



### Overview

Country: **United States**  
Industry: **Retail**

### Customer Profile

**Chico's Retail Services**, a women's private label specialty retailer, has more than 550 stores nationwide. Headquartered in Fort Myers, Florida, Chico's posted net sales of U.S.\$768 million in FY2003.

### Business Situation

Chico's was using a paper-based system for its gift certificates and merchandise credit, which made transaction tracking, fraud detection, and reconciliation extremely difficult.

### Solution

Chico's implemented the SmartClixx™ Stored Value Card application, which runs on Microsoft® Windows® 2000 Advanced Server and Microsoft SQL Server™ 2000, Enterprise Edition.

### Benefits

- Gift certificate sales up 50 percent
- Customer convenience increased
- Sales audit labor decreased
- Fraud, shrinkage reduced
- Lower TCO than alternatives

## Leading Clothing Retailer Boosts Sales with Electronic Gift Card System

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Scott Bader, Manager for Store Systems, Chico's FAS

To fulfill its commitment to outstanding service, retailer Chico's sought to upgrade and simplify its gift certificate and merchandise credit system with an electronic solution. Chico's had been using hand-written gift certificates and paper credit receipts, which were inconvenient for customers and staff, and vulnerable to fraud. After a thorough analysis, the company chose the Stored Value Card (SVC) application from SmartClixx LLC, a Microsoft® Gold Certified Partner, due to its low total cost of ownership, high level of flexibility, and ease of administration. Chico's reports that the SVC system, which runs on Microsoft Windows® 2000 Advanced Server and Microsoft SQL Server™ 2000, paid for itself within a year thanks to a 50 percent increase in revenue from the gift cards over paper certificates. The solution has also improved customer service and increased internal productivity.



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### Situation

Chico's Retail Services has been one of the fastest-growing retailers in the United States, increasing its net sales by a staggering 396 percent over the last four years. The company attributes this success in large part to its uncompromising standard of service. “Customer service is a large factor in Chico's strategy,” explains Scott Bader, Manager of Store Systems for Chico's.

But as of 2002, the retail chain's credit process was not living up to its expectations for customer care. Employees wrote out gift certificates on stock forms by hand, and presented store credits on paper receipts.

“When a customer lost a gift certificate, we were limited in our ability to check the transaction history, validate the claim, and provide proper return credit,” recalls Bader. “And, if they wanted to redeem the credit through our Web site or catalog, they would have to mail in the certificate or receipt and wait for someone manually validate it before the merchandise was shipped. This was inadequate customer service as far as we were concerned.”

Dealing with the paper-based system was also difficult internally. On an ongoing basis, Chico's sales audit team would have to manually reconcile gift certificate purchases with redemption slips. Furthermore, the company was limited in its ability to accurately assess its credit liabilities at any given time.

To solve these problems and improve customer service, Chico's pursued a stored value card solution. The company's management realized that implementing an electronic card system would not only improve its customers' experience, but would also streamline its accounting process and bolster its sales and marketing efforts. Unlike paper certificates, which must be kept

under lock and key, gift cards can be openly displayed as merchandise and serve as portable branding for the company. “Gift cards are like pocket billboards,” remarks Bader.

### Solution

Initially, Chico's only planned to consider an outsourced, hosted gift card solution such as ValueLINK or SVS. “We just didn't want the added maintenance and risk associated with managing a solution ourselves,” explains Bader.

Nonetheless, in the interest of due diligence, the Chico's team analyzed all of the available options, comparing the common outsourced solutions with SmartClixx™ Stored Value Card (SVC) application, a self-hosted system. The results were eye-opening. SmartClixx, a Microsoft® Gold Certified Partner, offered:

- dramatically lower costs;
- greater flexibility; and
- better control of data.

“The total cost of ownership for the hosted solutions was astronomical compared to SmartClixx,” recounts Bader. “Other solutions bill you on the basis of ‘click fees’—charges for every single transaction, whether it's issuing a card, making a purchase, checking a balance, or simply running a transaction report. Those fees add up quickly. SmartClixx does not charge any transaction fees. “In addition, the hosted solutions are not customizable,” Bader continues. “You have to accept their product ‘as-is’ with little flexibility. Chico's tends to prefer applications and vendors that are flexible, and SmartClixx was willing and able to adapt to our specific needs.”

For example, Chico's desired custom reconciliation processes that SmartClixx easily accommodated. Also, the company

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wanted customers who had balances of less than U.S.\$10 on their cards to be able to receive cash refunds on those balances. “We knew some retailers were taking advantage of the breakage and making large sums of money by not giving cash back on a gift card redemption, but we didn't feel the benefit of these practices were in the best interest of sacrificing customer service,” says Bader.

