



From spreadsheet overload to streamlined planning:

Business analytics at The Donna Karan Company LLC

The fashion industry is dynamic and volatile. Apparel and accessory companies have to quickly get a handle on the issues that influence business performance and secure the resources to deal with them effectively. It is central to rising above the competition and maintaining profits.

Retail performance management provides tools that allow organizations to make decisions to keep ahead in the marketplace; set plans, allocate resources, monitor them and adapt; gain a forward-looking view of the business; and turn critical data into meaningful information on which to make plans and business decisions.

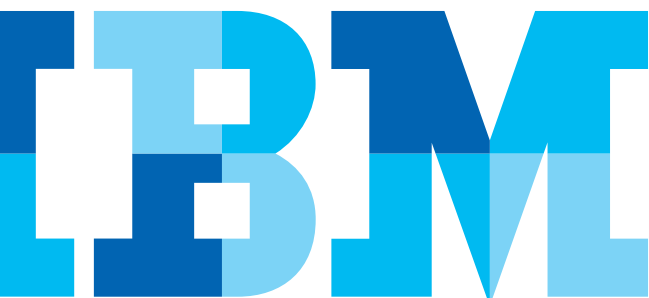
With this in mind, The Donna Karan Company LLC (DKCo) chose IBM® Cognos® software to power its performance.

DKCo is one of the world's leading fashion design houses. It designs, markets and distributes collections of apparel, sportswear, accessories and shoes under the Donna Karan® and DKNY® brand names. It has selectively granted licenses for the manufacture and distribution of beauty and beauty related products, jeanswear, activewear, men's apparel, hosiery, intimate apparel, coats, children's apparel, watches, eyewear and home products.

The mission of the Donna Karan Company is to represent the international pulse of New York in the design, marketing and delivery of a complete lifestyle system to a global customer base in the designer, bridge and better markets.

This case study will focus on how DKCo leveraged IBM Cognos software to:

- Reduce the time spent consolidating financial numbers.
- Streamline the budgeting cycle.
- Gain greater visibility into the entire financial plan instead of just the results.
- Gain a unified view of the global enterprise, from wholesale operations and retail stores to licensing parties.
- Quickly make changes to global assumptions.



As a result, DKCo has cut its corporate and retail budget allocation processes from an average of five days to two hours. DKCo staff no longer use hundreds of spreadsheets for the planning process, and establishing company-wide business-driven assumptions has reduced data entry to a minimum.

Most notably, the finance department of DKCo spends less time checking and consolidating the numbers, and more time analyzing the business.

Business Background and the Case for Change

DKCo's business model is complex. The global organization has three channels of business: wholesale, retail and licensing. Each channel has different divisions, which operate and report separately. In the retail channel, the company operates stores in the US, the UK and Ireland, and there are plans to increase the number of stores over the next few years.

As well, a set of corporate departments responsible for financial reporting, allocations and consolidation needed to be factored into the planning cycle.

While each channel operates differently, what they had in common was a dependency on spreadsheets.

"We were shackled to spreadsheet software," says Chris Gaffney, [Director Financial Systems](#). "We had hundreds of spreadsheets that people were going through and updating. Users would change entire sheets or links if one number changed. And if a link was broken, or data didn't come through properly the first time, we had to spend time looking for numbers because they were incomplete or incorrect."

"If sales changed, that would mean changing several spreadsheets, which was a manual and time-consuming process."

Gaffney speaks of the lack of standardization among divisions and departments. The result of this manual, inconsistent process? Corporate and retail allocations were extremely complicated and time-consuming.

"The budget process would take somewhere between five to seven days of revision time, due to the additional data being layered in from across the organization. It was a huge undertaking to get the pieces to work together and then finally consolidate all the spreadsheets into a unified plan to provide to our parent company."

What the company needed was a single, dynamic platform to collect, consolidate and analyze its operating plans across all divisions. An IBM Cognos planning solution offered the answer.

The Right Vendor

Selecting the right vendor was an involved process. An internal team of 15 stakeholders worked together to determine the scope of necessary requirements for the organization.

Five vendors were in the running at the outset. Each was invited to attend and provide demos as well as proof-of-concepts. In the end, what made IBM Cognos software the top choice was its ease of use.

"All of the users felt that they could use Cognos right off the bat because it was spreadsheet-like to them, and everyone had a decent to very good understanding of spreadsheet software," says Gaffney. "So that was really the fine point in selecting Cognos. The users felt comfortable that after a small amount of training they could actually begin using it."

Another big plus was the collaborative effort of IBM Cognos partner, ISA Consulting. ISA worked with DKCo to implement the software and get the system up and running.

"We have a great partnership with ISA Consulting. They worked collaboratively with us, and transferred a lot of knowledge to our team. So they didn't just come in and build the system for us and leave us to fend for ourselves. It was really a collaboration and a cooperative relationship of working together and ensuring our team would understand the fine points of the system."

