

The Neiman Marcus Group Deploys Shared Inventory and B2B Integration with DiCentral EDI Solutions

Founded in 1907, the Dallas headquartered Neiman Marcus Group operates in a specialty retail niche under five divisions: Neiman Marcus Store, Neiman Marcus Direct, Last Call, Bergdorf Goodman, and CUSP. Of the five divisions, there are three with independent buying groups (neimanmarcus.com, brick and mortar stores, and Bergdorf Goodman). This highly unique company sells an assortment of upscale apparel, jewelry, accessories, bridal, beauty, and home goods throughout 83 stores and online throughout the world.

Because of the complexity inherent in operating five divisions, Neiman Marcus Group's management team wanted to optimize the omni-channel supply chain across all their divisions globally. They also wanted to utilize current technology, including mobile platforms, to modernize the brands and provide better customer service; specifically, the main goal was to give customers a seamless shopping experience through product visibility across all five divisions.

The Neiman Marcus Group's divisions all ran their businesses independently. The three separate buying groups were buying the same item and assigning it three different SKUs; additionally, there was no SKU connectivity, making it difficult to gauge the true inventory of particular products. For example, before the implementation, when a customer shopping at a Neiman Marcus location in Houston, Texas, would find an item in the correct size, but the favored color was unavailable, there was no system in place to locate the item at one of the other four divisions (even though many of the same items were in stock throughout the multiple divisions).

While trying to implement the omni-channel approach in the supply chain, The Neiman Marcus Group determined that they needed to consolidate and unify all items across all the divisions into a single UPC code. They would also require vendors to upload those UPCs to a central location and verify that those products could be electronically sent and received through the purchase order (PO), advance ship notice (ASN), and invoice. After reviewing the entire project scope, DiCentral determined that The Neiman Marcus Group did not have sufficient staff or technology to communicate the requirement to the company's community of 1,500 vendors; as a result, DiCentral teamed with The Neiman Marcus Group to implement a system that would effectively bring the vendor community up to speed and enable them to adopt new practices that would comply with The Neiman Marcus Group's trading partner guidelines.

The Neiman Marcus Group's management team analyzed the effects of not having a central location for SKUs created an in-house inventory platform to be used across all three buying organizations. From there, The Neiman Marcus Team collaborated with DiCentral to design a testing and certification process for the

Overview:

The Neiman Marcus Group's management team needed to optimize the omni-channel supply chain across all the company's divisions. They also wanted to utilize current technology, including mobile platforms, to modernize the brands and provide better customer service to their customers. DiCentral delivered solutions that enabled the company to achieve these goals.

The Neiman Marcus Team collaborated with DiCentral to design a testing and certification process for Neiman Marcus vendors. In addition to the testing environment created, DiCentral aided Neiman Marcus vendors in acquiring unique product codes (UPCs) from GS1 and uploading those UPCs to a catalog that all divisions of The Neiman Marcus Group would be able to source from. Having the vendors' UPCs in one repository gave The Neiman Marcus Group the ability to manually link stock-keeping units (SKUs) across all business channels.

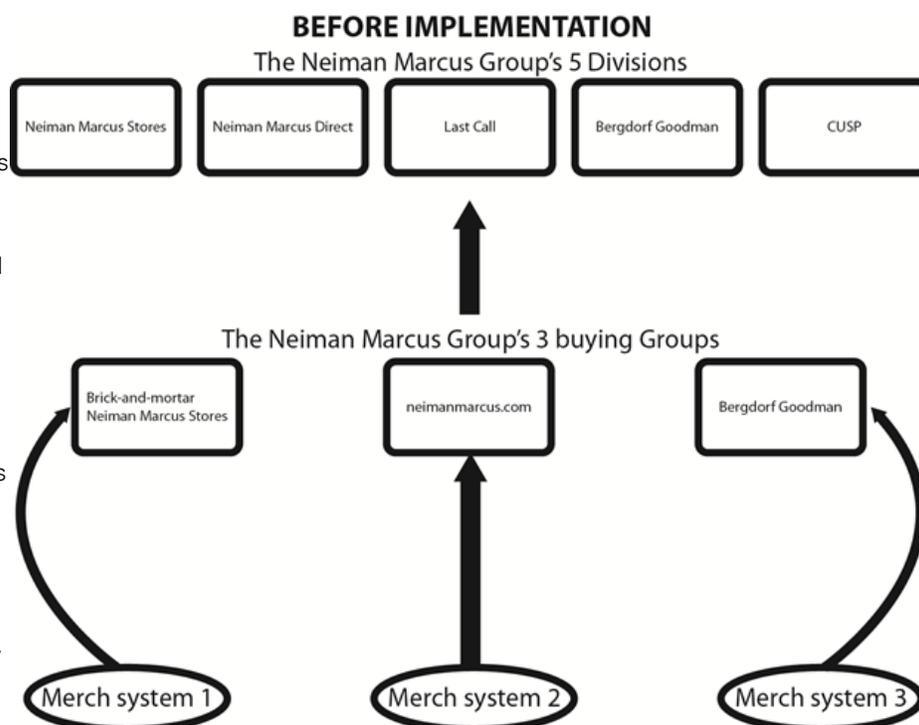
Impact:

