SAP Value Paper | PUBLIC

Intelligent ERP – The New Foundation of an Intelligent Retail Enterprise

Business Value of SAP S/4HANA®

THE BEST RUN **SAP**

The Power of Intelligent ERP

Intelligent ERP

Radical change in the retail industry is occurring at a rapid pace, and in ways nobody can possibly predict. Retail is one of the industries hardest hit by the COVID-19 pandemic; the entire industry was affected overnight. Fashion, luxury, and beauty sales came to a crushing halt as stores were closed, while grocery and other system-relevant sectors were overwhelmed with sometimes-irrational demand and struggled with disruption and shortage of supply as well as the practical challenges of serving their shoppers. In the eye of the storm, however, Intelligent ERP at the core of the enterprise has stood the test as the center of value creation and business continuity.

Stability and Flexibility to Innovate

SAP S/4HANA® is ERP reinvented to help organizations meet new business priorities. It is at the core of all key industry processes yet also allows businesses to adapt quickly to new opportunities, regulations, or the challenges of an unprecedented global crisis. Companies needed to look for alternative ways of doing business – such as switching to e-commerce entirely in fashion and beauty to help compensate for store closures. For groceries and drugstores, adding significant online transactions has helped to reduce face-to-face interaction in the physical stores. Intelligent ERP connects digital with brick-and-mortar stores and flexibly supports any omnichannel execution, such as online ordering with curbside pickup or home delivery. SAP customers can rely on the steady operation of all essential back-end processes while producing new business outcomes to meet shoppers' needs immediately. A single source of truth provides the necessary real-time data insights for them to stay on top of their business every second of the day.

Pervasive Use of Intelligent Technology Is Key

What will matter in the new normal of the digital economy is speed of change and quick adoption of innovation as well as business automation. Innovative retailers are already leveraging new technologies to support their digital transformation strategies and respond effectively to both encroaching competitors and new demands of the digitally empowered customer.

To run next-generation business processes, retailers need Intelligent ERP that can continuously be enhanced and extended with innovative business services and applications applying emerging technologies such as machine learning, blockchain, and the Internet of Things. Intelligent ERP is immediate and goes beyond automation to make predictive suggestions for the user. It is integrated – not only between your departments but also to the outside world of consumers and business partners, thus helping drive down time to market and taking retail business to a new level of transformation. Side-by-side innovation is using SAP's Business Technology Platform as the architecture to create disruptive business value on top of the stable core.

Giving Customers a Choice

To take advantage of new opportunities and better meet individual needs while being resilient to crises, retailers must address holistic enterprise processes end to end across all lines of business to deliver new customer experiences, products, and services. Quick time to value can be achieved by giving customers the choice to select their preferred consumption model. SAP S/4HANA can be consumed as a product on any premise (SAP, customer, or hyperscaler data centers), or it can be consumed as a service from the cloud or within a hybrid landscape. Regardless of how you plan and execute your transformation as a retailer, SAP S/4HANA will substantially influence your ability to adopt next-generation business processes and take full benefit of SAP's entire retail portfolio.

Strategic Priorities in a Digital Economy

The digital economy is disruptive. Retailers need strategic priorities that drive transformation. SAP supports a reimagined set of end-to-end business scenarios to support the strategic priorities of serving the digital consumer of today.

Be customer centric across the value chain

New technology allows retailers to detect, predict, and anticipate unspoken needs. Understanding the profitability impact from start to finish – down to the single article and through integration of all process areas – is key to providing the right experience all the way from awareness to the shopping journey, delivery, and postpurchase engagement.

E2E scenario: Customer-centric assortment planning – Sell the products your consumers want.

Serve the segment of one

The ability to capture and anticipate customer needs in the moment is key to giving customers exactly what they want when they want it. Sensors monitor use, consumption, wear, and freshness, alerting consumers to replace, replenish, or repair, thus creating demand that can be met just in time with the right corresponding personalized offer. Machine learning will drive more-impactful, personalized, and contextual consumer experiences.

E2E scenario: Connecting to your customer's lifestyle – Enable immersive customer experiences.

