



**SAP S/4HANA®**

**Transform  
Retail Merchandise  
Management** with  
SAP S/4HANA®

# AGENDA

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# RETAIL ON SAP S/4HANA OVERVIEW

## Transform retail merchandise management on SAP S/4HANA®

We have arrived in the age of digital transformation where everything is connected. Retailer CEOs need to keep up with innovation cycles that are becoming 5x–10x faster and answer tough questions: How to build a customer experience that new competitors cannot easily replicate? How to conquer new segments or markets? How to create new business models to outpace existing competitors that change how to make money?

Following are three important aspects of driving your digital transformation.

First, rethink your business model and try out new territories. Retailers are leveraging their customer proximity to add services to products and to market banking and insurance products. They are extending the manufacture of private-label products, generating revenue from parking space with fuel stations, or turning into network providers for consumer health and lifestyle information. The opportunities are numerous yet often prevented by prescriptive industry practices in enterprise resource planning (ERP) systems – here we need a new dimension of flexibility and agility in the core systems.

SAP S/4HANA® – SAP’s new-generation ERP suite designed specifically for in-memory computing – follows the “industry to the core” principle, meaning that various industry solutions that in the past technically excluded each other now run on one platform. This allows new capabilities and practices that extend the traditional value map and process framework – the basis for running vertically, like many fashion companies, or operating an oil and gas business on the same instance with fuel station convenience shops. Such a platform can enable a future-proof strategy.

Second, become more data driven to create insights that improve your business – for example, introduce the ability to connect, record, and report live on your business. SAP S/4HANA allows real-time insight into operational data and combines analytics with transactional capability. It removes the dichotomy of transactional versus analytical systems and allows for better decisions every time.

Third, reimagine your business processes with the power of in-memory computing. Accelerate mission-critical operations, run simulations, and use embedded science to gain better control over your core processes. Move away from traditional batch processing to dialog processing and eliminate decision cycle time to take action in the moment.

Overcome siloed information and fragmented business process within the same system (in the core, finance, inventory management, and valuation components of SAP S/4HANA are harmonized into common journals), allowing supply chain people to have real-time insights into inventory and finance people to control intercompany profitability with real-time inventory evaluation.

SAP S/4HANA Retail for merchandise management is the industry-specific version of the SAP S/4HANA Enterprise Management solution, the new merchandise management platform providing previously unavailable agility and flexibility that enables you to reinvent your business. Make it the digital core of your future value network and start to connect your workforce, suppliers, consumers, and the Internet of Things (IoT) in real time to capture every opportunity and leverage digital transformation for increased business value.

Key to SAP’s digital core strategy is SAP S/4HANA Enterprise Management, deployed on premise or in the cloud, and running the SAP HANA in-memory, columnar database. This combination of a **modern ERP system, running on a modern, “post-transactional” database** represents one of the best examples of a core ERP environment that can support a broad-based innovation strategy while remaining robust enough to support traditional transactional and operational requirements.  
– Josh Greenbaum, Enterprise Applications Consulting

**“SAP’s considerable investment in the ‘digital core,’** the SAP HANA platform, fashion management capabilities, and IoT bode well for SAP customers and prospects, and IDC recommends that retailers evaluate how SAP’s portfolio and road map has changed to serve them into the future.”  
– Achim Schneider, Global Head of Retail Business Unit, SAP SE

# RETAIL ON SAP S/4HANA OVERVIEW

## SAP S/4HANA Retail for Merchandise Management Sources of Value

SAP S/4HANA Retail for merchandise management is at the core of a comprehensive suite of retail offerings designed to help retailers meet the demands of a digital economy. It supports retail core processes end to end, starting with master data down to point-of-sales (POS) connectivity. It allows insights into operational retail data, empowering users with contextual, real-time information for faster and better decision making. Processes can easily be extended to connect to business networks to form a digital ecosystem and collaboratively drive business model improvements. Equipped with a simple and intuitive user experience, the solution offers better support for headquarters users as well as store associates to drive compelling customer experiences.

