

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!”



Corporate Headquarters

2041 Landings Drive
Mountain View, CA 94043
Telephone: +1.800.303.6346
Fax: +1.650.528.7501
Email: info@adaptiveplanning.com

Sales

sales@adaptiveplanning.com

Public Relations

press@adaptiveplanning.com

Product Support

support@adaptiveplanning.com

For more information, call Adaptive Planning today at **+1.800.303.6346** or email us at info@adaptiveplanning.com

KARDIA HEALTH SYSTEMS MONITORS ITS STRENGTH WITH SAAS FINANCIAL APPLICATIONS



KARDIA

Kardia Health Systems
Minneapolis, MN
Software

Key Goals

- Hold managers accountable for the numbers
- Implement an automated technology solution that meets both accounting and planning and forecasting needs
- Select a cost effective system that does not require internal resources to support

Business Needs

- Rely on a single system of record to produce consolidated financial reports and dashboards
- Reduce unnecessary expenses
- Provide critical data to managers and hold them accountable
- Increase collaboration among key stakeholders

A Combined Solution

- Depend on NetSuite for historical data and functionality needed to run the finance and accounting function
- Utilize Adaptive Planning for forward-looking budgeting, planning, forecasting and what-if-analyses
- Engage both applications through seamless workflow to deliver the robust financial performance management the company demands.

Introduction

Started in 2006 and headquartered in Minneapolis, Kardia Health Systems was developed to bring Mayo Clinic-proven cardiology solutions to market. Kardia Health has developed the first workflow management solution that meets or exceeds best practices for patient scheduling, acquisition, interpretation and clinical reporting. The web-based software is cost-effective, easy to learn and maintain, and meets both HIPAA guidelines and accreditation standards. In addition, it facilitates the sharing of collective intelligence to improve patient care. Kardia currently employs 50 individuals.

The Challenge

As a young venture tasked with taking a proven intellectual property asset and bringing it to market, Kardia Health saw the need to gain strength quickly during a time when the Obama administration was mandating that the medical industry adopt technology to lower costs and improve healthcare. Increasing competition in the electronic medical records industry further compels Kardia Health to capitalize quickly on this opportunity and gain market share.

Tom Kelly joined Kardia Health as CFO/CIO to set the financial and technology direction for the organization. Based on his experience using NetSuite and Adaptive Planning in several previous organizations, he adopted these technology platforms to reduce the time it took to prepare monthly financial statements, produce reports and manage the business with rolling forecasts and what-if analyses.

“We are experiencing a perfect opportunity in this market. Medical industry cardiologists are at the apex of their profession, and new governmental regulations are requiring the use of electronic medical records, which together make our target market a prime candidate for adopting Kardia’s technology offering in their practices,” states Kelly.

“NetSuite and Adaptive Planning offered the right technology at the right price, coupled by best-in-class support services. The SaaS approach was also critical to our decision. As a growing company focused on sales and top-tier technology solution delivery, we do not have the bandwidth to dedicate IT resources for these applications.”

— Tom Kelly, CFO/CIO

"A key benefit is the ability to rely on the business managers to provide me with timely and accurate data, without that input the assumptions will be wrong and the desired business outcome will not be achieved. The combination of Adaptive Planning and NetSuite enables timely and accurate data and communication flow that allows Kardia to achieve its business objectives.

— Tom Kelly, CFO/CIO

"From the NetSuite system of record, I utilize Adaptive Planning to produce our monthly operating forecast for the business. I use a 5 year model and expect that the first year to three years will be quite accurate based on the assumptions I am making for the business"

— Tom Kelly, CFO/CIO

The Solution

Because Kelly had several a positive experiences over a four year time frame with NetSuite and Adaptive Planning, it was an easy decision to use the two applications again. The selection process came down to price, product scalability and support, all three of which were easily met by the two applications.

"NetSuite and Adaptive Planning offered the right technology at the right price, coupled by best-in-class support services. The SaaS approach was also critical to our decision. As a growing company focused on sales and top-tier technology solution delivery, we do not have the bandwidth to dedicate IT resources for these applications," states Kelly. "The ability to log-in to these web-based applications and not have to maintain or upgrade the system frees up resources that we can use to further our own business growth," recalls Kelly.

Key goals for adopting SaaS-based ERP and performance management solutions from NetSuite and Adaptive Planning included predictability, increased operating success, improved technology automation and reduced costs. When Kelly arrived, travel and expense costs represented an unusually high percentage of the overall operating budget. Improved visibility into the numbers was essential in order to make department heads accountable for their budgets. The collaborative feedback loop allows managers to have access to the numbers and manage their costs accordingly.

"It was essential to provide managers with this feedback to give them visibility into the decisions they make on a daily basis and how they impact the company's bottom line," recalls Kelly. "A key benefit is the ability to rely on the business managers to provide me with timely and accurate data. Without that input the assumptions will be wrong and the desired business outcome will not be achieved. The combination of Adaptive Planning and NetSuite enables timely and accurate data and communication flow that allows Kardia to achieve its business objectives."

The Results

By selecting NetSuite, Kardia Health has global accounting and ERP capabilities at its fingertips. This solution delivers multi-currency business consolidation of financials and real-time roll-up across the operation.

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"We are very focused in our approach to delivering top-tier software to cardiologists," states Kelly. "This focus is achieved by disciplined financial management supported by best-in-class technology solutions from NetSuite and Adaptive Planning."

The ability to bring backward looking data from NetSuite into Adaptive Planning to deliver forward looking plans and forecasts enables Kardia Health to have a complete financial picture.



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2041 Landings Drive
Mountain View, CA 94043
Telephone: +1.800.303.6346
Fax: +1.650.528.7501
Email: info@adaptiveplanning.com

Sales

sales@adaptiveplanning.com

Public Relations

press@adaptiveplanning.com

Product Support

support@adaptiveplanning.com

For more information, call Adaptive Planning today at +1.800.303.6346 or email us at info@adaptiveplanning.com