



McGregor Industries adopts a new business model with IBM and SAP

Overview

■ The Challenge

To maintain its ability to compete in an increasingly global business, McGregor needed to move out of the manufacturing business and focus on sourcing product from a range of off-shore contract suppliers. Its existing legacy ERP system was manufacturing-focused, so the company needed to rethink its IT infrastructure and realign its business processes.

■ The Solution

Working with IBM Global Business Services, McGregor implemented the IBM Express Wholesale Distribution solution, a qualified SAP Business All-in-One partner solution. The solution runs on three IBM System x3650 servers and is supported by an IBM DB2 database. IBM Global Technology Services is providing application management services, and IBM Global Financing helped to package the solution – including hardware, software and services.

■ The Benefits

SAP Business All-in-One solution from IBM includes key industry functionalities out-of-the-box, enabling rapid deployment with a minimum of costly customization. SAP applications provide improved visibility across the supply chain, helping McGregor ensure that all customer orders can be met in a timely manner. IBM hardware and DB2 software provide a stable, high-performance and easy to manage environment for SAP applications.

■ Key Solution Components

Industry: Wholesale Distribution
Applications: IBM Express Wholesale Distribution, a qualified SAP® Business All-in-One partner solution based on SAP ERP 6.0
Hardware: IBM System x™3650 with Intel® Xeon® EM64T processors
Software: IBM DB2®
Services: IBM Global Business Services, IBM Global Technology Services, IBM Global Financing

Based in Toronto, Canada, McGregor Industries Inc. has a distinguished history in the North American hosiery industry, dating back to its incorporation in 1928. Its products are sold through all of the key retail channels in more than 35 countries worldwide. The company employs around 175 people and operates from offices in Canada, the US and the UK.

Two years ago, a strategic refocus of the company led to it moving out of the manufacturing business entirely and concentrating exclusively on contract manufacturing – helping to maximize profits. However, this realignment of the company's business model meant that its existing legacy ERP system could no longer adequately support the business.

"We had an application that we had built in-house and tuned over the years to optimize our manufacturing processes," explains Chris Gain, Vice President of Systems and Technology at McGregor Industries. "Many of these functionalities became redundant as soon as our business model changed. On the other hand, we found that we also needed a much

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more sophisticated supply chain and financial accounting system to deal with contracted manufacturers and ensure that we could deliver the right products in a timely manner. In short, we needed to completely rethink our core IT system.”

Finding an ERP solution

McGregor consulted IBM Global Business Services to find a new ERP platform that could meet its changing business needs.

“We wanted an industry-standard platform so that it would be easier to find people with the skills to develop it,” explains Chris Gain. “IBM Global Business Services did a great job of helping us evaluate our various options – the team that they put together was very impressive, and gave us the confidence to go ahead with this major IT project, even though our in-house team is relatively small.”

McGregor chose the IBM Express Wholesale Distribution solution, a

qualified SAP Business All-in-One partner solution that includes a number of industry-specific templates to map out the standard business processes needed by wholesale distribution companies. These templates make the deployment of the SAP applications much more rapid and minimize the need for expensive customization work.

“IBM Global Business Services has a proven track record in Canada, and has already deployed the IBM Express Wholesale Distribution solution, which is a qualified SAP Business All-in-One partner solution for a number of businesses in our sector, so it gave us a lot of confidence to work with the IBM team,” says Chris Gain. “They quickly convinced us that the Express methodology was the best way forward – adapting our business to the best practices embodied in the software, rather than spending too much time and money on unnecessary customization.

“Having said that, when we did need to develop non-standard functionalities in the SAP applications, the IBM Global Business Services team was excellent,” he adds. “For example, they created a new feature in the SAP ERP sales and distribution system that enables us to manage our customers’ purchase orders at store level, which is vital for the North American retail market.”

Building a new infrastructure

McGregor decided to implement a new IT infrastructure to support its SAP application landscape, and chose IBM System x hardware. IBM Global Technology Services helped to size and deploy three IBM System x3650 servers, each with two dual-core



3.4GHz Intel Xeon processors and 12GB of memory, delivering excellent performance for the 30 users of the company's SAP applications. The three servers are used as production, quality assurance and development environments, with each running a separate instance of the company's SAP applications and IBM DB2 database.

"The IBM System x server hardware has proven to be a good investment," says Chris Gain. "Running Linux, it delivers all the performance we need at much lower cost than most comparable UNIX platforms, and the reliability has been consistently excellent. Moreover, the choice of an open source operating system should give us considerable flexibility for the future."

McGregor chose IBM DB2 9 as the database for its SAP ERP environment. SAP and IBM are working in close alliance to align the roadmaps for SAP ERP and DB2, and DB2 is now a recommended database for SAP applications – so McGregor could be sure that DB2 was the right choice for the long term. Moreover, DB2 9 provides excellent performance in the SAP application environment, and new features like Deep Compression offer the ability to reduce storage costs and further improve performance.

In addition, the company is working with IBM Global Technology Services to provide application management support for the entire environment.

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could help us with every aspect of our environment – and no company in the industry has more comprehensive expertise than IBM. Moreover, we were able to negotiate a very favorable deal with IBM Global Financing for the whole package."

A solution that fits

The combination of the SAP applications with IBM hardware, software and services gives McGregor a standardized ERP platform that precisely fits its new business model, and can be cost-effectively modified as business needs change.

"Because our previous environment was not really suited to the operations of a pure sourcing company, working with it was like the death of a thousand cuts," comments Chris Gain. "We could get by, but all of our business processes were poorly optimized and it was becoming increasingly painful – particularly in terms of financial management.

"With SAP Business All-in-One and the IBM Express Wholesale Distribution solution, we have an integrated system that gives us much better visibility across our supply chain and distribution network – so we can keep our customers accurately informed about when we can deliver their orders."

He concludes: "IBM has done a great job on this project. Whether you look at the initial consultancy, the hardware implementation, the deployment of the SAP applications, the ongoing support or the financing, IBM has made a valuable contribution to the transformation of McGregor's business model, and to its future in the wholesale distribution business."

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