Transform Fashion and Vertical Business with SAP® Solutions
Business Value with Intelligent ERP

THE BEST RUN SAP
Enabling the Intelligent Fashion Company

The future is now – and in constant change – led by consumers disrupting business models and rules of engagement. Consumers and shoppers do not forgive or forget poor service and bad experiences. They expect relevant offers based on their needs and seamless retail execution without friction. This is now the standard. C-levels in the fashion sector are kept up at night by the question: How can I ensure my technology investments help serve the ever more demanding consumer, support my differentiation in the market, and enhance my brand presence? At SAP we believe a digital core with a single source of truth for customer, order, and product information; real-time insights into all areas of the business; and the ability to respond instantly is the answer.

Stability and flexibility of a digital core
A digital core is an IT architecture that offers stability and long-term reliability for core fashion processes yet also provides the flexibility to adapt quickly to new challenges and opportunities. This solid foundation gives you a single source of truth with detailed, real-time views of customers and the business that fuel all business processes yet enable flexibility for innovation to accommodate new business models, new regulations, market expansion, and business events, such as mergers or acquisitions.

Immediate response
In fashion, trends and opportunities come and go faster than in most other industry sectors. Social listening, simulation, predictive, and analytical capabilities are important components to understanding and preempting new trends and changes in demand. The winning fashion brands are not only finding opportunities faster than others, but they are also able to act and run end-to-end (E2E) processes across departments to deliver the styles of tomorrow ahead of the competition.

Embedded intelligence
Improved processing power is making new technologies such as machine learning, augmented and virtual reality, blockchain, and the Internet of Things (IoT) applicable in more areas of the fashion business. Embedding these technologies with core processes allows further optimization and automation of business processes as well as more impactful, personalized, and contextual consumer experiences.

Integrated and connected to the outside world
Finally, connecting E2E processes with embedded intelligence to the outside world with sensors, wearable technology, and other IoT devices allows fashion companies to create next-generation business processes that drive unprecedented efficiency and optimization, enable new levels of customer connectivity, and help create new business models.

The Intelligent ERP
To achieve next-generation business processes, companies need intelligent ERP that can be continuously enhanced and extended with innovative business services and applications built on emerging technologies, including machine learning, blockchain, and the IoT. Fashion organizations have achieved the maturity to start serving the multidimensional consumer, so there is no better time to be in this sector, to innovate, and to better serve consumers. Bringing SAP S/4HANA® and SAP® Leonardo technologies together and connecting the digital core with the front office using the SAP C/4HANA suite and other cloud solutions from SAP will result in a more flexible and intelligent enterprise.
Strategic Priorities in a Digital Economy

The digital economy is disruptive. Fashion companies need to focus on strategic priorities that will let them drive transformation and create significant opportunity along the way. SAP supports a reimagined set of E2E business scenarios to support 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:

**Serve your customers by name**
Leverage customer insights from a single view of the customer to provide targeted personalized offerings and individual customization.

**E2E scenario: Connected footwear** – relevant offers in the moment of need

**Create inspiring brand experiences**
Unify your shopping experiences online and offline, and extend your brand with compelling content and sponsorship.

**E2E scenario: New fashion store** – create immersive shopping experiences

**Drive operational and channel flexibility**
Serve more channels profitably across business scenarios to maximize reach and customer proximity.

**E2E scenario: Overcome complexity** – simplify vertical execution across channels

**Establish agile supply with E2E visibility**
Execute a customer-centric supply chain to intelligently connect people, things, and processes for greater efficiency and new levels of responsiveness.

**E2E scenario: Digital supply chain** – E2E visibility and faster response

**Unlock new offers and business models**
Leverage new technology and a superior understanding of customer needs for new revenue-generating offers and services.

**E2E scenario: Curated fashion** – personalized selling of outfits
Serve your customers by name

**Connected Footwear – Relevant Offers in the Moment of Need**

With this integrated E2E scenario, you are able to use technology to create a closed-loop experience for your consumers – one that helps earn trust and lifetime loyalty and also delivers significant efficiencies along the value chain as well as new business opportunities.

