The Challenge
To provide global business insight and optimize inventory levels, Fossil wanted to integrate information systems for its growing retail operation with the SAP software environment that supports its wholesale business.

The Solution
Working with IBM Global Business Services, Fossil selected and implemented the SAP for Retail solution portfolio. The new software runs on a number of IBM System p5 570 servers and is supported by an IBM DB2 database.

The Benefits
Single source of global business data for both retail and wholesale operations supports shared inventory, and enables rapid reaction to market conditions – stock can be quickly shipped to wherever demand is highest, and manufacturing decisions can be based on the latest sales data. Standard global template for business processes and SAP footprint facilitates expansion into new markets. Solution interfaces easily with existing SAP software environment, reducing the need for expensive customization or manual processing. Flexible implementation plan minimized business disruption.

Key Solution Components
Industry: Retail
Applications: SAP® for Retail including SAP ERP 5.0, SAP Apparel and Footwear, SAP NetWeaver® Business Intelligence, SAP NetWeaver Exchange Infrastructure, SAP POS Data Management
Hardware: IBM System p5™ 570
Software: IBM AIX® 5L™, IBM DB2®
Services: IBM Global Business Services

Fossil, based in Richardson, TX, is a global company specializing in the design and manufacture of watches and other fashion accessories, which it markets under the Fossil, Relic, Michele, Zodiac, and other brands. The company employs over 10,000 people and generates annual revenues of approximately US$1.25 billion.

Founded in 1984, Fossil originally concentrated on wholesale distribution of its products in North America, Europe and Asia. The company also began to develop and manufacture products for prestigious brands such as Burberry, Diesel, DKNY and Emporio Armani.

As the business grew, it became clear that the company needed a centralized enterprise resource planning solution. Fossil chose the SAP Apparel and Footwear application, to manage its wholesale business, developing electronic data interchange (EDI) interfaces to connect its systems directly to large chains like Walmart and Macy’s, and...
them could meet its specific needs, as Ed Jurica explains:

“Most of the solutions on the market presumed that retailers own their own warehouses and inventory. But in our case, the warehouses are owned by the wholesale business, and the inventory is shared between the wholesale and retail operations. We needed a solution that would be flexible enough to handle the shared inventory, without requiring a lot of expensive customization work.”

Leveraging investment in SAP software

Fossil decided to investigate the possibility of integrating the SAP for Retail solution portfolio with its existing SAP Apparel and Footwear environment – leveraging its investment in SAP technologies and minimizing the amount of customization required.

“We decided that we needed advice from an organization that doesn’t just understand the technology, but has real insight into the retail industry as well,” says Ed Jurica. “SAP recommended consulting IBM Global Business Services, which turned out to be excellent advice.”

IBM Global Business Services designed a global SAP for Retail template, based on Fossil’s Global Retail Business Blueprint, in accordance with standardized and best practice processes. IBM Global Business Services worked with the in-house IT team to deploy the solution, rolling it out to Fossil stores across the US, Canada and the UK. With the global template in place, it will be much easier for Fossil to extend its SAP environment to new markets as the retail business expands.

At first, we decided to outsource the IT systems governing our retail operation, and treat it as a customer of the wholesale business,” explains Ed Jurica, CIO of Fossil. “But as our retail interests grew, this became a less tenable strategy. We wanted a solution that would interface easily with the SAP applications that managed our wholesale business.”

Fossil considered a number of solutions designed for the retail industry, but found that almost none of

B2B systems to help sell to smaller retailers.

Meanwhile, Fossil had also started to investigate other distribution channels, launching one of the earliest e-commerce sites on the Internet. It had begun to experiment with retail outlets as a means to build the brand, gain direct contact with consumers and test new product ideas. The company was soon operating more than 160 stores in the US, Canada and the UK.

“All in all, this was a very successful implementation. IBM Global Business Services played a significant role in our success.”

Ed Jurica
CIO
Fossil
“IBM Global Business Services showed an amazing ability to adapt and meet the changing needs of our business,” explains Ed Jurica. “We wanted to time the go-live of the SAP for Retail solution to match our store rollout, and in the end this led to a lot of rescheduling. The IBM team took these changing requirements in stride.”

The SAP for Retail solution interfaces with point of sale (POS) systems in Fossil’s 160 stores, using the SAP POS Data Management application to aggregate sales data and make it available for analysis using the SAP NetWeaver Business Intelligence component. The solution interfaces with the company’s wholesale systems via the SAP NetWeaver Exchange Infrastructure component, increasing automation.

“Because the new solution shares information automatically between the retail and wholesale environments, we can manage our supply chain more effectively and with fewer manual processes,” says Ed Jurica. “Having an SAP platform for our global operations simplifies our infrastructure, making it easier to roll out consistent best practices as we expand into new global markets.”

Fossil chose to implement the SAP for Retail solution on IBM System p5 570 servers – the same platform it was using for its existing SAP ERP and SAP AFS applications. The company now has a total of six p5-570s running SAP software, as well as a number of smaller System p5 servers running IBM WebSphere Commerce for the company’s consumer Web site.

“The Advanced Power Virtualization features of the IBM System p5 provide an elegant solution for our SAP environment,” says Ed Jurica. “Our SAP software environment involves many different applications and components, so virtualization is a really intelligent way to improve hardware utilization – we can even run our SAP NetWeaver Business Intelligence environment and its underlying IBM DB2 database on the same physical server.”

The company chose IBM DB2 as the database platform for its SAP software, and IBM Tivoli Storage Manager to handle backups, because of IBM’s close relationship with SAP and the joint roadmap for the future of their alliance.

“We have become an IBM shop, but it wasn’t by design,” explains Ed Jurica. “We evaluated other options at every point – but whether we looked at hardware, software or services, IBM seemed to have an offering that would best meet our needs.

“All in all, this was a very successful implementation. IBM Global Business Services played a significant role in our success. Their highly motivated team provided experienced leadership, with considerable expertise in both SAP software and the retail environment, and formed a flexible partnership with our own IT staff.”

Responding to consumer demand
With the new solution from IBM and SAP, Fossil has gained the ability to manage its retail and wholesale operations from a centralized point of control. With improved visibility of business processes and changing market conditions, and tighter control of shared inventory, Fossil is able to

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respond more quickly to consumer demand and drive higher efficiencies in inventory management.

“To take one example: one of the advantages of the watch and accessory business is that our products are small and light – very easy to transport,” says Ed Jurica. “With the new solution, when we see a certain line selling well in our UK retail stores, we can quickly move stock from one of our global distribution centers and make it available for local wholesale customers to sell in their department or specialty stores. The speed and quality of business intelligence provided by the IBM and SAP solution simply wasn’t available to us before, and it makes a big difference in a fast-moving fashion industry.”

IBM and Fossil’s working relationship was so positive that the team was awarded a Fossil Collaborative Culture Award, and executives sent personal letters of commendation to key IBM team members. Ed Jurica concludes: “IBM Global Business Services did a great job – ensuring that the solution went live on-time, on-budget and it worked.”

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