



IBM Case Study

Abercrombie & Fitch

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Abercrombie & Fitch: Managing Rapid Growth with an IBM and PeopleSoft Solution

ABERCROMBIE & FITCH: MANAGING RAPID GROWTH WITH AN IBM AND PEOPLESOFT SOLUTION

Challenge

To update the financial and human resource management capabilities of a rapidly growing retail business

Solution

PeopleSoft Enterprise Financial Management Release 8, including PeopleSoft Enterprise Human Resources Management Release 8, IBM [eServer logo]® pSeries® and zSeries® G6 servers, IBM z/OS® 1.3, IBM DB2® for z/OS Version 7 and IBM TotalStorage® Enterprise Storage Server®

Benefit

Expanded stores 150% without adding financial management staff; gained access to more timely financial information; improved ad hoc query capabilities; reduced software deployment time and costs

It's no secret that well-managed businesses succeed.

But how do you manage a rapidly growing business without adding a growing army of financial managers, accountants and human resources (HR) staff? This was the question facing leading lifestyle retailer Abercrombie & Fitch Co. (A&F) in recent years. As of November 2002, this savvy company has:

- More than doubled the number of stores since 1999
- Increased fiscal 2002 net income by 16 percent over 2001
- Grown net sales by 17 percent to \$1.6 billion.

Today, Abercrombie & Fitch operates 560 retail stores throughout the United States and a healthy catalog business. In addition, it sells merchandise to local and international markets through two e-commerce Web sites (www.abercrombie.com and www.abercrombiekids.com) and publishes a magalog called the *A&F Quarterly*.

Yet, even with all these diverse operations to manage, Abercrombie & Fitch has not expanded its finance and accounting teams—at least, not since implementing PeopleSoft Financial Management applications on a robust, highly available IBM Enterprise infrastructure in 1999. And, while the company moved from PeopleSoft Release 7 to Release 8—and added PeopleSoft Human Resource Management applications—the underlying IBM technologies changed with the times while continuing to perform flawlessly. As Mike Stevenson, Vice President of Finance, likes to point out: “As a company grows, what happens is that it either has

to improve everybody's efficiency through technology or add more people to various management areas to keep up with the pace of growth. Through our investments in IBM and PeopleSoft technologies, Abercrombie and Fitch has chosen to become more efficient using technology. It's hard to measure the benefit in dollars, but it has certainly saved a significant amount in payroll costs."

The business challenge: Y2K compliance and growth

Abercrombie & Fitch is one of those retailers with an incredible sense of timing and marketplace dynamics. From its corporate office in New Albany, Ohio, it has successfully brought three concepts to the marketplace since 1996:

- Abercrombie & Fitch (which targets ages 18–22)
- abercrombie kids (for ages 7–14)
- Hollister Co. (for ages 14–18)

Abercrombie & Fitch has made some equally important and well-timed decisions about its information technology (IT) investments. In 1998, it was spun off from its parent organization, The Limited. At the time, the fledgling company was running its IT operations, including several homegrown financial applications, on an IBM enterprise server at The Limited. But, with the Year 2000 looming and rapid growth on the horizon, the time was right for a change of guard. "We had not upgraded our financial management applications for a while," recalls Jon Rudy, Director of Corporate Systems. "While our immediate need was Y2K compliance, we also saw an opportunity to take advantage of newer, more flexible client server technologies. Getting information out of our previous systems wasn't as easy as some of our finance professionals would have liked."

The selection process: Why PeopleSoft software on an IBM enterprise server?

In addition to Y2K compliance, Abercrombie & Fitch established two criteria for its financial software search. The new software had to:

- Run on a mainframe. "We wanted to maintain the stability and high availability we had come to expect from the IBM mainframe at The Limited," explains Rudy.
- Be fully integrated with other application areas to build a cohesive enterprise resource planning (ERP) system. "We wanted a single platform that would address our current and future needs, not a lot of different software packages," says Stevenson. For example, down the road A&F planned to implement a new human resources management system (HRMS).

A&F considered a number of options, but PeopleSoft quickly emerged as the best fit for its requirements.

