

Removing the constraints on growth with SAP Business One

Success in the Bag

Nothing catches fire like fashion. For years Yak Pak, a trendy, young brand in bag designs, sought to be the bag of choice for chic urbanites and college kids. When the company found itself on the edge of success, only one question remained: Could its software keep up?

When you have a hip product targeted to a young, image-conscious consumer who's always on the look out for something new, your software has to get hip, too. You literally have to be able to keep up with fashion – with its “gotta-have-it-now” demand requirements – or risk missed or slow shipments that can spell disaster for a young brand.

“Before we had SAP Business One, when we used to think about the constraints of doing business, first and foremost, they were technological,” says

Stephen Holt, president and founder of Yak Pak, a New York-based trend designer and manufacturer of urban bags and packs. “Now when we talk about the future of how we want to grow our business, we don't even consider technological constraints. We feel completely unrestrained from a technological standpoint.”

Holt has grown the company since his student days in China, when he took inspiration for the brand while backpacking through Tibet. Awed by the sense of freedom of the Tibetan

people, he began to formulate a concept for his future company – named in honor of Tibet, renowned for its symbolic yaks; thus came the name Yak Pak.

But much has changed since those early days when Holt operated the business out of his small apartment and would go shop to shop to distribute the bags, which were immediately picked up on for their trendy fabrics and wearable designs. The company hit a milestone with innovative products like the minibackpack, single-shoulder strap backs, and funky DJ bags. Soon the bags were appearing in music videos and fashion editorials, generating enough awareness for the company to decide to open a flagship retail store at San Francisco's famous Haight and Ashbury intersection.

By now Yak Pak is a recognized brand among its target consumer group, the cosmopolitan 20- to 30-somethings. The company has also taken on four licensed brands – Dickies, Wrangler, MTV, and Penguin – to broaden its market reach. Already in the first quarter of this year, booked orders surged 51 percent over the same period in the previous year, a number Holt says is largely the result of the company's December 2003 implementation of SAP Business One – The American Express Edition for Wholesale Distribution: “Actually we attribute a lot of that to the efficiencies we're getting out of SAP – from an ability to track the buying and selling patterns of over 1,500 retail customers (representing thousands of locations) in the United States and Canada, while simultaneously aggressively prospecting for new customers in new channels of distribution.”

Reevaluating the fundamentals

Yak Pak's implementation of SAP Business One brought about a complete reevaluation of the company's business processes – and eventually its own beliefs about where its limits lie. In 2003 during an annual review of the company's processes and infrastructure, Yak Pak's managers realized they were ap-

proaching a critical threshold with their IT systems and also that their warehouse and freight expenses were just too high. As Richard Haugen, the company's chief operating officer, says, “We looked and said, about a year from now, if our business keeps growing at this rate we're not going to be able to process basic orders anymore. The fear is you grow too fast and everything slows down, your information is not accurate, or you spend too much time trying to gather it, and all of a sudden you're no longer running and growing your business.”

After watching a demonstration of SAP Business One – The American Express Edition for Wholesale Distribution, Haugen was convinced the software was the right fit for Yak Pak's core requirements: It was integrated with a wide range of best-of-breed software – including Radio Beacon Warehouse Management Software and Altec's Doc-link and Paperless Office solutions – and it had EDI, critical for doing business with big retailers. The package from American Express also provided versioning control that assured compatibility of integrated software during upgrades. Holt says, “One of the things we liked about the SAP-American Express partnership was that American Express essentially prequalified add-on software for SAP. There were all these great products already developed that tied into SAP and really made the whole thing much more powerful.”

The company installed their SAP solution in September 2003 and quickly realized that the new software package would enable the company to break free of the physical location of its warehouse – opening up new possibilities for Yak Pak's core processes. For years, Yak Pak's bag production was flown in weekly from its manufacturing facility in El Salvador to its Brooklyn warehouse, where the bags were distributed on a just-in-time basis to retailers and online consumers throughout North America. “We suddenly realized that we no longer had to keep our warehouse in Brooklyn. Before, because



we didn't have the confidence in our technological infrastructure, we knew that it could be remote, but it couldn't be more than half an hour away. Now, with the stability that SAP brought, and when we looked at the capabilities of Radio Beacon, we realized it really could be anywhere, so we picked the most efficient place in the entire country, which was Houston," says Holt.

Moving the warehouse to Houston meant Yak Pak could ship its products from El Salvador by ocean – a change that immediately started saving the company several thousand dollars a week in freight charges. In addition, the company moved into a much larger, modern warehouse facility compared to its Brooklyn location and still managed to cut its rent by 30 percent.

Keeping track

With the previous system, one of the challenges the company faced every time it added a new brand was to enter the brand's stock keeping units (SKU) and raw material parts into the system and then to track the information in a reliable manner that reflected the actual situation. The ability for the system to keep up with the company's broadening product collection was a key criterion for the software package, as Haugen explains: "One thing we had to do is we had to figure out how to handle style, color, and brand – without spending a lot of money on customizing the product. And actually with SAP Business One, you just right-click and rename the field. It had enough data segments in there that we were able to handle style, color, and brand without spending what we expected."

