Merchandising Company Grows 150% in One Year without Significant Cash Outlay,

Company Finds Profitable Niche in Regional Business, Avoids Cost and Difficulties of National Coverage

Software that Enabled Rapid Growth in a Specialized Niche is Now Available to Other Merchandising Companies

Software and Consulting Services can Help Other Merchandising Companies With Competitive Advantage, Differentiation, Reduced Risk and Reduced Cash Outlay

by Tom Ingram, PMP

A merchandising company, RLS of Richmond, Virginia, found a way to differentiate itself, capitalize on a niche where other competition was weak, grow rapidly without significant cash outlay and ultimately sell the business to a large acquirer.

The software that aided in this success story, called MMS SCHEDULE WORX (Merchandizing Management System) is now commercially available to aid other merchandising organizations in duplicating these results.

This paper is a summary of the most essential components of the Merchandizing Management System and how the software may help other merchandising organizations to differentiate themselves and gain competitive advantage.

Who Can Benefit From the MMS SCHEDULE WORX Software? Following are some profiles of merchandising organizations that can benefit from this system:

Small to Medium sized merchandising organizations: Small merchandising organizations have important technology needs, but limited ability to develop their own system. For the Merchandiser that needs a basic scheduling, reporting and survey system, MMS

SCHEDULE WORX may provide an excellent alternative.

Often, smaller merchandising organizations cannot afford the many hundreds of thousands of dollars necessary to develop software. These companies also recognize that there is substantial risk in developing their own system.

MMS SCHEDULE WORX is available as a "hosted" service, meaning that instead of investing hundreds of thousands of dollars in up-front software licenses or software development fees, merchandisers pay a simple fee per user per month.

The small to medium merchandiser also needs easy implementation and ease-of-use. MMS SCHEDULE WORX is structured to meet both these requirements.

Merchandisers needing the software to compete for overflow from DSD (Direct Store Delivery) vendors: Dozens of manufacturers use the Direct Store Delivery model for getting their product to retailers. Many merchandising organizations are very interested in overflow work from these manufacturers because the DSD vendor's drivers often can not complete all the necessary merchandising work in a single stop.

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Competing for this business requires a more precise scheduling system than using Microsoft Excel and the "back of an envelope." Typically DSD vendors and the retailers they service have very high standards for completion and on-time execution of merchandising work.

Often, near 100% service execution is required, which means the merchandiser must respond effectively when "service issues" are identified. The merchandiser must have a strong mechanism for resolving these service issues without unnecessary labor costs.

MMS SCHEDULE WORX was developed specifically to support the needs of merchandising for Direct Store Delivery vendors.

Merchandisers wishing to compete with major brokers by providing better "proof of service performed for dollars paid": Many merchandising organizations are aware that brokers operate on a commission payment basis rather than "dollars-per-hour" for merchandising service. Many merchandisers believe they can offer superior value to a retailer or a manufacturer because they can clearly demonstrate exactly what services were performed for the dollars paid. (The brokers are usually weak in this area.)

The MMS SCHEDULE WORX system helps document that the merchandising work was done and helps prove the value of work completed for the dollars paid. This can be enormously helpful when competing with brokers.

Merchandisers Seeking Retailer Preferred Status Through Superior Service to the Retailer: The MMS SCHEDULE WORX system was born out of a very close relationship with retailers. The balance of this paper includes numerous features that are both easy to implement and can allow the merchandiser to develop a close working relationship with the retailer, resulting in superior service to the retailer for the same cost.

Merchandisers wishing to compete where super-precise execution is required: For example, when a prescription drug is converted to an over-the-counter item, often there is an enormous new item launch effort. New items must be "cut in" and ready to sell all over the country on the same date. The manufacturer then launches extensive advertising campaigns on television to support this new sales effort.

The MMS SCHEDULE WORX system provides a scheduling system that enforces precise execution times, manages service issue tracking and ensures that the high level of reliability necessary for this type of new item launch can be provided at a reasonable cost.

The Basic Workflow – How the MMS SCHEDULE WORX Software Works: The MMS SCHEDULE WORX Software is designed around the basic work events that drive all merchandising.

1. Supervisor schedules the work and assigns a merchandiser.
2. Merchandiser receives their weekly schedule, work instructions, etc.
3. Merchandiser goes to the store and calls the support center to provide verification of arrival that the merchandiser is on-site or checks in through the MMS SCHEDULE WORX system at participating retailers.
   a) The Rep may contact the Call Center to request a back-up merchandiser if necessary, depending on the conditions found in the store.
4. Merchandiser completes the assigned work.
5. Merchandiser calls the Call Center to report completion of the work or

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get verification from participating retailers.

