SAP Value Paper | PUBLIC

Intelligent ERP – The New Foundation of an Intelligent Fashion Enterprise

Business Value of SAP S/4HANA®

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The Power of Intelligent ERP

Today, we are experiencing radical changes led by a major unexpected event that is creating the so-called "new normal." Fashion is one of the industries most impacted by the pandemic, and it is squeezed from two sides: declining demand and severe disruptions in supply. Shops were closed overnight, and even e-commerce sales have declined. This has increased the pressure on fashion executives to accelerate digitalization, find new revenue streams, and pursue new business models.

In addition, consumers have long been shifting their focus away from pure consumerism to values such as sustainability and ethical supply chains; and fashion leaders responded, for instance, with the integration of a circular economy into the value chain. At SAP, we believe that Intelligent ERP at the core of the enterprise is the centerpiece for value creation, business continuity, and innovation to take the fashion business to new postcrisis heights.

Stability and Flexibility to Innovate
SAP S/4HANA® is our digital core to offer stability and long-term reliability for all key fashion processes. It allows fashion companies to adapt to new challenges and opportunities, helping them pursue new business priorities, cope with restrictions and the damaging impact of the pandemic, and make the most of economic and consumer dynamics.

The solid foundation of SAP S/4HANA provides a single source of truth, with detailed real-time insights into customers and business processes, while enabling flexibility for innovation to accommodate new business models, new regulations, and market expansion.

Sustainability – Reshape the Value Chain
Consumer trust is paramount and can make or break a fashion brand. Demonstrating sustainable practices is the way to win it. Circular business models including resale, repair, recycling, and upcycling will rise in importance and can open alternative revenue streams. Strong capabilities in the transactional back end are key to handle the reverse logistics into alternative sales channels.

Accelerate Digitalization
Physical distancing during the pandemic has further emphasized the importance of digital channels. Consumers are embracing digital shopping solutions, and demand for new no-touch experiences will only increase.

Thus, virtual sampling, AI-supported planning, digital showrooms, and virtual fashion shows have become a reality. Embedding these technologies with core processes enables further optimization and automation of business processes. Innovative fashion companies are leveraging new technologies to deliver more impactful, personalized, and contextual consumer experiences.

Pervasive Use of Intelligent Technologies Is Key
Fashion companies need a solution that supports Intelligent ERP and can be continuously enhanced and extended with innovative business services and applications built on emerging technologies. What will matter in the new normal of the digital economy is speed of change, quick adoption of innovation, and business automation.

Bringing SAP S/4HANA and our Business Technology Platform together in a side-by-side approach results in a more flexible and intelligent enterprise and helps fashion companies achieve next-generation business processes while keeping the core stable.

Intelligent ERP is immediate – empowering business users with insights to act in the moment. It is intelligent – going beyond automation to predictive suggestion. And it is integrated – not only between your departments but also to the outside world of consumers and business partners, allowing fashion brands to cut down time to market and be ahead of consumer needs and fashion trends.

Drive Business Value with Intelligent ERP: SAP S/4HANA Customer Story

G-Star Raw

" G-Star Raw is using SAP S/4HANA as leverage to transform our classic business model into a vertically integrated retailer. With SAP S/4HANA we have the control of the assortment and the replenishment of our retail ecosystem. We make **faster and better decisions** when fulfilling our customer needs across all channels by offering full visibility of our store's stock and warehouse inventory. "

Pepe Fernández, Global IT Manager, G-Star Raw

Strategic Priorities in a Digital Economy

The COVID-19 pandemic has accelerated the need for complete digital transformation of the fashion business. Fashion companies need to focus on strategic priorities that will let them be more resilient and create significant opportunities along the way. SAP supports a reimagined set of end-to-end (E2E) business scenarios to further the strategic priorities of working in a digital environment.

These are some examples underpinning the priorities – enabled by SAP S/4HANA and the SAP for Retail solution portfolio.

Inspiring brand experiences
Deliver a channel-less brand experience, personalized and frictionless. Innovate store interactions to foster the brand and make shopping convenient and inspiring anywhere, anytime.