Implement digital supply chains

Connecting the end-to-end supply chain from suppliers to consumers' homes allows retailers to drive efficiency in material flows, better demand and supply matching, and faster response, offering new opportunities for automated replenishment and new convenient delivery options.

E2E scenario: Connected, end-to-end supply chain – Reduce delays and provide superior customer value.

Run smart stores

The store is the place for retail companies to use the latest technologies to create new, differentiating shopping experiences. Customer identification, virtual reality, smart fitting, endless aisles, gamification – the opportunities are endless – help drive loyalty as well as new revenue opportunities. Data generated by technology also drives efficiency for store employees and provides insights into performance KPIs.

E2E scenario: Revitalizing the store – Deliver brand-building store experiences.

Sell outcomes beyond products

Leverage superior understanding of customer needs as well as greater connectivity for new revenue-generating offers that serve the customer holistically and focus on outcomes versus products.
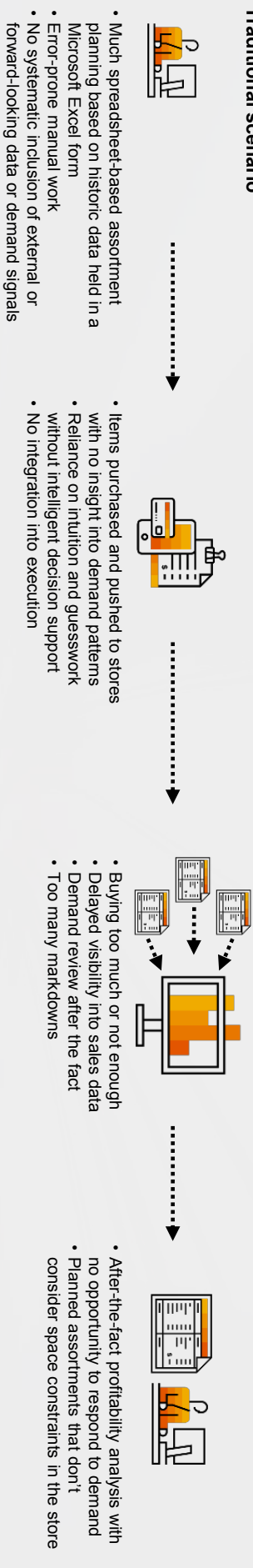
E2E scenario: Ingredient and recipe meal-kit service – Offer personalized meals.

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Be Customer Centric Across the Value Chain

Customer-Centric Assortment Planning

What do your consumers really want? With this end-to-end integrated scenario, leverage the power of social insights, sentiment analysis, and search data to improve your assortment planning and have in-store today what your shoppers demand tomorrow.

Traditional scenario

- Much spreadsheet-based assortment planning based on historic data held in a Microsoft Excel form
- Error-prone manual work
- No systematic inclusion of external or forward-looking data or demand signals

- Items purchased and pushed to stores with no insight into demand patterns
- Reliance on intuition and guesswork without intelligent decision support
- No integration into execution

- Buying too much or not enough
- Delayed visibility into sales data
- Demand review after the fact
- Too many markdowns

- After-the-fact profitability analysis with no opportunity to respond to demand
- Planned assortments that don't consider space constraints in the store

A new world with SAP

- System-supported process based on demand signals, consumer sentiment, social media input collected in SAP® Customer Experience solutions, and the SAP Customer Activity Repository application to represent real-time market demand
- Integrated end-to-end planning process
- Inclusion of external data for product search ranking

- Intelligent store clustering that supports localized assortments with an optimal mix of stores and products based on multiple attributes
- Optimization of assortment mix by revenue and margin
- User-friendly business rule framework
- Predictive analytics providing decision support

- Prediction of sales and buy quantities
- Visibility into sales, margin, and inventory in near-real time, which provides early warning of potential issues

- Integration to shelf-planning optimization and consideration of space constraints in planning
- Assortment performance analytics with continuous redefinition of buying-based clustering

Top value drivers*

Understanding market demand	Smart store clustering	Planning launch	Profitability monitoring	Rapid response
5%–20% Reduction in bounce rate	**20%–40%** Reduction in unplanned markdowns		**8%–10%** Reduction in revenue loss due to stock-outs	