### Traditional scenario

- **Consumer** recognizes wear and tear in running shoe
- **No sensor data**
- **Consumer looks up information about running shoes online**
  - No personalized offers
  - Flawless execution between channels is cumbersome
- **Consumer chooses preferred retail store**
- **Anonymous sales data is imported to the ERP system**
- **Opportunity to maintain consumer contact and build consumer loyalty is lost**

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- **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 – a 5% coupon is offered for store pickup, for example**
- **Retailer fulfills order and delivers for store pick up**
- **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 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**
- **Product recommendation will further improve with every cycle**

### Top value drivers*

- **5%** sales increase from real-time promotions and predictive analytics
- **3%** sales increase from cross-sell opportunities based on a single view of the customer
- **5%—10%** reduction in logistics cost

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Create inspiring brand experiences

New Fashion Store – Create Immersive Shopping Experiences

Manifest your brand, create new store experiences, and capture changing needs by running your stores like an online business. Capture interactions to gain deeper insights and drive faster response, all while creating new and meaningful shopping experiences.

Traditional scenario

Shopper enters store anonymously

Interaction only captured upon checkout

Store run by point-of-sale transactions

Staff without access to real-time inventory information or incoming deliveries

Can’t differentiate customer experience or offer service that drives loyalty

No history available

No insight into needs, preferences, price points, or buying behavior

No interaction sensed

Only see what is sold

Valuable interaction data lost

Decision made after the fact

No personalized offers

No convenience options

No ability to guide customers

No ability to give feedback

No history available

No insight into needs, preferences, price points, or buying behavior

No interaction sensed

Only see what is sold

Valuable interaction data lost

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No personalized offers

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No ability to give feedback

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Shopper recognized and approached according to his or her privacy settings

Smart clienteling 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

Real-time response to customer demand signals

Accelerated replenishment

Trigger of product transfer with RFID enablement to balance stock between stores flexibly

Real-time inventory information and endless aisles

Frictionless checkout

Convenient service options

Greater shopper and consumer loyalty and increase in shopper share of wallet

Relevant offers and promotions

Capturing interaction

Fast response

Empowered staff

Compelling experiences

New customer loyalty

Top value drivers*

95% higher revenues and customer loyalty

25% fewer markdowns

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Drive operational and channel flexibility

**Overcome Complexity – Simplify Vertical Execution Across Channels**

Sell effectively and profitably into different sales channels and with different operating models. Maintain your brand presence and provide consistent customer service.

### Traditional scenario

- Disparate planning for individual channels
- Separate sourcing departments per channel
- Lack of overall inventory visibility and permanent latency in inventory turnover reporting
- Inflated capital investment and reduced profitability
- Heterogeneous system landscape

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- Ability to combine purchase orders across channels, enabling synergies
- Flexible stock assignment across channels that is closer to actual demand
- Flexible cross-channel physical and logical stock segmentation
- Stock protection and deployment using business rules to prioritize most profitable channels
- Increased flexibility in stock usage leading to:
  - Reduced out-of-stock situations
  - Increased customer service level
  - Increased profitability
  - Better compliance monitoring

### Top value drivers*

- **Up to 20%** improvement in inventory turnover
- **Up to 20%** reduced markdowns
- **Up to 0.5%** increase in profitability

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Establish agile supply with E2E visibility

**Digital Supply Chain – E2E Visibility and Faster Response**

Execute a customer-centric supply chain to intelligently connect people, things, and processes for greater efficiency and new levels of responsiveness with SAP S/4HANA.

### Traditional scenario

- **Supplier network**
- **Global, regional, and local distribution centers (DCs)**
- **Transport**
- **Store and franchise**
- **Consumer**

**Struggles with nonlinear supply chains**
- Slow, nontransparent processes, no real-time insight, cumbersome and manual alignment with different players
- Order promising following first-come, first-served rule, rather than considering company and order priorities and demand forecasting
- Lack of full real-time situation awareness
- Limited inventory visibility when moving along the supply chain
- No transparency on inventory in store (front store and back store, for example)
- Stores not used as fulfillment locations
- Can’t offer convenient delivery options, making it hard to build loyalty through service

### A new world with SAP

- **Supplier network**
- **Global, regional, and local DCs**
- **Transport**
- **Store and franchise**
- **Consumer**

**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

**Order fulfillment across all channels and smart allocation of limited supply to multiple 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

**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
- Clienteling enhanced by endless aisle and smart-fitting-room scenarios
- Accurate locating of products in stores
- 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