## Key Capabilities for SAP S/4HANA Retail



### Responsive Merchandise Management

- Developed natively on the SAP HANA® platform with all options for real-time analytics, integration, and application services
- Redesigned with highly simplified data models and processes in key areas such as inventory management, stock valuation, and even closer integration into the SAP S/4HANA Finance solution, leading to high throughput and fast reporting in key processes
- Consistent user experience and launchpad access across all functional areas, allowing new ways of working for business users
- Empowerment of store associates and store managers with everything they need for better customer service and shop-floor operations
- Omnichannel order execution and fulfillment based on real-time sales and inventory information to keep up with customers' expectations of world-class shopping experiences
- “Industry to core” – one platform that unites various industry solutions using harmonized data models and objects, thus opening up potential for synergies and cross-scenarios

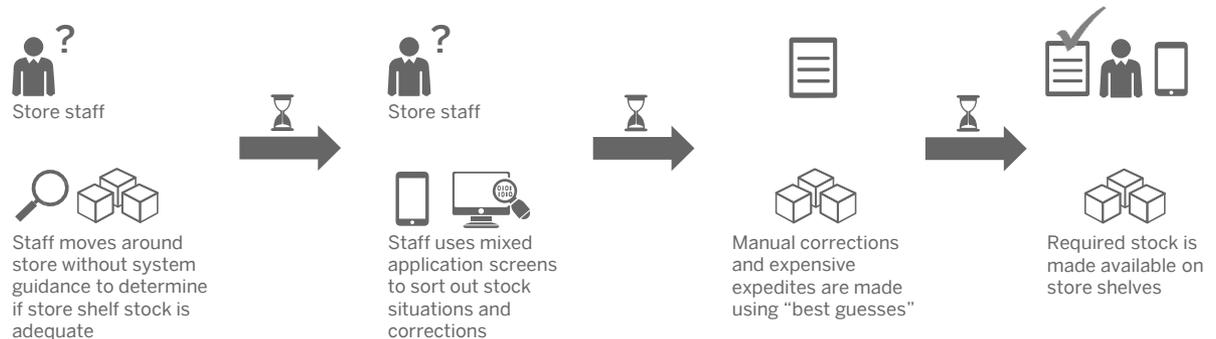
# RETAIL ON SAP S/4HANA OVERVIEW

## EXAMPLE: Store Employee User Experience Simplification

The store has moved from being a pure selling location to a brand ambassador and omnichannel fulfillment hub that now needs to unify the customer's experience and is instrumental in supporting today's anything – anywhere consumer supply chain. It requires a smart and empowered workforce to provide expectation-beating customer service.

### Traditional ERP means:

- Slow, tedious processes and guesswork used to make stock available on store shelves
- Systems not guiding staff or reflecting reality
- Manual, often expedited replenishment and still risk for shelf gaps that impact customer shopping experience and lead to missed revenue



### SAP S/4HANA

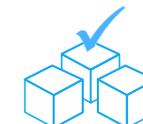
#### Role-Based In-Store Processes

An exception-driven, guided process enables precise stock assessments and immediate corrections and increased staff productivity.

Accelerated replenishment and accurate inventory help ensure optimum on-shelf availability. Store staff are freed up from noncustomer-facing tasks and can focus on serving the customer.



System guides staff through store, and staff makes real-time, exception-driven stock corrections using intuitive mobile app



Required stock is made available on store shelves

Up to **10%**  
Reduction in  
stock-outs

Up to **30%**  
Improved user  
productivity

Up to **5%**  
Higher revenue  
by employee

# RETAIL ON SAP S/4HANA OVERVIEW

## EXAMPLE: Inventory Control Process Simplification

Inventory is the greatest asset of retailers but also the most costly, so it is essential for controlling to strike the balance between being in stock but not tying up too much capital. It is essential to not only look at stock value but also how product profitability evolves across the entire value chain – so controllers need continuous visibility into inventory and value at the highest and lowest level of granularity and the flexibility to react in real time.

### Traditional ERP means:

- Difficult to understand total stock position and upward and downward trends between reporting milestones
- Hard to steer overall tied-up capital and drive profitability proactively
- Permanent latency in inventory turnover reporting
- Inflated capital investment and reduced profitability



## SAP S/4HANA

### Inventory Management

Inventory quantities and values are stored in general journal tables that allow insights into stock positions and values in real time – logistics and controlling sharing the same base of data, which enables course corrections and revaluations whenever needed.



