DRIVING ACCOUNTABILITY THROUGH DISCIPLINED PLANNING AT ABERCROMBIE & FITCH CO.

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OVERVIEW

INTRODUCTION TO ABERCROMBIE & FITCH CO.

Abercrombie & Fitch Co., based in New Albany, Ohio, is an American retailer focused on casual wear for consumers from 18 to 24 years old. A&F operates over a thousand stores under the Abercrombie & Fitch Co., Abercrombie Kids, Hollister, and Gilly Hicks labels. A&F has stores all over the world, including the US, Canada, England, Japan, Spain, France, and Germany. Abercrombie & Fitch Co. sales topped 3.5 billion dollars in 2010 and the company employs more than 7,500 full time people.

TEAM

The implementation team was comprised of Abercrombie and Fitch technical and financial staff, and 4 members of the Rolta team.

Abercrombie

- 1 dedicated resource from Finance
- 1 part time project manager
- Multiple representatives from IT to stand up the environment

Rolta

- 1 lead architect/project manager
- 1 Financial Reporting / Essbase expert
- 1 Planning / Essbase expert
- 1 Business Analyst (initial phase of requirements gathering only)

PRIOR STATE

The budget and forecasting process was completed in hundreds of spreadsheets and was widely distributed. The process was highly decentralized with many functions being duplicated and the processes among the divisions were inconsistent.   With multiple divisions, more than a thousand stores, and all the logistics and distribution channels, the effort and coordination of these processes was challenging at best.

With six passes of the budget, much of it was done at a high level and variance analysis was difficult at lower levels of the business.

WHY HYPERION?

Abercrombie selected Hyperion Planning and Essbase to build a forecasting, budgeting, and reporting environment. The speed at which the solution was implemented and the plethora of features included were superior to the other software that was researched.

VENDOR SELECTION

A&F chose Rolta as the Oracle/Hyperion partner because of their expertise and breadth of experience in implementing financial solutions. Their knowledge of the technology ,education and experience in finance and accounting clearly identified them as an excellent choice to help A&F meet the organization's goals.

Rolta's EPM practice is based in Columbus, Ohio. The corporate headquarters is based in Alpharetta, Georgia. The BI practice employs nearly 100 people.

Rolta's approach was to not only provide what A&F was asking for, but educating the organization on the wide range of possibilities in the software. Because of their breadth of knowledge and experience, A&F was able to create a solution that far surpassed our expectations. The impact of their recommendations were seen at all levels of the organization. Lower levels of

the organization were able to complete their responsibilities quicker which enabled them to gain more experience. Middle management was able to analyze and turn around changes quicker, and at a lower level of detail, than ever before. The senior leadership has recognized the accomplishments throughout the organization. Because of the success, A&F is engaging Rolta in discussions to build out planning, forecasting, and reporting models in other areas of the organization.

GOALS OF SUCCESSFUL IMPLEMENTATION OF HYPERION PLANNING AND ESSBASE

- Move all budgeting and forecasting efforts to Hyperion Planning. The existing budget process was completed at a high level in hundreds of spreadsheets and uploaded to PeopleSoft.

- Eliminate the manual effort to consolidate passes of the budget and forecast – with the hope that forecasting can be performed more frequently.

- Use Planning as the enterprise wide software for all budgeting and forecasting processes.

- Provide an effective way to budget and forecast at the store level.

- Create transparency to the data for senior level decisions makers to enable quality analytics improving decisions.

- Provide multiple avenues to the users to easily access the data using Hyperion Financial Reporting, SmartView, and Web Forms.

- Train all finance and accounting users.

- Have the ability to budget and forecast in either USD or local currency.

- Use PeopleSoft as the primary source for actuals, while automating the data load of budgets and forecasts back to PeopleSoft.

- Have the ability to report, budget, and forecast weekly sales data.

- Have the ability to report, budget, and forecast salaries and benefits at an employee level.

- Include training to IT to effectively manage the Hyperion environment.

- Include training to finance and accounting to enable them a quick transition to Hyperion.

DEVELOPMENT LIFE CYCLE

INSTALLATION

The installation was completed on a multi-server, multi-OS environment. All applications were installed on Windows 2003 excluding Essbase, which is utilizing a shared UNIX server.

Rolta has a proven methodology and a dedicated staff that focuses solely on system implementation. These resources were engaged during requirements gathering to ensure that the system was available to develop the proof of concept.

Free tools from www.in2hyperion.com were also utilized.

- The In2Hyperion Essbase Add-In Ribbon is a ribbon that can be used in Office 2007/10, in conjunction with the Essbase Add-In. It not only adds the basic functions of the Add-In in a Ribbon, it has advanced options that improve the user experience.

- In2Hyp Service Manager is a utility that helps the organization automate the management of the Hyperion services. It is a parameter driving utility that starts and stops all the Hyperion services on all the servers that have a Windows operating system.

