

Case Study:**Company Profile:**

Global active apparel maker/retailer

Situation:

- Rapidly changing business environment.
- Growing need for more and better information company-wide to speed up decision making.

Needed:

- Better tools for budgeting, planning, financial reporting and analysis to:
 - speed monthly and quarterly closings
 - improve business intelligence
 - improve corporate performance management.
- Less dependence on fragile Excel-based budgeting system.
- Ability to build, customize and maintain system without outside help.
- Rapid implementation for new fiscal year.

Solution:

Budgeting, planning and financial reporting system integrated with general ledger.

Solution Components:

- Cognos Enterprise Business Intelligence
 - Cognos ReportNet
- Cognos Enterprise Performance
 - Cognos Planning — Analyst
 - Cognos Planning — Contributor
 - Cognos Finance

Benefits:

- Accelerated decision making throughout the enterprise.
- Users have faster access to the specific information they need.
- Standard and customized reports readily available.
- Improved budgeting and planning process.
- Budgeting system no longer dependent on one person.
- New reforecasting application developed in-house; rolling forecasting application planned.

Patagonia finds a financial information solution to suit its independent spirit.

Patagonia, the active apparel maker, has always had a unique culture that prefers “the human scale to the corporate; vagabonding to tourism; the quirky and lively to the toned down and flattened out.” The Ventura, California company and its people share passionate commitments to producing high quality, effective products, protecting the environment and succeeding in business on *their* terms by taking personal initiative with skills and tools to act independently.

Needed: Better tools to meet growing needs for information.

The apparel industry is changing rapidly, and as a result, manufacturers and retailers – Patagonia is both – need better management information systems. Once predominately a wholesaler, Patagonia has transformed itself into a global, multi-channel company with its strongest growth in retail and Internet sales. Change and growth brought the need to upgrade applications and tools for corporate performance management, reporting, ad hoc analysis and business intelligence.

“Our long-term goal,” says Patagonia’s CFO Martha Groszewski, “is to provide literally any kind of information to accelerate the decision process throughout the company anywhere in the world. The management group had escalating information requirements that we couldn’t provide for,” recalls Groszewski. “The world is moving faster and faster, and you have to be much more forward looking. We needed different tools to be able to do that.”

Breaking through the spreadsheet bottleneck

Like nearly 65% of corporate America, Patagonia was still using Excel spreadsheets for budgeting. Moreover, the system was dependent on one person – budget director Cari Marr. She knew it

inside and out, and was responsible for its maintenance and support. In May 2003, she took maternity leave! Fortunately, IT analyst Sandy Buechley, had been in charge of the system in the past, and was able to fill the void. However, it was not easy.

“The spreadsheet budgeting was very unwieldy,” Buechley said. “To make changes, do consolidations and create reports was difficult in Cari’s absence. We had 100 manually linked spreadsheet models with multi-tab work books. But if anyone did any rearranging, deleted a line or added a line, it caused all kinds of havoc. The potential to foul up was always a problem.”

The system was fragile and riddled with inefficiencies. Even worse, not many people had access to information when they needed to make a decision.

“Beyond that,” Groszewski adds, “all you could do with it was budget. There was no real ability to use it for analytical purposes. We needed to do a lot of re-forecasting, and what-if scenarios. If channels change, or we need to hire more employees, or we change something in our business, what happens? It wasn’t possible to do this in the existing spreadsheet system. We wanted information to be readily available for everyone instead of hidden in cubby

holes in the AS/400. We want to make it available and use to it to our advantage.”

Selecting a solution

In November, 2002, a Patagonia evaluation and implementation team composed of Marr, Buechley, tax manager Ray Netzley and assistant controller Katherine Martin began to analyze the applications and metrics the company needed to improve its ability to monitor and measure corporate performance. Initially, Patagonia was focused on applications for financial consolidations and budgeting/planning applications. During the evaluation process, the team narrowed its purchase options and fine tuned requirements with the help of CBH Consultants, a Cognos solution provider, and SSA Global, another Cognos Partner. Patagonia’s criteria evolved as several pressing requirements emerged:

- 1) Implement a budgeting system for global use that would enable using budget data for analysis purposes;
- 2) Accelerate the month-end review and distribution of financial reports;
- 3) Improve business intelligence (reporting and analysis capabilities using a corporate data warehouse.)

The team selected CBH and Cognos Corporate Performance Management applications for several reasons:

- 1) Cognos Finance is integrated with Patagonia’s SSA General Ledger, and provided functionality to speed monthly reporting;
- 2) Cognos Planning and Cognos ReportNet has all the functionality to help Patagonia achieve its long-term goals for corporate planning and performance management;
- 3) CBH’s competence and understanding of corporate finance;
- 4) The CBH philosophy of transferring knowledge to its customers.

“We really felt very comfortable with CBH,”

Buechley said. “They work the way we wanted to work. Everyone we’ve worked with at CBH has been a very good fit for us.”

Rapid implementation

In early 2004, Patagonia began joint implementations of Cognos Planning by CBH, and Cognos Finance by SSA. Despite an aggressive schedule, the team with CBH managing the project made its February 1 deadline for deploying the budgeting system. “We did a lot of brainstorming together,” says Buechley, “and CBH helped solve our problems.” The team added enhancements for fixed asset planning, acquisition planning and depreciation expenses. The solution also integrates with the ADP payroll service data, enabling the team to build a labor-planning model to forecast salary and benefits costs for employees and future staffing.

The next phase, rolling out Cognos ReportNET to replace the Patagonia’s Brio system, started about six months after the budgeting project was completed. CBH provided on-site consulting for ReportNET, and the team attended training classes (offered regularly by Cognos at major metropolitan area training facilities throughout North America.)

At first, reports will be created centrally by IT and distributed to users on a regular basis – daily, weekly or monthly – via the Patagonia intranet using Cognos’ portal functionality. Specialized needs will be addressed on a group by group basis. However the Cognos Framework functionality will reduce the number of specialized reports and queries from the 3,000 in Brio. Users select parameters to get the information they need instead of creating or modifying queries and reports. “We really liked ReportNET,” Buechley says, “and it didn’t make sense to maintain a separate tool when we were rolling out



the other Cognos applications. We wanted one toolset for all our users.”

Results at Patagonia

Under CBH’s tutelage, Patagonia personnel were operating independently during first budget season. Marr also developed – on her own – a reforecast application that went live in August 2004. “Building models is no big deal now,” says Marr, who plans significant enhancements to the budgeting and planning models over the next two years. “The nice thing is that since users are already trained, I can create a short tutorial, for example, about the forecasting application, right on their screen, and they’ll be ready to use it.”

Users readily accepted the budgeting solution because it was tailored to look like the familiar, old Excel system. But now, they can access data much faster, and they have an analytic tool, not just a budget system.

“CBH helped us to make it work seamlessly,” says Buechley. “It was a good way to start our long-range project...a win because the budget piece went so well, people accepted it so well.”

For Marr, “the nice thing is that I can provide specialized information and customize models for whoever needs it – sales people, marketing people, administrative people. That’s a wonderful thing. With the consolidation capabilities, I can do pretty much what I want...do different models for every country. Now people can look at data in a number of ways without having to look at 300 spreadsheets just by changing a dimension.”

Buechley sums up the project: “Cognos products are great, and working with CBH was great. They’re smart, energetic and flexible. Our CBH consultant was well organized. CBH works the way we wanted to work. We wanted to own the project...to become independent. We really achieved that with CBH.”