Up to **20%**  
Improvement in inventory turnover

Up to **0.5pp**  
Increase in profitability

# RESPONSIVE MERCHANDISE MANAGEMENT DEEP DIVE



Typical Challenges	Traditional ERP	SAP S/4HANA Enhancements	Benefits*
<p>Fast fashion, consumer electronics – any retailer dealing with highly seasonal merchandise needs to manage increasing number of products with rapid changes in the product lifecycle.</p>	<p>Master data management provided little support for season handling or decision support to determine which styles run best.</p>	<p>New seasonality concepts are a main driver for all processes of a product along its complete lifecycle, from master data creation to procurement and sales, price calculation, and stock management – distribution curves help merchandisers to come up with the right mix of styles.</p>	<p>5%–10% reduced markdowns</p>
<p>Slow collaboration – complex supply chains for products with fast lifecycles make it difficult to bring in the merchandise in time and in the right shape to launch the season.</p>	<p>Tracking the journey of products from remote supplying locations into the stores was difficult and implemented across separate systems (event management system) – not entirely built into a unified procurement process.</p>	<p>Collaboration between suppliers and agents, close tracking of the merchandise journey with workbenches that allow course corrections in an automated manner as well as via manual interaction – information and process support for special handling, such as labeling, ticketing, and packaging, are embedded.</p>	<p>3%–5% reduced revenue loss due to reduction of stock-outs  10%–20% reduced overall supply chain planning cost</p>
<p>Grocery retailers define their brands more and more by their range of fresh products – meat and cheese counters are points of attraction for consumers, but managing catch-weight products is a major challenge for inventory and management and valuation.</p>	<p>Conversion of the number of pieces of catch-weight articles into the right weight is based on rigid conversion factors and ends in incorrect stock values, requiring permanent inventory corrections.</p>	<p>Ability to hold different weight factors (catch-weight management) as a key functionality in meat production facilities, for instance – on SAP S/4HANA, industry capabilities are united and can be accessed and leveraged to improve functional fit.**</p>	<p>5%–10% higher inventory accuracy  5%–10% reduced waste</p>

\*Benefits express potentials and are based on early adopters of SAP S/4HANA or conservative outside-in benefits due to moving from traditional ERP to enhanced SAP S/4HANA and line-of-business and cloud capabilities. As each enterprise is at a different level of maturity, we recommend working with you to determine the value proposition for your enterprise.

\*\*Planned item on solution road map

# RESPONSIVE MERCHANDISE MANAGEMENT DEEP DIVE



Typical Challenges	Traditional ERP	SAP S/4HANA Enhancements	Benefits*
<p>The right product at the right quantity at the right time is key in retail – the massive number of products and locations within a retail company puts pressure on supply chain planning and also on omnichannel fulfillment processes.</p>	<p>Mission-critical core retail processes, such as replenishment processes or calculation of available-to-promise (ATP) quantities, can only be run in nightly batch windows.</p>	<p>Replenishment for distribution centers and stores and ATP runs are accelerated by multiple factors, almost allowing users to work in dialog by using in-memory technology (code pushdown and embedded algorithms).</p>	<p>3%–5% reduced revenue loss due to stock-outs 10% reduced total logistics cost Higher inventory turns</p>
<p>Limited insight into stock levels prevents course corrections in time in order to react to stock-outs or changes in customer demand.</p>	<p>Stock information is spread across many tables, aggregates that prevents quick access to information on inventory positions.</p>	<p>Inventory information is stored in general journal tables for simple reporting in real time on stock position and stock values – users responsible for the supply chain can react to critical stock situations while controllers are able to track and assess profitability.</p>	<p>Higher inventory turns 10%–15% lower inventory carrying cost 30%–40% higher inventory accuracy</p>
<p>Wild mix of user interfaces based on different technologies, using different navigation schemes, hampers the user experience and employee efficiency, particularly in the store where mobility and contextual information is key for better service.</p>	<p>User interfaces are transaction oriented versus role oriented and not based on the user’s work process; therefore, they are not telling the users what they need to do.</p>	<p>Visual harmonization of all user interfaces present identical look and feel and navigation schemes across all areas – access via role-based launchpads that empower employee with contextual information, insight to action, collaboration, and real-time access to information they need for their daily work.</p>	<p>15%–20% improved retail store FTE productivity 30% time reduction in decision making</p>

