

2ND WIND IMPROVES ITS FINANCIAL FITNESS WITH ADAPTIVE PLANNING



2nd Wind Exercise Equipment
Eden Prairie, MN
Retail

Challenges:

- Scale enterprise systems to support a rapidly-growing company
- Respond to constant changes in the economy with a flexible budgeting, forecasting and planning solution
- Protect profit margins despite a weak retail sales environment

Why Adaptive Planning:

- Easy to use interface increases adoption and collaboration across the company
- Allows sales managers across 100 store locations to input data in the system
- Integrates easily with other SaaS solutions, such as NetSuite

Results:

- Transformed a static annual budget into a rolling forecast to better meet financial goals
- Helped the company avoid 20 percent revenue declines common among retailers in a slow economy
- Enabled what-if scenarios that protected profit margins
- Provided the sales organization with a clear view of how its performance impacts the bottom line

Introduction

Since its founding nearly two decades ago, 2nd Wind has aimed to change the way the world looks at exercise. Following a philosophy of “Customized Fitness Solutions,” the company has grown from a specialty used exercise equipment dealer to the premier specialty fitness dealer in the United States, with 100 locations in 10 midwestern states. 2nd Wind is the exclusive dealer for many top brand manufacturers—including Life Fitness, Parabody, True, Hoist, PaceMaster, Vision, and Octane—and offers clients a free VIP program that provides personal training, healthy recipes, fitness articles, and exclusive discounts on top home fitness equipment. With over 300 employees, 2nd Wind projects sales of more than \$100 million in 2008.

The Challenge

Virtually every company welcomes growth. But in the case of 2nd Wind Exercise Equipment, which doubled its size over an 18-month period, explosive growth overtaxed the company's enterprise systems and IT infrastructure. As a result, the company turned to software as a service (SaaS) applications. 2nd Wind saw an immediate improvement in the flexibility and scalability of its enterprise systems, but soon recognized a need to implement strategic financial functionality.

“NetSuite ERP offers outstanding operational and reporting functionality, but it didn't let us test what-if scenarios,” says Tom Kelly, CFO and CIO, 2nd Wind Exercise Equipment. “For example, we needed to be able to project how much of a revenue boost we could expect if we increased our marketing budget by a certain percentage.”

2nd Wind had also discovered that sticking to a static one-year budget simply wasn't realistic in a constantly changing economy. The company wanted to create rolling forecasts that would allow more realistic short-term goal setting.

“The economy can change in the blink of an eye,” says Kelly. “If we set a goal of delivering 15 percent profit on \$100 million in revenues, but then realize we can't hit our revenue goals, we need to be able to quickly and efficiently take steps to protect our profit margins.”

“Whenever the financial picture changes, we can simply enter new information into Adaptive Planning and know that all updates will flow through automatically. If I had a tool like this 15 years ago when I was a financial analyst, I would have been able to complete my budgeting, planning and forecasting activities in a day or two versus weeks!”

— Tom Kelly, CFO and CIO, 2nd Wind Exercise Equipment

“Adaptive Planning helps us to be more proactive as the market changes. The multi-dimensional reporting and what-if scenarios enable us to determine how to protect our margins even when overall sales are down. This year, while many retailers are experiencing significant reductions in margin, we’re barely down versus last year.”

— Tom Kelly, CFO and CIO, 2nd Wind Exercise Equipment

“Sales managers across 100 store locations can input and update their sales projections for the forecast period. This keeps them focused on very specific revenue goals and allows us to seamlessly incorporate their input in a timely and efficient manner.”

— Tom Kelly, CFO and CIO, 2nd Wind Exercise Equipment

The Solution

After conducting a search for a SaaS budgeting solution, 2nd Wind selected Adaptive Planning. The company was impressed by Adaptive Planning’s user-friendly interface, ability to meet the needs of midsize companies, and cost-effective licensing policy.

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Today, about 20 employees across the company use Adaptive Planning, and an additional 50 participate in the budgeting process from retail locations.

“You always hear about technology being an enabler, but in many cases, it’s actually a disabler because of the financial and technical burden it places on a company,” says Kelly. “As a SaaS solution, it’s much more secure and flexible than anything we could maintain in-house, allowing for more creativity and productivity”

The Results

“With Adaptive Planning, 2nd Wind has transformed a static budgeting cycle to a rolling forecast process that helps guide the strategic direction of the company.

“When you just put a budget in place and live with it, you tend to be reactive,” Kelly explains. “Adaptive Planning helps us to be more proactive as the market changes. The multi-dimensional reporting and what-if scenarios enable us to determine how to protect our margins even when overall sales are down. This year, while many retailers are experiencing significant reductions in margin, we’re barely down versus last year.”

2nd Wind protects its profit margins by using Adaptive Planning to determine the most effective mix of products to sell. The system helps 2nd Wind identify its highest-margin fitness equipment, so that marketing programs can more aggressively promote these products and salespeople can focus on earning higher commissions on the yield. With this approach, 2nd Wind has been able to maintain steady profits.

By letting employees collaborate in the forecasting process through Adaptive Planning, 2nd Wind has increased overall accuracy while also instilling a sense of accountability in all participants. The finance department now operates as a strategic business partner, rather than merely a watchdog.

“As the CFO, I don’t want to spend all my time asking people, ‘Why are operating costs up?’” says Kelly. “I want to collaborate with the business leaders in the organization to solve problems. And when our CEO has questions about financial matters, we immediately have the answers.”

“Whenever the financial picture changes, we can simply enter the new information into Adaptive Planning and know that all updates will flow through automatically” says Kelly. “If I had a tool like this 15 years ago when I was a financial analyst, I would have been able to complete my budgeting, planning and forecasting activities in a day or two versus weeks!”



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