



FASHIONING A SOLUTION

Next-generation ERP platform promises seamless cross-company operations

by DEENA M. AMATO-McCOY

Retail companies must be ready, willing and able to sell merchandise and fulfill orders, regardless of the channel or business model customers use to make a purchase.

As omni-channel retailing evolves, however, many companies continue to face inhibitors. For example, too many companies still run their physical stores and online experience as separate entities.

To address these challenges, retailers need reliable enterprise resource planning platforms that can manage operations and support real-time analytics across integrated business channels. SAP plans to deliver this platform with the help of key fashion industry partners.

"A successful omni-channel strategy is not about running e-commerce as a separate channel," Thomas Vetter, senior vice president and head of retail and multi-channel for SAP, said at a January press event announcing plans for the platform. Vetter was accompanied by Arne Tjalma, vice president of information technology with Tommy Hilfiger; Marc Van der Heijden, senior vice president of global IT and head of competency center sales and global development for adidas Group; Dario Scagliotti, group CIO of Luxottica; and Michael Braine,

CIO of retail and optical services of Luxottica.

"Brands need integration across channels so that consumers have a seamless, consistent experience across the brand," Vetter said.

In the fashion industry, the issues are intensified due to rapidly changing inventory, short seasons and abundant amounts of new and existing SKUs.

"Each factor makes data more complex to manage," Vetter said. "The speed of change is increasing, so it is imperative to maintain correct product information — especially as business models evolve."

These issues are prompting companies to re-evaluate their operating platforms to ensure they can facilitate data access and maintain one version of the truth — two factors that can simplify business and deliver the flexibility needed to adapt to new market changes. At the core of this endeavor is an ERP solution — an integrated set of business applications that can be used to store and manage data across the enterprise.

CO-DEVELOPMENT

ERP platforms gained popularity at the turn of the century when some companies considered them to be a solution for the widely anticipated (and ultimately over-hyped) Y2K bug, as well as the introduction of the Euro — two business issues that rigid legacy systems were not designed to support.

These early versions mainly focused on back-end operations; it took almost another decade for next-generation systems to address customer-facing and transaction processing functions. Retail's evolving omni-channel business model is changing the game once again, and requiring even more flexibility from current companies.

"ERP is a solid backbone that takes complexity out of systems," Tjalma said. Using a common data set "provides a single version of the truth for the whole business."

A reliable and flexible ERP solution is also the foundation needed to support growth. "Companies need global inventory, allocation and marketing processes ... that span across the enterprise," said Vetter. "A solid platform also helps companies treat business models as they evolve."

A variety of fashion brands are collaborating with SAP on development of a platform that will allow fashion companies to merge

wholesale, manufacturing and retail data into one all-encompassing business suite.

This next-generation ERP platform will enable brands to manage big data and support an omni-channel experience. Ideally, the solution is expected to deliver a unified view of product information. By integrating its HANA analytics solution, SAP's platform will enable users to process these volumes of information and use analysis to understand product demand, availability, movement and fulfillment of merchandise enterprise-wide.

PLOTTING THEIR COURSE

While the fashion partners are all on the same journey, each is at a different stage. Luxottica operates retail and wholesale channels and struggled to merge these software platforms when required. Due to a fast-growing global business that was accelerated by the acquisition of other global companies, Luxottica currently operates four interconnected, but

independent, SAP platforms.

"You cannot predict how business opportunities, and consequently, the business will evolve, and it is daunting to think an operating system can be a roadblock to any new business model," said Scagliotti.

"Ideally, we want the ability to run all of our businesses on one software platform that uses a single set of information for all enterprise operations. Integrated software platforms will also lower IT operating costs overall."

Luxottica is currently co-developing the solution to foster integration between SAP's IS-Retail and AFS platforms. The company hopes to go live in 2015.

Tommy Hilfiger, which operates some 400 retail stores as well as a wholesale business, currently uses SAP's AFS solution. As the company plans its move to an all-encompassing ERP solution, it will co-develop a next-generation platform with SAP. The company will begin the project this spring, "with a complete migration by 2015," Tjalma said.

With more than 2,500 stores worldwide, adidas's retail division accounts for 25 percent of its revenue. In the late 1990s, the footwear brand began migrating to SAP's AFS solution. AFS is live in most of the company's major markets, yet its growing global presence continues to increase the complexity of an integrated retail operation.

Besides integrating its wholesale and retail operations, adidas Group envisions a platform that will deliver more speed, reduce operating costs and support one view of real-time data. "We will include preparation activities for the new SAP platform in our next planning cycle," Van der Heijden said.

All three partners have high expectations for the solution, which Braine described as "game changing."

"This will change the paradigm of complexity," he said. "Operations will be simplified, processing speed will increase and operating costs will decrease. It will also free up the IT department to work on solutions that will help produce revenue for the company. It will change the way we think about business enablement and support." **STORES**

Deena M. Amato-McCoy is a New York-based freelance journalist who covers retail technology. When she's not writing about retail, she is often testing her theories "in the field."

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