Another big plus for the SmartClixx SVC, as far as Chico's was concerned, was that it ran on Microsoft® SQL Server™ 2000. SQL Server is part of Microsoft Windows Server System™ integrated server software.

“Chico's is committed to maintaining a Microsoft software environment. More than 75 percent of our infrastructure is Windows Server™-based, and our database administrators are focused on SQL Server,” explains Bader. “We wanted a solution that would give us the ease of administration we're accustomed to.”

#### Implementation and Architecture

Implementing the SmartClixx SVC application took just four months. In this short period, SmartClixx and Chico's IT team:

- Determined Chico's business requirements.
- Customized the application accordingly.
- Set up the server and database infrastructure.
- Installed the SmartClixx SVC application.
- Integrated it with Chico's other system components.
- Rolled out the new process and materials to hundreds of stores nationwide.

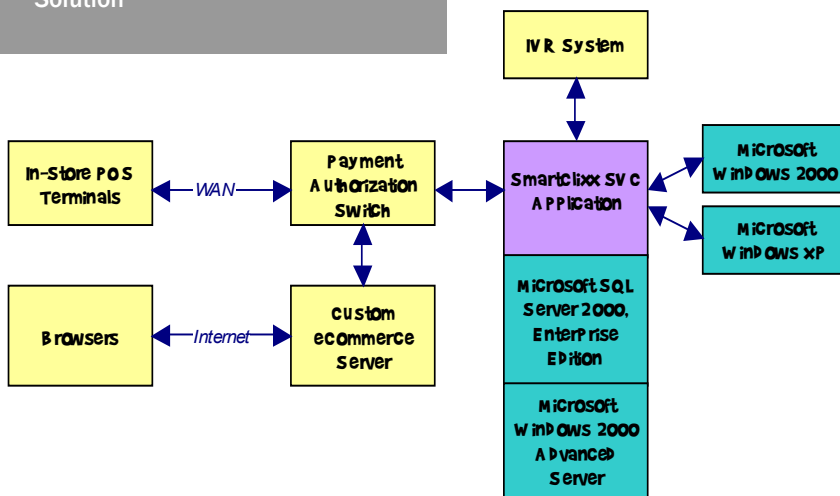
The gift cards were on sale in Chico's stores in time for the holiday season of 2002. “The implementation was a huge success,” summarizes Bader.

Chico's runs the Microsoft and SmartClixx solution on two Compaq DL380 servers at its headquarters, clustered with a redundant server at a datacenter in Winder, Georgia.

The SmartClixx SVC application provides three forms of access to the system:

- The application interfaces with the company's Payment Authorization Switch, which allows SmartClixx SVC to exchange data with Chico's POS system. When a clerk at any given store swipes a card, they can retrieve real-time account data and make charges against the card through the register.
- A SmartClixx Online Screen Interface (OSI) provides access to the database and reporting tools via Microsoft Windows® operating system-based clients. Chico's taps into the OSI from a mixture of Microsoft Windows 2000 and Microsoft Windows XP Professional-based desktops. (The company is in the process of upgrading all of its workstations to Windows XP.)

#### Architecture of Chico's SVC Solution



"The difference between SmartClix and the other systems is that we have the in-house ability to track card usage and liability, and to perform loss prevention analysis as well—and it doesn't cost us a cent."

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- SmartClix also provides a connection to Chico's interactive voice response (IVR) system, so staff and customers can check gift card balances by telephone through an automated voice interface.

Chico's is currently in the process of upgrading to Microsoft Windows Server 2003 operating system and SmartClix SVC 3.4, which is based on the Microsoft .NET Framework. This will enable Chico's staff to access the SmartClix SVC by browser, and to open the application from their network account with no additional sign-in, thanks to security coordination through Microsoft Active Directory® directory service.

### Benefits

Implementing the SmartClix and Windows Server System solution has improved Chico's business performance in a number of significant ways.

#### 50 Percent Increase in Gift Card Sales

In its first holiday season using the SmartClix solution, Chico's garnered 50 percent more revenue from the gift cards than it did from paper certificates in the previous year. This increase in revenue alone paid for the cost of implementing the solution. "Sales of the cards have continued to grow since then, as well," adds Bader.

#### Increased Worker Productivity

The SmartClix SVC solution has dramatically improved Chico's reconciliation process. "Our sales audit staff used to spend a large amount of time reconciling," he says. "Now they can just run a report and the reconciliation is performed in a very short amount of time with minimal labor requirements. As a result, we've seen a significant decrease in labor, as well as an increase in accounting accuracy." The SVC solution, with its card-swipe technology and real-time data retrieval, has also shortened transaction times in Chico's 550-plus stores.