E2E scenario: Redefined fashion store – Creation of new shopping experiences

Segment of one
Leverage customer insights to provide personalized items, offers, and services to build customer-for-life relationships and expand wallet share.
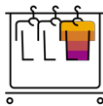
E2E scenario: Connected fashion – Relevant offers in the moment of need

Connected supply chain
Execute a customer-centric supply chain to intelligently connect people, things, and processes using artificial intelligence for greater efficiency and new levels of responsiveness.

E2E scenario: Digital supply chain – End-to-end visibility and faster response

Proven sustainability
Renew processes to eliminate waste, reduce pollution, and encourage recycling and circular flows of goods, as well as foster ethical sourcing and manufacturing and monitor and communicate the sustainability impact.

E2E scenario: Make – use – return – reuse – Sustainable circular value chain

Adaptive business models
To quickly enter adjacent businesses and markets, moving away from singular transactions to continuity models, emerging business models must allow for easy brand extension.

E2E scenario: Curated fashion – Ongoing transformation as status quo
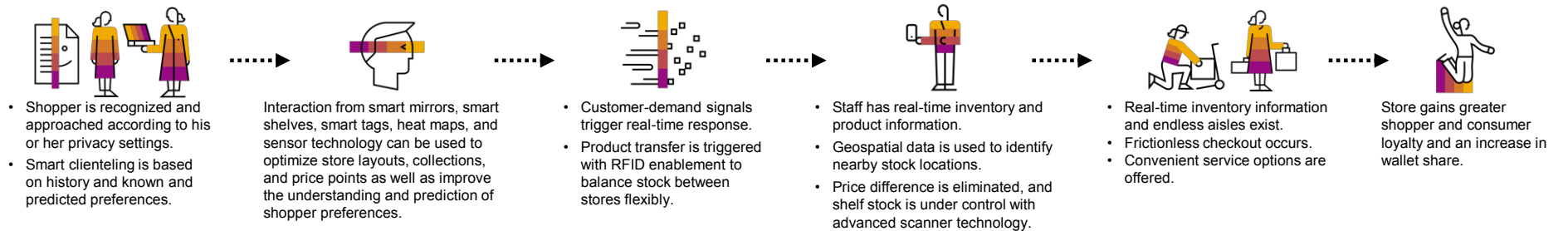
Inspiring Brand Experiences

Redefined Fashion Store

Deliver a channel-less brand experience, personalized and frictionless, and innovate store interactions to foster the brand.

Traditional scenario

- Shopper enters store anonymously.
- No history is available.
- No insight into needs, preferences, price points, or buying behavior is given.

- Payment is recorded upon checkout.
- No customer interaction data is captured.

- Store is run by point-of sale transaction only.
- Only what is sold is seen.
- Valuable interaction data is lost.
- Customer preferences are not discovered.

- Staff is without access to real-time inventory information or incoming deliveries.
- Staff has no ability to guide customers.

- No personalized offers are available.
- No convenience options are available.
- No help is given when items are not available.
- Customer has no ability to give feedback.

- Staff can't differentiate customer experience or offer service that drives loyalty.
- Stores are exposed to price competition from online pure plays.

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- Shopper is recognized and approached according to his or her privacy settings.
- Smart clienteling is based on history and known and predicted preferences.

- Interaction from smart mirrors, smart shelves, smart tags, heat maps, and sensor technology can be used to optimize store layouts, collections, and price points as well as improve the understanding and prediction of shopper preferences.

- Customer-demand signals trigger real-time response.
- Product transfer is triggered with RFID enablement to balance stock between stores flexibly.

- Staff has real-time inventory and product information.
- Geospatial data is used to identify nearby stock locations.
- Price difference is eliminated, and shelf stock is under control with advanced scanner technology.

- Real-time inventory information and endless aisles exist.
- Frictionless checkout occurs.
- Convenient service options are offered.

- Store gains greater shopper and consumer loyalty and an increase in wallet share.