"This approach, using IBM server technologies, gives us the flexibility for future expansion while consolidating our storage, and that translates into better manageability and lower cost of ownership."

—Rich Olimpio, Manager of Technical Support

The business benefits: improved reporting and analytical capabilities

Among the many benefits, Stevenson explains how his team uses PeopleSoft Financial Management applications to speed reporting and analyze information more effectively:

"We do a very fast close at month-end, and previously we had to close off some areas a week earlier just to get the reports done on time," says Stevenson. "With our IBM/PeopleSoft solution

also able to do much more ad hoc analysis using the advanced query capabilities within PeopleSoft.”

His staff is also able to retain three times as much historical data online. “Having those resources right at hand helps us make better business decisions,” he reports.

Moving to Release 8: a new three-tier IBM enterprise environment

In 2002, A&F made a strategic decision to upgrade its financial management application to Release 8 and to implement PeopleSoft’s Human Resources Management application. It seemed like the perfect time to move its outsourced mainframe resources in-house. By moving the mainframe in-house, it could more easily react to requested changes.

With the new three-tier architecture, A&F added some additional pieces:

- A universal Web browser on the client.
- A pair of IBM [eServer logo] pSeries servers in the middle tier for redundancy.
- An IBM zSeries server on the back-end, running a 1.2-terabyte IBM TotalStorage Enterprise Storage Server with DB2 databases.

“This approach, using IBM server technologies, gives us the flexibility for future expansion while consolidating our storage,” explains Rich Olimpio, Manager of Technical Support. “That translates into better manageability and lower cost of ownership.”

The IT benefits: reliability, flexibility and performance

Why did A&F choose IBM server platforms? “This was our first introduction to IBM pSeries, but it was the only certified UNIX platform for PeopleSoft 8 at the time,” says Olimpio. “It has fully met our expectations for reliability and performance.”

The same holds true for the zSeries server. “The performance of zSeries, together with the TotalStorage Enterprise Storage Server, has been flawless,” he says. He adds that this platform will become A&F’s corporate standard from here on out.

“We’re confident our IBM/PeopleSoft solution will give us the foundation we need to expand our user base smoothly while improving our business processes.”

—Mike Stevenson, Vice President of Finance

The PeopleSoft implementation also gave the company its first taste of the strengths of the IBM DB2 database platform. “DB2 is much more flexible than our previous CICS environment and it’s highly reliable,” says Rudy. A&F has since converted a number of older applications to DB2 and plans to use it more widely in the future. Its e-commerce Web site also runs on the DB2 platform.

The story continues: PeopleSoft 8 and beyond

PeopleSoft 8 Pure Internet Architecture has eliminated the need to install software or perform upgrades on users’ desktops. More important, it positions A&F to use the Internet to exchange information in realtime between headquarters and its stores. The company plans to extend human resources applications to store associates over a recently completed frame network.

Meanwhile, the company has rolled out PeopleSoft HRMS 8 to its corporate HR team, replacing a highly manual process. Prior to the new HR system, all employee information was managed

and tracked in an outdated payroll system. With the high turnover rate in the retail environment, the new HR system helps manage staff across multiple locations by simplifying and automating the manual processes. This move will also multiply the number of employees managed through PeopleSoft from 1,000 to more than 30,000.

“Capturing everyone’s salary and benefit information in a secure DB2 database is critical to our fast-growing organization,” says Stevenson. “We didn’t want to be running 560 stores from downloaded payroll spreadsheets.”

A&F’s answer is to integrate PeopleSoft HRMS with its external payroll system. Payroll information from the stores will flow online to A&F corporate PeopleSoft DB2 databases. Only the data required to cut checks will be forwarded on to the outsourced payroll provider.

“We’ll see the full benefits in our stores by next Christmas,” he adds. “We’re confident our IBM and PeopleSoft infrastructure will give us the foundation we need to expand our user base smoothly while improving our business processes.”

For more information

To learn more about how IBM and PeopleSoft solutions can help your organization, call 1 866 426-9989.

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—Mike Stevenson, Vice President of Finance

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