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# SAP S/4HANA SOLUTION PORTFOLIO FOR RETAIL

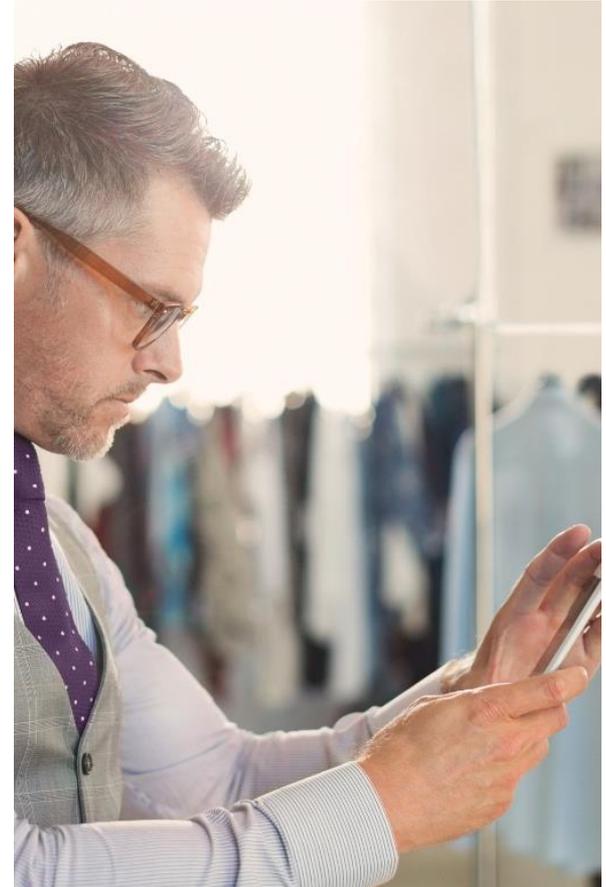
In addition to SAP S/4HANA Retail for merchandise management, customers benefit from a complete portfolio of retail solutions built around the digital core with native pre-built integration to allow firms to address the needs demanded by today's digital economy. Processes are designed and built against an underlying reference architecture for an end-to-end flow – connecting front office with back office, digital channels with brick-and-mortar, transactional systems with optimizing applications, and on-premise solutions with cloud.

The solutions listed below are the most pertinent and relevant to SAP S/4HANA Retail for merchandise management.

## **SAP Customer Activity Repository**

The SAP Customer Activity Repository application provides real-time customer and business insight in retail and fashion in one location. It is a platform for consuming applications for promotions, merchandising, and assortment planning. SAP Customer Activity Repository receives transactional data from SAP S/4HANA Retail for merchandise management, such as master data, promotion and process, and inventory information, which are used by the SAP Hybris® Commerce solution to provide omnichannel product availability and consistent price information into the various channels. Sourcing logic and order orchestration route the products to the right fulfillment locations. An embedded forecasting engine drives planning applications that feed back their output back into the SAP S/4HANA core for execution.

- SAP Merchandise Planning for Retail and SAP Assortment Planning for Retail are applications for the chief merchant officer that directly consume data from SAP Customer Activity Repository and feed back results into the SAP S/4HANA Retail for merchandise management core for product to create new products for a collection and assign them to the store according to the product/location mix that the merchandising department agreed upon.
- SAP Promotion Management for Retail uses master data and the forecast from SAP Customer Activity Repository to plan optimal offers and promotions that are shared across the various channels consistently. The planning results are fed back to the SAP S/4HANA core for promotion execution.