Relevant offers and promotions	Improved products and offerings	Empowered staff	Compelling shopping experiences	New customer loyalty

Top value drivers*

5%–15%
Increase in inventory turnover

5%–20%
Improvement in merchandising FTE productivity
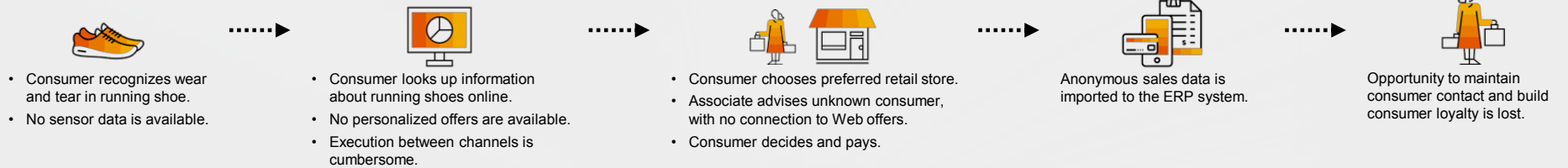
10%–20%
Increase in buying frequency

*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.
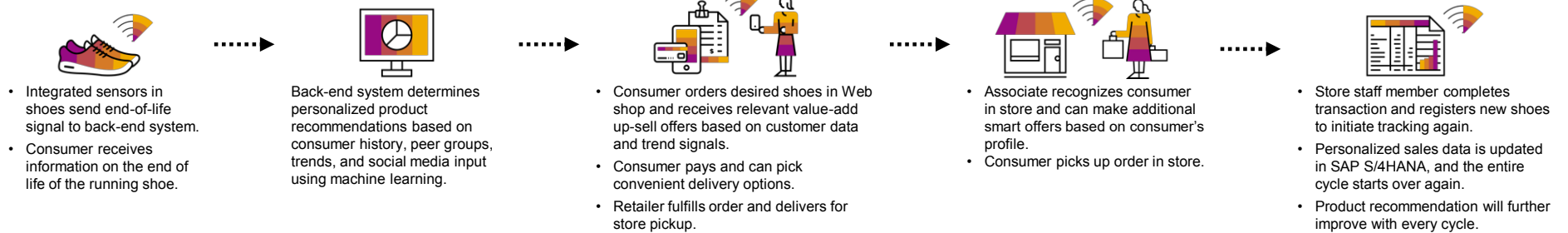
Segment of One

Connected Fashion

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 delivers significant efficiencies and new business opportunities to the retailer.

Traditional scenario

- Consumer recognizes wear and tear in running shoe.
- No sensor data is available.

- Consumer looks up information about running shoes online.
- No personalized offers are available.
- Execution between channels is cumbersome.

- Consumer chooses preferred retail store.
- Associate advises unknown consumer, with no connection to Web offers.
- Consumer decides and pays.

Anonymous sales data is imported to the ERP system.

Opportunity to maintain consumer contact and build consumer loyalty is lost.

A new world with SAP

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

Back-end system determines personalized product recommendations based on consumer history, peer groups, trends, and social media input using machine learning.

- Consumer orders desired shoes in Web shop and receives relevant value-add up-sell offers based on customer data and trend signals.
- Consumer pays and can pick convenient delivery options.
- Retailer fulfills order and delivers for store pickup.

- Associate recognizes consumer in store and can make additional smart offers based on consumer's profile.
- Consumer picks up order in store.

- Store staff member completes 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.
- Product recommendation will further improve with every cycle.

