

IBM COGNOS IS THE RIGHT FIT FOR HOBBS' BUDGETING, FORECASTING & PLANNING NEEDS

HOBBS^S

Hobbs opened its first store in Hampstead in 1981. With its fresh flowers, distinctive interiors and collections that offer a capsule range of fashion, shoes and accessories, the company has grown into one of the most successful names on the high street. With over 120 stores and concessions throughout the United Kingdom and Ireland it is not merely the fashions that have changed at Hobbs; the company has transformed its financial and management culture over the last few years.

FACING THE MBO CHALLENGE

An initial management buyout in 2002 first highlighted the limitations of the Excel planning application which Hobbs was then using; not only in its ability to produce consistent, accurate numbers, but in the lack of scenario planning and forecasting functionality required by the due diligence process. With a second management buyout looming in 2004, Mike Trotman, Hobbs' then Finance Director, knew that to face the rigors of the MBO process they would need to find a faster, more responsive planning solution. The Hobbs finance team felt that the existing Excel planning application took a simplistic approach to assumptions on variables such as overhead allocations, and did not reflect the newly created departmental structure. 'We had tried to adapt Excel, but always felt that the output was suspect.

In order to meet the evolving planning needs of the business as well as deliver answers to the testing questions regularly placed by Private Equity partners and the bank, we needed to rethink our forecasting, budgeting and reporting process. We wanted to build a model that would replicate the complexities of our business, with the ability not only to allocate overheads, but also to perform detailed cost analysis at a departmental, warehouse and logistics level,' explains Mike.

Having examined the market to find the right combination of software functionality, consultancy advice and project support, Inca became the obvious choice to provide IBM Cognos Planning. With a further MBO just eight weeks away, Mike took the decision

to deliver the forecasting phase of the project. 'Inca was the right partner to help us build a project plan, to deliver on time despite the aggressive timescale. Inca's approach was efficient and we used them to validate our approach and results'. The forecasting model was delivered on time for the MBO process, which required four rounds of due diligence by different parties. With the legal requirements placed on directors, there was a specific need to ensure the accuracy and consistency of the forecast figures. The ability to apply a strict audit trail to all adjustments in IBM Cognos provided Hobbs with a level of transparency that would have been impossible to achieve using Excel.

MODEL REBUILD ENSURES CONTINUED PLANNING SUCCESS AT HOBBS

IBM Cognos was initially implemented with the company MBOs in mind; in 2007 it was time to see how IBM Cognos could work within the operational business, and to move towards more detailed every-day concerns of the finance team.



Mike, having successfully implemented the system, moved on to another project for a different business, and the task now fell to Will Dresner, Group Financial Controller at Hobbs, to further the planning and forecasting requirements of the business. 'The original model was relevant for the time, but our needs had changed, and it was vital to update the model,' Will comments.

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Not having been involved with the initial build of the model, Will wanted to ensure not only his understanding and control of the model but also make certain that the rest of the finance team were comfortable with IBM Cognos. The previous model was very intricate with various what-if structural scenarios regarding the complex MBO; Will says, 'by 2007 we knew the structure of the future so the need for the tool was very different. We still wanted to be able to conduct what-if scenarios, but in a more simplistic operational form'. Simplicity would be a key part of the rebuild; Will goes on to say, 'it had to be simplistic and easy to follow yet complex enough for our needs, and initially we were concerned this would be no easy feat'. Hobbs' Customer Account Manager at Inca convinced Will and his team that IBM Cognos was still the tool they needed. Having attended a training course, Will enthuses, 'I could immediately see the possibilities of the software for not only finance but the entire business'. By attending the course and discussing their needs with Inca, Will and his colleagues were suitably impressed, and decided to move forward with IBM Cognos.

The actual process of the rebuild was very much a collaborative effort between Hobbs and Inca; 'by working closely with an Inca consultant throughout the process we worked out first exactly what outputs were expected, and worked backwards from that'. Will continues, 'we were conscious from the start that once the project was completed it would be our baby, so to speak'.

Throughout the process Will was conscious that once the consultancy was completed Hobbs would be enabled to adapt IBM Cognos to the company's needs and would not need further consultancy. Will remarks that to have had some one come in and force set rules on Hobbs would have been a disaster; Inca proved

to be very flexible, 'the consultant understood what was wanted, encouraged us to come up with our own ideas, and helped us when we were struggling,' he says. The model rebuild did not take long, and from the start Will felt able to constantly adapt and mold the tool. The interaction with their Accounting Software Sun Accounts was very straightforward and information is regularly passed between both systems. The rebuilt model was used to prepare the budget in January 2008 for the following financial year. Will found the system to be a lot quicker as a lot of the complexity of the previous build was removed, however, the core principles remained the same.

FORECASTING ACHIEVEMENT AND PLANNING FOR THE FUTURE

'I definitely feel we have ownership of the system now,' says Will, 'the finance team is more confident in maintaining the model, which we are able to tweak regularly.' Hobbs now uses IBM Cognos to run quarterly re-forecasts, and Will notes that 'there are a lot less errors in the budgeting & forecasting process now. Having used Excel for the process it was a nightmare re-checking the data; with IBM Cognos we haven't actually seen any errors'. Another benefit of the IBM Cognos model rebuild has been keenly felt by Will, 'we now have more time to analyse our data and take actions - this was a key issue for us, and the opportunity to slice and dice in IBM Cognos is now fantastic'.

Hobbs have many plans for IBM Cognos now, and have already started using the product for Consolidated reporting, 'although not as much as I'd like,' remarks Will, 'I would like to go further with this, and as such have recently discussed IBM Cognos Business Intelligence with Inca, although this is very much in the early stages'. There is also still a possibility of using IBM Cognos for merchandise and product planning, something Mike Trotman first intimated when IBM Cognos was new to Hobbs.

Will closes by saying, 'The idea in 2007 was to just use IBM Cognos for annual budgeting. We now use it for quarterly forecasting, some reporting, variance analysis and definitely want to consider utilising IBM Cognos for producing reports; I'm very aware of the many capabilities of this product'.