#### Low Total Cost of Ownership

With no transaction fees, the SmartClix SVC solution came in at a fraction of the cost of the alternative hosted solutions. And now Chico's total cost of ownership will become even lower: The company recently purchased the SmartClix software license, so that it can create as many cards as it wants without incremental cost. "We expect our investment in the SmartClix SVC software to pay for itself within a year," Bader states.

#### Better Business Intelligence

As a self-hosted, SQL Server-based solution, the SmartClix SVC application also gives Chico's comprehensive reporting and querying capabilities. "The difference between the SmartClix SVC and the other systems out there is that we have the in-house ability to track card usage and liability real-time, and to perform loss prevention analysis as well—and it doesn't cost us a cent," says Bader.

#### Increased Security/ Decreased Fraud

Unlike paper certificates and credit slips, the SmartClix stored value cards have several built-in security features that protect customers and the retailer from theft and fraud. Each card features a 16-digit account number, an 8-digit CVV (card validation value), and a 4-digit CVV2 number. If a card is lost or stolen, customers can call a Chico's 1-800 number and have the card immediately deactivated and reissued.

#### Ease of Maintenance

SmartClix provides Chico's with 24 hours a day, seven days a week secondary support 365 days a year—but Chico's has never had to call on it. "The SmartClix SVC solution has been solid as a rock," comments Bader. "In over 18 months, the system has never gone down except for routine maintenance." "Administration of the SmartClix solution is very minimal—it just runs," he adds. "The biggest task we have is loading cards. As it

turned out, our concerns about the risk of managing a solution in-house did not materialize—it's been a win-win situation for us.”

#### Scalability

Chico's is also pleased with the growth potential of the SVC solution. “SmartClix and SQL Server 2000 have accommodated Chico's horizontal and vertical growth,” attests Bader. “At this point, the only limitations in sight would come through hardware deficiencies.

“The flexibility of the system and the vendor allows us to envision other initiatives with the technology,” he adds. “SmartClix is willing and eager to pursue new avenues.”

#### Elevated Customer Service

The most important result of the SmartClix implementation, as far as Chico's is concerned, is how it has enhanced customers' shopping experience. “The gift cards offer a more inviting presentation to our customers and are easier to keep hold of than pieces of paper, which can be damaged more easily,” explains Bader. “And, they're much more convenient. Customers can redeem them through multiple sales channels—brick and mortar or catalog.”

“And now,” he adds, “when a customer has a question or problem with their store credit, we have the information and the tools to provide answers right away. This helps to eliminate dissatisfied customers.”

“Chico's is one of the hottest retailers out there right now,” Bader concludes. “Knowing our customers and servicing their needs is a big reason for that. The Microsoft and SmartClix solution is one of the pieces that contribute to satisfying our customers.”

## For More Information

For more information about Microsoft products and services, call the Microsoft Sales Information Center at (800) 426-9400. In Canada, call the Microsoft Canada Information Centre at (877) 568-2495. Customers who are deaf or hard-of-hearing can reach Microsoft text telephone (TTY/TDD) services at (800) 892-5234 in the United States or (905) 568-9641 in Canada. Outside the 50 United States and Canada, please contact your local Microsoft subsidiary. To access information using the World Wide Web, go to: [www.microsoft.com/](http://www.microsoft.com/)

For more information about SmartClix LLC products and services, call (561) 998-8515 or visit the Web site at: [www.smartclix.com/](http://www.smartclix.com/)

For more information about Chico's Retail Services products and services, visit the Web site at: [www.chicos.com/](http://www.chicos.com/)

## Microsoft Windows Server System

Microsoft Windows Server System integrated server infrastructure software is designed to support end-to-end solutions built on Windows Server 2003. It creates an infrastructure based on integrated innovation, Microsoft's holistic approach to building products and solutions that are intrinsically designed to work together and interact seamlessly with other data and applications across your IT environment. This allows you to reduce the costs of ongoing operations; deliver a more secure and reliable IT infrastructure; and drive valuable new capabilities for the future growth of your business.

For more information about Windows Server System, go to: [www.microsoft.com/windowsserversystem/](http://www.microsoft.com/windowsserversystem/)

### Software and Services

- Products
  - Microsoft Windows Server System
  - Microsoft Windows Server
  - Microsoft SQL Server 2000
  - Microsoft Windows 2000 Advanced Server
  - Microsoft Windows 2000 Professional
  - Microsoft Windows XP Professional

### Hardware

- Compaq DL380

### Partners

- SmartClix LLC

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