6. Supervisor is able to track the status of the work during the day.

7. Extensive reporting is available within seconds to see completion of work, verification of work, etc.

8. **NOTE:** The above description is the simplest option. IVR, Web-based work assignments and reporting are available for reps, as well as handheld capabilities.

The Key Capabilities of the MMS SCHEDULE WORX System: Following is a brief description of the capabilities that set the MMS SCHEDULE WORX system apart from other available software and aid merchandisers in gaining competitive advantage.

Simple, Precise Scheduling (SUGGEST ADDING GRAPHIC HERE) The MMS SCHEDULE WORX system uses a simple daily calendar to allow "drag and drop" scheduling of merchandising work. The great advantage to the system is that the supervisor is able to schedule the work with a few clicks, and the MMS SCHEDULE WORX system takes care of the majority of the downstream work of notifying the Rep, maintaining accountability for completion of work, reporting, etc.

Instant Communication between Supervisor and Merchandising Rep: A key feature of the MMS SCHEDULE WORX system is that messages are immediately transmitted to cell phones by text message. Since most merchandising reps have cell phones, this makes it easy for the merchandising supervisor to communicate new work, changes to instructions, changes to locations, resolutions of problems, reassign reps due to no shows, etc.

In addition, messages to the reps are logged, including the rep's response, and provide data for future evaluation, and verification and contract negotiation.

This approach cuts supervisor phone time down by as much as 90% and provides the great benefit of notifying either the merchandising company or the manufacturer about problems instantly, rather than after it is too late to correct the problem.

Service Issue Management: The MMS SCHEDULE WORX system is structured to communicate issues immediately to those responsible, and log both responses and time to resolution.

Supervisors or store managers at participating retailers create service issues from one simple menu, and the response is automatically measured and overseen.

The optional call center service can be arranged to escalate attention to the service issue if no response is received within 30 minutes.

Back-up Monitoring by Call Center: The Synergy Support Center provides an optional oversight mechanism to assist busy supervisors with making sure service issues are resolved. The Call Center can provide a variety of other services such as dispatching extra merchandisers, escalating problems to higher levels of management or notifying manufacturers or retailers of particular needs.

Reporting: Many reports are available from the MMS SCHEDULE WORX system, but they concentrate on the following key areas of need:

- Service Issue Tracking
- Work Completion Monitoring
- Rep Performance and Costs
- Data regarding items beyond the merchandisers' control (aids in negotiating fair prices for work.)
- Billing Detail Reports

Easy to Post supporting Documents to Website, Keep documents up to date, Mass

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Distribute, and Control Access by Security Levels: Easy access to instructions and training materials is a crucial element of superior rep performance. The MMS SCHEDULE WORX system makes it easy to post documents so that reps can receive them over the internet.

Making documents easy to post is only one issue. It is also necessary to keep them up to date, to be able to mass distribute them and to maintain controlled security.

Self-updating Feature for Rep Profile: Reps with access to the internet can update their own availability and other details that aid in the assignment of work. The rep profile maintains a history of changes, time-off requests, no-shows, and other rep performance data.

Data to Aid in Contract Negotiations: The MMS SCHEDULE WORX system was designed to provide strong documentation to demonstrate to both manufacturers and retailers that items under their control can often affect merchandising performance. The MMS SCHEDULE WORX system keeps a history of schedule changes and other details that provide for a fact-based discussion when contracts and service prices are up for negotiation.

Service Efficiency Rating: The merchandising rep, or the merchandising organization as a whole, can be measured on a number of service issues. These include on-time arrivals, no-shows, length of time to respond to service issues, resolution of service issues, etc. (SUGGEST INSERT GRAPHIC OF SAMPLE REPORTS HERE.)

Retaining Good Merchandising Reps: The MMS SCHEDULE WORX system has a number of capabilities to aid merchandisers in retaining good people. For example, arrangements can be made to pay a rep within 24-hours of when work is verified as complete. This helps the rep who is in urgent need of

money to avoid paying high check-cashing fees, pawn broker fees, etc.

The ability for reps to the hours they are willing to work provides the schedule flexibility that attracts many good people to the merchandiser occupation.

