

SAP Customer Success Story



Sogesma, a management company for the retail business, is known throughout Belgium, Luxembourg and the north of France as **TRAFIC**.

TRAFIC is a leading player in the non-food retail sector. Its wholly-owned stores offer a large selection of low priced modern products in the fields of household goods and textiles. In 1998, Sogesma decided to upgrade its IT systems, partly in preparation for the euro and partly to eliminate the problems of keeping pace with technology. Under the project title of **G'inform 2001** they chose to implement the **IS-Retail** solution, a decision they have not regretted ever since: **TRAFIC** gets far more rich and relevant management information than before.



SOGESMA

RETAIL BUSINESS

PROJECT G'INFORM 2001

Within the Sogesma/ TRAFIC organization, there are 52 TRAFIC stores and a full-time equivalent of 600 employees. The turnover in 2001 was approximately 140 M €. Sogesma also has a second distribution chain operating 5 stores under another banner. Sogesma had its own IT department with 10 people and a well-developed systems infrastructure covering all of the usual functions such as general accounting, payroll, purchasing, sales and inventory. In common with many businesses, various in-house developments had taken place over a period of several years. However, during 1998, management came to the conclusion that a number of factors were accumulating that would force a move from in-house development to a proprietary system. One of the major factors was the fact that the existing system was approaching its design limit of 60 stores, had no management accounting ability and its maintenance costs were escalating due to attempts to keep pace with rapidly developing technology. Apart from that, there was the impending currency changeover, in all three countries of operation, to the euro. The existing IT system had no clear migration path and it was therefore essential to acquire a new system that was 'euro-ready'. A strategy was therefore defined, under the project title of **G'inform 2001**, to select and adapt a new IT system that would enable Sogesma to improve its management tools without an adverse impact on operations.

IMPROVE BUSINESS EFFICIENCY

The three primary commercial objectives of the company were to maintain the growth in turnover, increase store productivity and complete a trouble-free transition to year 2000 and to the euro. The purpose of the G'inform 2001 project was to support this strategy. It was essential that the project should be perceived as 'evolution rather than revolution'. The new system was intended to improve business efficiency and therefore enhance the added value with which the TRAFIC name is associated. It was expected that it would also improve responsiveness between the stores and the distribution centres.

EURO-READY

In addition to the points mentioned above, in common with many retail businesses around Europe, Sogesma had to replace all of the store tills due to the arrival of the euro. Furthermore, none of the existing software applications was 'euro-ready'. At the same time, the G'inform 2001 project had to ensure that all departments were provided with tools that enabled them to continue to operate with maximum functionality for the users, reliable management tools and integrated driver tools for suitable for the use of top management. The management tools had to enable each of the functions in the added value chain to operate efficiently and harmoniously (from supplier level right through to the customer). The objective was to achieve better client service, enhanced operational integration and to improve or at least maintain profitability in a more and more competitive retail market.

USER-FRIENDLY INTERFACE

The G'inform 2001 project is inherently complex because the existing systems that had been developed in house were also complex. Those applications had grown in proportion to the needs of the business but had reached the stage where rationalization was necessary. Consequently, it was essential

that the replacement system should meet and integrate all of the existing functionality while simplifying system management requirements. One of the objectives of the new system was to provide workstation operators with a user-friendly interface that would eliminate unnecessary operations. It had to cover all of the management functions and automate as many as possible in order to allow the users to concentrate on value-added tasks relevant to their sector of activity. It would also be a business driver because it would provide information directly related to sales. The less prominent areas covered by the project would include finance as well as store back-office management. Most of the applications that had been developed internally were to be eliminated, with the exception of warehouse management and the front office management of the retail stores.

THE IS-RETAIL SOLUTION

During 1998, a survey was carried out to assess which commercially available packages could serve as the basis of the new system.

Proposals from three potential suppliers were evaluated in depth and it was finally decided that the most suitable system was that proposed by SAP. The decision was also taken to implement the IS-Retail solution in collaboration with the specialist consultancy Business Solutions Builders (BSB), based in Louvain-La-Neuve. The first stage

of the planning procedure was then implemented using SAP's methodology (Value SAP) as well as the Pre-Configured System process for the development of the architecture of the new system.