# SAP S/4HANA SOLUTION PORTFOLIO FOR RETAIL

## SAP Forecasting and Replenishment for Retail

The SAP Forecasting and Replenishment for Retail application is SAP's solution for automated replenishment in retail. It integrates sophisticated algorithms for analyzing and predicting customer demand with the automated functionality required to manage multilevel product replenishment across an entire supply chain. It receives stock information, open orders, promotions, and master data from SAP S/4HANA, while optimized order suggestions are executed in the SAP S/4HANA core. Information is also integrated into the launchpad for store employees for review and seamless processing of store-based replenishment processes.

## SAP Hybris Commerce

SAP Hybris Commerce is the front-office layer in omnichannel retailing, delivering contextual customer experiences. It is tightly integrated with the SAP S/4HANA core for product information, prices, and feeding back online orders for processing (see also connection to SAP Customer Activity Repository for omnichannel product availability and pricing).

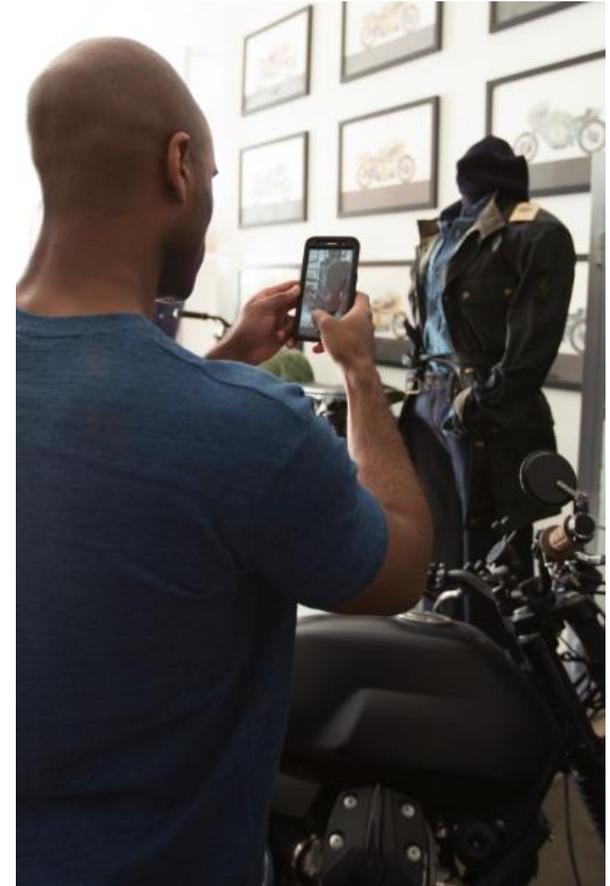
## SAP Omnichannel Point-of-Sale by GK

Operate your brick-and-mortar retail store with point-of-sale (POS) solutions from GK and tap into omnichannel retailing as the POS retrieves online orders from SAP S/4HANA and calculates the right consumer price at the time of checkout, considering available offers stored in the pricing repository in SAP Customer Activity Repository.

## SAP S/4HANA Finance

Finance accounting combines financial and management accounting and profitability data into one universal journal. It abolishes totals, indexes, and other predefined aggregates and relies on line items as a single source of truth. Multiple parallel documents for all valuations are posted in real time to help ensure correct values from the beginning.

