

“We have more insight into our business and the performance of individual products, branches, and staff. We can have more confidence in making quick, informed decisions as the information is based on fact, which helps us drive better business and customer service.”

David Radburn, Head of Business Systems, Caffè Nero

Caffè Nero Customer Success

Caffè Nero Group Ltd was founded in 1997 and is currently the largest independent coffee retailer in the UK, with over 360 stores from Brighton to Aberdeen. The aim is to provide a European-style coffee house experience, offering premium espresso-based gourmet coffee, authentic Italian food products, and a relaxing atmosphere in every store, with personal service.

Challenges faced

As a growing business, Caffè Nero currently opens on average one store a week. Having created 360 branches over the course of ten years, the focus is on managing rapid growth and providing quality coffee to a growing customer base.

However, there was a lack of appropriate technology to analyze business performance and maximize successes. It is also important to manage the Caffè Nero brand effectively as the company grows. To avoid a formulaic feel, the company needed to identify customer trends in different regions and react accordingly by catering to specific customer preferences. As the number of stores grew, this practice was becoming more difficult.

“We were quite behind when it came to technology to help us manage the business,” says David Radburn, Head of Business Systems at Caffè Nero. “We had opened 200 stores within eight years, without really having any technology to support our business processes. All we owned were old cash registers, and managers would have to write down sales on paper on a daily basis and then fax it to headquarters at Covent Garden, where it was manually entered into spreadsheets.” He adds, “If you consider that up to 200 faxes were being sent every day, this amounted to a lot of work.”

A weekly margin report was added up manually at Caffè Nero headquarters, but there was no visibility of individual product line performance, either in terms of sales or margins. Caffè Nero wanted to streamline the accounting process and also to be able to track performance and spot trends, both for products and for each branch.

Industry:

- Retail

Geography:

- UK

Information needs:

- Analysis of sales and trend-spotting

Platform:

- Microsoft SQL Server

Solution:

- IBM Cognos 8 BI

Benefits:

- Greater visibility of sales information for trend analysis
- Increased understanding of product, staff, and store performance, enabling appropriate staffing and product stocking
- Better monitoring of product wastage and opening hours to cater accordingly
- Analysis of the best store locations for future growth and expansion

“While our store managers had the most knowledge about their own stores, there was no clear, high-level overview across the business,” continues Radburn. “We needed to ensure that results were accurate and not just based on the gut feeling of each store manager. To do this, we decided to introduce an electronic point of sale (EPOS) system.”

The EPOS system worked well and eliminated the manual keying-in of data. Caffè Nero’s management went from having very little to a moderate amount of information, such as sales reports. However, the reports were fixed and the company wanted to be able to drill down to see the story behind the numbers.

“Our management team and area managers were enjoying having at least some information, but the reports raised as many questions as they answered,” Radburn explains. “We realized that more sophisticated analysis and reporting was

required to get all the answers we needed about the fast-growing business.” A solution from Cognos, an IBM company, would prove to have these answers.

Strategy followed

Once there was a critical mass of branches using the EPoS system to combine all data, Caffè Nero started to look at deploying a business intelligence (BI) system to help understand trends and predict future sales. It turned to Tahola, a Cognos partner, for support.

“We chose to work with Tahola because of its experience in this area, and we also based our decision on some strong customer references,” says Radburn. “We were confident that Tahola was an expert in this area, and would be able to introduce appropriate technology to meet our particular needs within time and budget—which it did.”

Tahola suggested an IBM Cognos 8 BI solution, which would enable the board to access reports showing company-wide information. Reports would be set up to provide details on set key performance indicators (KPIs) for product wastage, sales by products and by store, and staff performance, and to enable area managers and senior management to delve into the information that matters to their business.

Benefits realized

“Before we implemented the Cognos solution, we were not able to drill down into so much detail on product sales,” explains Radburn. “Now, we can quickly see which products are performing best—and where—in terms of sales volume, and make business decisions accordingly.”

Product performance visibility

Previously it was easy to spot extreme trends based on mere observations—such as noticing empty or full shelves. But since implementing Cognos, Caffè Nero has more insight into the “in between” products, allowing it to understand the popularity levels of products.

“Now we can have more confidence in making quick, informed decisions, as the information is based on fact,” says Radburn. “That said, sales numbers aren’t the only aspect in the decision-making process. It is important to stock some products that customers can identify with Caffè Nero, as they are important to the brand. This helps retain our loyal customers and is a part of who we are.”

“Having this visibility will also help the area managers to respond quickly to good or bad weeks in sales, and be better able to support the store managers who might need help,” continues Radburn. “They will also be able to allocate their time and focus intelligently to prevent money being lost. It helps them to be flexible, and to be

able to take the necessary action. For example, if a store is, for whatever reason, having a particularly good or bad week, the area and store manager can take fast action and, if need be, increase, or reduce food orders.”

Customer service and staff resourcing

Currently, Caffè Nero store managers have the day-to-day responsibility to order new stock.

“Part of Caffè Nero’s philosophy is that the managers should spend the maximum amount of time possible where they are needed the most—serving customers—rather than doing administration, and the Cognos solution allows us to maintain this key principle,” says Radburn.

Area managers use the BI data much more than store managers. They can quickly have insight into how all the ten or so stores they manage are performing, and also report and drive better business and customer service.

Being able to drill down into the data and see which products sell best and when during the day also helps with staff resource levels. If more sandwiches are being sold between 1 pm and 3 pm for example, more staff are needed during those hours, and management can predict the levels of service required much better.

Daily wastage monitoring

“The technology also helps us in other areas, such as monitoring daily waste, particularly as we sell perishable goods,” Radburn continues. “If there is a trend of one product being thrown out regularly, then the store is able to react by ordering fewer of that type, minimizing wastage and lost money.”

“However, if no waste is thrown out, this is also unusual and can suggest that not enough of the product has been delivered in the first place. There needs to be a balance between the two, which Cognos technology helps us monitor.”

Store opening hours decisions

Another area that Cognos helps with is deciding on the opening hours of each store, by tracking the traffic at different points of the day. The technology provides area managers with insight into the variances, such as a branch in a business district requiring an early start, or a shopping area being busier at lunchtime. This also ties into managing staff resources, particularly as Caffè Nero prides itself on a personal and friendly service. Having enough staff to cater for the demand is key to this policy.

Staff development and recognition

“We are committed to our customers and also to our staff, their welfare and career progression,” concludes Radburn. “Using Cognos, we can drill down into reports on their performance in terms of sales, which allows them to be recognized for their contributions.”

TAHOLA PASSIONATE ABOUT INFORMATION

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