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

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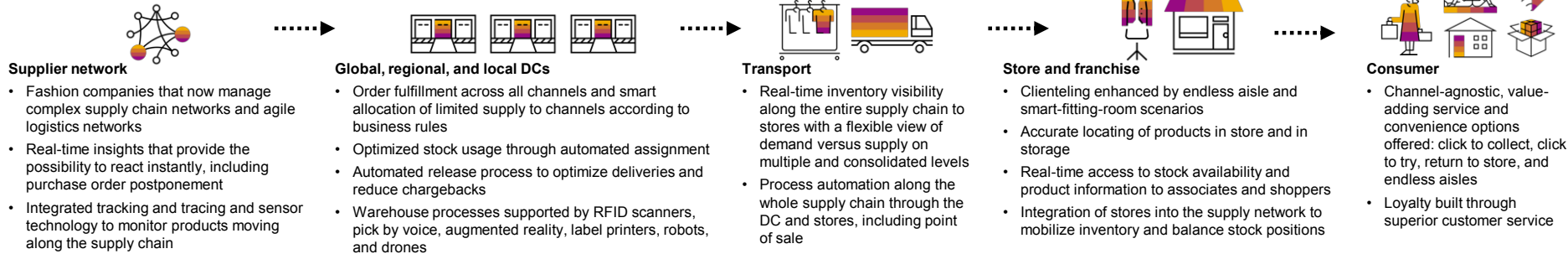
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Connected Supply Chain

Digital Supply Chain

Execute a customer-centric supply chain to intelligently connect people, things, and processes using artificial intelligence for greater efficiency and new levels of responsiveness.

Traditional scenario

Supplier network
- Struggles with nonlinear supply chains
- Slow and nontransparent processes, no real-time insight, cumbersome and manual alignment with different players

Global, regional, and local distribution centers (DCs)
Order promising following first-come, first-served rule, rather than considering company and order priorities and demand forecasting

Transport
- Lack of full, real-time, situational awareness
- Limited inventory visibility when moving along the supply chain

Store and franchise
- No transparency on inventory in store (front store and back store, for example)
- Stores not used as fulfillment locations

Consumer
Inability to offer convenient delivery options, making it hard to build loyalty through service

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Supplier network
- Fashion companies that now manage complex supply chain networks and agile logistics networks
- Real-time insights that provide the possibility to react instantly, including purchase order postponement
- Integrated tracking and tracing and sensor technology to monitor products moving along the supply chain

Global, regional, and local DCs
- Order fulfillment across all channels and smart allocation of limited supply to channels according to business rules
- Optimized stock usage through automated assignment
- Automated release process to optimize deliveries and reduce chargebacks
- Warehouse processes supported by RFID scanners, pick by voice, augmented reality, label printers, robots, and drones

Transport
- Real-time inventory visibility along the entire supply chain to stores with a flexible view of demand versus supply on multiple and consolidated levels
- Process automation along the whole supply chain through the DC and stores, including point of sale

Store and franchise
- Clienteling enhanced by endless aisle and smart-fitting-room scenarios
- Accurate locating of products in store and in storage
- Real-time access to stock availability and product information to associates and shoppers
- Integration of stores into the supply network to mobilize inventory and balance stock positions

Consumer
- Channel-agnostic, value-adding service and convenience options offered: click to collect, click to try, return to store, and endless aisles
- Loyalty built through superior customer service

| Continued demand–supply matching | Stock balancing and protection | Process automation | Superior customer interaction | Customer service options |

Top value drivers*

10%–20%
Increase in onetime delivery performance

10%–12%
Reduced days in inventory

5%–20%
Increase in order management FTE productivity

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Proven Sustainability

Make – Use – Return – Reuse

Allow the reentry of products back into the value chain or connecting partners that can benefit from or contribute to the value chain. Optimize the value chain to reduce waste and overstock, leveraging sustainable products, methods, and new processes.

