

TRANSFORMING THE RETAIL INDUSTRY



BUSINESS CHALLENGES AND IMPERATIVES



Over the past 10 years, HCL AXON has worked with SAP and major retailers to transform their systems, processes and BI platforms to achieve real top and bottom line benefits. HCL AXON delivers integrated transformation programs addressing all elements of the structural, cultural, procedural and technological change required. We understand the unique challenges facing retailers and have the expertise needed to successfully address them.

Managing the Transformation of Core Systems Platforms

Many large retailers use in-house or custom-built systems platforms that have been enhanced over many years to their specific requirements. In many cases, these systems are becoming difficult to enhance and modify, which constrains the retailers ability to react to new and changing market opportunities. Because of large data and transaction volumes, retailers are highly dependent on systems for their core processes and are concerned that customer service and business performance will suffer during the transition to new packaged software solutions. To be successful, retailers need to have a clear Roadmap and Implementation Strategy that mitigates the risk and defines each step in the transformation.

Achieving Business Benefits

These are challenging times for retailers in most vertical and geographical sectors. Investments in IT must deliver real bottom line benefits to be justifiable. Before embarking on major capital projects, retail business executives must be clear on the scale of benefits to be identified and exactly how the benefits will be achieved. The focus on realizing targeted benefits must be maintained throughout the program.

Flexibility

To grow revenue and market share in a flat or declining market, retailers must have systems platforms that enable rapid innovation. This innovation includes the ability to bring new products and value added services to market, create new promotions, enter new markets or categories, open new stores or integrate acquisitions quicker than their competitors.

Optimizing Inventory and Streamlining Supply Chains

The costs of holding too much inventory, the wrong inventory or inventory in the wrong place undermine profit margins. As competitors become better at managing inventory, any retailer who does not have a clear and accurate view of key indicators on stock, sales and margin and who does not have decision support systems to optimize the flow and holding of inventory will find themselves uncompetitive. Reliable planning and forecasting processes are vital to gaining and maintaining competitive advantage.

Improving Efficiencies and Effectiveness

Daily volumes of transactions and their supporting documents are higher in retail than in most other industries. Electronic trading, automation and integration of operational and financial systems are critical to reduce administrative and overhead costs and prevent hard won gross margins being eaten away. Retailers need decision support tools to help manage key expense areas like Marketing, Pricing and Promotions and Workforce Management.

Understanding Customers Across Multiple Channels

Retailers need to understand who their customers are and what they value. Often in traditional cash retailing this is difficult to do. Loyalty cards are one way in which customers can be encouraged to shop at a specific retailer, while providing the retailer with invaluable insights into buying behaviors. To provide consistency at all touch-points including, POS, self-service kiosks, on-line shopping, mobile shopping and help desks, a single consistent view of each customer must be supported across all channels.

WHY HCL AXON?

The merger of Axon and HCL in 2009 to form HCL AXON has created a unique consultancy that focuses on SAP enabled business value realization. HCL AXON differentiates itself from competitors by offering the only truly global delivery model combining on-shore business transformation with off-shore and near-shore application development and support capabilities. This combination, in addition to our extensive industry experience, ensures that our clients are able to cost-effectively implement, manage and evolve innovative solutions that deliver tangible business benefits – benefits that we frequently underwrite.

HCL AXON recently bolstered its retail practice by acquiring the SAP practice of South Africa's UCS group. This group provides support to seventeen of the top twenty five retailers in South Africa and is acknowledged as the leading provider of business solutions within that country's retail and wholesale sector. This acquisition augments the existing HCL AXON retail practice and enhances its global delivery capabilities.

People

True Retail Industry Expertise

- 15 years of retail experience
- Industry innovation expertise through 200+ consultants focused on retail sector with on average 9 years SAP and industry experience
- 5 out of the top 10 global retail organizations are HCL AXON clients
- Rapid delivery through leading edge best practice retail templates and accelerators

Process

Guaranteed Outcomes

Ultimately our engagements are driven by the need to deliver certainty to our clients in terms of:

- **On Time, To Budget**
- **Guaranteed Service Levels**
- **Committed Cost Reductions**
- **Realized, Cashable Benefits**
- **Achieved Business Metric Improvements.**

HCL AXON regularly contracts to the delivery of specific outcomes – whether it is a reduction in a call center's average call handling time, guaranteed infrastructure management cost reductions or a particular cost saving or performance improvement.

HCL AXON
 ~ Ensuring your ROI ~
 through our value-led execution

Technology

Accelerate Value

Employing over 5,000 consultants globally in 60 offices and 15 global delivery centers across 24 countries, HCL AXON is a pioneer in value realization and was named as the first SAP Certified Value Management Partner in 2010. Leveraging this capability, we are able to fully meet our clients' local and multi-national requirements – to date we have implemented solutions in over 85 countries across the globe. When compared with other global system integrators, we rank #4 in terms of scale. Against Indian offshore providers we rank #1.

