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BY CHRISTOPHER LINDQUIST
CW STAFF

Tough times call for firm measures, and few industries have it tougher than the U.S. retail business, which just wrapped up its worst sales year in three decades. Gadget and gizmo retailer Brookstone Co. knows this and is making some drastic changes to achieve the goals of efficiency and cost control.

Last week, Brookstone told half of its 20-employee information services staff — mainly programmers — that their services will no longer be needed. That is because Brookstone, a Peterborough, N.H.-based specialty mail-order and retail firm, will be shifting from custom software development to the exclusive use of off-the-shelf packages during the next year.

Brookstone is transferring all retail operations from an IBM 4381 mainframe to an Application System/400, leaving the mainframe to handle only the mail-order sales. This shift is expected to save more than \$1 million per year in information systems costs, according to Edward Stanley, director of information services.

"Our whole IS focus is going to be implementation, training and support rather than custom development," Stanley says.

Most of the savings should materialize through reduced personnel and support expenses. The move to the

AS/400 is also intended to increase operational efficiency via such means as better inventory control.

Stanley says he wants to reduce Brookstone's IS costs as a percentage of sales to a level equal to or below the

industry average of 0.8%. Brookstone currently spends 1.2% of its sales on IS; annual sales are \$100 million.

"Being efficient operationally — that's no longer a competitive advantage; that's a necessity," Stanley emphasizes. "It's not a luxury anymore to be anything but a well-oiled machine."

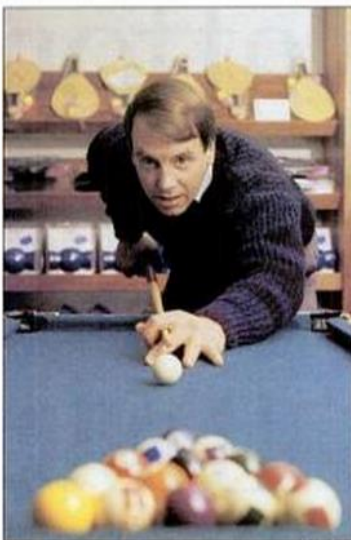
Stanley, who has been at the firm for 11 years, will oversee the largest wholesale change to computer operations at Brookstone since the retailer rented its first computer time from the local Guernsey Cattle Club (see story page 89).

All of this change is a result of a decision made two years ago to totally reorganize the company's computer systems, according to Jeffrey Temple, Brookstone's vice president of finance and systems. Mainframe-based systems that were originally developed to handle the mail-order operation were not up to the task of retail sales, which had gradually become the primary focus of Brookstone's operations.

"What we had was a base system that was crumbling," Stanley says, describing the current systems as having "four or five years' worth of Band-Aids for retailing on top of them."

However, before the new AS/400 could be implemented, an effort at spin control had to be made to buy the company some planning time. As a result, IBM's Data Interpretation System, a graphical front end to DB2, and Comshare, Inc.'s Arthur Planning, a merchandising planning and retail executive information system, were brought in to prop things up. Both packages leveraged a strong point of Brookstone's systems — access to large amounts of detailed

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Seth Rowland

Stanley thinks the break from an IBM 4381 to AS/400 for retail sales will save \$1 million a year

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data. The packages "let us have the time to change the foundation of the house," Stanley says.

That foundational change will take place over the next eight months. Primary to it will be the introduction of the AS/400 and the purchase of a commercial retail sales application that will be used as-is out of the box, according to Stanley.

Another advantage of using a prebuilt package will be to allow the IS department to concentrate on business issues rather than development, which is costly in both dollars and time. Information-related issues are critical to a company that makes all of its profit during a three-month period.

"We're really two companies," Stanley says. "Nine months out of the year, we're kind of floating along with low vol-

umes. When all hell breaks loose, efficiency becomes almost secondary to timeliness and service."

As a result, Stanley says, the firm must react like a long-distance runner who needs to be able to maintain an efficient, strong pace through most of the race but must have a good kick at the end to remain competitive.

Brookstone has just come away from what Stanley describes as a "very good Christmas," but it is heading into a new year fraught with change — and not all of it pleasant. The end result, he hopes, will be a firm ready to compete in what is shaping up as a very difficult decade.

"We're going to be making sure that our systems implementations are able to withstand both the long, steady pace and the big kick," Stanley says.

Round 'em up

Brookstone followed a somewhat unusual path to computerization — a cow path, to be exact. The company rented its first computer time from a local organization, the Guernsey Cattle Club, more than a decade ago.

But computer systems designed to track bovine life histories are not necessarily well-suited to tracking product inventory, and finding ways to make such a system function has long been the work of Edward Stanley.

When Stanley started at Brookstone 11 years ago, the company was primarily mail order. It took in \$20 million in annual sales from the catalog and \$4 million from retail sales.

That situation has reversed itself in recent years, however. Currently, only \$15 million of the company's \$100 million in sales is derived from the catalogs. The rest comes from some 97 stores nationwide.

However, Brookstone's computer

systems have long been pushing their limits. When the company moved from renting time from the Cattle Club to running its own system, the decision was made to hire away one of the club's programmers and buy an IBM 4381 rather than design a system from the ground up for sales.

"It was the easiest and quickest way," Stanley says. "The company was growing, and they didn't want to slow things down."

Brookstone paid a long-term price for the decision, however. Two years ago, the company decided to take serious action to head off what appeared to be an imminent systems collapse.

"We knew we were in tough times," Stanley says. "We knew we had to make some changes. We knew we had to survive a couple of Christmases."

Those changes, including a "right-sizing" from the mainframe to an AS/400 for retail operations, will be taking place over the next year.

CHRISTOPHER LINDQUIST