

SAP Customer Success Story Retail – Perfume and Cosmetics



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Denis Levy, IS Director, Sephora

AT A GLANCE

Summary

Sephora, based in France and a leading player in the cosmetics industry, was eager to expand its business activities internationally and to strengthen its brand name image. By implementing the SAP for Retail solution portfolio, Sephora was able to unify its processes, cut its operating costs, and optimize inventory management.

Web Site

www.sephora.fr

Key Challenges

- Enhance competitive position by strengthening the group's brand image worldwide and capturing market share
- Facilitate expansion through acquisitions
- Cut management costs

Project Objectives

- Restructure business processes around an information system (IS) that puts the customer at the core
- Develop and support new sales channels, such as the Internet
- Facilitate financial consolidation for core shareholder

Solution and Services

SAP for Retail

Why SAP® Solution

- An international solution designed by retail-sector specialists for all segments of retail
- Ease of implementation and deployment
- Low-cost support for rapid evolution

Implementation Highlights

- Rapid implementation and deployment
- Hosted solution
- 550 users: management controllers, category managers, and supply chain managers

Key Benefits

- Perfect match between the challenges faced by the company and the solution
- Enhanced visibility over the group's business
- A platform for international expansion
- Greater user satisfaction

Implementation Partners

PM for implementation and oXya for hosting

Existing Environment

SAP® R/3® software, functionality now found in the mySAP® ERP solution

Database

Oracle

Hardware

Sun servers

Operating System

Sun Solaris

SEPHORA

Building a Bridge Between Retail and Finance

Established in 1969 by Dominique Mandonnaud in France, Sephora has gone on to become the worldwide symbol of the beauty industry – just like the group's prestigious boutique on the Champs Elysées in Paris. Sephora is a leading player in the segment, but has to deal with competition coming from two quarters: generalist brands and ultra-specialist brands. The group's competitive strength is based on four strategic advantages: exclusive retail contracts for certain brands, the Sephora-branded product line, beauty care and store expansion, and sales teams that offer luxury brands unrivalled opportunities for sales growth.

To support the group's strategy of capturing market share, Sephora decided to look for an information system that would place the customer at the core of its processes. As Denis Levy, IS director at Sephora, explains, “We believe that technology offers a clear-cut competitive advantage. This is all the more important for us given that one of our competitors with 600 stores in France enjoys greater sales visibility than we do. An information system will help us bridge that gap by creating closer relationships between us and our customers, with direct marketing playing a major role.” The selected information system should also enable the group to unify its processes, facilitate financial consolidation for core shareholder LVMH, and allow the group to standardize its brand image throughout the world.

Sephora chose the SAP for Retail solution portfolio. The choice was based on a number of criteria, first and foremost among them the fact that SAP for Retail is an international solution that can be deployed worldwide as new stores are opened. Sephora was looking for an enterprise resource planning (ERP) solution that would give the group structure, by enabling the implementation of identical processes throughout all group subsidiaries. Another criterion was rich functionality for retail-oriented store and supply chain management, covering purchasing to production of

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their own brand products and including inventory, accounting, finance, and reporting. And, the icing on the cake: the perfect integration between retail and finance functions.

“SAP for Retail’s main advantage? It is an integrated solution, designed by retail specialists, that offers all of the functionality we need in our business. On top of that, SAP for Retail is perfectly adaptable to all retail environments: low-price, high-volume environments as well as the fashion environment where products have a short shelf life. We operate in both of these retail environments,” says Levy.

Rapid Implementation and Deployment

Sephora engaged integration specialist PM to implement SAP® components for materials management, sales and distribution, financials, controlling, and asset management as quickly as possible, with the solution hosted by oXya. Twelve months later, the system went live. “The project was an enterprise-wide priority for the group. We mobilized resources on the HR and financial fronts to get the system up and running as fast as possible and to deliver the first ERP-generated reports to the holding company in the shortest possible time frame,” says Levy. SAP for Retail was implemented in France first and then deployed to the rest of the group’s entities throughout Europe.

Today, almost 550 users rely on SAP for Retail in their day-to-day tasks: management controllers, category managers (or buyers who manage purchasing, marketing, and merchandising), and supply chain managers, whose job is to supply the right article at the right time in the right place – while avoiding any inventory surpluses.

IS Adapts Quickly to the Needs of the Business

Four years down the road and Sephora is confident that the right choice was made: the users are comfortable with SAP for Retail, and the global advantages it has brought have been tremendous.

“SAP for Retail is an excellent solution that enables us to meet the changing needs of our users: setting up new logistics rules and creating new sales channels, such as Internet retailing, for instance. Contrary to conventional wisdom, I have personally seen that we are able to adapt the system to our changing needs at reasonable cost in terms of time and money. Over the past 15

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months, I have logged 30 major requests. Most of them were met within four months for an average cost of €50,000. If we had been able to resolve only half of those requests, we would have hampered the group's growth,” says Levy. In fact, Levy has never had to put the brakes on a commercial, strategic, or marketing initiative at Sephora. “The ability to rapidly adapt the IS to the needs of our business is definitely the number one advantage of SAP for Retail,” adds Levy.

Facilitating growth and expansion both within France and internationally is another major advantage of the solution. “At Sephora, we all agree that SAP for Retail has been a major step forward in the development of our business. Having an information system that enables rapid, risk-free, and low-cost integration of a new structure has enabled Sephora to seriously consider a greater number of growth opportunities than before,” states Levy.

Nor does it stop there. Other benefits brought by SAP for Retail include optimized inventory management thanks to new functionalities such as cross-stocking, and greater visibility for LVMH, the core shareholder, over Sephora, thanks to instant reporting at the shareholder's request.

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