True Global Delivery

HCL AXON operates as a single global organization allowing us to deploy consulting teams which leverage proven industry and solution best practices from our offices around the world. We fully understand that successful implementation engagements require both on-site client engagement to drive process design and business change while simultaneously leveraging the significant cost and time zone benefits associated with cost effective off-shore and near-shore, round-the-clock delivery centers. Our global delivery model does not treat off-shore as an afterthought; we fully integrate our off-shore capabilities into our implementation and application management methodologies to ensure that the value of expensive onsite resources is fully optimized.

BENEFITS-LED SOLUTIONS

HCL AXON helps its retail customer achieve real benefits through the effective deployment and management of Programs and Projects and by driving out business benefits in key areas of operations. We deliver these solutions using best practice templates and a proven knowledge base in critical retail process areas gained through our experience in working with retail organizations. Together with our customers, we identify benchmarks for improvements and focus throughout on delivering these. Specific capabilities include:

Rapid Deployment Toolkit

A pioneer of pre-configured solutions in the retail industry, HCL AXON has developed a Rapid Deployment Toolkit (RDT) for Retail. This includes a full Retail Business Process Master List and process documents which are contained in our APSE document repository as well as a fully preconfigured SAP for Retail solution. The preconfigured solution draws on SAP Best Practice as well as HCL AXON's experience in specific retail sub-verticals (eg Grocery, Hardlines, Speciality and Fashion). The RDT is a significant accelerator during Blueprint design and ensures that all parties have a consistent understanding of the future process.

Forecasting and Replenishment

HCL AXON has been working with SAP and key retail customers for more than 5 years to implement forecasting and replenishment solutions. These have utilized the MRP based functionality within the standard SAP for Retail solution as well as the advanced functionality within the SAP Forecast and Replenishment engine. We have experience in Grocery, Clothing and General Merchandise and have deployed solutions which support both Store and Distribution Center replenishment.

Retail Business Intelligence to Improve Margins

We have deployed SAP based Business Intelligence solutions in a number of large retailers. We understand the key metrics and measures that are specific to retailers and how these interrelate with the SAP for Retail transactional systems. We have experience in how to optimize the underlying cubes to cater for the massive transactional volumes in retail. A critical area for retailers is how to measure, manage and improve margins. We understand in great detail how to utilize the SAP for Retail and BI solutions to give our retail customers the information they need to optimize margin. We have helped several clients migrate from traditional Retail Accounting Method based systems to SKU and moving average cost based systems.

Integration and SAP POS Data Manager

Retail architectures inevitably require complex integration platforms which manage large daily flows of information. Through our many SAP for Retail projects we have gained a thorough understanding of the dataflows inbound and outbound from the SAP for Retail solution. As part of the Rapid Deployment Toolkit we have pre-designed and pre-developed interfaces for many of the standard dataflows. We have deployed comprehensive Integration Solutions and Enterprise Buses using SAP Netweaver PI as well as other third party integration

platforms. We have successfully deployed SAP POS Data Manager to manage the inbound data from POS into SAP for Retail. Because of our role in supporting retail systems post go-live, we understand the need for management visibility of the status of interfaces and have experience in deploying SAP PI portals to enable full visibility of interfaces.

Data Purification

Typically in retail, transformation projects significant effort needs to be devoted to purifying, deduplicating and enriching data from a variety of legacy systems. HCL AXON has a proven methodology and toolsets that are specific to SAP for Retail which are significant accelerators in this process.

Customer Relationship Management

HCL AXON has implemented CRM solutions in major retailers, including a large buying club where the club card-holders database of over 5,000,000 records is managed on SAP CRM. HCL AXON pioneered the use of SAP in customer call center environments and has developed a packaged SAP contact center solution. To date, HCL AXON has implemented multi-channel SAP solutions in over 50 call centers, supporting over 7,500 call center agents, eCommerce, eService and IVR applications. We have also developed solutions for Trade Promotions Management, Marketing, Account Management, and Customer Service.

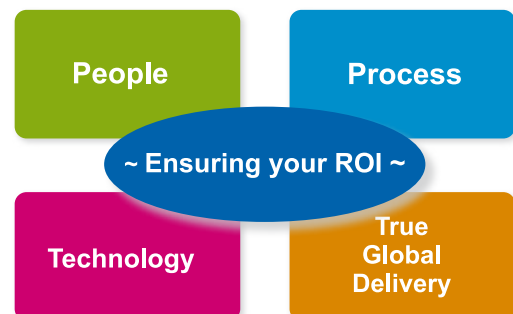
Human Capital Management

HCL AXON has built one of the strongest global HR implementation capabilities of any SAP partner. Our capabilities cover all of the core SAP HCM components and extend into re-engineering HR functions and the implementation of SAP-enabled HR shared services. We have particular expertise in the design and deployment of web enabled HR self-service solutions and have developed a library of solutions that significantly extend the power of the standard SAP ESS and MSS solution. Our implementations have been shown to directly reduce HR administration costs and to lead to improved workforce deployment patterns, increasing organizational capacity while reducing payroll costs.

Application Management Services

HCL AXON's global delivery organization uses a collaborative, co-sourcing approach to provide both remote and onsite services for IT application management. We offer flexible engagement models based on each client's specific goals and requirements.

