

## ROI Case Study: General Pants Co.

### SUMMARY

General Pants Co. implemented the mySAP All-in-One solution with SAP's business Partner Supply Chain Consulting to improve both financial and accounting transparency, and, operational efficiency.

The solution benefited General Pants by increasing the efficiency of its operations with faster reporting, improved financial processing and analytics, reduced error rates, and more accurate data. This solution is expected to lay the foundation for implementing future solutions such as SAP's Supply Chain and Open to Buy.

**ROI 15.8 percent**

**Payback 3 years and 5 months**

### THE COMPANY

General Pants Co. (General Pants) is a leading apparel retailer in Australia, influencing the latest in cutting edge street and surf wear for the fashion industry. The company offers a wide variety of fashion apparel primarily targeted at the 16-28 year age group. It offers a range of apparel brands that cover a broader customer base. The company has a wide presence in Australia with 69 stores and is looking at further expansion. The company's operation is supported by a workforce of around 1,500 employees, which includes both part time and permanent staff. General Pants with a turnover of over AUD\$250.0 million invested AUD\$281,800 with Supply Chain Consulting to implement the mySAP All-in-One enterprise solution, to address its core business challenges.

### THE CHALLENGE

General Pants sought to improve its overall financial and operational efficiency not only to serve its customers better but to expand its business in the future as well. As such, a transparent accounting and financial system along with efficient analytics was identified as the fundamental step to make key decisions necessary for future expansion. Some of the challenges faced by the company include:

- Lack of Effective Financial Process and Analytics - The existing financial and accounting system had multiple shortcomings including difficulty in uploading data from spreadsheets, data redundancy, incorrect financial data, reversals of journal entries, difficulty in forecasting and analysis, manual reporting, and, errors in general accounting transactions. The existing system was inadequate, and therefore did not facilitate proper financial analysis and decision making.

- Lack of Operational Efficiency - Under the previous system, the time taken to compile reports was about 12 days. This was a result of cumbersome manual reporting processes as well as the inability to access required information in the accounts and inventory departments across store locations. The delayed reporting to top management was affecting the efficiency of their operations.
- Lack of Continuity in Applications - General Pants had various individual and discrete applications supporting key functions and processes. These disintegrated applications resulted in redundant data entry, greater effort required, and delays in turnaround time. The compilation of data from various systems into spreadsheets resulted in erroneous reporting impacting new business planning and integration. This hindered the company's future growth and expansion plans.
- Lack of Standardized Processes - The individual processes and systems at General Pants did not meet industry standards. This resulted in disparate information flow from various systems which were not in any standardized form. This impacted the ability of the company to initiate compliance with corporate governance.

The above challenges needed to be met. Based on various internal discussions and comparisons among various products, General Pants implemented a cost effective, technically strong, and industry-specific solution from SAP with Supply Chain Consulting. The implementation is expected to address the challenges in the following manner:

- Improve the efficiency of the financial process and assist with better analytics for key decision making
- Improve operational efficiency through quick turnaround time of reports and visibility of data
- Reduce redundancy of data and increase the data accuracy across departments
- Ease integration with new businesses and further SAP functionality to support future growth and expansion
- Comply with corporate governance to support their businesses

## THE DECISION

General Pants decided to invest in an industry-specific ERP solution to address its pain areas. The company considered an extensive array of solutions from various vendors.

General Pants implemented mySAP All-in-One solution with Supply Chain Consulting for the following key reasons:

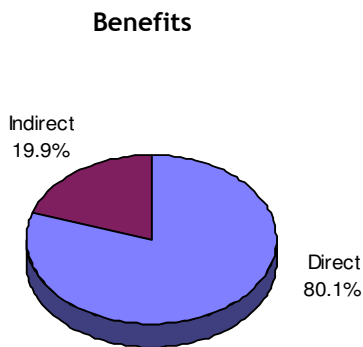
- The solution was a highly competitive investment compared to other vendors
- mySAP All-in-One's ability to support and provide technical solutions for the fashion and retail industry
- The solution's ability to easily integrate with existing applications
- Support for adopting SAP's Supply Chain and Open-to-Buy functionality in the future
- mySAP All-in-One's addressment of key business pain areas and challenges of General Pants

In March 2005, General Pants began implementing the mySAP All-in-One solution with Supply Chain Consulting. The implementation team comprised of four dedicated consultants from SAP's partner company, Supply Chain Consulting and two employees from General Pants. The system went live in June 2005, with the desired training provided to required personnel from General Pants.

## KEY BENEFIT AREAS

General Pants achieved a 30.0 percent increase in overall operational efficiency as a result of implementing the mySAP All-in-One solution with Supply Chain Consulting. This solution increased the effectiveness of their financial and accounting processes, thereby facilitating better and more in-depth analytics. SAP's industry-specific and scalable solution is enabling the future expansion of General Pant's businesses.