Gaffney notes that ISA consultants literally sat down with DKCo administrators to walk through the process. The idea was to leverage ISA's expert advice, use it to build their own knowledge and continue to make improvements as they went along.

He concludes: "I would say that ISA was able to get into our business by understanding the needs of all parts of our organization."

This was key because the IBM Cognos solution integrated with six different transactional systems and data sources, including general ledger, payroll and warehouse operations.

The Implementation

From the get-go, the software has been managed by the finance department of DKCo. The idea from the outset was to keep it in the hands of the divisional and corporate controllers. However, other departments and staff share information by accessing parts of the platform that relate to their tasks.

As a starting point, DKCo began using the software to put together the current-year budget.

“We do three budget cycles during a regular year. So we would have multiple versions: original budget, revision one, which is three months actual and nine months budget, and a second revision.” says Gaffney. “And while we were adding versions, we were also budgeting for next year. So our processes are complex and iterative.

“We then implemented budgeting solutions for our wholesale and retail operations, with an approach where our users participated in the development and testing processes. Having this strong collaboration with the business users ensured that the solutions were appropriately designed from the outset and generated a high level of buy-in.”

The result? For one, the new software helped to eliminate the need for some 170 spreadsheets being used in the wholesale channel alone. In terms of time saved, however, the company saw the most efficiencies at the corporate level.

“We dramatically reduced corporate allocations, which could take from two to five days, to an hour and a half. We also gained efficiencies in the retail allocation process, where we have saved another one to two days.”

Business Impact

In addition to the budget process, long-term planning has been much easier with IBM Cognos.

“Using the Cognos tool, we were able create the planning models and complete the budget in under five weeks, satisfying the requirement from our parent company,” says Gaffney.

Overall, what the finance department has gained is better insight into the process, business drivers and company performance across channels and divisions.

“We have a better understanding of what’s happening in terms of the data coming into the consolidation team. As it’s going through, there’s no place to hide things anymore since the team can see each piece being built. So if they want to go to a particular department and look at the payroll number, they can go in there and see this year, last year, or whatever we’re doing. Overall there’s a better view of what’s happening during the budget cycle.”

Beyond Just Numbers

As well, the system provides added value in terms of moving beyond straight processing and number crunching. According to Gaffney, staff now have time to consider better ways of doing business: This is the way we do it. Is it the right way? Can we do it better?

“We’ve been able to build more business logic into our plans, to automate and standardize decisions. This gives us the ability to generate plans, revisions and scenarios based on our business assumptions and business rules. We’re trying to focus on understanding the financial impact of decisions and market changes instead of manually entering data.”

Store Planning

One of the challenges with the new software was to find a better way to do payroll planning in the retail channel. The spreadsheet-based process used before was time-consuming and cumbersome.

To improve it, the company went through a few iterations to find something that would work for managers across the divisions. It required analysis of key steps and a focus on simple rather than complex thinking.

“We came up with three main processes,” says Gaffney. “First, there’s the fixed cost of the managers and assistant managers and full-time salaried employees. Then there are the two sets of variable costs; seasonal employees, for high-peak seasons, and part-timers.

“We were able to establish business rules and automate staffing based on factors like sales increase or decrease and floor coverage.”

Gaffney adds that this iterative process has made managers think about payroll in a different way: from an actual versus budget perspective. And they’ve been able to focus on this approach more than they were able to before.

Lessons Learned

For Gaffney, the key to successful implementation was gaining user buy-in right from the outset. Support for the initiative ran from the Senior VP of Finance to other key stakeholders throughout the organization.

The idea here is that if people are involved in implementations from the beginning and playing a part – by articulating requirements, testing the software, providing feedback and so on – the result is broader, more enthusiastic participation in the long run.

“Those that were most involved in the validation process have adopted the systems. They rely on it the most and realize the most efficiencies.”

Next Steps

What are future plans? The main focus is on building enhancements as business needs change. That means tweaking the functionality and streamlining information to make it even easier to use.

For more information on business analytics for retail please visit ibm.com/cognos/retail.

About ISA Consulting

ISA Consulting is the premier provider of business intelligence, performance management and data integration consulting services in the East. ISA responds to the individualized needs of every customer by providing in-depth business knowledge, significant technical expertise and valuable lessons learned from years of working with other industry leading organizations. Creating value through a flexible and focused process, ISA serves customers globally with offices in Atlanta, Boston, New York, Philadelphia, Toronto and Washington, DC.

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IBM Cognos business intelligence (BI) and performance management solutions deliver world-leading enterprise planning, consolidation and BI software, support and services to help companies plan, understand and manage financial and operational performance. IBM Cognos solutions bring together technology, analytical applications, best practices, and a broad network of partners to give customers an open, adaptive and complete performance solution. Over 23,000 customers in more than 135 countries around the world choose IBM Cognos solutions.

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Combined with rich industry solutions, proven practices and professional services, organizations of every size can drive the highest IT productivity and deliver better results.

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