**Continued demand supply matching**

<table>
<thead>
<tr>
<th>Top value drivers*</th>
<th>Stock balancing and protection</th>
<th>Process automation</th>
<th>Superior customer interaction</th>
<th>Customer service options</th>
</tr>
</thead>
<tbody>
<tr>
<td>Up to 20% improvement in inventory turnover</td>
<td>30% reduced markdowns</td>
<td>5%-10% reduction in logistics costs</td>
<td>Up to 40% reduction in stock-outs</td>
<td>Increased customer loyalty</td>
</tr>
</tbody>
</table>

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Unlock new offers and business models

**Curated Fashion – Personalized Selling of Outfits**

Leverage new technology and a superior understanding of customer needs for new revenue-generating offers and services. In this scenario, a busy professional has little time for shopping, so she shops for clothes online. Curated fashion enabled by SAP S/4HANA and SAP Leonardo makes sure she finds the right styles.

**Traditional scenario**

- Consumer searches for an outfit for a special occasion on diverse Web sites of well-known brands.
- Lengthy, time-consuming search process browsing several independent Web sites.
- No support from style experts, no guidance on matching items or outfits, no personal relevance.
- Choice overload that can lead to no 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 profile and preferences are enhanced based on kept and returned items and additional structured and nonstructured feedback.
- Style experts from fashion company can help consumer discover matching items based on personal preferences.
- Based on 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.

**Top value drivers**

- Style advice to increase shopping baskets: Up to 3X increase in size of shopping baskets.
- New levels of customer proximity and understanding: 30% reduction in markdowns.
- Hyperpersonalization by machine learning and predictive analytics: 40% reduction in logistics costs per item.
- Increased customer loyalty.

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Deep Dives Along the Fashion Value Chain

Primary capabilities where value can be achieved through SAP S/4HANA, SAP C/4HANA, other line-of-business (LoB) solutions, and SAP Leonardo

- Brand management and merchandising
  - Marketing and brand insights
  - Product design and development
  - Master data management for fashion
  - Omnichannel merchandise and assortment planning
  - Omnichannel marketing
  - Omnichannel pricing and promotions

- Procurement and manufacturing
  - Procurement insights
  - Supplier management
  - Sourcing and contract management
  - Procurement
  - Invoice management
  - Branded manufacturing

- Supply chain
  - Supply chain insights
  - Demand and supply planning
  - Omnichannel inventory and order response
  - Warehouse management
  - Transportation management
  - Logistics networks

- Omnichannel customer experience
  - Customer insights and personalization
  - Store commerce
  - Digital commerce
  - Sales force
  - Omnichannel order management
  - Omnichannel customer service

- Finance
  - Financial planning and analysis
  - Accounting and financial close
  - Finance operations
  - Indirect procurement
  - Treasury management
  - Enterprise risk and compliance
  - Cybersecurity and data protection
## Brand Management and Merchandising

