

C A S E S T U D Y

All that Glitters is Gold

The largest jeweler in Maine, Day's Jewelers sells over 18,000 different pieces of jewelry in their six stores, plus thousands of pieces through their website. The company has 135 employees and is trying to continue its steady growth of the past 20 years.

DAY'S
JEWELERS



FAST FACTS

INDUSTRY: **Retail jewelry chain**

LOCATION: **Waterville, Maine**

REVENUE: **Private**

EMPLOYEES: **135**

ERP SYSTEM: **Sage MAS 90**

Business Challenge: Holding Managers Accountable Day-To-Day While Planning Growth Confidently

Managing Day's Jewelers' geographically diverse operations is a challenge in itself, but in addition CFO Mark Ford and the executive team want to grab the brass ring of even greater success and growth. Their ongoing challenges include adding new stores, expanding their online presence, adapting merchandise to customer tastes, and expanding product offerings. To plan that growth with confidence, Ford needed a financial management tool with better forecasting ability and dynamic, long-term planning capabilities. In particular, he needed the ability to test different scenarios for the ever-changing retail landscape so he could recommend the best growth strategies.

But let's not forget the day-to-day, multi-million-dollar business. Understanding each store's profitability and cash flow is crucial to Day's Jewelers' financial health, so Ford also needed a system that could measure profitability and cash flow by store, department, product line and other parameters.

Budget Maestro = Manager Accountability

Day's Jewelers chose Budget Maestro for its ability to manage the budgeting and

the long-range forecasting – everything from managing inventory on a 120-day sales cycle to building a three-year growth plan based on current numbers and future projections. "Budget Maestro provides us with a macro, big-picture view of all the things we want to do, based on budgets created at the department level. So we get a mile-high perspective built on down-in-the-weeds detail," said Ford.

Budget Maestro makes it easy for each store manager to be accountable for

"The beauty of Budget Maestro is that it promotes accountability throughout the organization. If everybody does what they're supposed to do, it keeps us on track for today while we plan for tomorrow."

Mark Ford, CFO

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“Budget Maestro lets us understand the impact of our decisions *before* we make them.”

Mark Ford, CFO

his or her portion of the business. Each store is run as a self-contained business, with each store manager responsible for forecasting product revenue by category, headcount planning, payroll and benefits expenses, costs centers and service departments. “We then roll up each store manager’s budget to see the consolidated numbers. This may go through a few reiterations until we get it right,” said Ford. “We want accountability throughout the organization. If everybody does what they’re supposed to do, it keeps us on track for today while we plan for tomorrow.”

“We then use our budgets and Budget Maestro reports to measure profitability by store, product line and department. This benchmarking of each store’s performance against the others down to the detailed line item is critical to our success. It allows executive management to analyze in detail which teams are delivering results and which aren’t, and which expense reduction programs are working. We can then invest resources where they get the best return,” Ford explained.

Cash Flow No Longer A Mystery

As a retailer, the terms negotiated with the company’s 800 vendors can severely impact cash flow. Budget Maestro allows Ford to determine the impact of different scenarios, such as 30-day terms versus 10-day. “We plug the different terms into the budget and immediately see the impact of these terms on our cash flow. This drives

our decision-making process, helping us select vendors and decide if we need more money from the bank or should extend our line of credit.”

Ford also uses Budget Maestro to forecast gross profit margins for each product group based on projected sales by each payment method, i.e. cash, credit card, store credit card and layaway plans. Because credit card sales may have a 10-18 month payout, the breakdown between credit and cash sales dramatically affects cash flow.

Answering Executives’ What-If Questions

“Budget Maestro’s ability to quickly and accurately conduct analysis of different scenarios has made my life much easier. Now I can show the other executives exactly how their ideas impact our financials. For example, our VP of Operations loves to hire sales staff because, on the surface, the more sales people we have, the more we sell and the more we profit. Before, I couldn’t accurately forecast the ratio of sales to staff to assess the impact of adding those salespeople,” Ford said.

Now, he can weigh the impact of the staff additions in the context of different outcomes, e.g. increased sales volume or flat volume. If sales are flat but payroll is up, what are the specific impacts on the business, e.g. bonus payouts to other staff? “Budget Maestro lets us understand the impact of our decisions before we make them,” said Ford.

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