*Benefits are based on results from early adopters of SAP S/4HANA, or are conservative outside-in estimates of the benefits of moving from a traditional ERP system to enhanced SAP S/4HANA with line-of-business and cloud capabilities. As each enterprise is at a different level of maturity, our recommendation is that you work with SAP to determine the value proposition for your enterprise.
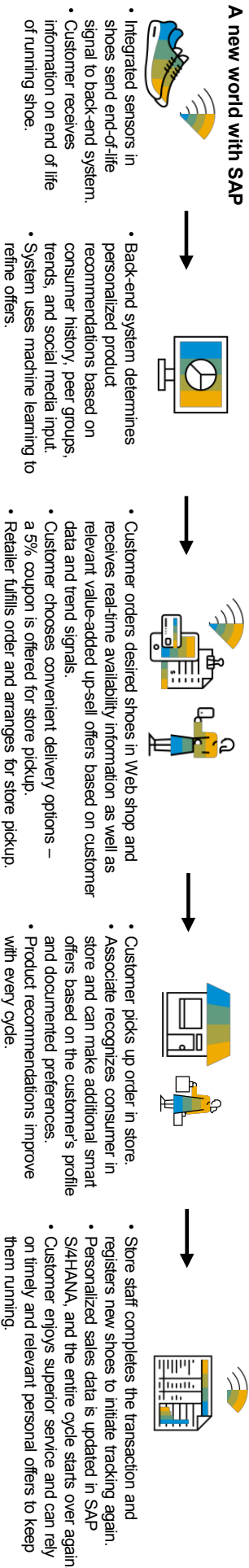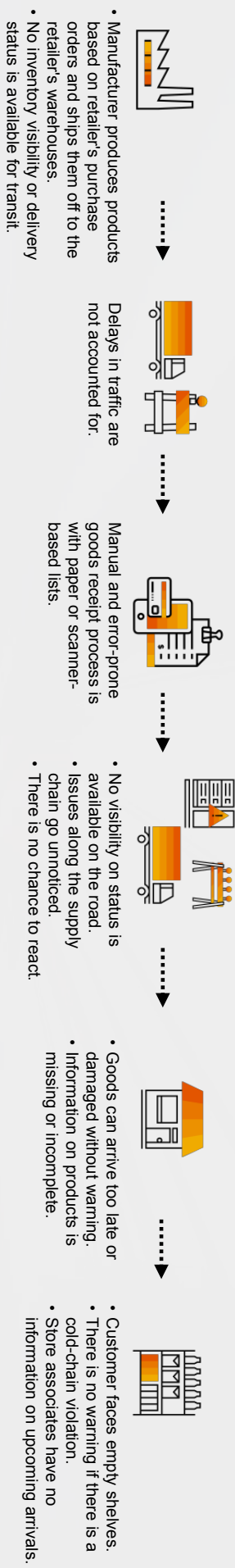
Serve the Segment of One

Connecting to Your Customer's Lifestyle

With this integrated, end-to-end scenario, you are able to create an immersive shopping experience for your consumers – one that earns lifetime loyalty and also delivers significant efficiencies and new business opportunities to the retailer.

Traditional scenario

- Customer recognizes major defects in running shoe.
- No sensor data is made available.

- Customer looks up information about running shoes online.
- No personalized offers are available.
- There is no real-time product-availability information or soft reservation.

- Customer visits retail store.
- Store associate has no knowledge of purchase history, size, preferences, or functional needs of customer.
- There is risk of product not being available.

- Customer decides and pays.
- Purchase ends as anonymous point-of-sale (POS) transaction in ERP system.
- There is no connection between online experience and physical store visit.

- The store associate loses opportunity to truly retain customer and build customer loyalty with personalized service, recommendations, and promotions.

A new world with SAP

- Integrated sensors in shoes send end-of-life signal to back-end system.
- Customer receives information on end of life of running shoe.

- Back-end system determines personalized product recommendations based on consumer history, peer groups, trends, and social media input.
- System uses machine learning to refine offers.

