

SAP Customer Success Story Retail – Cosmetics



“Software enhancements carried out by SAP Custom Development contributed to reducing our inventory levels by 20% while improving our in-stock positions.”

John Fellows, Head of Logistics and Supply Chain Development, The Body Shop International plc

AT A GLANCE

Summary

Global body and skin care retailer The Body Shop International plc – based in Littlehampton, England – commissioned the SAP® Custom Development organization to carry out enhancements specific to its business on SAP for Retail solutions. The new functionality enables demand-driven merchandise distribution across the company's global regions and a gift-packaging unit.

Web Site

www.thebodyshopinternational.com

Key Challenges

- Shift surplus stock ordered by one region to another that needs it
- Improve in-stock levels in retail outlets globally to maximize product availability to customers
- Improve cash flow by reducing inventory held in distribution center

Project Objectives

- Carry out development project – during third-party implementation of SAP for Retail – to deliver functionality specific to the business
- Implement a robust, reliable, repeatable, and guaranteed solution at lowest cost

Solutions and Services

SAP Custom Development

Why SAP Services

- Offer development expertise in SAP software and utilize proven development methodologies
- Offer onshore and offshore resources at an affordable price

Highlights

- Development work was completed on schedule to coincide with go-live of SAP for Retail.
- Close partnership with The Body Shop produced a solution tailored to company's unique business needs.
- Knowledge transfer from SAP Custom Development allows The Body Shop to make minor reconfigurations itself.
- Developments for business-specific functionality added only a small increase to total cost of implementing SAP for Retail.

Key Benefits

- Demand-driven merchandise distribution solution created by SAP Custom Development allows dynamic virtual stock reallocation to regions
- Greater transparency and flexibility in global ordering and forecasting
- Contribution to inventory level reduction of 20%
- In-stock position of retail outlets improved by 2%

Implementation Partner

SAP Custom Development

Existing Environment

- mySAP™ ERP application
- SAP NetWeaver® Business Intelligence component
- SAP for Retail

Database

Oracle

Hardware

HP

Operating System

UNIX

THE BODY SHOP

The Body Shop Sees 100% ROI in 12 Months Using SAP® Custom Development to Build Demand-Driven Merchandise Distribution Solution

“In our business, we want the regions to be responsible for their own stock forecasting and the amount ordered on their behalf to send to their customers,” says John Fellows, head of logistics and supply chain development at The Body Shop International plc. “But we also need a way to handle potential vendor overordering.” Following software enhancements made by the SAP Custom Development organization to SAP for Retail solutions, body and skin care retailer The Body Shop – based in Littlehampton, England – can now react more swiftly to changes in demand for its products.

The Body Shop is able to give its four global regions and one gift-packaging unit responsibility for their own forecasting of stock while the company coordinates vendor ordering centrally. Algorithms developed by SAP Custom Development enable forecasting changes from one region to be balanced against the other regional forecasts in order to optimize distribution of products across the globe. Stock can be reallocated virtually at the company's Littlehampton distribution center to meet demand changes without the need for any physical movement of goods.

The solution, which runs parallel to The Body Shop's warehouse management system, has enabled the retailer to minimize over-ordering and reduce capital tied up in inventory. SAP Custom Development carried out the development during The Body Shop's implementation of SAP for Retail, undertaken by a third-party organization. While the development work resulted in only



a small increase to the total project cost, this has been funded from the resulting 20% reduction in stock levels and a favorable effect on cash flow. The Body Shop estimates that 50% of the

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John Fellows, Head of Logistics and Supply Chain Development,
The Body Shop International plc

inventory reduction has been due to SAP Custom Development work. The remaining 50% has been achieved through execution of business initiatives by The Body Shop. This means that The Body Shop is on track to recoup a full return on its investment within 12 months.

