

Laura Ashley chooses IBM Global Financing to increase competitive edge



While Laura Ashley has achieved good growth, the clothing industry has seen increased competition over the last few years. Since WalMart came into the UK and took over Asda, clothing prices have been driven down across the UK. Huge high street competition has forced companies to devise creative strategies to stay ahead of the market.

Overview

■ **The Challenge**

Deploy new systems to improve customer service and inventory-management

■ **The Solution**

€6.4 million (£3.9million) IT funding

■ **The Benefit**

Upgrade ageing AS/400 system without negatively impacting cashflow.

An established player in a competitive market

Clothing retailer Laura Ashley has had a chequered history over recent years. In May 1998, Malayan United Industries (MUI) invested €70 million (£44 million) for a 40 percent stake in the company, stabilising Laura Ashley's cash situation and enabling it to develop the business. After years of losses, Laura Ashley announced over €12 million (£8 million) in profits last year. The company currently has an annual turnover in excess of €400 million (£260 million) and employs approximately 4000 staff. In the UK it has 190 stores, with 66 stores in continental Europe and 217 franchise stores in 24 countries.

Competitive advantage through cutting-edge technology

Laura Ashley has chosen IBM Global Financing to finance the upgrade of its current computer system and build competitive services throughout its branches. Laura Ashley initially approached other potential financing partners, but felt that IBM offered the best pricing and structure. "We found IBM Global Financing to be very reasonable and responsive to our needs," said Jim Bellingham, Laura Ashley's Chief Financial Officer. IBM Global Financing agreed to provide €6.4 million (£4 million) in financing for Laura Ashley to upgrade and expand its obsolete AS/400* system, with the goal of improving customer service and inventory management across the company.

Laura Ashley has now implemented a new retail package system and installed new tills and PCs into all stores. These provide a new interface enabling employees to access the central inventory database. This capability has immediately improved customer services and increased sales. "If Mrs Smith is in one of our stores looking for a particular size of garment and that store doesn't have it, the store assistant can go into the system and arrange for it to be delivered from another branch," explained Jim Bellingham.

The system will give shop assistants easy access to technical information. "We have a lot of part-time staff who need to be knowledgeable about our products," said Jim Bellingham. "If the customer asks a technical question about a particular product - i.e. fabric content - and the assistant doesn't know the answer, he or she can go into the product database and print out a technical specification for the customer."



Jim Bellingham wasn't sure at first if attempting to obtain financing from IBM Global Financing to purchase non-IBM systems would pose a problem. "In fact," he said, "when we presented the systems we were considering purchasing, it turned out that IBM had partnerships with those companies." Working with IBM Global Financing will help Laura Ashley continue to expand its business. "Our long-standing relationship with IBM Global Financing will see us through any future computer and MIS developments that we have."

A flexible partner

The benefits of the IBM Global Financing arrangement go beyond the system upgrade. "This deal gives us the financing to continue the development of the business — such as opening and refurbishing stores — instead of tying up money in computers and PCs," said Jim Bellingham.

Laura Ashley aims to continue to improve profitability and increase market share substantially over the years ahead and acknowledges IBM Global Financing's role in this goal. The relationship will enable Laura Ashley to expand the system as it opens more stores. "We are very pleased," said Jim Bellingham. "IBM Global Financing is very flexible and very adaptable. We'll be working together as we continue to build the Laura Ashley business."

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