- Customer orders desired shoes in Web shop and receives real-time availability information as well as relevant value-added up-sell offers based on customer data and trend signals.
- Customer chooses convenient delivery options – a 5% coupon is offered for store pickup.
- Retailer fulfills order and arranges for store pickup.

- Customer picks up order in store.
- Associate recognizes consumer in store and can make additional smart offers based on the customer's profile and documented preferences.
- Product recommendations improve with every cycle.

- Store staff completes the transaction and registers new shoes to initiate tracking again.
- Personalized sales data is updated in SAP S/4HANA, and the entire cycle starts over again.
- Customer enjoys superior service and can rely on timely and relevant personal offers to keep them running.

Top value drivers*

Flawless execution of service promises	New levels of customer proximity and understanding	Hyperpersonalization with technology
10%–20% Increase in customer satisfaction	**10%–15%** Reduction in customer churn	**10%–20%** Increase in revenue from cross- and up-sell

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Overview | Strategic Priorities | E2E Scenarios | SAP Strategy | SAP Solution Portfolio | SAP Value Proposition | References
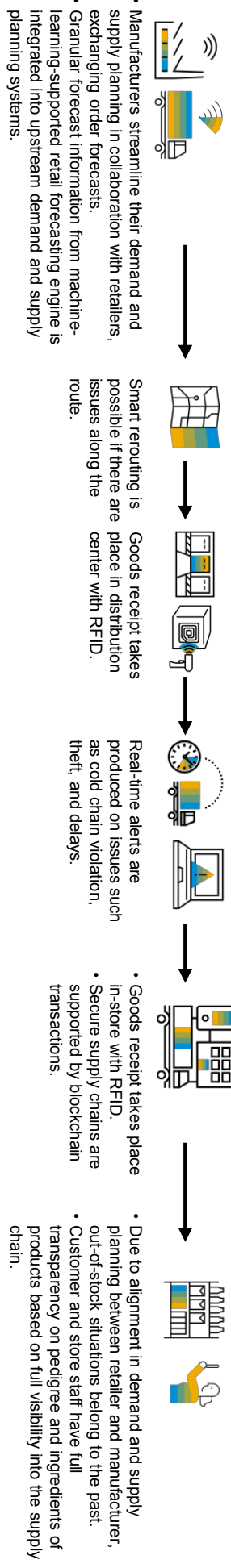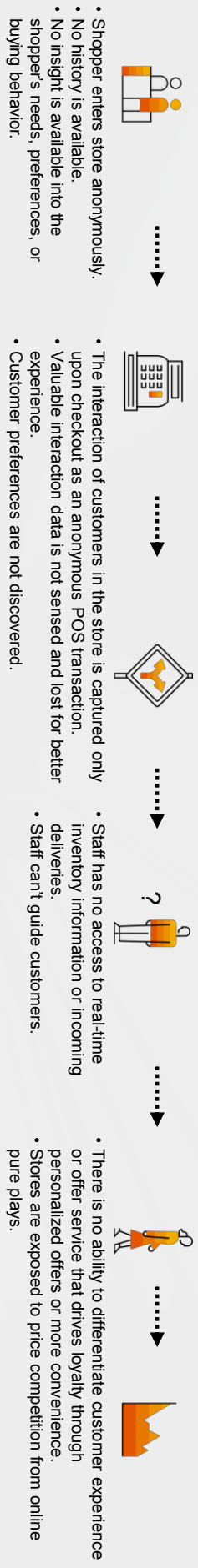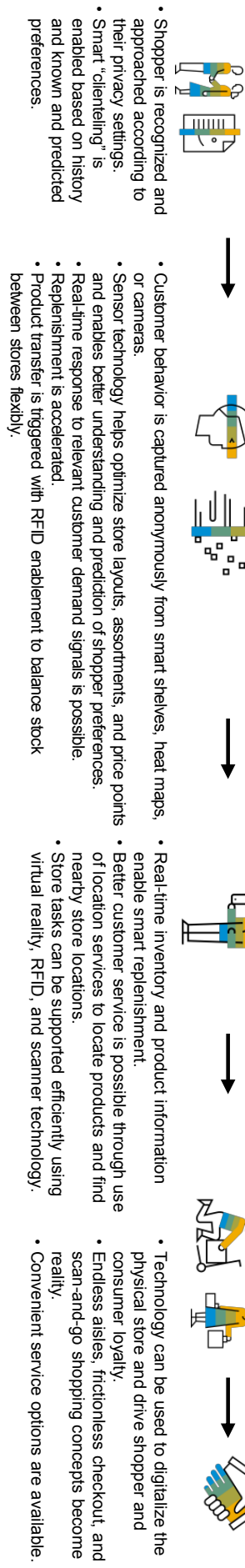
Implement Digital Supply Chains