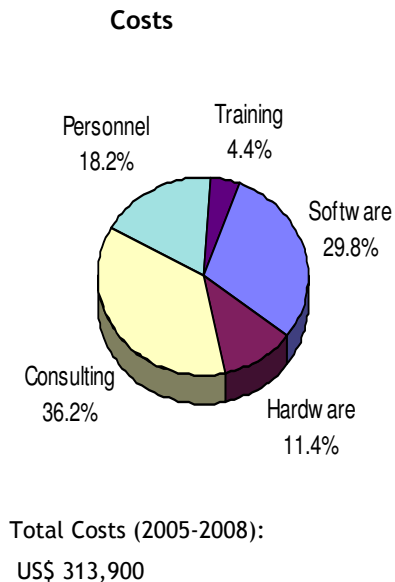
With the implementation of the mySAP All-in-One solution, General Pants enjoys the following key returns:



Total Benefits (2005-2008):  
US\$186,800

- **Effective Financial Process and Analytics** - General Pant's financial processes have become more effective, because of the systematic entry of all financial data and reduction in data redundancy. This integrated system performs better and more in-depth analytics to facilitate key decision making. Furthermore, the accounting procedures have been more streamlined due to the resolution of related accounting issues, such as reconciliation of errors and reversal of journal entries.
- **Improved Operational Efficiency** - The turnaround time of reports has been reduced 9 days (from 12 to 3 days), evidence of an increase in the operational efficiency. The use of an integrated system results in the availability of accurate data at a faster rate. The integration of existing applications using SAP All-in-One solution has ensured the availability of required information more rapidly.
- **Support for Future Growth Plans** - The integration of various systems across locations helps General Pants to reduce data re-entry and man hours needed for manual reporting, provides easy identification of errors, higher visibility and control of inventory, and provides a strong foundation for further addition of modules such as merchandising and logistics. This lays the foundation for General Pants to further grow and expand.

- Compliance with Corporate Governance - The mySAP All-in-One solution is expected to help General Pants to meet industry standard rules and procedures. This standardization is likely to establish a more conducive working environment and drive General Pants towards better corporate governance.



#### KEY COSTS

Key costs incurred were from the purchase of consulting services, software, personnel, hardware, and training. Consulting made up the largest portion and accounted for 36.2 percent of the total project cost. This includes the time spent by four consultants from Supply Chain Consulting for the implementation of the solution. The software cost including annual maintenance accounted for 29.8 percent of the total costs.

Personnel accounted for 18.2 percent of the total cost, and included the time spent by two internal General Pants' employees to support the implementation. The initial cost incurred on the hardware purchases for the mySAP All-in-One solution implementation accounted for 11.4 percent of the total costs. The cost of training totaled about 4.4 percent of the company's total investment in the mySAP All-in-One solution. The cost of training included both trainer cost and cost of employee time spent on training.

#### CALCULATING THE ROI

Frost & Sullivan quantified and projected the cost of the implementation including software, personnel, and maintenance costs, over a three year period, beginning 2005 for the mySAP All-in-One solution. The ROI analysis has been adjusted to reflect the cost of capitalization for technology projects and have applied straight-line method for depreciation over four years. Direct benefits calculated include increased profits on additional revenue and savings on employee effort and time. Frost & Sullivan has estimated that 15.0 percent of the incremental revenues and a savings of 25.0 percent ensued through the implementation of the mySAP All-in-One solution. Intangible benefits of the implementation of the mySAP All-in-One solution include a positive impact on corporate image and customer satisfaction. The payback period for this deployment is three years and five months.

<b>ROI Summary</b>
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Project Name: mySAP All-in-One Implementation

Annual ROI: 15.8%

Payback Period: 3 Years and 5 Months

Average Annual Cost of Ownership: \$111,145

Annual Benefits	Year 0	Year 1	Year 2	Year 3
Direct Benefits	14,800	42,000	44,700	48,100
Indirect Benefits	7,400	8,500	9,800	11,500
<b>Total Benefits per Annum</b>	<b>22,200</b>	<b>50,500</b>	<b>54,500</b>	<b>59,600</b>

Depreciated Assets	Year 0	Year 1	Year 2	Year 3
Hardware	19,000	-	-	-
<b>Total Hardware per Annum</b>	<b>19,000</b>	-	-	-

Depreciation Schedule	Year 0	Year 1	Year 2	Year 3
Hardware	-	4,750	4,750	4,750
<b>Total Depreciation per Annum</b>	-	<b>4,750</b>	<b>4,750</b>	<b>4,750</b>

Annual Costs	Year 0	Year 1	Year 2	Year 3
Software	67,100	10,700	10,700	10,700
Hardware	19,000	-	-	-
Consulting	120,500	-	-	-
Personnel	60,600	-	-	-
Training	14,600	-	-	-
<b>Total Costs per Annum</b>	<b>281,800</b>	<b>10,700</b>	<b>10,700</b>	<b>10,700</b>

Financial Analysis	Year 1	Year 2	Year 3
Net Revenues before Taxes	39,767	43,767	48,867
Annual ROI - Benefits	<b>15.8%</b>		
Payback (Years)	<b>3 Years &amp; 5 Months</b>		
Three-year IRR	<b>29.6%</b>		

#### Assumption

1. The average annual salary per employee is \$50,000

#### Note

- Year 0 - Refers to 2005, the year of implementation of mySAP All-in-One solution

#### ABOUT SAP

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