

Fossil reaches its global branded market more quickly with SAP and IBM

Overview

■ Challenge

Fossil needed to bring consistency to diverse global operations by integrating processes across different geographies and customer groups.

■ Why Become an

On Demand Business?

By implementing scalable, flexible and centralized IT services, Fossil can better manage its complex supply chain for fast-moving fashion goods, introduce best practices and gain a consolidated, high-speed view of global operations.

■ Solution

IBM and Business Partner SAP helped Fossil centralize IT and integrate information across divisions and geographies to optimize supply chain and gain business process efficiencies.

» On Demand Business defined

An enterprise whose business processes—integrated end-to-end across the company and with key partners, suppliers and customers—can respond with speed to any customer demand, market opportunity or external threat.



■ Key Benefits

- Consolidated view of global sales
- Clear view of total inventory
- Low cost of management
- Accelerated time-to-market potential

Fossil, Inc. (www.fossil.com) is one of the world's leading fashion brands.

Primarily known for watches sold under the FOSSIL®, RELIC® and ZODIAC® brands, the company has added eyewear, leathers, apparel and jewelry to its ranges, and licensed brands from some of the most prestigious companies in the world, such as Burberry®, Calloway®, Columbia®, Diesel®, Disney®, DKNY® and Emporio Armani®, to name but a few.

Founded in 1984, the company has grown dramatically, consistently achieving sales increases of up to

“SAP and IBM technologies give us the ability to provide better, more consistent service, at lower costs.”

— Ed Jurica, Chief Information Officer, Fossil

On Demand Business Benefits

- Faster, consolidated view of global sales across complex organizational and channel structure
- Clearer view of total inventory throughout extended supply chain
- Lower cost of management for solution, high flexibility and scalability
- Potential to accelerate time-to-market for new products, for better customer service and reduced inventory

20 percent per year. Growth has been achieved by a combination of acquisition and brand extension into fashion accessories and apparel. Goods are sold in Fossil stores, department stores and specialty retail stores in more than 90 countries and on the Web. Fossil has 13 subsidiaries worldwide, and approximately 50 percent of its revenues are generated outside the United States.

Fossil has more than 120 in-house designers based in the United States, Europe, and in Asia, who focus on creating new fashion concepts. From hundreds of new ideas every month, the company trials select products, and—if consumer reaction is positive—moves to full-scale manufacture and distribution. Logistics and distribution facilities on four continents supply subsidiaries, retailers, distributors and Fossil stores worldwide, for both own-brand and licensed products.

Ed Jurica, Chief Information Officer, comments: “Fossil is a young, creative company, diversified by brand name, geography and by product set. We sell branded watches, handbags, belts, wallets, key fobs, eyewear, jeans, jewelry and other apparel. As a distributor we have multiple channels, from boutiques to the generic large-format stores, as well as ‘outlet’ stores for end-of-line products.”

Taking on the world

Adding new brands and acquiring new companies has brought complexity to the Fossil product grid. And each acquisition has added a diverse array of IT systems to the company infrastructure. “On our international front, we have tended to work with a distributor in a certain region or country, doing more and more business with that distributor and then asking that company if they want to join the family,” explains Jurica. “That acquisition would have its own systems, usually purchased from a local software house. As we acquired these businesses we also acquired ‘islands of information’. With local systems we did not have the information that we would have liked; the exchange of information was slow, difficult and largely a manual process. Our challenges were: How can we get better information, how can we standardize the information and reports, and how can we eliminate unnecessary administrative work?”

Connected with these concerns was gaining a fast, accurate view of inventory. With many channels to market and multiple ownership of outlets, the aim was to reduce the total inventory and increase stock turns, producing a direct bottom-line contribution.

Getting closer to the consumer

Fossil is fashion-driven, and long product planning and implementation cycles are not an option, as Ed Jurica explains: “In five markets a year, Fossil introduces new product concepts. We tend to be very entrepreneurial and responsive. Out of hundreds of concepts, possibly two or three are big sellers.