Connected, End-to-End Supply Chain

With this integrated, end-to-end scenario, you are able to create an automated, connected, hands-free supply chain that delivers new levels of speed and efficiency as well as superior value to your shoppers and consumers.

Traditional scenario

- Manufacturer produces products based on retailer's purchase orders and ships them off to the retailer's warehouses.
- No inventory visibility or delivery status is available for transit.

Delays in traffic are not accounted for.

Manual and error-prone goods receipt process is available with paper or scanner-based lists.

- No visibility on status is available on the road.
- Issues along the supply chain go unnoticed.
- There is no chance to react.

- Goods can arrive too late or damaged without warning.
- Information on products is missing or incomplete.

- Customer faces empty shelves.
- There is no warning if there is a cold-chain violation.
- Store associates have no information on upcoming arrivals.

- Due to alignment in demand and supply planning between retailer and manufacturer, out-of-stock situations belong to the past.
- Customer and store staff have full transparency on pedigree and ingredients of products based on full visibility into the supply chain.

A new world with SAP

- Manufacturers streamline their demand and supply planning in collaboration with retailers, exchanging order forecasts.
- Granular forecast information from machine-learning-supported retail forecasting engine is integrated into upstream demand and supply planning systems.

Smart rerouting is possible if there are issues along the route.

Goods receipt takes place in distribution center with RFID.

- Real-time alerts are produced on issues such as cold chain violation, theft, and delays.

- Goods receipt takes place in-store with RFID.
- Secure supply chains are supported by blockchain transactions.

Top value drivers*

Real-time supplier collaboration	Real-time alerts and automated response	Supply chain automation	Consumer safety
10%–20% Increase in on-time delivery performance	**10%–12%** Reduction in days in inventory	**5%–20%** Increase in order management FTE productivity	

| Overview | Strategic Priorities | E2E Scenarios | SAP Strategy | SAP Solution Portfolio | SAP Value Proposition | References |

Run Smart Stores

Revitalizing the Store

Create a smart store to deliver brand-building store experiences. With this integrated, end-to-end scenario, you can manifest your brand, create new store experiences, and capture changing needs by running your stores like an online business.

Traditional scenario

- Shopper enters store anonymously.
- No history is available.
- No insight is available into the shopper's needs, preferences, or buying behavior.

- The interaction of customers in the store is captured only upon checkout as an anonymous POS transaction.
- Valuable interaction data is not sensed and lost for better experience.
- Customer preferences are not discovered.

- Staff has no access to real-time inventory information or incoming deliveries.
- Staff can't guide customers.

- There is no ability to differentiate customer experience or offer service that drives loyalty through personalized offers or more convenience.
- Stores are exposed to price competition from online pure plays.

A new world with SAP

- Shopper is recognized and approached according to their privacy settings.
- Smart "clienteling" is enabled based on history and known and predicted preferences.

- Customer behavior is captured anonymously from smart shelves, heat maps, or cameras.
- Sensor technology helps optimize store layouts, assortments, and price points and enables better understanding and prediction of shopper preferences.
- Real-time response to relevant customer demand signals is possible.
- Replenishment is accelerated.
- Product transfer is triggered with RFID enablement to balance stock between stores flexibly.

- Real-time inventory and product information enable smart replenishment.
- Better customer service is possible through use of location services to locate products and find nearby store locations.
- Store tasks can be supported efficiently using virtual reality, RFID, and scanner technology.

- Technology can be used to digitalize the physical store and drive shopper and consumer loyalty.
- Endless aisles, frictionless checkout, and scan-and-go shopping concepts become reality.
- Convenient service options are available.