Faster, Easier Billing: MMS SCHEDULE WORX is designed to automatically generate billing for merchandising work as soon as the rep's work is verified as complete. This can result in an 80% or more reduction in the administrative labor for customer billing and may have the benefit, in certain circumstances, of dramatically shortening the accounts receivable collection cycle.

Meeting the Increasingly Tight Time Windows Demanded by Retailers: MMS SCHEDULE WORX was designed for some of the most precise, schedule-constrained merchandising work that exists. Many merchandising organizations are finding that retailers are limiting the times they can do work. When a merchandising organization is scheduling through Microsoft Excel, manual "brute force" or a scheduling system that is not as precise as MMS SCHEDULE WORX, enormous difficulties and waste of labor can occur.

For Reps that do not have Internet Access: MMS SCHEDULE WORX has the capability for the rep to call in survey results and work completion. This can be done either through IVR (Interactive Voice Response) or directly to the Synergy Call Center.

This allows the merchandising company one more way to retain good reps by providing alternatives to some of the merchandisers that require reps to provide their own home computer and internet access.

The Economy Handheld Option: Many merchandising organizations have had extreme difficulty with the cost and complexity of handheld devices. In addition, with a largely

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part-time workforce, there is a high risk of losing an expensive handheld. The MMS SCHEDULE WORX system allows Blackberrys to be used as an economy handheld and accomplish most of the major functions of handheld devices. This can be done for as little as $40 per month per user.

Increasing Rep Accountability: If a rep does not show up, or the work is not done right, the consequences can include "go backs" (by the rep or the supervisor), lost billing dollars and unhappy manufacturers or retailers.

MMS SCHEDULE WORX is designed to provide data to hold reps accountable for arriving when promised, completing work as promised and for verification that the work was completed.

Out-of-Stocks – The preventative approach versus the reactive response: With the MMS SCHEDULE WORX system and the economy handheld (Blackberry) option, a rep can immediately enter a low- or out-of-stock notification. The manufacturer can be notified within seconds and decisions can be made to see that stock is replenished prior to out-of-stocks.

Coming out of the DSD world, the MMS SCHEDULE WORX system was designed to handle very high turnover items – especially when there is a promotion on a high-turn item.

DSD vendors regularly seek help from merchandising organizations to stock shelves more rapidly, or more frequently, than the DSD driver can accomplish alone. MMS SCHEDULE WORX is designed to allow the assignment of backup merchandisers to keep an eye on high-turn and problem items and prevent out-of-stocks.

Ease of Implementation: MMS SCHEDULE WORX is easy to implement and easy to use. The following major steps are all that are required to begin using the MMS SCHEDULE WORX system:

1. Define regions for company's coverage areas.
2. Enter administrative / supervisor / rep personnel.
3. Set up all manufacturers.
4. Set up all locations.
5. Match up rep / manufacturer / store locations (defines WHO will be doing WHAT work WHERE.)
6. Build the schedule (by setting up work orders.)
7. Rep is notified of work, goes to store, does work, reports work…

The Risk and Cost of Developing a System By Yourself. Many merchandising organizations do not have IT organizations that are capable of developing systems of this magnitude. Other executives, who have never been involved in the development of a major software system, find that once they are committed to the course of action, and have spent large amounts of money, the task is much harder than they anticipated. Following are a number of Horror Stories that have been accumulated in an ongoing study by Tom Ingram and Associates, Inc. These Horror Stories serve to highlight the magnitude of the risks.

- **Incident 302:** Business units brought up on system before ready. Extreme confusion, delay, loss of morale, some loss of employees. Field support calls went from 50/day to 1,000 per day. As much as **$5,000,000 dollars may have been lost in unbilled revenues, management attention, unhappy customers**

- **Incident 303:** Task completion reporting ineffective over an extended period. **Estimate hundreds of thousands of dollars lost** in wasted retail rep effort, management time, unhappy customers

- **Incident 312:** Attempted to go cheap, bought a vendor's claim than an existing system to handle retail inventory could

easily be modified to handle retail merchandising. **Tremendous frustration and trouble**. System was intended to support several Merchandising Service organizations. Because of "cheap" approach and poor results, **no one is willing to invest in doing what is needed for a effective outcome.** This leaves the organization with the **choice between living with a system full of problems and the cost-prohibitive approach of starting over from scratch.**

- **Incident 313:** Spent $300,000 on Handheld Approach, Could Never Get It To Work, Abandoned

- **Incident 314:** Software vendor provided system to Retailer. Retailer required merchandising organizations to use the system and pay fees that seemed extremely high for the functions received and problems encountered. Software vendor has gotten wind of dissatisfaction and is now promising to "fix everything – whatever you guys need." Handhelds part of system and complexity.