REQUIREMENTS GATHERING

Prior to any development, requirements were gathered by meeting with all the individuals responsible for constructing a budget or using the application, either directly or indirectly. A requirements matrix was consolidated that included the requirement, level of effort to build, time savings, and importance. This matrix was used in a discussion with Rolta and A&F leadership to decide what would be included in the initial phase of the project.

The lead architect and project manager from Rolta had a finance and accounting background which made the requirements gathering successful. The Rolta representative added vital feedback during this phase that improved the end product.

PROTOTYPE

After the requirements were discovered and documented, a Planning application was created with the dimensions and hierarchies identified. A demo with the power users was conducted to verify that the dimensions identified would meet the reporting requirements. Training on the use of SmartView was completed with this group and they used the application for one week.

DEVELOPMENT

Once the requirements were defined, the development of the application was initiated. The consultants from Rolta included the finance and IT group through the process, which provided a great training ground and was the reason testing went so well.

TESTING

Every step of the process was documented and tested. This not only included the end user interaction, but also the entire process of managing the application. Thousands of steps in hundreds of cases were developed and processed. The few issues discovered were accounted for and corrected prior to the next phase of the process.

TRAINING

Training was performed over a two week period. Classes were held for 4 hour increments and were all hands-on training. Training guides were supplied to all attendees. This training included all user interaction with the Hyperion environment (web forms, SmartView, Financial Reports, Workspace). More than 200 users participated. Local resources were in a classroom. International users completed the training with web conferences.

All of the Rolta consultants had experience training users and developing course materials.

ROLLOUT

The application was opened for the first pass of the 2011 budget. The consultants from Rolta were on hand to help support the users and the questions they had. Because the training detailed UAT, the issues were limited and mostly related to training and knowledge transfer.

INSTALLATION

All the tools required by the application administrators were installed by a technical resource. SmartView and the Excel Add-In were deployed to users by a script though the software push initiated by the technical group.

APPLICATION DESIGN

The Rolta staff had nearly 30 years of combined experience in the Hyperion product suite. This, coupled with the broad financial background, enabled A&F to design a solution more robust than expected.

PLAN TYPES

FINSALES

The weekly sales cube houses the weekly sales budgets and forecasts for all the versions in the application. It is used as a driver to much of the financial data. When updated, the data is consolidated by month and copied to the Planning & Reporting plan type.

PAYROLL

The payroll application houses employee level salary information for all home office employees. Budget and forecasts are loaded at this level, consolidated, and copied to the Planning & Reporting plan type.

TOCOPLAN

The Planning & Reporting plan type is the main database used for the majority of the budgeting, forecasting, and reporting. It has the entire chart of accounts included and is where the bulk of the business logic exists.

REPORTING

Financial Reporting was used to create a small subset of reports. The reports that are not expected to change were built here so users could have a quick avenue to display general data. Approximately 30 reports are available.

WEB FORMS

Web forms were utilized for many of the driver based data loads. Web forms are a great way to enter data and execute calculations on a subset of the data. Approximately 60 web forms are available to enter and calculate data.

SECURITY

A&F developed a rather complex security model. Security was connected to the Active Directory. All users used their AD ID/password. Users were added to a native group in Shared Services. The dimensional security was based on the combination of Business Units, Account, and Department. All users have access to the appropriate business rules so the business logic can be executed as needed.

All security was based on the group so the maintenance is easy to maintain as employees' responsibilities change.

BUSINESS LOGIC

More than 160 calculation scripts and business rules existed to both manage the application and build sophisticated models on many aspects of the business. Below are some of the most used examples of the capabilities that exist. Rolta did an incredible job opening the organization's eyes to the opportunities available. A&F was able to drastically improve the speed at which budget and forecast was created, as well as enabling A&F to budget and forecast at a level never before possible because of the knowledge Rolta brought to the process.

SPREAD

From web forms, any account can be budgeted or forecasted based on a number of spread methods. Each account has an amount field and a spread method field. When the form is saved, the YTD value is subtracted from the spread amount and the remaining is spread accordingly to the remaining months. Values can be spread based on drivers like units, sales, or last year's actual results.

SEED COMP RATES

Retail has a very high employee turnover rate. When budgeting salaries, it is inefficient to have a thousand employees in a web form when only 30 are active. For this reason, the active employees have their pay rates loaded to the budget and forecast scenarios every month, and the web form only shows the active employee list.

LICENSING FEES

The fees associated with the music that plays in US based stores is a flat fee. To minimize the effort of managing the budgeted expenses by month for all stores, especially at the rate stores open and close, one rate is loaded at a high level. This expense is copied to all stores with sales. As the sales budget and forecast changes, this expense is automatically reflected at a store level.

The international fees are a fixed cost. This fee is also loaded at a high level and allocated to all stores with sales based on the store's percentage of total international sales. This allocation changes as sales expectations change.