<table>
<thead>
<tr>
<th>Typical Challenges</th>
<th>Current State with ERP</th>
<th>Capabilities of SAP S/4HANA</th>
<th>Capabilities of Cloud-Based LoBs and SAP Leonardo</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Lack of insights into customer buying behavior across channels</td>
<td>• Use of real-time insights to track omnichannel customer activity</td>
<td>• Fully scalable, real-time, and 360-degree customer interaction repository</td>
<td>• Real-time action on all customer interactions across channels</td>
</tr>
<tr>
<td>• No ability to analyze customer needs and preferences through social media and other data</td>
<td>• Forecasts for demand and future sales from product and location level down to style and color level with predictive and planning-driven insights</td>
<td>• Sophisticated algorithms to identify and segment customers across channels and operating models</td>
<td>• Enhanced customer experience with personalization</td>
</tr>
<tr>
<td>• Assortments not tailored to customer preferences</td>
<td>• Planning of assortments according to customer’s needs using intelligent store and account clustering</td>
<td>• Planning for customer-centric merchandise and assortments with visualization of style, color, and size across channels and operating models</td>
<td>• Machine learning algorithms to enrich and complete master data from data pools and support customer experience</td>
</tr>
<tr>
<td>• Lack of sophistication in customer and store clustering</td>
<td>• Basic assessment of sentiment and social media to detect trends and improve campaigns and brand loyalty</td>
<td>• Use of social listening and predictive insights to forecast sales precisely and avoid markdowns</td>
<td>• Application of social listening and predictive insights to anticipate trends for smart decision-making across departments and business models</td>
</tr>
<tr>
<td>• Trend detection not supported by data</td>
<td>• Omnichannel retail foundation to consolidate sales transaction and inventory information</td>
<td>• Contextualization and personalization of marketing campaigns and offers in real time</td>
<td>• Contextualized marketing capabilities to offer touch points that serve the customer in what he or she needs independently on location</td>
</tr>
<tr>
<td>• Hard to aggregate and disagregate forecasts within collections to drive purchasing and allocations</td>
<td>• Targeted multichannel campaigns with basic personalization and some degree of individualization in recommending products and offers</td>
<td>• Precise interaction with and marketing to customers through localization and segment recognition</td>
<td>• Consistent calculation of consumer sales prices and promotion offers across all channels</td>
</tr>
<tr>
<td>• Missing visibility into inventory availability across channels</td>
<td>• Inefficient interaction with customers based only on high-level customer segmentation</td>
<td>• Real-time customer identification with smart-device and sensor technology</td>
<td>• Improved customer loyalty</td>
</tr>
<tr>
<td>• No common base for marketing and merchandising decision</td>
<td></td>
<td></td>
<td>• Reduced markdowns</td>
</tr>
<tr>
<td>• Lack of specialized campaigns, only “one-size-fits-all” campaigns</td>
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<td></td>
<td>• Increase in campaign effectiveness</td>
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<td></td>
<td></td>
<td></td>
<td>• Higher sourcing savings from unit-price reduction</td>
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Procurement and Manufacturing

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<td>• Inability to include real-time, changing demands in planning, leading to outdated and inaccurate plans</td>
<td>• Basic product design features with limited ability to sense or predict short-term demand</td>
<td>• Responsive supplier network for instant order fulfillment across geographies</td>
<td>• Use of consumer feedback and social insights to drive product design and manufacturing</td>
</tr>
<tr>
<td>• Slow, manual process to drive supplier-related processes</td>
<td>• Supplier collaboration that requires later integration</td>
<td>• Recording of product use with smart products equipped with sensor technology</td>
<td>• Contract consumption</td>
</tr>
<tr>
<td>• Inability to respond to changing market demand with a flexible manufacturing and fulfillment network</td>
<td>• Difficulty of analyzing different future demand and supply scenarios</td>
<td>• Digital supplier engagement and use of consumer insights to predict demand and adjust production</td>
<td>• Supplier collaboration</td>
</tr>
<tr>
<td>• Inefficient strategies to manage planned orders and allocations, leading to fulfillment issues</td>
<td>• Low-volume back-order processing supported</td>
<td>• Purchase order changes postponed and aligned with market signals</td>
<td>• Business network</td>
</tr>
<tr>
<td>• Manual resolution of material bottlenecks and heavy use of side-by-side simulation tools</td>
<td>• Material requirements planning (MRP) that is unconstrained and based on incomplete planning information without consolidation of different demands</td>
<td>• Selling without physical stock through business networks and brokerage models</td>
<td>• Agreement profitability and negotiation</td>
</tr>
<tr>
<td>• Lack of visibility, leading to poor buying decisions and slow corrective actions</td>
<td>• Purchase orders placed too early that cannot be easily changed</td>
<td>• Combining and segmenting order quantities flexibly</td>
<td>• Intelligent product design that enables product creation with 3D printing</td>
</tr>
<tr>
<td>• Inability to adjust manufacturing operations to changing demand signals</td>
<td>• Forecasts generated in a separate system with no direct supplier communication</td>
<td>• One unified procurement process across different channels and operating models</td>
<td>• Invoice verification based on machine learning</td>
</tr>
<tr>
<td>• Inability to manage “lot size of one” in a cost-effective manner</td>
<td>• Supplier analytics not in real time</td>
<td></td>
<td>• Visibility about preferred and qualified suppliers</td>
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Supply Chain

**Typical Challenges**
- Challenge to monitor and handle global sourcing and fulfillment
- Lack of situational awareness of goods in transit
- Lack of inventory visibility along supply chain and across channels
- Challenge to get complete view of demand, inventory, and supply situation for all organizational levels and channels
- Inefficient strategies or manual processes to react to supply shortages and disruptions
- Inability to optimize usage of supply with regard to existing demand, especially considering changing demand signals
- No visibility of article groups or collections across the entire supply chain to meet planned launch dates on selling floors and channels across defined geographies
- Inability to promise accurate and reliable delivery dates