Top value drivers*

Relevant offers and promotions	Improved products and offerings	Empowered staff	Compelling shopping experience	New customer loyalty
5%–15% Increase in inventory turnover	**5%–20%** Improvement in merchandising FTE productivity	**5%–20%** Reduction in store operating cost		

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Sell Outcomes Beyond Products

Ingredient and Recipe Meal-Kit Service

With this integrated, end-to-end scenario, use superior understanding of your customers' needs to create new revenue-generating offers and services, such as personalized meals.

Traditional scenario

- Customer shops for groceries with a few meals in mind, at best equipped with a shopping list.

- Store staff lacks information to make recommendations.
- No customer history or insight on preferences is available.
- There are no recipes, no information on nutritional values, and no way to match with consumer lifestyle.

- Items for a meal can be incomplete.
- Key items can be forgotten or out of stock.
- Leftovers and excess packaging can result.

- There is no added customer value.
- There is no way to differentiate retail services.

A new world with SAP

Customer subscribes to meal-kit service and provides cooking and taste preferences and physical and exercise information per their individual preferences and goals.

Customer prepares meals and provides feedback.

Feedback and machine learning are used to improve recipes, recommendations, and the overall offering, and they kick off the next delivery cycle.

Customer profile and preferences are enhanced based on structured and nonstructured feedback.

Consumer

Nutrition expert

Home

Food and nutrition experts help consumers discover matching items based on their personal preferences and buying history.

Through machine learning, back-end system determines recipe recommendations based on customer data, preferences, and history, including data from social media.

Trend analysis from Web searches helps make recommendations that drive demand.

Meal kits are assembled and shipped directly to customers based on shipping preferences.

Home delivery or pickup of selected meal kits are according to specs, with the right size, amount, and nutritional values and with reduced sustainable packaging.

Customer prepares meals and provides feedback.

Top value drivers*

Up to 3x Larger size of shopping baskets	**25%** Reduced markdowns
New levels of customer proximity and understanding	**30%** Reduced logistics cost per item
Flawless execution of service promises	**Improved** Customer loyalty
Hyperpersonalization by machine learning and predictive analytics	

SAP Strategy – Deliver the Intelligent Enterprise

Intelligent enterprises run agile, integrated business processes and use advanced technologies such as artificial intelligence, machine learning, and the Internet of Things.

They apply leading-edge industry best practices and work together to build flexible value chains. They evaluate and act on customer, partner, and employee sentiment, and they understand and manage their environmental impact. This makes them resilient, successful, and sustainable.

BUSINESS PROCESS

APPLICATIONS

TECHNOLOGY

BUSINESS NETWORK

Across all functions

EXPERIENCE MANAGEMENT

INTELLIGENT SUITE

SUSTAINABILITY MANAGEMENT

INDUSTRY CLOUD

BUSINESS TECHNOLOGY PLATFORM

SAP S/4HANA Provides New Capabilities to Enable the Strategic Priorities of Retail Companies

SAP S/4HANA Innovations

Strategic Priority	▶ Customer experience (revenue and retention)	▶ Economic Value Added	▶ Process excellence (cost and margin)
Be Customer Centric Across the Value Chain	• Retail integration into SAP Commerce Cloud solutions • Omnichannel pricing and promotions • Assortment management	• Markdown management • Global data synchronization • Object pagers for promotion, product, site, and allocation	• Product data governance • Store layout management • Promotion collaboration • Promotional procurement	• Distribution curve analytics • Master data enrichment with machine learning • Predictive stock in transit
Serve the Segment of One	• Consistent management of season, collection, and themes • Value-added services • Distribution curves	• Stock protection • Conversion of supplier characteristic values • Demand supply segmentation • Distribution curves	• Advanced available-to-promise	• Real-time inventory • Predictive stock in transit
Run Smart Stores	• Intuitive in-store SAP Fiori® apps for better customer service – look up product, click and collect,* move products	• Repository of all store interaction data* • Dashboards for the store manager with an overview on KPIs	• RFID-enabled SAP Fiori apps for inventory management – transfer, receive, and count products • Launchpad for personalization	• Connectivity to any POS system
Implement Digital Supply Chains	• Purchase order scheduling • Supply assignment • Processing of structured articles with full products	• Collective purchase order processing • Purchase order optimization • Supplier agreement planning and negotiation	• Material requirements planning • Advanced available to promise • Replenishment planning	• Merchandise allocation • Advanced returns management • Supplier managed inventory
Sell Outcomes Beyond Products	• Master data harmonization • Production planning and demand scheduling information in retail article	• Conversion of "standard material" to "retail article" • Subscription contracts and billing and revenue management	• Vertical retailing on harmonized process and data model • Retail as a function	• Extended warehouse management and extended transportation management on one platform