Optimizing Distribution Globally

From a single shop 30 years ago, The Body Shop has grown into a multinational operation. The company now has over 2,100 owned or franchised retail outlets in 54 countries selling more than 600 products to an estimated 77 million customers. In 2003 The Body Shop standardized its business processes by implementing the mySAP™ ERP application. Two years later, the company chose SAP for Retail, a set of integrated, best-practice business solutions for the retail environment, to help it stay ahead of customer expectations while streamlining processes and cutting costs.

Enhancements to the standard functionality of SAP for Retail were needed to meet the unique requirements of The Body Shop’s Littlehampton distribution center, which ships out 85% of all stock for sales worldwide. While SAP for Retail met the requirement to order stock for each region and the gift-packaging unit centrally, the company also wanted to apply its proven forecasting techniques to optimize ordering and implement demand-driven merchandise distribution on a global basis.

In the past, placing replenishment orders based simply on each region’s individual forecast had resulted in the overstocking of some items if a region’s requirements were subsequently reduced. This situation reduced cash flow and shortened the shelf life of some perishable items when they eventually reached the shops. The Body Shop wanted to increase its flexibility to react to sudden reductions or increases in customer demand in the volatile retail market while avoiding the need to hold surplus stock.

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Automatic Stock Optimization and Reallocation

SAP Custom Development was commissioned to carry out The Body Shop’s specific enhancements to SAP for Retail because of its expertise in SAP software, its proven development methodologies, and its ability to carry out the project at a competitive price. “SAP Custom Development experts could build a solution that was tailored to our business processes as we chose to define them,” says Chris Wood, global business process manager at The Body Shop. “They were also able to provide both onshore and offshore development resources that would give us a robust solution at a competitive price.”

During a four-month development period, SAP Custom Development designed algorithms that enable The Body Shop to take into account forecasts and stock lead times for each item when consolidating global ordering. The solution was configured to run on The Body Shop's biweekly forecasting update and order cycles, but could be adapted for a shorter cycle period if required.

“We were very happy with the expertise, commitment, and support from SAP Custom Development experts.”

Chris Wood, Global Business Process Manager, The Body Shop International plc

With the new solution, new revised forecasts received from the regions are used to update existing stock levels at the Littlehampton warehouse, which are then automatically readjusted virtually. The central global supply chain team takes account of current inventory, forecast demand, and retail outlet or wholesales orders being processed when raising new vendor purchase orders for replenishment stock. Safety stock levels are set for each item within the regional forecasts to eliminate the risk of stock levels at the distribution center falling too low for any particular product. The solution is also linked to the SAP NetWeaver® Business Intelligence component, which makes snapshots of specific data tables available to the global supply chain team and the regions and allows reports to be run on stock commitments for the distribution center in given time periods.

Seamless Project Management

Following two on-site meetings and a series of conference calls to determine The Body Shop's requirements, the development work was carried out remotely by SAP Custom Development experts in Germany and India. “Communication was excellent throughout the project and the distributed development teams worked as a single entity,” says Wood. “Regular bulletins were issued to update us on each new development and full testing was carried out at every stage to ensure that the developments met our requirements. We were very happy with the expertise, commitment, and support from SAP Custom Development experts. They were flexible, responsive to our requests, and worked as a team with our system implementer.”

The custom development project went live on schedule to coincide with the implementation of SAP for Retail. SAP Custom Development also trained members of The Body Shop's process management team, enabling them to make minor configurations to the software themselves if required.

A Scalable, Repeatable Solution

Around 40 buyers and business analysts use the custom solution on a daily basis to optimize ordering and generate demand-driven distribution of merchandise at the Littlehampton warehouse. The Body Shop now enjoys far greater transparency and flexibility in its global forecasting and ordering processes. In addition to reducing the need to hold so much merchandise in stock, the company has improved the in-stock position of its retail outlets by 2% after only eight months. The Body Shop is now considering implementing the functionality developed by SAP Custom Development to its other distribution centers in the United States and Singapore.

“SAP Custom Development has helped us create a scalable, repeatable solution for demand-driven distribution that meets the needs of our customers while generating substantial savings in overhead,” says Fellows.

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