross margin reports and has the potential to be used for a wide range of other requirements within the company. The next projects will be to produce exception reports through PrecisionPoint BW. Originally, these were discussed with the Dynamics NAV reseller, but the cost was prohibitive.

Williams wants to replace most of the management accounting spreadsheets with PrecisionPoint BW reports. "Instead of having printed management accounts, eventually we will use PrecisionPoint BW to publish them on an intranet,"

### A perfect complement to Dynamics NAV

"PrecisionPoint Business Warehouse is an excellent product and a perfect complement to Dynamics NAV," says Williams. "We tested PrecisionPoint BW thoroughly for reliability and performance before we bought it and it passed with flying colours. A very welcome surprise was that it has also helped us to test the accuracy of the information in Dynamics NAV."

"PrecisionPoint BW helps users do their jobs more quickly, easily and thoroughly," he concludes. "It shows us where we make profit - and where we don't."

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