*Planned

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The Value of SAP S/4HANA for Retail Companies

SAP S/4HANA provides retailers with a proven framework to adopt industry best practices while attaining operational excellence across the full value chain.

Strategy enablement

Empowered employees

Business benefits

IT benefits and TCO

Strategy enablement

- Accelerating new business-model innovation and new revenue-generating opportunities
- Running efficiently at scale, leveraging intelligent automation with the best total cost of ownership (TCO)
- Understanding every aspect of your business and steering your company in real time to adjust rapidly to changing business
- Enabling faster domestic and international expansion and accelerating M&A synergy
- Managing business and resources in compliant and sustainable ways
- Mastering the transition from a physical to a digital world

Empowered employees

- Higher productivity with a new, role-based way of working with a responsive, intuitive user experience on all devices
- Improved user experience with access to data from anywhere on any device, with interactive graphics and analytics on a single copy of data
- Greater ability of store associates and store managers to serve their customers effectively when equipped with the right information
- Actionable insights on unified, real-time data and processes, with built-in system suggestions for decision support
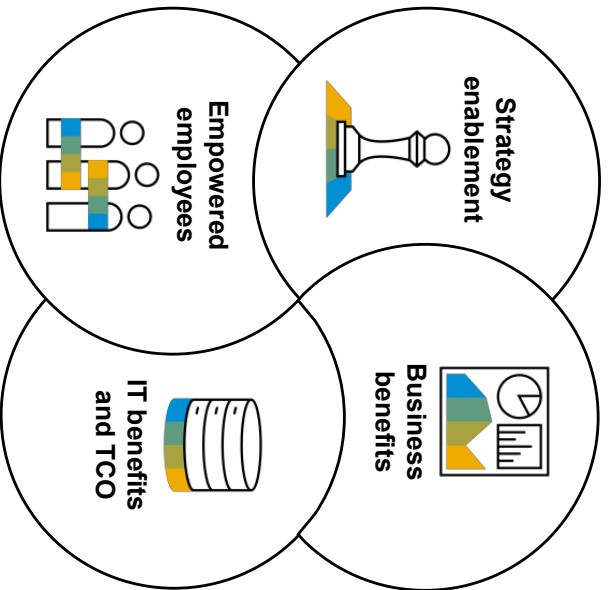
Business benefits*

- 20%–40% reduction in unplanned markdowns
- 8%–10% reduction in revenue loss due to stock-outs
- 10%–20% increase in customer satisfaction
- 10%–15% reduction in customer churn
- 10%–20% increase in revenue from cross-sell and up-sell
- 10%–20% increase in on-time delivery performance
- 5%–20% increase in order management FTE productivity
- 5%–15% increase in inventory turnover
- 5%–20% improvement in merchandising FTE productivity
- 5%–20% reduction in store operating cost
- 10%–20% increase in revenue from new products and services
- 5%–10% increase in revenue share of new customers

IT benefits and TCO

- Fast performance by up to a factor of 10
- Memory footprint reduction by up to a factor of 5
- Merger of OLAP and OLTP
- Elimination of many desktop clients
- Simplified software landscapes
- Native integration
- Reduced TCO through landscape simplification

Customers Are Achieving Value with SAP Solutions

Jacques' Wein-Depot

Industry
Retail

SAP solutions
SAP for Retail solutions,
SAP S/4HANA Finance solution,
SAP Omnichannel Point-of-Sale
application by GK, SAP Customer
Experience solutions, and
SAP HANA® Enterprise Cloud

Customer Web site
www.jacques.de (German)

Click here to read the business
transformation study.