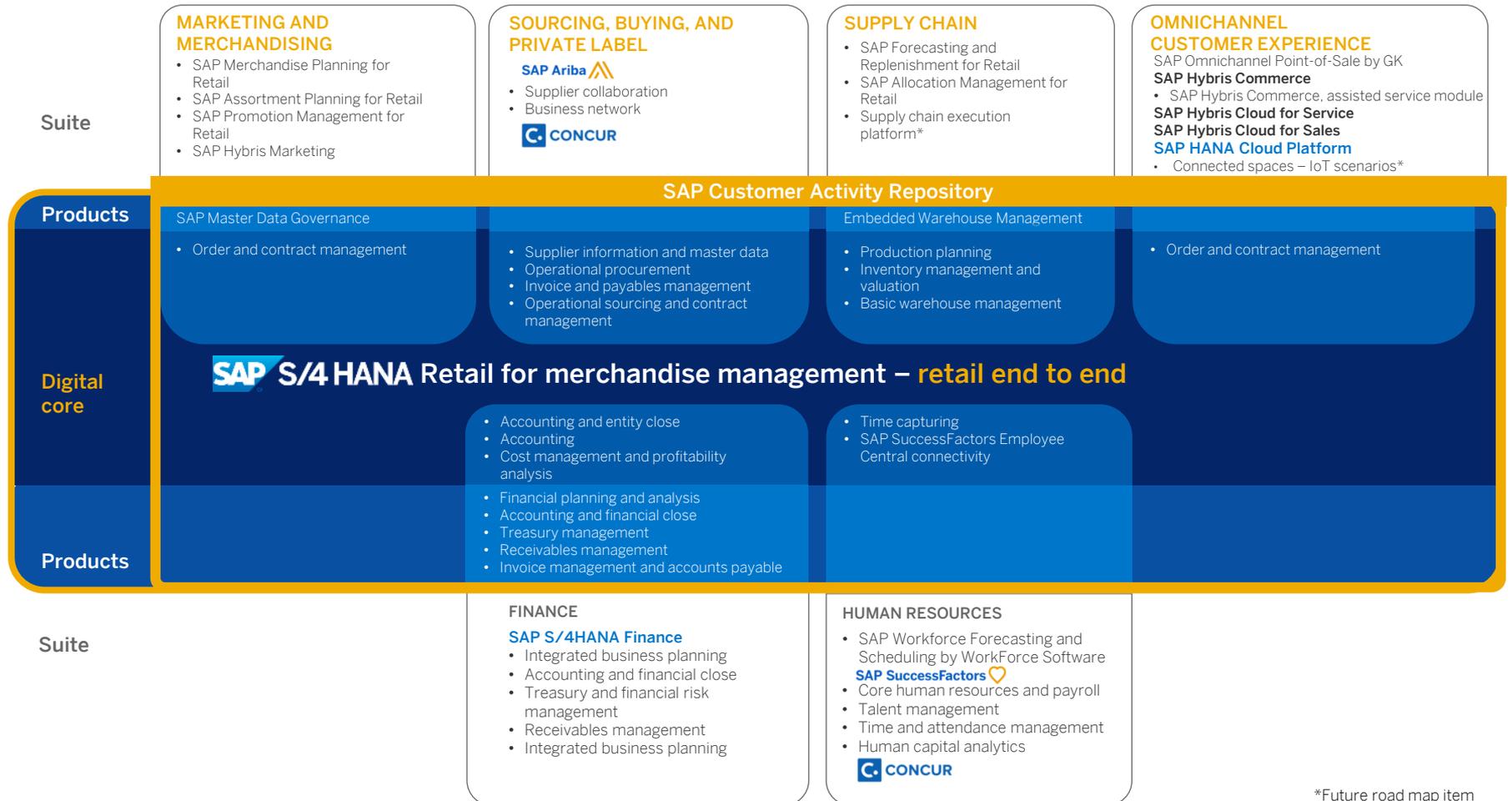
- Execute closing tasks and inter-period processes – in real time
- Run real-time reporting with complete drill-down by any dimension
- Use a single, unified data model to simplify processes, increase productivity, and reduce risk
- Easily execute depreciation runs with simplified processing logic and data structures



# SAP S/4HANA SOLUTION PORTFOLIO FOR RETAIL

## SAP for Retail Solutions

In addition to the benefits that SAP S/4HANA Retail for merchandise management and its most relevant applications provides to key processes of retail, SAP provides a complete suite of solutions built around the digital core with numerous integration scenarios to allow firms to address all needs demanded by today's digital economy.