The strategies and technology implemented by DiCentral and The Neiman Marcus Group resulted in added sales lift, a spike in online sales, and the ability to manage order cancellations effectively.

Neiman Marcus vendors. In addition to the testing environment created, DiCentral aided vendors in acquiring unique product codes from GS1 and uploading those UPCs to an online catalog that all divisions of The Neiman Marcus Group would be able to source from. Having the vendors' UPCs in one repository gave the company the ability to manually link SKUs across all business channels. In addition, DiCentral, on behalf of Neiman Marcus, certified the vendors' capability to receive compliant purchase orders and send compliant advance ship notices and invoices.

Vendor Compliancy: the Keystone to Omni-Channel Implementation Success

One of the most important steps in the implementation process was creating a method for non-EDI compliant vendors to become EDI enabled; without 100% vendor EDI compliancy, the new systems and procedures would never reach their full potential. Additionally, all Neiman Marcus vendor data needed to be tested and verified through a new system designed by DiCentral specially for The Neiman Marcus Group. It's important to note that many of The Neiman Marcus Group's vendors are specialty vendors that create premium, hand-crafted goods—sometimes in limited runs. Because of the nature of these vendors and how they work, the process of having them adopt EDI and become compliant was fraught with complications. For example, an overwhelming majority of the specialty vendors had little to no basic knowledge of the role that EDI plays in the supply chain, or even of business data nomenclature. Consequently, a major role that DiCentral would play in the project implementation would be in aiding non-EDI compliant vendors throughout the process of adopting EDI.



When vendors do not rely on EDI to communicate with the retailer, there is a much greater chance of errors surfacing in the supply chain. Rather than using the retailer's specified electronic communication method, non-compliant vendors rely upon faxes, phone calls, and emails to communicate. For example, many of The Neiman Marcus Group's specialty vendors would regularly send hand-written invoices! Of course, this style of communication is much more likely to create errors in order fulfillment, which—in the worst case scenario—keeps needed goods from making it to the store shelf, or at the very least slows down delivery.

Additionally, financial recordkeeping for both the vendor and the retailer suffers when EDI is not being employed by the vendor; hand-keying financial data causes errors, and data exchanged via fax, phone, or email can be unreliable. It was key, then, that The Neiman Marcus Group ensure that all its vendors became EDI compliant in order to guarantee the success of the project's main goal: enabling The Neiman Marcus Group to consolidate its five divisions into an omni-channel supply chain. Because of

the critical role that the vendor plays in the retail environment, The Neiman Marcus Group realized early on the importance of getting all non-compliant vendors up to speed—and once up to speed, having the entire vendor community tested, validated, using a uniform system of communication, and following the same guidelines.

In early 2012, DiCentral and The Neiman Marcus Group worked together to create a vendor enablement and testing program to aid vendors in becoming EDI compliant. The vendors were given a guide that included information on the steps necessary to become compliant. The steps were: 1) choosing an EDI service provider (pertaining only to non-EDI compliant vendors); 2) registering with GS1; 3) syncing items to a unique UPC/GTIN (global trade item number); 4) registering with InterTrade's ecCatalogue (which would act as a repository for item information, and where the vendors would load their UPCs); and 5) registering with DiCentral to begin EDI testing and validation. Once the vendor had completed all necessary steps, they would be given notice from The Neiman Marcus Group of their successful completion and given the green light to begin trading. This was not an easy process for the vendors—both EDI compliant and non-compliant—to complete, to say the least; one of DiCentral's most critical roles was to provide support for the vendors, especially throughout the data testing and validation stage.