Traditional scenario

- No proof points if product is clean, safe, reliable, genuine, or sustainable
- No transparency if fair salaries are paid
- Lack of understanding about environmental circumstances

- Low transparency into tracking of true value of fashion products (for example, ethical practices)
- Separate sourcing departments per channel
- Cumbersome adaptation to changes in procurement
- No understanding of waste and reuse of resources
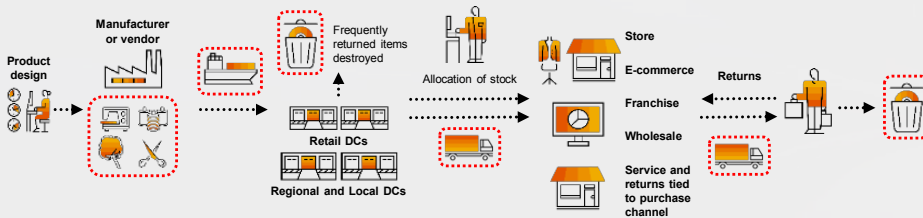
- Lack of overall inventory visibility and permanent latency in reporting, which leads to poor cross-channel stock allocation and cannibalization of channels
- No process to recycle back into the value chain
- Majority of products ending up in landfills
- Waste and overstock leaving the value chain with minimum reentry

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- Shift away from "take, make, waste" model
- Implement sustainable and circular fashion models and processes
- Keep recycling aspect in mind when designing and manufacturing the product
- Enable global traceability to satisfy consumer demand for transparency
- Provide proof of origin and properties of every component that goes into the products
- Enable efficient procurement processes that make it easy to react to demand changes, thereby avoiding overstocking
- Create less waste

The circular fashion economy wheel
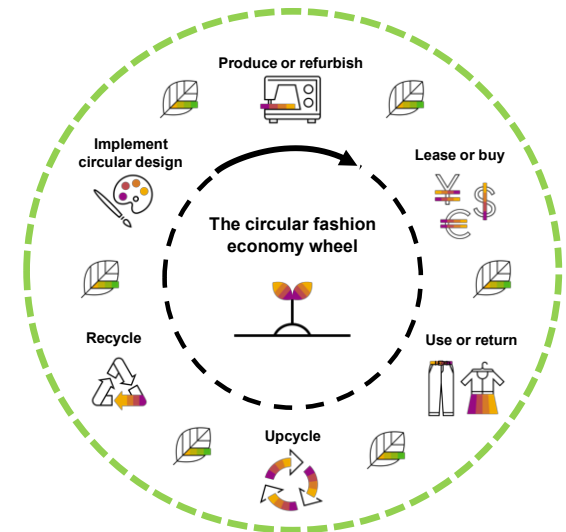
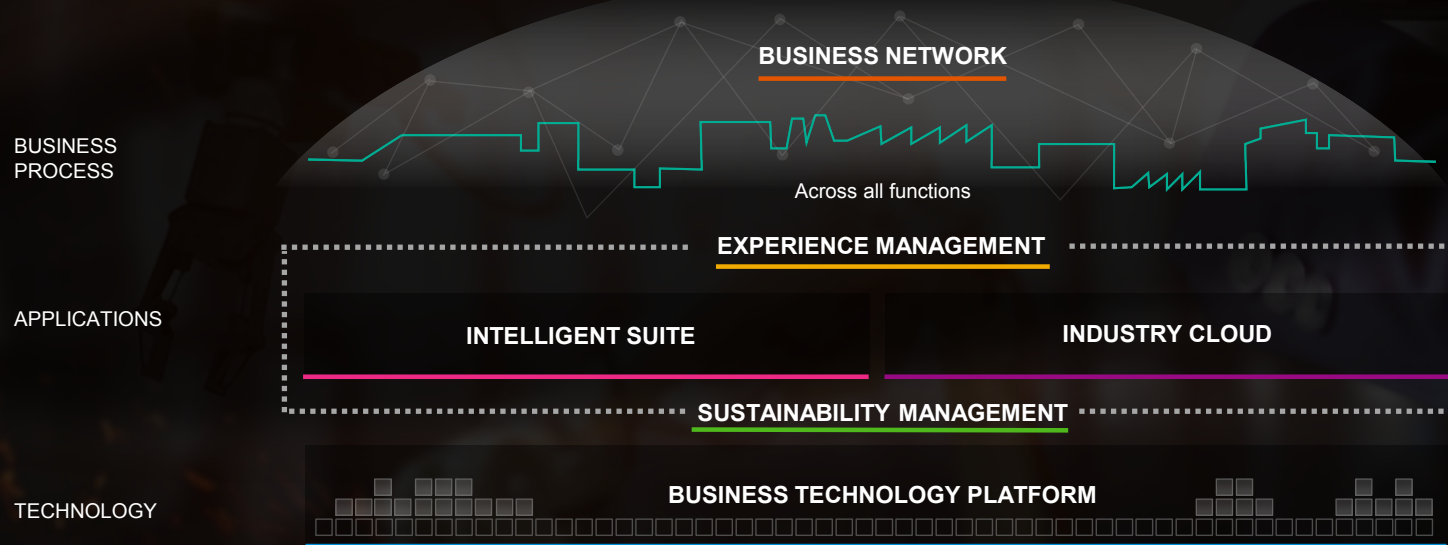| New customers for sustainable choices	Strong brand and social license to operate	New, innovative products and services
Top value drivers*		
5%–15% Increase in customer satisfaction	**5%–20%** Improvement in brand value	**10%–20%** Reduction in waste

