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RETAIL CASE STUDY

AMERICAN EAGLE OUTFITTERS

Revenue: \$1.5 Billion

Employees: 13,900

GL/ERP: Lawson

Users: 100

Locations: Across the US, Puerto Rico and Canada

Headquarters: Warrendale, Pennsylvania

American Eagle Outfitters

Situation Analysis

American Eagle Outfitters (AEO) is a specialty retailer with more than 800 stores throughout North America. This rapidly growing, \$1.5 billion public company provides clothing for the 13 to 18 year-old specialty market. AEO’s budgeting and planning process used to be cumbersome, piece-meal, tiresome and drawn-out. The organization was using Hyperion Pillar software for a part of the process along with Excel spreadsheets, leaving them prone to budget errors and making the process difficult to follow. Moreover, AEO had to manually upload the budget to their Lawson general ledger; the complete budgeting process took half a year.

Lisa Bechtold, Director of Financial Reporting, wanted to re-engineer the awkward budgeting and planning process right down to the individual department manager level. Consequently, she was interested in finding a corporate performance management solution with excellent functionality and ease of use that could be a catalyst for improvement and meet other needs. She was aware that the retail industry poses special challenges in managing financial performance including accounting for price markdowns and inventory shrinkage. So, Bechtold needed a solution that could be customized to fit these unique business needs.



AEO had recently revamped its reporting process, and Bechtold was particularly interested in a budgeting and planning solution that would integrate with the financial and variance reports. She also wanted a “self-service” environment that made performance management information readily and easily available to the AEO user community.

“We wanted to put ourselves in the shoes of our department heads and re-engineer the whole thought process behind our budgeting,” says Bechtold. “The unique feature with Clarity is that we can make budgeting ‘driver-based’ with templates and simplify the process for all department heads. The only thing they need to worry about is entering a few numbers and all the calculations would happen automatically behind the scenes.”

Solution

AEO first turned to Clarity Systems professional services three years ago when it needed to implement an Essbase OLAP tool. The initial project was an overwhelming success for the organization and they were able to turn around their financial reporting with speed, accuracy and flexibility. The new tool also empowered the financial

planning and analysis department to expand and widen the scope of analysis to make more meaningful decisions. The initial solution included an Excel VBA solution that automated the reporting mechanism along with the power of an OLAP database. Developing the Essbase database was the first step in building a corporate performance management system. Working with AEO, Clarity’s consultants developed a number of OLAP databases including Financial Reporting, Tax Reporting, and Financial Planning. The project also included another fundamental building block of a corporate performance management solution, the development of key performance indicator reports and business process.

As a result, when it came time one year later to choose a new corporate performance management solution, AEO immediately put the Clarity 6 product on its potential vendor list since Clarity 6 would plug-and-play with the existing Essbase databases. AEO had spent a lot of time developing its reports and reporting process - so it was important that a vendor could build a back-end budgeting and planning process that fit with AEO’s unique reporting system. AEO management, however, had heard from other corporate performance management vendors that their much-valued reports and reporting system would have to change.

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“When Clarity showed us their Clarity 6 product demo and told us we could customize it, they weren’t lying!” says Bechtold. “The functionality we were looking for was all there and working. Our models are complex but Clarity did it. We tested other solutions, like Hyperion Planning, but found their solution couldn’t be nearly as customized and did not work as easily with the calculations needed for our reports.”

Bechtold adds that another reason why AEO chose Clarity Systems is that its Clarity 6 product integrates so easily with Essbase, thus avoiding larger scale integration issues. In other words, Clarity Systems has provided AEO with all it needed including:

- Workflow tracking – knowing where the company is in the budgeting process is easy. With a push of a button at year-end, AEO can see how the budget is tracking and the status of all budget submissions
- Flexibility and customization – to specific, pre-established reporting systems
- Ease of use – users can follow color-coded cells to know where to enter their budget numbers, while having quick access to the historical figures they budgeted in previous years
- Security – giving everyone access to only what they need to know.

Results

Before Clarity brought Clarity 6 to AEO, it took six months for AEO to go through the budgeting process, limiting the firm to the benefits of budgeting and planning only twice a year. Thus, the AEO goal was to reduce its budget process time significantly.

“It looks like we are on track for significant improvements,” says Bechtold. “The finance department meets with 130 department heads who are involved in the budgeting process and these meetings have definitely become more productive.”

It is now much easier for finance to prepare for these meetings, thanks to the Clarity 6 solution, and to focus on better corporate performance, adds Bechtold: “We don’t have to spend all our time pulling information together anymore. We can spend more time on analysis and challenging the figures presented because accountability and responsibility for budgeting is in the department head’s hands. They now have the tools they need.”

Bechtold says that this “self service” environment that Clarity 6 creates, gives AEO budget makers a much better, quicker grasp of financial performance than ever before. For instance, AEO department heads now have reports that tell them how they are tracking to actuals - at every mid-month, for the first time ever.

“We look long and hard at return on investment (ROI) for every project we support at AEO and finding a corporate performance management solution was no different,” concludes Bechtold. “The ROI Clarity brought to AEO is better information to make better decisions sooner and more often. Our budgeting and planning process for the entire organization has been streamlined.”

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