Jacques' Wein-Depot wants to capture and retain demand from in-store wine
tastings by making buying wine a simple, connected, and enjoyable shopping
experience across all its stores, channels, and devices.

It is transforming its IT landscape to support truly omnichannel retail operations,
including click-and-collect, frictionless returns of online purchases between stores,
and more – helping the company deliver sparkling customer service.

> " Our ultimate goal is to be able to integrate data from all touch points to get
> a 360-degree view of the customer, which will enable us to deliver the very best
> service. "
>
> Dirk Bungarz, General Manager Accounting/HR/IT Management,
> Jacques' Wein-Depot Wein-Einzelhandel GmbH

Customers Are Achieving Value with SAP Solutions

Abarrotera del Duero S.A. de C.V. (Grupo Merza)

Industry
Retail

SAP solutions
SAP S/4HANA
Retail solution for
merchandise
management and
SAP Customer
Activity Repository
application

Customer Web site
www.merza.com.mx (Spanish)

Click here to read the business transformation study.

Grupo Merza must ensure fast and reliable service for suppliers, business partners, and consumers. Whether running to the local minimart, shopping for the week, or saving time with home delivery, the people of Mexico know they can get exactly what they need and more from Grupo Merza. It has provided customers with affordable, high-quality products and great service for more than 72 years.

To continue growing and maintaining its competitive edge, Grupo Merza needed to better unify its enterprise management systems. The answer was a single, central digital core powered by SAP S/4HANA.

> **SAP Enterprise Support services empowered us to best prepare for a conversion to SAP S/4HANA** by providing proactive support and expert guidance. We are now one step closer to becoming an intelligent enterprise and ensuring faster service to our ecosystem.

Oscar López Mendoza, IT Manager, Abarrotera del Duero S.A. de C.V. (Grupo Merza)

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Overview | Strategic Priorities | E2E Scenarios | SAP Strategy | SAP Solution Portfolio | SAP Value Proposition | References

Customers Are Achieving Value with SAP Solutions

Sharjah Cooperative Society (SCS)

Industry
Retail

SAP solutions
SAP S/4HANA Retail solution for merchandise management, SAP Model Company service for Core Retail, and SAP HANA Enterprise Cloud

Customer Web site
www.shjcoop.ae

Click here to read the business transformation study.

As the first cooperative society in the United Arab Emirates, SCS has thrived in a rapidly growing economy despite fierce competition. To perfect its business, it implemented scenarios supporting automatic order support, meat processing, and in-store production operations.

With help from SAP, SCS went from manual tasks to automation in nine months, reduced annual stocktaking time from three weeks to five days, and automated its inventory replenishment processes. With the SAP Model Company service for Core Retail, preconfiguration services allowed SCS to complete implementation in the record time of nine months.

> "
> **Project delivery is very efficient, organized, and transparent.** There is a willingness to be flexible when needed. The project team has proven they are up to the task.
> "

Jasim Al Abdooli, IT Department Head, Sharjah Cooperative Society

Customers Are Achieving Value with SAP Solutions

OneStop

Industry
Retail

SAP solutions
SAP S/4HANA, SAP for Retail solutions, and SAP Fiori apps

Customer Web site
https://onestopretail.in
Click here to read the business transformation study.

OneStop needed to stay ahead of competition in a rapidly changing market and embarked on a digital transformation to improve business processes, increase efficiency, and enhance customer service.

With SAP S/4HANA OneStop now has complete support for all core retail processes from master data down to point of sale. Retailers are able to deliver a better consumer experience; leverage greater insights into operational retail data, such as precise stock assessments, to empower sales staff; and gain real-time analytics for faster and better decision-making. All these are delivered through a simple and intuitive user interface that enables OneStop staff to improve efficiency and customer service.

> **We chose to implement SAP S/4HANA to streamline our business processes.** Its real-time analytics capabilities are already helping us strengthen our position as a leader in a fast-moving marketplace.
>
> Jayesh Dedhia, Managing Director, OneStop Retail Pvt. Ltd.

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THE BEST RUN SAP