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Adaptive Business Models

Curated Fashion

Moving away from singular transactions to continuity models, emerging business models must allow for easy brand extension to quickly enter adjacent businesses and markets.

Traditional scenario

Consumer searches for an outfit for a special occasion on diverse Web sites of well-known brands.

- Consumer experiences a lengthy, time-consuming search process browsing several independent Web sites.
- Consumer receives no support from style experts, no guidance on matching items or outfits, and no personal relevance.
- Choice overload leads to lack of purchase.

- Due to various suppliers, fashion boxes arrive on different days at consumer's home.
- Consumer has a hard time finding matching items and styles.
- No stylist input or value-add advice is available.

Consumer returns items and starts new search.

A new world with SAP

- Consumer searches for an outfit for a special occasion, browses Web sites that offer curated fashion, and provides information on size, style, and price segment.
- Fashion company can improve assortment and overall offering and kick off the next cycle.
- Based on successful recommendations and consumer proximity, fashion companies can offer subsection models, sharing deals, and so on.

Consumer   Stylist

Home
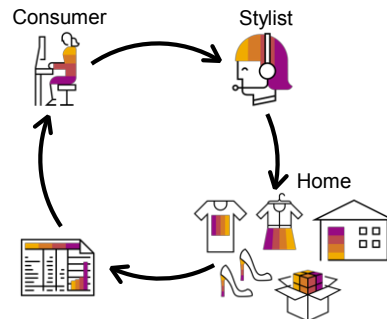
- Style experts from fashion company can help consumer discover matching items based on personal preferences
- With machine learning, back-end system determines curated outfit recommendations based on consumer data, preferences, and history, including data from social media
- Trend analysis from Web searches helps make recommendation that drives demand
- Selected fashion items are delivered to consumer's home
- Consumer chooses favorite outfits and returns items not desired
- Consumer is highly satisfied with personalized, curated products delivered quickly at the same price as an off-the-shelf product

New levels of customer proximity and understanding	Increased shopping basket size	Recurring revenue from subscriptions
Top value drivers* **10%–20%** Increase in revenue from new products and services	**15%–35%** Increase in shopping basket size	**5%–10%** Increase in revenue from new customers

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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 NETWORK