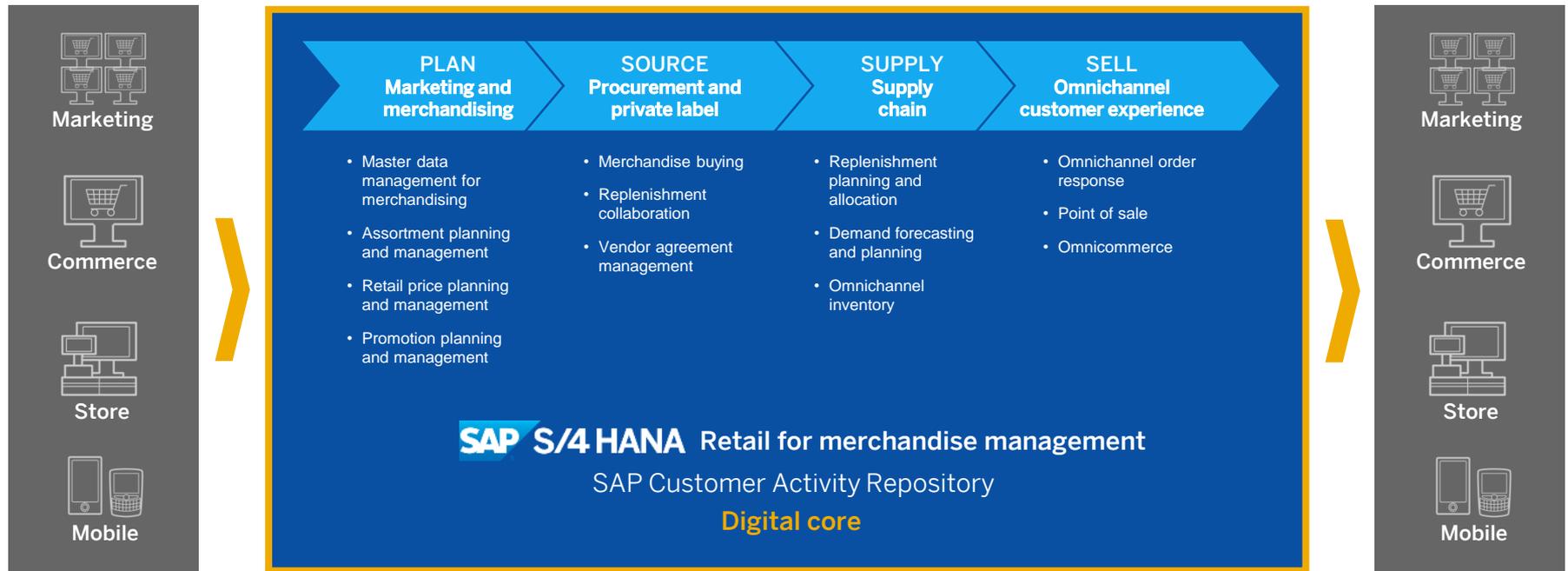
\*Future road map item

# SAP S/4HANA SOLUTION PORTFOLIO FOR RETAIL

## An end-to-end solution for retail firms to run live

Retail is a unique industry that requires flawless execution. The end-to-end lifecycle of delivering products and services while providing outstanding customer experiences is a unique challenge that requires precision accuracy to win every time.

The capabilities delivered with SAP S/4HANA Retail for merchandise management and its many integration points into the complementing retail solutions help ensure processes run smoothly and efficiently across the end-to-end total engagement lifecycle. Retailers must be ready to service their customers at any given moment with the right information, the right product, in the right location, and at the right price.



# SAP S/4HANA – RETAIL VALUE PROPOSITION

SAP S/4HANA provides retail firms with a proven framework to adopt industry best practices while attaining operational excellence across financial and engagement management processes.



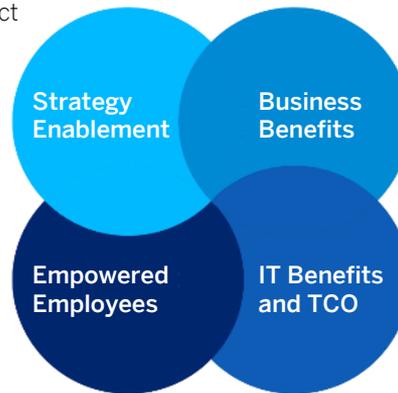
## Strategy enablement

- Accelerate new business-model innovation and drive new revenue-generating opportunities
- Understand every aspect of your business and adjust to rapidly changing business requirements – report in real time by function, region, category, channel, and product
- Enable faster domestic and international expansion
- Accelerate M&A synergy
- Manage risk and help ensure compliance



## Empowered employees

- Increase in productivity and faster user adoption through tailored user interfaces enabled by the SAP Fiori® user experience
- Improved user experience with access to data from anywhere on any device with interactive graphics and analytics on a single copy of data
- Store associates and store managers equipped with the right information to serve their customers effectively