Step 1: Selecting an EDI Service Provider

The vendors were given a list of EDI service providers to help them in their selection process. After researching the providers and considering the number of services and pricing tiers offered, the vendor was tasked with choosing the one that was right for their organization. It's important to note that even though EDI providers service both Fortune 500 companies and small-to-medium companies, they often tailor their offerings to fit either one or the other. So, not every provider is right for every vendor. Additionally, when choosing a service provider, it's best to choose one that can grow with the organization and satisfy the company's shifting needs for the long term, rather than basing the choice simply on price. This all adds up to what is usually a difficult decision-making process. The Neiman Marcus Group's non-compliant vendors had to first decide upon what kind of service provider they wanted before any additional steps were taken.

Steps 2 & 3: Registering with GS1, Obtaining a Vendor Number, Generating a UPC, & Syncing Items to a Unique UPC

GS1 is a not-for-profit association that develops "global standards and solutions to improve the efficiency and visibility of supply and demand chains globally and across sectors." This includes "standards for electronic business messaging, data synchronization, and RFID-based identification" (gs1.org). The Neiman Marcus Group is one of a long list of major retailers that require vendors to follow GS1 standards in order to become a member of their trading partner community.

First, The Neiman Marcus Group's vendors register with GS1, where they are assigned a GS1 company prefix; this number is included on the UPC of the goods shipped from the vendor to the retailer (the second half of the UPC number is reserved for the product code). Additionally, the company prefix number is used for each of the vendor's locations, logistic units, assets, documents, and service relationships. After being assigned the unique vendor number, the vendor then uses GS1's UPC/GTIN generation tool. With the vendor number and GS1-approved UPC, the vendor then syncs the items that it will sell and ship to the retailer with the newly-generated UPC. By employing a uniform system of product identification, The Neiman Marcus Group is able to simplify a key component in retail.

Step 4: Register with InterTrade's ecCatalogue

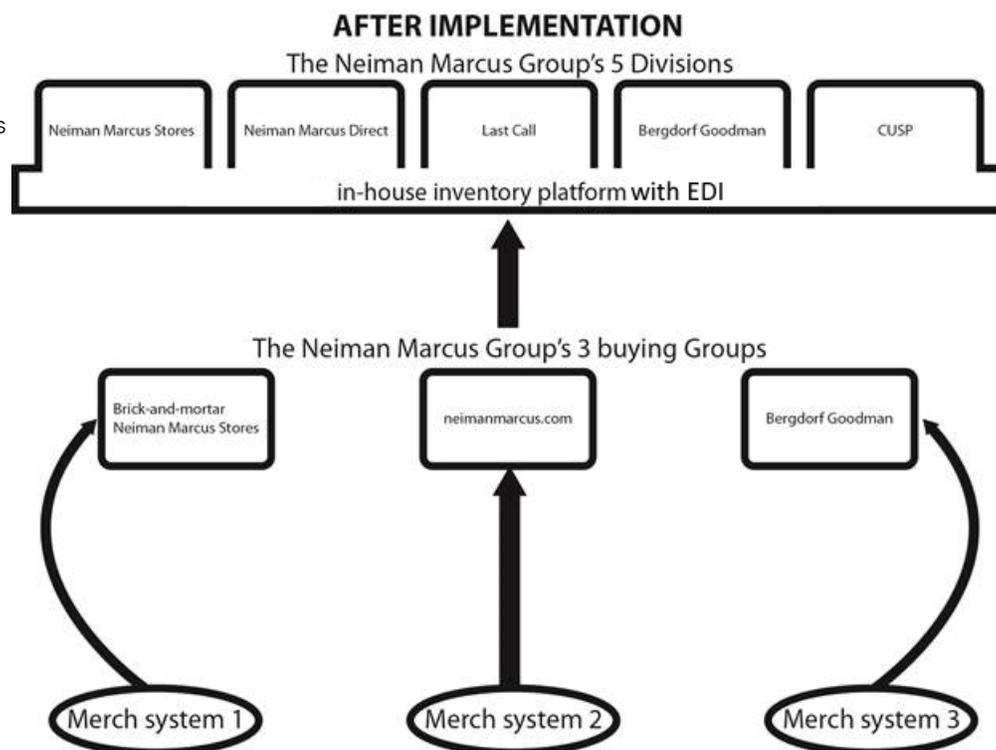
InterTrade is an EDI company that offers an electronic catalog for suppliers—ecCatalogue—that enables them to share product data with multiple retailers, substantially simplifying the process of the retailer ordering goods from the vendor. The Neiman Marcus Group's management team stipulates that its vendors adopt this product because each of the company's five divisions uses ecCatalogue to order goods, thus streamlining sourcing to one location. The vendor first loads a product into ecCatalogue using an EDI 832 document (which includes the vendor's contact information, item