BUSINESS PROCESS

Across all functions

EXPERIENCE MANAGEMENT

APPLICATIONS

INTELLIGENT SUITE   **INDUSTRY CLOUD**

SUSTAINABILITY MANAGEMENT

TECHNOLOGY   **BUSINESS TECHNOLOGY PLATFORM**

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

SAP S/4HANA Innovations	Economic Value Added			
	Customer experience (revenue and costs)		Process excellence (working capital and equipment)	
Inspiring Brand Experience	• In-store apps for better customer service, such as clienteling • Experience management for sales and service	• Store interaction repository* • Dashboards for the store manager and store associate	• Store connectivity to POS systems • Store management with RFID • Omnichannel inventory and order response	• In-store apps for store logistics to receive, order, transfer, and count products
Segment of One	• Commerce management and personalization • Single customer view	• Customer identity management • Supply protection	• Planned and production order management for fashion • Manufacturing execution from make to order	• Demand and supply segmentation • Real-time inventory • Predictive stock in transit
Connected Supply Chain	• Purchase order scheduling • Purchase order optimization • Supply assignment	• Purchase order processing • Collective purchase order management • Supplier agreement planning and negotiation	• Material requirements planning • Advanced available to promise • Supply assignment • Demand and supply segmentation	• Merchandise allocation • Advanced returns management • Supplier managed inventory
Proven Sustainability	• Product design and development • Understanding of the full CO_2 footprint of products and operations	• Customer service • Assortment management	• Strategic sourcing • Carbon footprint • Connected worker safety	• Health and safety management • Product costing
Adaptive Business Models	• Master data harmonization • Production planning and demand scheduling information in retail article	• Conversion report material to 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

SAP's Value Proposition for Fashion Companies

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

Strategy enablement

- Understand every aspect of your business and adjust to rapidly changing business requirements
- Report in real time by function, region, category, channel, and product
- Support modern customer journeys with seamless experiences
- Shorten cycles from planning to launches to execution
- Enable faster domestic and international expansion
- Accelerate new business-model innovation and drive new revenue-generating opportunities
- Manage risk and help ensure compliance
- Accelerate synergy for mergers and acquisitions

Empowered employees

- Higher productivity and faster user adoption through tailored user interfaces enabled by the SAP Fiori® user experience
- Better user experience with access to data from anywhere on any device, with interactive graphics and analytics on a single copy of data
- Employees who are equipped with the right information to serve their customers more effectively

Strategy enablement

Business benefits

Empowered employees

IT benefits and TCO
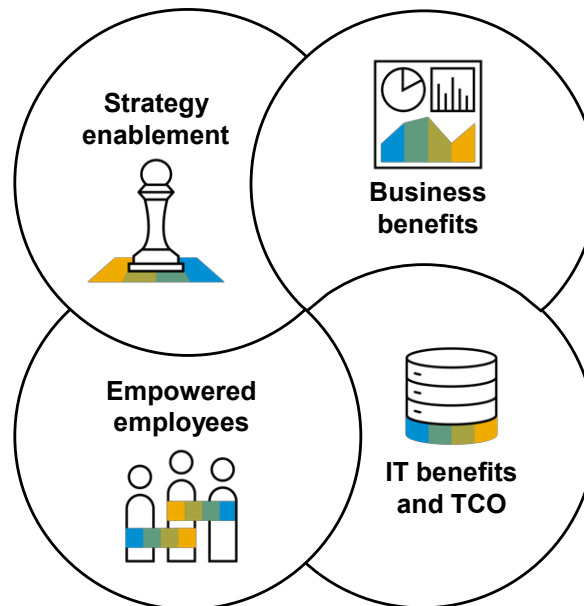
Business benefits*

- **5%–20%** improvement in brand value
- **5%– 25%** reduction in cart abandonment rate
- **20%–30% i**ncrease in marketing promotion effectiveness
- **10%–20%** increase in revenue from cross-sell and upsell
- **10%–15%** reduction in customer churn
- **5%–20%** increase in customer satisfaction
- **10%–20%** increase in buying frequency
- **10%–20%** increase in on-time delivery performance
- **10%–20%** reduction in waste
- **5%–15%** increase in inventory turnover
- **5%–20%** improvement in merchandising FTE productivity
- **5%–20%** increase in order management FTE productivity

IT benefits and TCO

- Faster performance by up to a factor of 10
- Memory footprint reduction by up to a factor of 5
- Merging of OLAP and OLTP
- Elimination of many desktop clients
- Simplified software landscapes
- Native integration
- Reduced total cost of ownership (TCO) through landscape simplification

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Customers Are Achieving Value with SAP Solutions

PVH Corp.

Industry
Fashion

Customer Web site
https://pvh.com

Click here to read the full story.