## Business benefits\*

- Higher inventory turns
- Reduction in inventory carrying cost
- Reduction in revenue loss due to stock-outs
- Reduction in total logistics cost
- Reduction of markdowns and waste
- Improved inventory accuracy
- Improved retail store FTE productivity
- Improved customer satisfaction



## IT benefits and TCO

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

\*Benefits are based on early adopters of SAP S/4HANA or conservative outside-in benefits due to moving from a traditional ERP to enhanced SAP S/4HANA + LoB/cloud capabilities. As each enterprise is at a different level of maturity, we recommend working with you to determine the value proposition for your enterprise.

# CUSTOMERS ARE ACHIEVING VALUE FROM SAP S/4HANA

## Memebox

Memebox, a Seoul-based consumer e-commerce retailer, sells Korean and international skincare items, perfumes, organic-based products, and various other cosmetics. It deployed SAP S/4HANA Finance using the SAP HANA Enterprise Cloud service in just five months. With SAP S/4HANA Finance, the company is getting enhanced insight into customer interactions at every touch point, providing sales with real-time visibility into stock information.

Since the launch of the solution, Memebox posted a 100% increase in revenue, 30% shorter delivery lead time to customers, and 50% increase in sales productivity with on-the-go data access as well as 100% improvement in inventory accuracy and 50% reduction in the closing period.



**Company**  
Memebox

**Industry**  
Retail

**SAP solutions**  
SAP Business Suite powered by  
SAP HANA, SAP S/4HANA Finance

**Customer Web site**  
[www.memebox.com](http://www.memebox.com)

Click [here](#) for the source reference

## Benetton

Benetton, a leader in the fashion industry with more than 5,000 retailers and 10,000 employees around the globe, selected the SAP Fashion Management application, SAP S/4HANA, and SAP HANA to simplify its retail and franchise operations in one integrated system.

With SAP innovations, Benetton expects to increase its speed and flexibility in supporting distribution and sales processes in order to deliver superior value to its customers in this digital era.



**Company**  
Benetton

**Industry**  
Retail – fashion

**SAP solutions**  
SAP S/4HANA, SAP HANA,  
SAP Fashion Management,  
SAP Customer Activity Repository

**Customer Web site**  
[www.benetton.com](http://www.benetton.com)

# CUSTOMERS ARE ACHIEVING VALUE FROM SAP S/4HANA

## Zhejiang Red Dragonfly

As China's leading manufacturer of leather goods, Zhejiang Red Dragonfly Footwear Limited (Red Dragonfly) will deploy SAP S/4HANA, the SAP Fashion Management application, SAP BusinessObjects™ business intelligence solutions, and other solutions to create a unified platform that helps realize seamless collaboration to support business end to end, from design to retail.

With SAP software, Red Dragonfly aims to improve its capability of strategic decision making, operational management, and innovation. Through digital transformation, the company hopes to realize integrated financial management, improve speedy reaction to changes in market needs and supply chain, and achieve precision marketing and digital stores.



**Company**  
Zhejiang Red Dragonfly

**Industry**  
Retail

**SAP solutions**  
SAP S/4HANA Finance,  
SAP Fashion Management,  
SAP Payroll Processing, SAP  
BusinessObjects business  
intelligence solutions

**Customer Web site**  
[www.cnhqt.com](http://www.cnhqt.com)

## Wilko

Wilko, the high-street household retailer with an online presence and more than 380 stores in Great Britain, has selected SAP S/4HANA, SAP for Retail solutions, and SAP BusinessObjects Analytics solutions to power its digital transformation strategy.

Wilko will use SAP S/4HANA, SAP for Retail, and SAP BusinessObjects Analytics to transform its customers' in-store and digital shopping experience, with a particular focus on its growing millennial customer base.



**Company**  
Wilko

**Industry**  
Retail

**SAP solutions**  
SAP S/4HANA, SAP HANA,  
SAP Customer Activity Repository,  
SAP BusinessObjects Analytics

**Customer Web site**  
[www.wilko.com](http://www.wilko.com)



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