FINANCE & ADMINISTRATION

The SAP module selected for general accounting was FI-GL, with FI-AR for customer accounts, FI-AP for supplier accounts and FI-TR to be used as the banking interface. The modules to be used for the analysis of cost centres and expenses were CO-CCA and CO-OPA with EC-PCA for the analysis of profit centre receipts. This part of the application was intended to be a replacement for

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Vincent Chenut, IT Manager for Sogesma,
about choosing SAP

the old analytical system used to monitor store and warehouse expenses and receipts, monitor expenses for Sogesma and provide general analytical reporting for the TRAFIC operation. The FI-AA module was selected for the management of fixed assets.

SAP modules implemented at TRAFIC:

FI-GL:	Financial Accounting-General Ledger
FI-AR:	Financial Accounting-Accounts Receivable
FI-AP:	Financial Accounting-Accounts Payable
FI-TR:	Financial Accounting-Treasury
CO-CCA:	Controlling-Cost Centre Accounting
CO-OPA:	Controlling-Order and Project Accounting
EC-PCA:	Enterprise Controlling-Profit Centre Accounting
FI-AA:	Financial Accounting-Asset Accounting

RETAIL

The new solution was intended to replace various existing applications with the idea of providing a single integrated solution offering more flexible management of pricing, easier management of the assortment of items held in each store and automated control of central and store supplies based on actual consumption. The new software solution would also enable control of invoices centrally. The management of mark down, both centrally and locally could also be handled more easily. Furthermore, the integrated management of budget and actual costs and benefits would provide a much clearer picture than could be obtained with the existing diversity of applications. All of the operations were required to take account of the 3 commercial categories operated by TRAFIC, namely seasonal textiles, standard items and campaigns.

THE STEPS

It was decided to divide the implementation of the new software solution into different sub-projects, primarily to avoid a 'big bang' style of change-over. It was also felt that this would make it easier to identify any difficulties, minimise data migration effort, eliminate false starts and allow a progressive transfer of knowledge to internal resources. For these reasons, the project began with the implementation of the financial modules. It was then possible to start the different core business projects in parallel with the business information system and the interfaces with the external systems. The rollout of the different business projects started with the seasonal textiles project, then with the campaign project and finishing with the standard items project. At the same time, the project team also organised the euro conversion, SAP release upgrades and archiving projects.

GOOD DECISION

By mid-2002, the SAP software had already been used by TRAFIC for 3 separate seasons (winter 2000, summer 2001 and winter 2001), with each season representing around 2,000 generic articles (a total of some 20,000 different articles). TRAFIC had also by this time completed a full-year cycle of campaigns. "Considering other ERP solutions, we have no regrets about our decision to chose SAP R/3", says Vincent Chenut, IT Manager of SOGESMA.

"In fact, we would certainly make the same decision again if we had to do so."

'Since we have SAP, we get far more rich and relevant management information.'

Vincent Chenut, IT Manager for Sogesma

SMOOTH PROCESS

"The major difficulties we encountered were in the campaign project but they were largely due to our own specific business requirements not covered by standard SAP functionality. A solution could be found. Apart from that, everything has gone very smoothly", says Vincent Chenut. "We are still working closely with BSB, with our SAP consultants to further enhance the system and make our business even more efficient. Since we have SAP, we get far

**SAP Belgium N.V.-S.A.**

Terhulpesteenweg 166
 Chaussée de La Hulpe 166
 B1170 Bruxelles
 T +32 (0)2 674 65 11
www.sap.com/belux

more rich and relevant management information in comparison with what we used to have before.”

CONCLUSION

The initial assessment of the new solution confirms that it was possible to reproduce in the SAP software all of the existing processes that Sogesma wished to maintain. It was also an opportunity to satisfy the new commercial strategy by implementing the appropriate functionality provided by SAP. Two major events illustrate this point: a new supplying approach between the distribution centre and the stores; the roll out of SAP for a brand-new trading name.

At a glance

SAP Solution components IS-Retail, based on SAP R/3

Hardware Platform SUN 3500 and cluster

Operating System Solaris 2.6

Database Oracle 8.0

Number of users 90 in 57 POS sites + 2 DC

Implementation partner Business Solutions Builders (BSB)