SAP solutions
SAP S/4HANA solution for fashion and vertical business, SAP® BW/4HANA® solution, and SAP MaxAttention™ services

PVH Corp. is one of the most admired fashion and lifestyle companies in the world, with a portfolio of brands including Calvin Klein, Tommy Hilfiger, Van Heusen, and Izod. PVH sought a unique platform capable of harmonizing the retail and fashion structure while optimizing manufacturing and wholesale functionality.

PVH completed its conversion to the SAP S/4HANA solution for fashion and vertical business, enabling consolidated business processes that increase efficiency and data transparency, greater responsiveness to changes in supply and demand, and improved reporting and visibility.

"
Our IT platform is key to driving our strategy by supporting innovation, modernization, digitalization, and scalability. Moving to SAP S/4HANA for fashion and vertical business has given us the **transparency and flexibility** we need to continue to grow.
"

Eileen Mahoney, Executive Vice President, Global CIO, PVH Corp.

Customers Are Achieving Value with SAP Solutions

Crystal S.A.S.

Industry
Fashion

Customer Web site
www.crystal.com.co

Click here to read the full story.

SAP solutions
SAP S/4HANA for fashion and vertical business,
SAP Enterprise Support services, and the
SAP Enterprise Support Academy program

Gef, Punto Blanco, Baby Fresh, Galax, Casino – these are the Crystal S.A.S. brands that keep Latin America looking great. As a vertically integrated company with four manufacturing facilities, three distribution centers, and nearly 220 stores, Crystal knows how critical integrated ERP is to maintaining flexibility, competitiveness, and efficiency for customers. So it upgraded to SAP S/4HANA to be prepared to become an intelligent enterprise.

"
SAP Enterprise Support has allowed us to embark on our SAP S/4HANA journey with confidence. There is no doubt that their expertise and guidance will help make the transition easier and our **digital transformation more successful**.
"

Jorge Humberto Escobar, Chief Technology Officer, Crystal S.A.S.

Customers Are Achieving Value with SAP Solutions

KIKO S.p.A.

Industries
Retail and consumer products

Customer Web site
www.kikocosmetics.com

Click here to read the full story.

SAP solutions
SAP S/4HANA for fashion and vertical business, SAP Enterprise Support, Next-Generation Support approach, and the continuous quality check for SAP Business Process Performance Optimization

KIKO S.p.A. – known as KIKO MILANO – allows everyone to express their own personality with world-class cosmetics that are unique to every style, skin tone, skin type, and phase of life.

It is by fusing innovation, quality, and creativity that KIKO MILANO keeps customers on trend – no matter their budget. To continue that mission and grow, the company needed to unify operations. This was behind its decision to migrate disparate ERP systems to a central digital core using SAP S/4HANA.

"SAP Enterprise Support has been very helpful to our digital transformation by **enabling and safeguarding our migration to SAP S/4HANA**. With their support, we can get the most out of our intelligent ERP to continue revolutionizing the cosmetics and beauty sector."

Claudio Bianchi, CIO, KIKO S.p.A. (KIKO MILANO)

Customers Are Achieving Value with SAP Solutions

Penti

Industry
Fashion

Customer Web site
penti.com

Click here to read the full story.

SAP solutions
SAP S/4HANA for fashion and vertical business,
SAP Customer Experience solutions, and
SAP HANA Enterprise Cloud

Turkey's Penti, a family business that grew to become the second-largest manufacturer of legwear in Europe, is the nation's undisputed leader in intimate fashion retailing. The company plans to double in size to 800 stores and is expanding its product line to include leisure wear and accessories.

To help manage this complexity and develop the foundation for its digital business, Penti is using the SAP S/4HANA solution for fashion and vertical business. Its Internet of Things and machine learning capabilities give retailers the flexibility and agility needed to deliver end-to-end customer experiences.

> "Digital transformation is very, very crucial for us. We have 36 collections per year, which adds up to 4,000 stock-keeping units every year. In addition, half of our customers look online before coming into the store, so **personalization plays an important role**.

Sami Kariyo, Chairman, Penti

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