**Current State with ERP**
- Stable but less flexible sourcing and fulfillment processes
- No real-time inventory updates across multiple channels
- Mostly siloed view of inventory per channel, no cross-channel visibility
- Automated assignment of available supply to demand that considers business rules, but no multichannel capabilities
- Limited support for collection management; costly manual process to handle “ship-together” order items
- Inflexible stock reservation
- Global available-to-promise (ATP) checks in a different planning system
- Limited tracking and tracing capabilities

**Capabilities of SAP S/4HANA**
- Real-time inventory visibility along entire supply chain with condensed view of demand versus supply across channels
- Drill-down capabilities into multiple hierarchy levels (global, regional, and local)
- Creation of optimum supply based on consolidated multichannel demand from the style to the size and segment
- Optimized assignment of available supply to multichannel demand that considers business impact, customer requirements, and service levels
- Support for collection management by enabling joint handling of order items with end-destination-ready shipments for multiple products across many orders
- Prioritization of orders for high-value channels, markets, regions, and customers and limiting fulfillment of less important orders, with the possible use of stock pools

**Capabilities of Cloud-Based LoBs and SAP Leonardo**
- SAP Extended Warehouse Management application for high-volume and highly automated warehouses
- Collaboration with logistics partners to improve throughput, reduce wait times, and increase efficiencies (SAP Global Track and Trace solution)
- Ability to collect, map, store, and analyze vehicle and sensor data in real time, optimizing logistics and improving services (SAP Vehicle Insights application)
- Efficient management of yard activities, such as managing stock, locations, and vehicles (SAP Yard Logistics application)
- Monitoring of worldwide sourcing and fulfillment networks to help ensure product quality and customer satisfaction
- Integration of robotics, sensors, and augmented reality to automate warehouse processes

**Business Benefits***
- Greater overall operational efficiency
- Greater effectiveness in planning, including MRP up to 10x faster, enabling more-frequent runs – multiple times a day
- Increased inventory accuracy
- Less revenue loss due to fulfillment issues
- Increase in customer satisfaction and service levels
- Decrease in stock buffers, due to better insights and transparency
- Lower overall supply chain costs
- Increase in on-time delivery performance
- Lower total logistics and warehouse operating costs

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# Omnichannel Customer Experience

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<tr>
<td>Customer information spread across multiple systems, leading to customer churn</td>
<td>Siloed customer information that leads to incomplete visibility of purchase history and preferences</td>
<td>360-degree insight into the customer lifecycle to enable store clienteling</td>
<td>Ability to interact and market to customers precisely through real-time customer identification, localization, and segment recognition with smart devices</td>
</tr>
<tr>
<td>Inability to configure complex solutions or outcomes consisting of products and services</td>
<td>Inability to deliver orders across touch points</td>
<td>Delivery of complete, omnichannel customer service and a consistent brand experience</td>
<td>Endless aisle and clienteling capabilities</td>
</tr>
<tr>
<td>Missing ability to manage customers consistently across touch points</td>
<td>Disconnected channels that prohibit flexible return handling</td>
<td>Process orders and offer delivery options based on customer priorities</td>
<td>Pick-up-and-go experience in stores with a fully automated exit</td>
</tr>
<tr>
<td>Limited visibility into stock management</td>
<td>Siloed stock information, leading to fragmented communication toward customers</td>
<td>Ability for store to trigger omnichannel fulfillment and returns</td>
<td>Machine learning for product and offer recommendation</td>
</tr>
<tr>
<td>Difficulty in enabling E2E process across online and store</td>
<td>Separated channels that deliver inconsistent shopping experiences</td>
<td>Real-time inventory information and accurate commitments</td>
<td>Ability to provide lifestyle, health, and style advice based on individual profile and machine learning</td>
</tr>
<tr>
<td>Inability to offer flexible and personalized delivery and return options</td>
<td>Inability to leverage cross- and up-sell opportunities when they occur</td>
<td>Complete integration of digital and in-store process</td>
<td>Capture of customer interactions in fitting rooms enabled through RFID and Wi-Fi technology</td>
</tr>
<tr>
<td>Lack of knowledge about customers interacting with touch points</td>
<td>Responsible employee who has to check multiple reports to get a holistic view of customers, stock, warranty status, and so on</td>
<td>Ability to drive impulse purchases by providing real-time information on stock availability to in-store shoppers</td>
<td>Standardization of customer experience based on consent and profile</td>
</tr>
<tr>
<td>Inability to incorporate individual preferences into the buying process</td>
<td>Digital services that need to be added manually to shopping basket</td>
<td>Transformation of store into experience center around customer outcomes and needs versus products</td>
<td>Easier in-store replenishment with smart shelves</td>
</tr>
<tr>
<td>Lack of digital services in the store</td>
<td></td>
<td></td>
<td>Point-of-sale data and real-time inventory in the cloud as a service for consumers and supplier analytics</td>
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## Finance

