

# Patagonia leverages analytics and gains new insight

**patagonia**<sup>®</sup>

*Tracking and forecasting global inventory and financial outcomes with IBM and Aviana*

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## Overview

### The need

Patagonia has recognized the need to improve visibility of actual and planned global inventory levels across its wholesale, direct and retail sales channels, and to reduce the administrative overhead of the budgeting process.

### The solution

Patagonia worked with Aviana to streamline its budgeting process by migrating from IBM® Cognos® Planning to IBM Cognos TM1®, and to develop a new analytics application that will allow the company to monitor and forecast global inventory in detail.

### The benefit

The budgeting process has been improved by eliminating cumbersome administrative data links and procedures. The new inventory analytics model will help to improve merchandising and supply analysis and planning by forecasting future inventory levels. It will support more detailed inventory planning down to the style and color of products, as well as by geographic region.

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Since the early 1970s, Patagonia has been supplying climbers, surfers, fishermen and lovers of the great outdoors with high-quality clothing, tools and equipment. From its roots as a small climbing equipment company located in Ventura, California, Patagonia has grown to employ 1,700 people globally.

## Challenges of global expansion

Sandy Buechley, Business Intelligence Manager at Patagonia, comments: “From a finance planning perspective, the administration of our budgeting process was quite time-consuming and involved combining data from 25 separate planning models. We needed a budgeting application that was faster and more flexible and could be more easily maintained, developed and controlled by the finance team. We required an application that could be deployed to over 100 contributors across the globe, and we would also need the ability to provide training easily and seamlessly to these widely scattered users.

“From an operational perspective, we are looking for better visibility of our future months’ global inventory levels at a detailed style/color level by geographic location. Although our inventory forecast model is still in its infancy, we believe it will provide a tool that will help us better manage our operational planning processes.”

## Finding a solution

As a long-term user of IBM Business Analytics software such as IBM Cognos Planning, Patagonia believed that migrating from its existing planning systems to IBM Cognos TM1 could offer a faster and more flexible budget solution as well as more timely and better insight into the forecasted global inventory position. To help with the solution design and implementation, Patagonia engaged Aviana, a long-time IBM Premier Business Partner that specializes in business analytics and performance management solutions.



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## Solution components

### Software

- IBM® Cognos® TM1® 10

### IBM Business Partner

- Aviana
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“We have built a close relationship with Aviana – they have been very supportive in helping us develop our analytics strategy and move up the learning curve with TM1,” says Sandy Buechley. “Their mentoring approach was hugely beneficial throughout the project, and continues to be valuable to us today.”

## High-performance analytics engine

The first phase of the project was to re-engineer the budgeting process to take advantage of TM1’s analytics engine, which uses in-memory processing to increase the performance of very large data models.

Patagonia and Aviana were able to consolidate 25 old budgeting models into four TM1 models while improving the overall performance and flexibility of the development process. The new model design utilizes TM1 rules and processes, streamlining the preparatory work required both at the start of the budgeting cycle, and during the consolidations process throughout the budgeting cycle. This model design creates a more interactive environment during the input phase of the budgeting process, which provides better visibility to the manager as they work with the budget model.

“We create our budgets from the bottom up, so the process is always going to take the time required for all of the budget contributors to provide their figures,” says Sandy Buechley. “The difference with TM1 is that our central finance team can spend less time on pre-budget preparation and managing administrative links to move data between models. Instead, they can focus on analysis and enhancements to align the process more closely with the needs of the business.”

## Inventory analysis and forecast

The second phase of the project involved the development of a new analytics application that will complement Patagonia’s existing merchandise and supply planning tools and processes by enabling Patagonia to forecast detailed future inventory levels. It uses a combination of data from previous periods, current inventory, open and planned purchase orders, sales forecasts and other factors to calculate the quantities of each product that each region will have over the next several months. With large amounts of data in the model, the application relies on the performance of the TM1 in-memory analytics engine to deliver flexible reporting with good performance. This implementation took advantage of Dynamic Query Mode, a feature that enables TM1 data to be analyzed more rapidly via IBM Cognos Business Intelligence reporting tools.

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*“With this new analytical model, we believe we will be able to make better decisions for managing our inventory levels right down to the style and color of the products.”*

— Sandy Buechley, Business Intelligence  
Manager, Patagonia

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“The new model is still a work-in-progress, but we’re hoping that once it is fully deployed, it will give us a new level of insight into our future inventory positions,” says Sandy Buechley. “Because our inventory data is managed by systems across multiple sales channels – retail stores, wholesale and direct sales – and multiple global regions, it was difficult to provide timely visibility to the current global position, let alone forecast future positions. With this new analytical model, we believe we will be able to make better decisions for managing our inventory levels right down to the style and color of the products.”

Instead of relying on experience and intuition alone, the inventory forecast model will provide hard evidence to support Patagonia’s planning team in their decision-making process. This should support them in supply chain planning to help ensure the right products are in the right place at the right time. By helping to mitigate the risks of over- or under-stocking, the solution should ultimately assist the effort to reduce total inventory costs and avoid the loss of potential sales due to out-of-stock items.

### **Understanding business performance**

The solution will also support new analytical reporting on a number of key performance indicators (KPIs), helping Patagonia monitor specific measures such as past and future inventory turns and “weeks of supply” for specific regions, products or groups of products. By providing insight into seasonal fluctuations and trends, this new inventory forecast model will help the company respond more effectively to market conditions, unforeseen events and other external influences.

“We still have a long way to go on our journey, but we’re confident that with Aviana’s help, we’ll rapidly realize the benefits,” concludes Sandy Buechley. “We have a lot of trust in Aviana as a partner for our organization, and we have a very productive relationship. In mentoring our team, they have really helped us move up the learning curve with TM1 and understand its capabilities – this application can be more than just a budgeting tool. As we gain knowledge and experience, we believe there are other areas of the business where TM1 will be able to deliver value.”

## About Aviana

Since 1994, Aviana has built a solid reputation as a preferred custom solutions and consulting partner for clients in healthcare, entertainment, finance, insurance, state and local government, retail, gaming and manufacturing.

Over the years, Aviana has empowered its customers with increased control and flexibility through a variety of best-in-class performance management solutions and strategies. As a result, it is now one of the fastest growing IT consulting companies in Southern California.

To learn more about services and solutions from Aviana, please visit [avianaglobal.com](http://avianaglobal.com)



## About IBM Business Analytics

IBM Business Analytics software delivers data-driven insights that help organizations work smarter and outperform their peers. This comprehensive portfolio includes solutions for business intelligence, predictive analytics and decision management, performance management, and risk management.

Business Analytics solutions enable companies to identify and visualize trends and patterns in areas, such as customer analytics, that can have a profound effect on business performance. They can compare scenarios, anticipate potential threats and opportunities, better plan, budget and forecast resources, balance risks against expected returns and work to meet regulatory requirements. By making analytics widely available, organizations can align tactical and strategic decision-making to achieve business goals.

### For more information

For further information please visit [ibm.com/business-analytics](http://ibm.com/business-analytics)



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