The new system gives Yak Pak timely insights on how much of a product or fabric has been ordered, how frequently it has been ordered, how it is selling over a narrow window of time or by region, how much is available in the warehouse, and how much is on order

with a vendor. In the past it took days to compile this information, and decision makers had to rely on historical averages because they could not track actual consumption. The company now has the ability to track its business much more accurately, and, as Holt and Haugen believe, better information leads to better decisions. Haugen says, "We're able to spend a lot more time studying the numbers now. It used to be we spent all week gathering information and had 20 minutes at the end of Friday, when we had to place production orders. Now we place production orders on virtually a daily basis and we turn our inventory 14 times a year."

The company's top decision makers aren't the only ones who benefit from having timely access to critical data. Sales representatives no longer spend their time running reports or looking for information. With the SAP Business One solution, Haugen is able to provide sales representatives with day-to-day reports and key metrics that are customized to each employee's needs. Also, everyone – from the sales representative to the warehouse manager – has the same visibility on an order, so that standard questions about the status and location of an order have all but disappeared. The result is that Yak Pak's sales representatives now have 30 percent more selling time than in the past.

The time required to generate reports is also now greatly reduced. One example is with the company's time-phase-available-to-sell report, which gives sales representatives a reliable picture of how many units of a product they are able to commit to a customer on a given date. It used to take 20 minutes to generate this critical report – now, however, it is available in five seconds.

Operating at a higher level

When Yak Pak's production manager had the time to study the schedules and calendaring, he discovered that by shift-

ing the shipping windows by three days, the company could cut all its air freight, taking advantage of less costly ocean transport. Haugen says, "We worked out of El Salvador for almost 10 years, and nobody really had time to just sit down and analyze the schedules like that. And here we had a person who suddenly had time to analyze the data."

Yak Pak's managers found that with the new software, they needed different skills at the company. Standard, repetitive tasks such as entering invoices or reconciling credit card information were no longer needed. There was now a greater demand for employees who could analyze and act on the data. The company was able to combine some back-office positions and reduce its accounting workforce by 20 percent, as well as reduce personnel costs for its online customer service. Holt says, "Everyone is operating at a higher level because there's just this visibility across the entire company."

The jobs in the warehouse also changed as a result of the transformation of business processes brought about by the software. A new scanning system using Radio Beacon software and Intermec handheld scanners has enabled the warehouse staff to gain greater efficiencies and assurance in packing and shipping orders. The result is that the company has saved on warehouse personnel costs, while reducing claims for mispacked shipments by 70 percent. "If a customer calls and says they didn't get the right order or they didn't get this in the box, we can identify very quickly if this is not the case. Really, those claims have just disappeared from our warehouse," according to Haugen.

Yak Pak now has a ship-complete ratio (reflecting the ratio of products shipped on time to orders taken) of 98 percent, and its warehouse often achieves two inventory turns in a month. To ensure that it continues meeting

■ YAK PAK

Yak Pak designs and manufactures Yak Pak, Dickies, Wrangler, MTV, and Penguin brand bags. The company is headquartered in New York City, where it has its customer service and sales operations and corporate showroom. Products are distributed through Yak Pak's online shop and directional retailers, including: Pacific Sunwear, Sam Ash, Tilly's, Mervyn's, and Urban Outfitters. Yak Pak also has its own retail store in San Francisco at the corner of Haight and Ashbury. Founded in 1989, the company is owned and operated by former classmates Stephen Holt and Rolando Cohen. www.yakpak.com

Yak Pak runs SAP Business One 6.5 – American Express Edition for Wholesale Distribution, including:

- SAP Business One 6.5
- American Express Credit Card Processing Module
- Radio Beacon Warehouse Management Software
- Praxis Netpoint e-Commerce
- Praxis Netpoint Focus
- Altec Enterprise Document Management
- eBridge 4.2 EDI Software



these benchmarks, the company relies on the alerts in SAP Business One to address issues proactively, before there is a problem for the customer.

Next steps

According to Haugen, Yak Pak is preparing to upgrade to SAP Business One 2004. With the next version of SAP Business One, he plans to close the loop in customer service by migrating customer contact data from another software package to SAP Business One 2004. One thing he is very confident about is the capability of SAP Business One to keep up with Yak Pak's rapid growth: "We used to have a problem that we could not do business past a certain point. Well, now those limits have been taken off the business. There's no artificial constraint on how much business we can process as an organization."

From Holt's perspective, Yak Pak has established a solid IT foundation on which to aggressively expand its business. He says the company is now able to formulate its long-term, strategic vision: "We can now look at acquiring companies that are not just smaller than we are but are actually larger than we are, because we now have an infrastructure here that is actually more solid and more stable than a lot of companies bigger than ourselves have. That piece of integration is less scary to us. It's more about does it make sense from a business standpoint, while technologically we can make it work. It's not about will our database crumble."

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