

SAP Customer Success Story

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Ernesto Ynestrillas, Chief Information Officer,
Servicios Liverpool S.A. de C.V.



AT A GLANCE

Company Name

Servicios Liverpool S.A. de C.V.
Mexico
www.liverpool.com.mx

Industry

Retail

Key Challenges

- Manage rapid growth
- Provide real-time integrated merchandising data
- Integrate all retail, finance, and real-estate processes

Implementation Partner

SAP® Consulting, part of SAP Customer Services Network

Solution and Services

- Multiple implementations managed by SAP Consulting:
- SAP for Retail
 - SAP Enterprise Portal and SAP Business Information Warehouse (a key part of SAP Business Intelligence), components of the SAP NetWeaver™ platform
 - mySAP™ Customer Relationship Management (mySAP CRM)
 - SAP Strategic Enterprise Management (SAP SEM®), an application in mySAP ERP Financials

Existing Environment

(Before SAP) Portfolio of best-of-breed applications

Implementation Highlights

- Successful rollout of finance, HR, retail, and real-estate functionality
- Full-time project leaders
- Project management, process redesign, configuration, and system implementation by SAP Consulting

Key Benefits

- Cut time to produce article-level merchandise reports from 3 days to 10 to 15 minutes
- Cut the time required for fiscal-year financial consolidation from 90 to 25 days
- Cut monthly closing time from 10 to 3 days
- Increased retail gross profit by 15.2%*
- Increased cash flow by 13.5%*
- Increased point-of-sale (POS) transactions by 13%*
- Increased inventory turns from 3.52 to 3.64*

Hardware

IBM Regatta RS 6000

Operating System

UNIX with an Oracle database

* Achieved in connection with Liverpool's overall internal business improvements in addition to SAP solutions

SERVICIOS LIVERPOOL S.A. de C.V.

SAP® CONSULTING KEEPS A RETAIL POWERHOUSE AHEAD OF THE PACK BY IMPROVING EFFICIENCY, ACCURACY, AND CUSTOMER SERVICE

Mexican retail giant Servicios Liverpool S.A. de C.V. had the only “good” IT problem to deal with: its massive portfolio of best-of-breed applications couldn’t keep up with the company’s phenomenal growth. Liverpool (which is named after the British port that originally supplied it with imported products), has almost tripled in size since 1997. The company has grown from 18 stores in 1997 to 52 in 2004, making it the largest department store chain in Mexico. It is also a major force in retail real estate. And big is getting bigger: Liverpool plans to continue growing for the next five years.

To get a handle on growth, Liverpool made numerous internal improvements and replaced its legacy systems with multiple SAP® solutions, which were implemented by SAP Consulting. The benefits of these changes, the solutions, and Liverpool’s close partnership with SAP Consulting include double-digit increases in gross retail profits and huge reductions in the amount of time required to produce reports for making decisions.

MERCHANDISING DILEMMA

Liverpool's main struggle was in merchandising. It is important for the company to keep track of what was selling and what wasn't. That information is critical to controlling inventory, reducing markdowns, keeping shelves stocked, and keeping customers happy.

"If we didn't have the right merchandise in the store, we couldn't react quickly because we couldn't get that information the next day," explains Ernesto Ynestrillas, chief information officer at Liverpool. "Our buyers needed a better system to do their buying for 52 stores. They needed to know which merchandise is performing well and which is not. And with finance, we had to wait until the end of the month to know which cost centers were giving us money and which were giving us trouble."

THE SAP SOLUTION

In 1998, Liverpool began searching for an IT system that would meet its needs. As the company carefully evaluated the IT products on the market, company executives noticed something special about SAP solutions. "We saw that SAP had a very good merchandising system," says Ynestrillas, "but we almost overlooked the other part – that only SAP solutions can handle a good retail system with finance, human resources, real estate, supply, maintenance, budgeting, fixed assets, and the other things we have to manage."