HCL AXON - Your Business Transformation Partner



CASE STUDY PICK n PAY

Summary

Wall-to-wall SAP implementation (Finance, HR/Payroll, Retail, Warehouse Management, BW, POSDM, CRM)

Scale/Relevance

- Scope was a total replacement of all Head Office, Regional and Warehouse systems and In-store inventory management and replenishment systems
- This was achieved with minimal disruption to trading and customer service because of a carefully planned implementation and roll-out strategy
- The project included the standardization of key business processes for 6 diverse operating regions and vertical Grocery, Clothing and General Merchandise businesses onto SAP for Retail best practice processes
- Alignment and purification of master data from a number of source systems (e.g. reducing article master from >250k articles to 70k valid items)

Organization Scope

- 450 stores ranging from Hypermarkets, Supermarkets, Stand alone pharmacies, Convenience Stores and Forecourts
- Fully automated SAP Warehouse Management for an extremely large Centralized distribution center servicing more than 200 stores with Fresh Grocery, Frozen, Chilled Ambient and Dry groceries. Also covered 6 Regional Distribution centers
- Included implementation in Grocery, General Merchandise and Clothing businesses

Module Scope

- SAP IS-Retail
- SAP FI
- SAP Warehouse Management
- SAP HR/Payroll
- SAP BW
- SAP CRM
- SAP POS DM
- SAP SCM Forecasting and Replenishment

HCL AXON Role

- Prime Contractor
- Program Management
- Common Design, Quick Wins
- Build
- Change Management and Training
- Roll-out
- Knowledge Transfer and Support

Risks

Migration to new SAP based systems without disruption to customer service.

Outcomes

- Reduced inventory levels – through real time visibility of stock levels, by item by store, together with better replenishment decisions
- Improved margins – through real time visibility of margin by item by store based on MAC, including ingoing stock and POS margins
- Centralized distribution through high volume, automated Warehouse Management processes
- Administration – efficiency improved through the automation of tasks and the integration between the retail and financial systems



**SAP Africa award 2007
for “Best Value Adding” project**

“**The Longmeadow distribution center will allow us to enhance our customer offering through improved quality and a better in-stock position. It will also enable the company to more effectively manage its investment in stock**”

Nick Badminton
CEO
Pick n Pay



CASE STUDY SHOPRITE

Summary

Shoprite had implemented SAP Finance and HR systems prior to 2000. In 2009, they embarked on a project to replace their Buying and Merchandise Management systems with SAP for Retail.

Scale/Relevance

- All central merchandising and buying processes are to be implemented onto SAP for Retail and integrated to third-party in-store and warehouse management systems
- The new SAP for Retail solution will be integrated into the existing SAP Finance systems on a single platform
- SAP PoS DM will be implemented to improve the reliability of information flows from stores to the Central SAP for Retail system
- SAP BI will provide significantly enhanced intelligence

Organization Scope

- The largest FMCG retailer in Africa (turnover US \$7bn)
- Main focus is on food retailing
- 1,000 stores ranging from hypermarkets, supermarkets and smaller format stores in 17 countries in Africa, Indian Ocean islands and India

Module Scope

- SAP for Retail (incl Merchandise, Supply Chain)
- SAP PoS DM
- SAP BI
- SAP Netweaver PI

HCL AXON Role

- Prime Contractor
- Program Management
- SAP Functional Expertise
- Full Support for project life-cycle
- SAP Basis, Integration and ABAP Development
- Training and Change Management
- Data Migration

Outcomes

- Blueprint is nearing completion in September 2009
- Realization is due to commence in October 2009



CASE STUDY MAKRO

Summary

Replacement of legacy systems for Finance, Retail, Warehouse Management, Business Intelligence, integration with a number of In-store and third party systems through a middleware layer provided by WebMethods. SAP CRM Implementation to support cardholder database of 1.5m members – used for extensive direct marketing.

Scale/Relevance

- Successful IS Retail implementation in 2002, CRM implemented in 2004 – both recently upgraded by HCL AXON in 2008
- Implementation of SAP best practices, visibility of stock, sales and margin, improved replenishment decisions credited with significant improvement in operating margins

Organization Scope

- 20 very large format stores (wholesale and retail in a buying club format)
- One centralized distribution center
- Food, General Merchandise, Clothing and Liquor

Module Scope

- SAP IS-Retail
- SAP FI
- SAP BW
- SAP CRM
- SAP Warehouse Management
- SAP SCM Forecast and Replenishment

HCL AXON Role

- Prime Contractor
- Program Management
- Design and Build
- Integration design, build and operate
- Knowledge Transfer and Support

Risks

- Complex integration requirements
- Requirement to support wholesale negotiation and trading at point of sale

Outcomes

- Standardized set of business processes
- Optimized inventory levels
- Business intelligence was greatly improved
- Significant improvements in margin attributed to benefits of SAP
- Significantly improved information about key customer buying habits



“**Makro’s confidence in its ability to achieve a 4% profit before tax return on sales over the next two to three years has resulted directly from the important information it gets from the new SAP Retail solution**”

Mark Lamberti
Chairman
Massmart





HCL AXON delivers significant business value to leading organizations through the innovative implementation of SAP technologies.

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