“If we can increase the speed at which we bring new concepts to market, in line with changes in the fashion business, we can introduce products faster, and bring products to end-of-life faster. Reducing inventory means bringing Fossil even closer to the tastes of the market, and hence selling more.”

Decision for centralization

Many of the smaller distributors absorbed by Fossil had few, if any, IT personnel. There was a pressing business case to maintain the small IT footprint in the Fossil subsidiaries, and implement a central IT resource for the global enterprise. Rather than replicating IT systems, personnel and costs all around the world, the goal was to create a competency and resource center that could be exploited on a global basis.

Once the strategic decision to centralize had been made, the Fossil team looked at the business needs. “We formed a small task force of executives who were close to our business operations. We wanted to ensure that this was a business project, not a technology project,” says Jurica.

Owing to the nature of the Fossil distribution chain, the minimum requirements were multicurrency and multilanguage. The new system would need to be scalable, to allow growth, and to be able to manage very complex orders.

Coping with complexity

As a fashion accessory company, Fossil tracks multiple stock-keeping units (SKUs) on high-volume orders destined for multiple doors (ship-to addresses) with very complex delivery instructions.

For example, one retailer may send a single EDI purchase order containing hundreds of unique orders made up of tens of line items for each of its stores. Being able to automatically “explode” these orders into its constituents for picking, packing, and shipping and reassembling it automatically for a single invoice was a central requirement.

Finally, Fossil wanted a technology partner that was financially strong and strategically committed to its business needs, to avoid the headaches associated with making a migration to another system in two or three years time.

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– Ed Jurica

Pushing back the limits

Fossil US had its own midrange ERP solution, which was reaching capacity and functionality limits. One option was to enhance the existing system by adding and integrating individual, best-of-breed solutions, not a route Jurica and the team favored. He comments, “Fossil is a fashion company, not a systems integrator.

“The previous ERP solution had been heavily customized. We realized it was pretty much impossible to take any kind of upgrade, and we could not simply add new solution modules as the integration costs would have been too high.”

After an exhaustive research period, Fossil chose SAP as its vendor and selected SAP® Apparel & Footwear Solution (SAP AFS) as its ERP software solution. “When we first considered SAP, the general perception was that it was too big, too complicated and too expensive for mid-sized companies,” Jurica continues.

“After further investigation we felt our initial assessment was wrong and SAP was the best fit. Fossil chose SAP R/3 software because it met all of the core business requirements: multicurrency, multilanguage, highly scalable, a wide scope of operations and our industry-specific requirements,” explains Jurica. The initial implementation was in the United States and Canada, followed rapidly by Germany, Switzerland and The Netherlands. The global rollout continues today. The ERP landscape from SAP includes functionality for financials, controlling, accounts payable, accounts receivable, sales and distribution, production planning and warehouse management (in Europe), along with SAP AFS, SAP® Advanced Planning & Optimization (SAP APO), and SAP® Business Information Warehouse (SAP BW) applications.

Finding the right flavor

To address the “too big, too complicated and too expensive” concerns, Jurica defined the key principles of the SAP project: “Our stated aim was to ‘go vanilla,’ and that we would not modify core SAP code. Instead, we would wrap our business processes around the best-practice approaches embedded in the system. Only where there was a customer requirement or where it was a strategic differentiator would we develop extensions to the solution.”

The Fossil team looked in sequence at application server needs, database choice, data storage requirements, system management and business continuity. In every case, Fossil chose IBM technologies—although Jurica is keen to point out that despite the way it turned out, the choices were not predestined: “We had a diverse technology footprint and our IT team doesn’t bleed IBM blue!”

Key Components

Software

- IBM DB2®
- IBM Tivoli® Storage Manager
- SAP R/3
- SAP Apparel and Footwear Solution 3.0

Hardware

- IBM @server® pSeries®
- IBM TotalStorage® Enterprise Storage Server
- IBM TotalStorage FAST Storage Server

Services

- IBM Global Finance

Why it matters?

By acquiring key businesses with various markets and utilizing a solution with “sense and response” capabilities, Fossil has secured an integrated merchandising system to enable it to be proactive with merchants globally.