- **Incident 315:** Merchandising organization bought by public company with big IT department which promised to "upgrade" all their systems to current technology and meet Year 2000 compliance needs. Big IT dept. did not understand the business needs and did not seek to understand. Spent $2-$3 million and was nowhere near Year 2000 compliance as deadline neared. Associate chose to spend a few thousand dollars on the "old technology" (over the objections of HQ) and got the Year 2000 need met. Handhelds part of system and complexity.

- **Incident 316:** Acquired merchandising org. and upgraded their technology, including a handheld solution. Never got the handheld solution to fully work. Their primary retailer forced them to adopt another system, wasting large amounts of effort and cost.

Handhelds Supported: Currently, the MMS SCHEDULE WORX system supports the Symbol handheld and the Blackberry (economy) handheld.

Synergy Systems background: Synergy Systems was born from the needs of the RLS Merchandising Organization. Prior to being sold to Acosta, RLS provided over 10,000 hours of merchandising services per month, servicing over 200 unique stores in the North Carolina and Virginia region.

Clients of RLS include George Weston Bakeries, Pepperidge Farms, Marva Maid Dairy and Chesbay Distributing.

Major users of the MMS SCHEDULE WORX system include Acosta, Ukrops, Lowes (grocery stores), Food City and five additional retailers committed to implement the system in 2007.

Users of the Synergy System also include the top 30 DSD distributors in North Carolina and Virginia.

Results for the Merchandising Company RLS: The MMS SCHEDULE WORX system allowed RLS to grow 150% in one year without a significant cash outlay. Frequently, growth of this nature requires significant amounts of capital, and RLS was able to grow without it.

Advantage over Competitors: The MMS SCHEDULE WORX system provided RLS with precise scheduling, instant messaging, service issue resolution and the ability to be proactive (when competitors were reactive). These capabilities, and the other capabilities discussed in this paper, resulted in RLS building a niche merchandising business that was fast-growing, profitable and attractive to a large acquirer. Acosta ultimately acquired the RLS Merchandising Company, and continues to use the MMS SCHEDULE WORX system.

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The Big Picture Vision – Retailers, Merchandisers and Manufacturers all working from a common set of data: MMS SCHEDULE WORX was born of a broader vision where manufacturers, retailers and merchandising organizations work much more closely than is common today. The MMS SCHEDULE WORX system has the capability to act as the single source of data regarding merchandising activities for all three of these major players in the business partnership.

The potential benefits are enormous. Contact Synergy Systems for further details on the Big Picture Vision.

What Our Clients Are Saying:
- George Weston Bakeries: *"Realized 52% increase in sales in Wal-Mart…"*
  Bill Smith, Regional Manager
- Marva Maid: *"We've added additional shelf space from our retail customers after achieving 98% in servicing their stores…"*
  Scott Garrett, Regional Manager
- Pepperidge Farms: *"Route Reliever Program has reduced our cost of business and increased sales…"*
  Stephanie Knudson, Regional Manager

Conclusion: The most compelling benefit of the MMS SCHEDULE WORX system is the role it played in enabling RLS to rapidly grow in a niche for merchandising services where competition was minimal to non-existent. The growth was profitable and the expansion impressive, with limited cash outlay. The resulting sale to Acosta realized the owner's dream to be able to sell the business and concentrate on the further development of the MMS SCHEDULE WORX system.

MMS SCHEDULE WORX offers simplicity, limited risk and key basic functions to the small or medium sized merchandising organization. To the merchandising organization looking for competitive differentiation through system capabilities, MMS SCHEDULE WORX provides the basic tools necessary to enhance competitive edge in some very specific niches, most notably DSD overflow work and competing with large brokers.

For details or a demonstration of the MMS SCHEDULE WORX system contact Bill Lecznar at Synergy Systems, 1-866-416-3447 or by email at bill.lecznar@synergies4u.com.

Tom Ingram and Associates, Inc. is a consulting firm that helps merchandising organizations grow sales, differentiate themselves and improve processes and software. Synergy systems retained Tom Ingram and Associates for advice on the MMS SCHEDULE WORX software and to create supporting materials such as this paper. Tom Ingram can be reached at www.tomingraminc.com .

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