SAP Business ByDesign™

SAP Customer Success Story
Consumer Products

SKULLCANDY
SAP® Business ByDesign™ REDUCES THE INFORMATION DEFICIT

"SAP Business ByDesign has become the central nervous system of the company; all the tools we need to operate efficiently are integrated within one piece of software."

Rick Alden, Founder, Skullcandy

QUICK FACTS

Company
- Name: Skullcandy
- Headquarters: Park City, Utah
- Industry: Consumer products
- Products and services: Headphones and audio-enabled products
- Employees: 36
- Web site: www.skullcandy.com

Challenges and Opportunities
- Get control of the company during rapid growth
- Replace manual processes and spreadsheets with an integrated IT solution
- Gain visibility into inventory to improve on-time delivery
- Improve reporting

Objectives
- Rapidly implement a hosted IT solution with scalability for continued growth
- Improve IT capabilities without a substantial infrastructure investment

SAP® Solutions and Services
SAP® Business ByDesign™ solution

Implementation Highlights
Simple connection to the Internet to go into productive operation

Why SAP
- Assurance of a rapid implementation
- Full functionality, requiring no add-ons
- Scalability

Benefits
- Greater customer satisfaction
- Ability to generate reports for revenue by product or product category
- Lower administrative load
- Fewer errors due to the elimination of extensive manual processes and disconnected spreadsheets
- Support for expansion and future needs

Existing Environment
Spreadsheets, Quicken, QuickBooks

Third-Party Integration
- Database: Hosted solution
- Hardware: Hosted solution
- Operating system: Hosted solution

SKULL CANDY

Skullcandy began when founder Rick Alden, sitting on a chairlift wearing headphones, heard his cell phone ring. Alden took off the headphones, pulled off his gloves, and dug around in his pocket for the phone, all the time thinking, "This is dumb – it can't be that hard to put two plugs into a pair of headphones." The company grew rapidly after making that product and then found itself fumbling around again – this time for good, reliable information. That's when it turned to the SAP® Business ByDesign™ solution.

"I started this company in my basement," Alden says. "Now we have to be EDI-compliant with our major customers. We have to be able to accurately forecast demand for them and thousands of specialty outlets so we can fulfill orders on time. SAP Business ByDesign has become the central nervous system of the company; all the tools we need to operate efficiently are integrated within one piece of software. Field reps can now access inventory data, so they won't promise product that is unavailable or committed. Managers are able to pull up reports to determine revenue percentages for each product or product category. We can see what's really selling – red or green ear buds, over-the-head or on-ear headphones, and so on. We had such a deficit for this kind of data. We really need to get information at a moment's notice. With the SAP software, we can pull the data out that we need – when we need it. That's a big deal to us."

SAP Business ByDesign is an integrated business management solution that delivers SAP software on demand. The solution is managed and maintained by SAP experts in hosted data centers, allowing companies to focus on their businesses. It delivers preconfigured, best practices–based functionality for financials, customer relationship management, HR, project management, procurement, and supply chain management.

> "The great thing about SAP software is that it's scalable."
>
> **Mark Kosiba,** Supply Chain Director, Skullcandy

Skullcandy liked the on-demand business model. "We don't have an extensive IT infrastructure," says Mark Hopkins, global systems manager at Skullcandy. "And we didn't feel we had time to develop it. We chose SAP Business ByDesign because, as a hosted solution, it could be used right away. It also enabled us to accommodate a rapidly expanding customer base. SAP Business ByDesign allowed us to adopt the best practices in use at much larger companies. And it offered a full set of features for financial and supply chain management; it did not require add-ons."

That's good, because the only thing Skullcandy wants to add is more business. And it's doing that so rapidly, there's no time for IT. "Most companies experience the kind of growth we had in 2 years over a 5- to 10-year period, and they build their infrastructure as they develop the business," says Mark Kosiba, supply chain director at Skullcandy. "Our business just exploded, and we were scrambling. Now we've got the processes in place to help us steer the company. The great thing about SAP software is that it's scalable. It's good to know that much bigger companies run the software, because we hope to get there too."

People Lose Track of Information

Park City, Utah–based Skullcandy focuses on headphones, ear buds, hands-free devices, audio backpacks, MP3 players, and other audio-enabled products for the active lifestyle demographic. Its customers include snowboarders, skateboarders, outdoor enthusiasts, and other sports-minded people who purchase Skullcandy products at large retailers, specialty outlets, and through an online store.

As the brand took off, Skullcandy experienced the same dilemma other rapidly expanding small companies face: its people-driven, manual processes were no longer sufficient. "We quickly outgrew how much work

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Mark Hopkins, Global Systems Manager, Skullcandy

any one person could do," says Beth Siron, ERP implementation coordinator. "Suddenly, instead of one person, we needed two or three people to manage a task. And when multiple people are relying on manual processes, it becomes a lot harder to manage and track information."

That's especially true when you have to communicate not only across the company but also out to the supply chain factories and warehouse. "Our customers have no idea how much blood, sweat, and tears went into simply getting them their product on time," says Jeremy Andrus, president of Skullcandy. "That's the nature of human-driven, disconnected processes and systems. There were a lot of spreadsheets being passed around. The warehouse had a spreadsheet that they would send to us; we'd have a spreadsheet to forecast demand, a spreadsheet for customers and sales, and one for project management. There were a lot of information gaps from having data residing on different computers and in different e-mails and spreadsheets."

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Jeremy Andrus, President, Skullcandy

SAP Business ByDesign is changing all that. Says Andrus, "SAP Business ByDesign reduces the risk of error by bringing everything into one system that anyone in our company, anywhere in the world, can access. This allows us to focus more on customers and less on spreadsheets. We can spend less time on fire drills and more time predicting the needs of the business. We are driven less by task and more by strategy and the overall needs of the business."

Skateboarders Warm to SAP

That's because Skullcandy's information is now catching up with its growth. "The first benefit that comes to my mind is visibility," Siron says. "I'm really excited about that, because I spend a lot of my time generating ad hoc reports. Now our sales reps can access information like product availability and shipment tracking numbers themselves. This is a huge step up for us and will really help us improve customer service."

"In addition," says Hopkins, "operating managers can run their own reports and get the information they need when they need it, rather than relying on others to get it for them, with all the resultant delays."

That's especially important at Skullcandy, where people like to do things their own way. "Our first thought was, 'SAP, wow, that's a really big company. Can its software be a good fit for Skullcandy?'" Siron says. "I mean, we're small, we're different, we skateboard around the office. And it was interesting to find out there's an SAP solution that could work for us."

Solution Works Now and Tomorrow

Small, maybe, but not for long. "If you think about a company that's growing at 500% a year, and you consider what that company could be in 3 or 5 or 10 years, it's so important that you develop an infrastructure that is scalable and robust," Andrus says. "We spent a lot of time finding the right partner – a company that had the right IT solution and infrastructure to support us. We did not want to end up with software that could not sustain our business."

Skullcandy's customers would not stand for that. "Interrupting the business is always bad, but it's particularly bad for a company that is growing as fast as ours," says Andrus. "The most important thing for our large customers is to feel confident that we can deliver; that whatever the challenge, we can get the product there. When you're talking about a very large global distributor and major customers, missing a shipment is death to a small and growing business. With SAP Business ByDesign, we are confident that even during the busy retail season, we won't miss a beat."

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