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<tr>
<td>Lack of integrated data visibility and availability for modeling, analysis, and reporting, delaying or preventing appropriate cost avoidance, mitigation, and austerity actions</td>
<td>Granular drill-down into financial metrics not possible; data stored in multiple and disparate systems, requiring manual consolidation</td>
<td>Ability to understand to any level of granularity in real time, including profitability analysis at the individual, product, or customer level</td>
<td>SAP Ariba solutions and business networks to support PO and invoice collaboration for E2E fulfillment, onboarding, change orders, and cancellations</td>
</tr>
<tr>
<td>Difficulty in creating a single interconnected process for invoice processing, fulfillment, and vendor management</td>
<td>Business processes related to invoice management often addressed across multiple solutions</td>
<td>Merger of financials and controlling into a universal journal, creating a single source of the truth</td>
<td>SAP Cash Application software that enables next-generation intelligent invoice matching powered by machine learning</td>
</tr>
<tr>
<td>Separate close and consolidation processes</td>
<td>Closing process within ERP and consolidation on other systems</td>
<td>Semantic tagging and flexible hierarchies to provide agility and facilitate the overall reporting capability from finance to business entities</td>
<td>Capture of real-time information from sources such as the Concur® Travel &amp; Expense solution and SAP Ariba solutions</td>
</tr>
<tr>
<td>Lack of a single source of truth, with various commerce and supply chain management apps and tools</td>
<td></td>
<td>Seller-side integration with Ariba® Network (invoice and discount management), cost center (SAP SuccessFactors® solutions), payment advice (SAP Fieldglass® solutions), and credit card payments using the SAP Ariba Payables solution</td>
<td>SAP Ariba solutions and business networks to support PO and invoice collaboration for E2E fulfillment, onboarding, change orders, and cancellations</td>
</tr>
<tr>
<td>Inability to compare and analyze profitability across division, locations, brands, and so on</td>
<td></td>
<td>Universal journal that enables more-efficient consolidation</td>
<td>SAP Cash Application software that enables next-generation intelligent invoice matching powered by machine learning</td>
</tr>
</tbody>
</table>

### Business Benefits*

- Increased speed, agility, and accuracy of financial forecasting
- Reduction in cycle time for financial forecasting and reporting
- Valuable resources to focus on insights and analytics rather than the mechanics of putting together budgets and reporting
- Reduction in business and operations analysis and reporting costs
- Optimized days payable outstanding
- Improvement in invoice processing productivity
- Reduction in days to close annual books
- 20%–40% reduction in general ledger and financial closing costs

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*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.
SAP Strategy – Deliver the Intelligent Enterprise

Intelligent ERP is the Digital Core of an Intelligent Enterprise

An intelligent enterprise can be continuously enhanced and extended with business services and applications built on a digital platform to create transformative business value.

Fashion organizations that have big innovation appetites or prefer to be early adopters have already begun this journey.
Intelligent Suite – SAP Portfolio of Solutions Driving Value for Fashion

An E2E intelligent enterprise for fashion and vertical businesses

The SAP S/4HANA solution for fashion and vertical business is at the core of a comprehensive suite of fashion solutions from SAP that spans the entire value chain and helps to create next-generation processes and shopping experiences and achieve significant bottom-line cost savings to meet the demands of the modern fashion shopper.
The Value of the Verticalized Intelligent Enterprise

In recent years, owning extensive parts of the value chain has become a trend in the fashion sector. Harmonizing manufacturing, wholesale, and end-consumer business is omnipresent and carries forward into other industries and sectors, such as telecommunications, high tech, and pharmaceuticals. Traditional ERP solutions are focused on either the manufacturing or retail side of the business. SAP has worked with key customers in the fashion industry to bring both worlds together and established E2E processes across the value chain – now available optimized for the SAP HANA® database.