IBM – the logical choice

Fossil selected IBM AIX® on IBM @server pSeries as the best platform to meet availability and scalability requirements for global operations.

“Fossil talked to the main UNIX® vendors and found the IBM offering to be the best. The financial side was attractive, with competitive pricing through IBM Global Financing, and the technology allowed us to start small and scale up,” says Ed Jurica. The logical partitioning (LPAR) feature offered on the pSeries servers running AIX was particularly enticing, as it enabled Fossil to buy fewer physical servers initially, saving cost and footprint.

“We lacked experience with SAP software. We did not know for sure how much disk, memory and processor we would need for each logical server,” remarks Ed Jurica. “The flexibility of LPARs on pSeries servers running AIX was very useful, and paid off during implementation, as we were able to size correctly without over-buying server capacity.”

Fossil implemented all of its SAP software applications on three IBM @server pSeries model 670 servers and one p690 server with the IBM DB2 database software managing the data. These physical servers are divided into more than 30 logical servers, and Fossil is able to allocate processor and memory resources between the environments exactly as required, rapidly and cost-effectively.

Flexible storage

Integration between SAP and DB2 was a key deciding factor for Fossil's database choice: “The close SAP and IBM development relationship ensures better integration, leaving us free to focus on the value-add for Fossil rather than application integration – all part of our ‘fashion-not-software’ ethos.”

Data is stored on IBM TotalStorage Enterprise Storage Server and FASTT Storage Servers, managed by IBM Tivoli® Storage Manager.

“The storage servers give Fossil the ability to ‘move’ disk around within the SAN environment and allocate it where it is needed. Tivoli Storage Manager offered great synergy with our existing proposition, and competitive pricing. The IBM technology stack enables better use of IT resources, and keeps the total cost of both administration and management low,” says Jurica.

Providing better service

All Fossil locations will run on one instance of SAP at the Dallas, Texas, location, using an MPLS network supported by T-Systems, a Deutsche Telekom subsidiary. Only e-mail, file and print services are provided by local servers, in keeping

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with a “light” local IT footprint. Sales, stock and ordering data entered—whether from downtown Dallas or uptown Zurich—is immediately available to other users throughout the system.

“SAP and IBM technologies give us the ability to provide better, more consistent service, at lower costs. If we sell in Switzerland we deal in francs, in France in euros, and in the United States in dollars. We have all the figures available for immediate use in SAP BW and have an accurate picture of true sales data,” says Jurica.

With the new integrated SAP system, Fossil is able to assign stock ownership to competing channels—retailers, department store concessions, distributors, e-commerce, Fossil outlets and others—while gaining the benefits of centralized warehousing and distribution. Fossil has a clearer view of total inventory levels throughout its multiple distribution channels, and can optimize its value by knowing when to restrict supply (encouraging continued demand) or move products to end-of-line discount stores.

Slice and dice

Even as Fossil's core solutions from SAP are coming on line, the next step is to implement SAP's solution for human capital management (HCM). To implement HCM, which is available only in mySAP™ ERP, Fossil will once again take advantage of the LPAR facilities in IBM AIX. Rather than install new physical servers, Fossil will provide a new logical server instance: “We are able to create a new SAP solution landscape by slicing and dicing the CPU, memory and disk—the IBM System p servers give Fossil lower costs and better utilization, and enable us to move quickly to market,” says Jurica.

Consolidated views

Fossil is also looking at the mySAP™ Customer Relationship Management solution. In the United States, there tend to be large retail chains owning much of the market, whereas in Europe and Asia the opposite applies (few large retail chains and many “Mom and Pop” stores)—which requires a greater sales force effort.

“The advantage of the SAP solution is the ability to extend it easily. We should be able to deliver a consolidated view of retail operations to sales people wherever they are, using mobile communications. The IBM servers will scale to meet capacity as we grow, and our “too big, too complicated and too expensive” worries have proved to be unfounded,” concludes Ed Jurica.

For more information

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