identification and description, item pricing, etc.) or an Excel spreadsheet, along with item images. A team member from The Neiman Marcus Group is then able to browse the vendor's selection and submit an order. The interface is much like any other retail website, and so there is little to no learning curve involved for the retailer. Also, once the vendor has implemented ecCatalogue into its business processes, the process of changing item information or adding additional items can be done in very little time with little effort—speeding the means of editing current products and adding new products, in turn providing The Neiman Marcus Group with up-to-date product information.

Step 5: Testing and Validation with DiCentral

Up to this point, non-EDI compliant vendors have chosen an EDI provider, all vendors have received a GS1-generated vendor number and GS1 UPC, and have added all current items to InterTrade's online product catalog. The last and most critical step was to test vendor data in order to ensure that the data was clean and accurate. The Neiman Marcus Group requested that DiCentral provide vendor compliance testing services (DiTesting), which included full testing and verification of the vendors' EDI communications in compliance with The Neiman Marcus Group's specific guidelines. After registering for a DiCentral

DiTesting account, each vendor would then begin sending test EDI documents through the DiCentral testing environment, including purchase orders (EDI 850), advance ship notices (EDI 856), and invoices (EDI 810). A deadline for all vendors to become EDI compliant and complete data testing was set by The Neiman Marcus Group—the date decided upon was February 1st, 2013—and vendors that successfully completed testing by that date were given certification of meeting all trading partner guidelines.



Vendor Compliancy Helps to Make the Omni-Channel Supply Chain a Reality

With a fully compliant vendor community certified to send accurate data, The Neiman Marcus Group's management team was now ready to fully implement their omni-channel supply chain across all five divisions. As mentioned earlier, due to the company structure—comprised of three separate buying departments employing three separate merchandising systems, serving five different divisions—The Neiman Marcus Group needed a system to provide common inventory visibility across all divisions. Achieving that level of visibility would help the company's management team meet their long-

term objective of offering a seamless shopping experience for customers. Along with InterTrade's ecCatalogue system and GS1-assigned UPCs associated to all merchandise shipped to The Neiman Marcus Group, an in-house inventory platform—designed specifically for this project— was adopted to achieve full product visibility. With EDI and vendor assigned UPCs being fed directly to the universal inventory platform The Neiman Marcus Group enabled product data visibility across all of their buying organizations, as the UPC was the single representation of a product no matter what NMG division was purchasing it. Moreover, with all systems working together, The Neiman Marcus Group team can now access product data across all divisions—no matter if an item is located in a Neiman Marcus store in Atlanta or a Bergdorf Goodman location in New York City. For customers, this means that they too can use the web to access all in-stock items in all stores, and can shop from anywhere on any platform while having a greater breadth of product offerings available than what was possible before the implementation.

Flexibility is Key in a Project of this Scope

The Neiman Marcus Group is not a conventional retail business; they have achieved success through satisfying a specialty market with unique, fashion-forward goods since 1907. So, it stands to reason that the supply chain solutions needed to streamline critical business processes would have to be just as unique as the company leveraging them. Throughout the process of implementing this project, it was critical that DiCentral develop an intimate understanding of the needs of both The Neiman Marcus Group and its vendors in order to provide solutions that were tailor-made to satisfy both players. Rather than the retailer receiving a one-size-fits-all supply chain solution, The Neiman Marcus Group and DiCentral had to work closely together for months to develop a unique plan of action and then to implement that plan in stages. The payoff, though, in terms of data accuracy, man-hours saved, and processes streamlined, is hugely significant. With an omni-channel supply chain in place—allowing customers a much improved shopping experience—The Neiman Marcus Group can continue on as one of the most important retail companies currently operating.