"Liverpool is now in a leadership position. In all our functions, our people have the right information to make the right decision at the right time."

*Ernesto Ynestrillas, Chief Information Officer,
Servicios Liverpool S.A. de C.V.*

Liverpool chose SAP in 2000 and began by installing basic functionality for retail, finance, human resources, payroll, and real-estate management. Since then, the company has implemented numerous SAP solutions, adding functionality as it was required.

In 2003, the company added asset management, consolidation, treasury, and personnel development functionality, as well as SAP Enterprise Portal (SAP EP) and SAP Business Information Warehouse (SAP BW), part of SAP Business Intelligence (SAP BI). SAP EP and SAP BI are components of the

SAP NetWeaver™ platform. And in 2004, Liverpool implemented mySAP™ Customer Relationship Management (mySAP CRM).

PARTNERING WITH SAP CONSULTING

SAP Consulting worked closely with Liverpool, providing crucial services, including consulting, project management, process redesign, configuration, and system implementation. SAP Consulting is part of SAP Customer Services Network, a single point of access to comprehensive services from SAP, including consulting, education, support, custom development, and hosting.

During the SAP implementations, SAP Consulting had a staff of 50 to 60 consultants working on various projects. "We decided to work directly with SAP Consulting rather than a third-party consulting company," says Ynestrillas. "We prefer working directly with the vendor; we know our business, and SAP knows its technology. It's a faster way to do things, and after the project is done, the knowledge remains inside our company – not with a third-party consultant."

TANGIBLE BUSINESS BENEFITS

SAP solutions and SAP Consulting services have enabled Liverpool to realize many business benefits, including better decision making because people throughout the company have the right information at the right time. Employees can now prepare their budgets much faster and the company's overall budget can be created in two to five days (the budget previously took three weeks to complete). SAP supply chain management software minimizes out-of-stock and overstock situations by automatically replenishing basic items using forecast planning.

With SAP solutions, finance employees can locate financial information in an instant from one source because operational and financial systems are integrated by SAP BW. Employees can perform tasks faster because they have instant access to sales and inventory data by brand and store; merchandise categories by department; and sales by month and by vendor. Store department heads can now analyze merchandise and vendor performance, manage inventory, and create purchase orders in their own stores.

Liverpool's retail business has realized the following quantifiable business benefits since making the internal improvements and implementing the SAP solutions:

- Faster article-level merchandise reports – 10 to 15 minutes instead of 3 days
- Faster fiscal-year financial consolidation – 25 days instead of 90
- Faster monthly closing – 3 days instead of 10
- A 15.2% leap in retail gross profits in fiscal year 2003*
- A 13.5% increase in cash flow*
- A 13% increase in point-of-sale (POS) transactions*
- An increase in inventory turns – from 3.52 in 2002 to 3.64 in 2003, with 4.2 turns expected in 2004*

For Liverpool's real-estate business, managers are using SAP BW to compare and benchmark the performance and best practices of malls in North America with those of Liverpool. Mall management has improved profitability and sustained a higher occupancy rate (currently at 92%). Real-estate employees can identify areas where they must improve traffic because they can analyze rent income by square meter of floor space using the SAP real-estate solution.

"SAP Consulting did a very good job of project management for us," says Ynestrillas. "When we needed something, they found the right resources and managed the consultants. For each manager at Liverpool, we had a consultant as the leader on the SAP side. They worked well with us – it was a partnership."

FUTURE PLANS

Looking ahead, Liverpool's retail business will install more SAP applications for long-range forecasting and replenishment, balanced scorecard, and customer analytics. Liverpool will also use SAP technology to establish a customer-interaction center to provide customer service online and by phone.

Upcoming projects include installing an SAP application for controlling all construction activities and a portal that will give construction personnel access to construction-related data and documents. The additional SAP solutions and services will leave Liverpool well positioned to add its planned growth.

* Achieved in connection with Liverpool's overall internal business improvements in addition to SAP solutions

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