FUNCTIONAL PROCESSES

Not all business logic has to be related to driver based planning. There are a lot of process management functions that can be created to minimize the effort of managing the application. Archiving versions of a budget or forecast, clearing data to reload, copying common data to all plan types, and consolidating actuals are just some examples of how parameterized business rules can help reduce the time involved in managing the processes.

PROCESS MANAGEMENT

A lot of time was spent minimizing the effort to manage the environment. For that reason, if the process could be automated, it was.

- A file watch utility developed in .NET acts as a real time monitor to load actuals from PeopleSoft. When the extract from PeopleSoft is complete, the Maxl is executed to load the data. Status, errors, and data rejects are emailed to the appropriate group.

- Budget and forecast exports from Hyperion are loaded to PeopleSoft on demand

- Nightly data exports are performed and files historical files are archived. All files older than 10 days are truncated. This process also includes a restart of the application.

- Data is exported from all three plan types, the databases are cleared, and the data is reloaded and aggregated to reduce fragmentation. Any errors during the process initiate emails to the appropriate support groups.

- All Hyperion services, and services related, are stopped and restarted weekly using the HypServicesManager from In2Hyperion.com.

- Several other operations around month end processing, budget and forecast passes, and data moves, are also automated.

BENEFITS OF IMPLEMENTATION

The benefits of the implementation are far greater than originally expected. Because of the consistent involvement from the finance staff, the enthusiasm from those involved in the requirements gathering, and the broad background of the Rolta staff, all these benefits were accomplished without any additional financial investment or time commitment from the organization.

BENEFITS

EXPECTED

- Easily slice the data for analytics. The prior state took 12 hours to perform the same task that now takes minutes.

- Now can understand spending patterns by store type, brands, and geographies.

- With the ability to add supporting detail, critical information is at decision maker's fingertips. Redundant requests are no longer made to the get this information and it is always in a consistent format.

- Supporting detail can be exported.

- A&F now has the ability to budget and forecast by Vendor

- Errors are easily identified and quickly corrected.

- Store planning is now consistent and more accurate.

- Store budgets now use a consistent sales driver

- Store P&Ls can be produced. This was never before possible.

- Easily identify which stores are profitable and which stores need attention.

- Decisions on store openings and closings are better supported.

- Payroll models are consistent and measurable and better decisions are made around staffing models.

UNEXPECTED

- Easily perform driver based budgeting and forecasting
  - Store bags can be projected based on current inventory and projected weekly sales.
  - Music fees can be projected based on store attributes for domestic, and percent of total sales for international.
  - Flight rates are entered globally. Departments load the number of expected flights by origination and destination. Global rates are applied and can easily be updated.

- Easily maintain store level modeling in Excel that is based on weekly sales.

- Have the ability to budget and forecast in local currency, USD, or both, with the ability to report a total in either local or USD. Rolta recommended that the currency option in Planning not be utilized so this functionality would be available. This also enabled A&F to streamline the data load from PeopleSoft as all business entities were supplied in local currency.

- The ability to consolidate such a high volume of supporting detail and easily get to that information has improved our ability to quickly resolve and explain the budget and forecast.

- The lines of communication between finance departments are much more open.

LESSONS LEARNED

- A dedicated resource to manage the environment should be employed as early in the process as possible. Involving them early in the process reduces the risk of that resource not having a broad understanding of the application.

- A formal communication process should be defined prior to the application rollout. Some system changes and updates were completed without the necessary level of communication, causing confusion with the users.

- If a project manager cannot be highly involved from the organization, adding an additional resource from the partner will eliminate delays and reduce errors.

- It is critical to the success of the project to ensure that experienced persons complete the Hyperion environment installation. Without a stable environment, development is delayed.

- Having a dedicated A&F resource would have eliminated unnecessary delays to the implementation timelines.

- User testing would have been more productive if A&F would have taken a more active role in the development of the test cases.

- Attending Hyperion training prior to, or in the initial stages of the project, would have produced a better understanding of the solution and reduced misunderstandings between the functional and finance team.

- Having a clearly defined matrix of roles and responsibilities would have improved accountability and reduced risk to the project deliverables.

GOALS NOT REALIZED

- Approval workflow in version 11.1.1.3 and below can only use one dimension for the approval chain. A&F has dedicated resources for some accounts across the entire organization, while others are responsible for all accounts for selected entities. Because of the need to have the approval across multiple dimensions, A&F did not use the Workflow option.

- FDQM was going to be utilized to import data from PeopleSoft. Because of the requirement of a query/import to be constructed for each company code, A&F would have had to develop hundreds of extracts. A high level of effort would have been required to maintain the extracts. New companies are added every month and it wasn't realistic that this process could be maintained efficiently.

- It is important that an IT resource is actively engaged in the installation, the development, and the troubleshooting of the issues that arise because of environment parameters. Without this interaction, the applications are at greater risk of failure after the consultants leave.

- Security in Hyperion Planning is not cross dimensional in nature. This caused the security model to become more complex and less effective.