

Forever 21 and IBM fashion a one-stop POS solution with just the right fit.



Overview

■ **Challenge**

Safeguard customer service and store performance while pursuing rapid growth

■ **Solution**

State-of-the-art POS equipment financed through a customized lease from IBM Global Financing

■ **Key Benefits**

- *Streamlined administrative processes through one-stop shopping*
- *Enhanced competitive advantage with leading POS equipment*
- *Reduced risk of technology obsolescence*
- *Conserved capital to fund aggressive growth initiatives*

A retailer focused on style—and strategic growth

Based in Los Angeles, California, Forever 21, Inc. (www.forever21.com) is a specialty retailer that markets affordable, chic apparel and accessories to teenage girls and young women. Since jointly founding the hip clothing company in 1984, owner and CEO Don Chang and his wife, Jin, have spearheaded Forever 21's successful business strategy. To attract customers, the retailer offers stimulating store environments that feature a daily influx of exciting merchandise. Today, Forever 21 comprises 7,000 employees working in more than 200 retail stores throughout the United States and in select locations overseas.

Taking its niche retailing to a new level, Forever 21 has embarked on an aggressive growth plan. In the past year alone, the company opened several new U.S. and international flagship stores; acquired Gadzooks, a national retail chain with more than 240 locations; and introduced Love 21, a line of accessories. As these investments take hold, the company expects its sales to grow from US\$600 million in 2004 to close to US\$1 billion in 2005.

Providing fast, efficient service using the latest in-store technologies

Forever 21 knew fast-paced growth would bring exciting opportunities—and considerable risks. Faced with a competitive market, the retailer decided to employ the latest point-of-sale (POS) equipment to ensure that it could process sales quickly and securely across its expanding store network. Following an intensive search, Forever 21 selected a POS solution from a technology leader with proven retail industry know-how: IBM. "We wanted to ensure strong customer satisfaction and store performance," says Larry Meyer, CFO, Forever 21. "And we clearly found that IBM has a track record for a hardened POS with proven reliability."

IBM Retail Store Solutions is providing Forever 21 with maintenance and training services, and approximately 1,800 state-of-the-art POS terminals and peripheral devices—all at a competitive price. Retail Store Systems, Inc., an IBM Business Partner, is implementing the solution, which also includes barcode scanners from Symbol Technologies.

“As a result of one-stop shopping with IBM, it was easy to buy our POS solution—and finance it at very affordable rates that met our requirements.”

—Larry Meyer, CFO, Forever 21

IBM Global Financing completes the one-stop solution

IBM Global Financing experts recommended that Forever 21 lease the equipment rather than, as the company has traditionally done, buy it up front using bank credit. After evaluating its options, Forever 21's financing team agreed. Based on a five-year prime lease, IBM Global Financing customized a master lease agreement for the growing retailer that features a three-month payment deferral and original equipment manufacturer (OEM) financing (for the Symbol scanners). Flexible end-of-lease terms enable Forever 21 to buy out the POS equipment at a low, prespecified interest rate, or exchange it for new equipment from IBM, with merely one month's notice—a distinct advantage over the standard three to six months' notification required by many financiers.

IBM Global Financing also provided Forever 21 with IBM Customer Centre, an innovative online asset management tool. “Customer Centre was critical to our decision to adopt a leasing strategy, as it enables us to effectively manage the accounting nuances associated with the POS equipment and peripheral devices used throughout all our stores,” says Meyer.

Sizing up the solution benefits

Forever 21's single-source POS solution reduces administrative paperwork and costs associated with growth. “Last year we grew by approximately 30 percent, and this year we'll grow by 50 to 60 percent. The fact that IBM was there both technically and financially made it much easier for us to meet our growth expectations. And we have benefited from IBM's global experience without having to invest directly in infrastructure,” says Meyer.

By leasing equipment through IBM, Forever 21 retained capital to invest in its growing enterprise, while gaining flexibility to regularly refresh its POS technology. “Given the fact that we just bought Gadzooks, the initial payment deferral was extremely serendipitous, because it saved us capital. Plus, in five years there is a potential for technology obsolescence. So the five-year horizon and end-of-lease terms give us the ability to determine our needs and take advantage of additional IBM technologies and services as we grow,” Meyer concludes.

For more information

Contact your IBM Global Financing representative, or visit:

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04-05
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