SAP S/4HANA supports core fashion processes end to end, from master data to supply assignment. It offers insights into operational 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 drive collaboration for business model improvements. Equipped with a simple and intuitive user experience, the solution offers better support for users at headquarters as well as store associates to drive compelling customer experiences.

### Vertical business value chain

```
Manufacturer → Global, regional, and local DCs → Regional and local DCs → Retail DCs → Store and franchise → Consumer
```

### Traditional ERP

- **Planning**
- **Sourcing and buying**
- **Manufacturing**
- **Supply chain**

<table>
<thead>
<tr>
<th>Planning</th>
<th>Sourcing and buying</th>
<th>Manufacturing</th>
<th>Supply chain</th>
<th>Business-to-business sales</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fashion manufacturing and wholesale solutions</td>
<td>Fashion retail solutions</td>
<td></td>
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<table>
<thead>
<tr>
<th>Conventional database</th>
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</thead>
</table>

### A new world with SAP S/4HANA for fashion and vertical business

- **Planning**
- **Sourcing, buying, and manufacturing**
- **Supply chain**
- **Omnichannel sales**

<table>
<thead>
<tr>
<th>SAP S/4HANA for fashion and vertical business</th>
</tr>
</thead>
<tbody>
<tr>
<td>In-memory database</td>
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</table>

<table>
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<tr>
<th>E2E visibility</th>
<th>Real-time views and simulation</th>
<th>Accelerated response and faster delivery</th>
</tr>
</thead>
</table>

- **One real-time view of the value chain from manufacturer to consumer**
- **E2E processes optimized by SAP HANA, allowing simulation of scenarios**
- **Simplified database structure on SAP HANA, allowing concurrent use and process flexibility**
- **Multiple industry uses, such as:**
  - Advanced ATP
  - Stock segmentation
  - Pack separately, ship together
  - Flexible purchasing commitment
  - Collection management
- **Consumer-grade user experience**
- **Foundation for intelligent technologies**

| **Disconnected and overlapping process between brand and retail** |
| **Siloed view of the value chain** |
| **Fragmented inventory views** |
| **No real-time visibility into inventory and demand** |
| **Limited ability to respond to changes in demand and supply** |
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

**Business benefits***
- 10%–60% reduction in markdowns
- 20%–60% reduction in time to wear (lead time)
- 15%–40% reduction in revenue loss due to stock-outs
- 5%–40% reduction in days in inventory
- 5%–40% higher inventory turns
- 5%–10% reduction in inventory carrying cost
- 10%–25% reduction in supply chain planning costs
- 10%–40% reduction in expedited transportation spend
- 5%–25% reduction in total logistics costs
- 2%–10% lower procurement costs
- 30% reduction in chargebacks
- 30% increase in employee productivity

**IT benefits and total cost of ownership (TCO)**
- Up to 10x faster performance
- Up to 10x reduction in memory footprint
- Merging of OLAP and OLTP
- Elimination of many desktop clients
- Simplified landscapes
- Native integration
- Reduced TCO through landscape simplification
- Lower IT integration cost

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Customers Are Achieving Value from SAP Solutions

Penti

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 all this complexity and develop the foundation for its digital business, Penti is using the SAP S/4HANA solution for fashion and vertical business. Its IoT and machine learning capabilities give retailers the flexibility and agility needed to deliver E2E 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

Snow Peak

Snow Peak is a retail network with more than 100 stores selling products designed to meet the needs of campers and backpackers. Snow Peak wanted to serve its customers better by tracking and analyzing their buying histories to offer the most relevant and compelling products. It has deployed SAP solutions to manage its customer points program, analyze customer behavior in real time, and make product suggestions while optimizing inventories and getting more productivity out of its staff.

“A huge digital transformation is occurring within Snow Peak since we introduced SAP software. The knowledge that our staff members have accumulated has been made visible and can be shared.”
Tohru Yamai, President, Snow Peak