FIT FOR OMNICHANNEL

FURNITURE RETAIL

COMPETENCE · SOLUTION · COMMITMENT · INNOVATION

kps.com

INTRO

INNOVATION THROUGH DIGITALIZATION

The clock is ticking.

Digitalization is in full swing in the furniture retail sector too, where retailers face growing pressure from pure online players. Many retailers are familiar with their in-store customers, but unaware of how customers behave in each channel or how and why they make purchasing decisions; this is because their processes and technology are not currently set up to deliver such information. Retailers manage their online presence and brick-and-mortar business as two separate silos, supported by different online platform and customer management technologies and outdated retail systems. Neither processes nor systems are integrated seamlessly. The time has come to change this – with the help of the experts at KPS.

FUTURE-ORIENTED TECHNOLOGY IN THE OMNICHANNEL

VIDEO

KPS iFURNITURE Order Cockpit

ALL IN REAL-TIME: PURCHASE ORDER GENERATION AND CUSTOMER DELIVERY DATE CONFIRMATION

CUSTOMER PROFILE

NAME: **Sandra Styles**
CUST ID: 739845739224

BIRTHDAY: **JUN 12th**

ING VIA:

CENT PURCHASE:

UNDREDAL
3 drawers / black
ID 443450000034

METHOD

OMNICHANNEL-TRANSFORMATION

KPS methodology for furniture retail: groundbreaking and industry-specific

The first step is to compare your business processes with the KPS reference process model for the industry, in workshops with the project team. It is important to understand that the KPS process model, which is based on best practices, provides a uniquely forward-looking vision. How will omnichannel commerce, mobile commerce, or indeed cross-selling processes take place in the companies of the future? What will information flows look like?

Company-specific process variants are mapped with the KPS process model and with the SAP Solution Manager ensuring that processes and system architecture are integrated. The functionalities are then mapped and tested in the SAP Retail solution. This approach minimizes risk, makes it possible to calculate project costs, and greatly reduces the project duration. A prototype is rapidly built showing the future processes in the system – hands-on already!

At the same time, specific change management activities are used to prepare company employees for the transformation and the switch to the new business processes. The success of any transformation depends largely on the integration of specialist departments, IT, and end users.
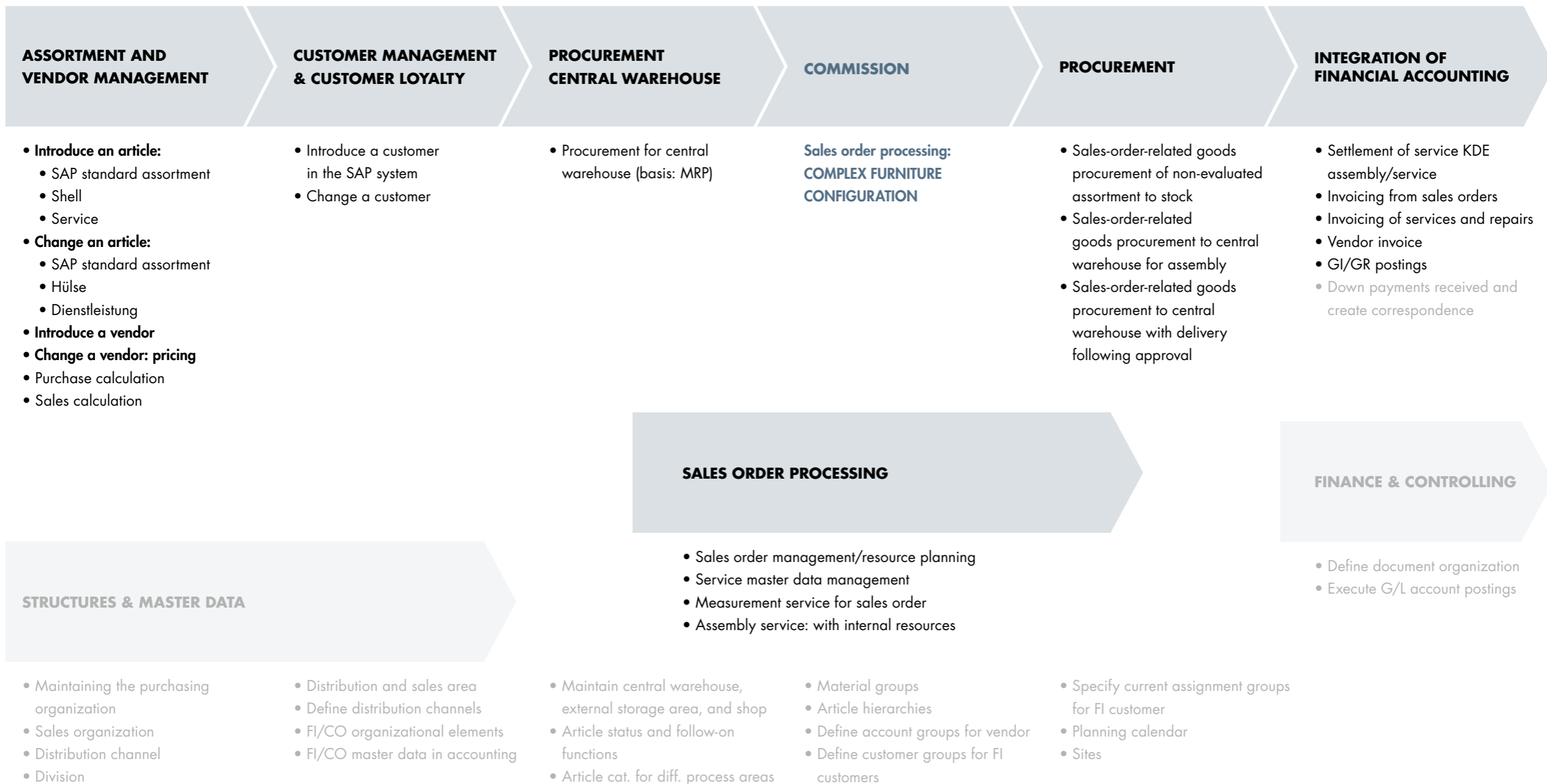
USE YOUR DATA TO PERSONALIZE COMMUNICATIONS WITH YOUR CUSTOMERS!
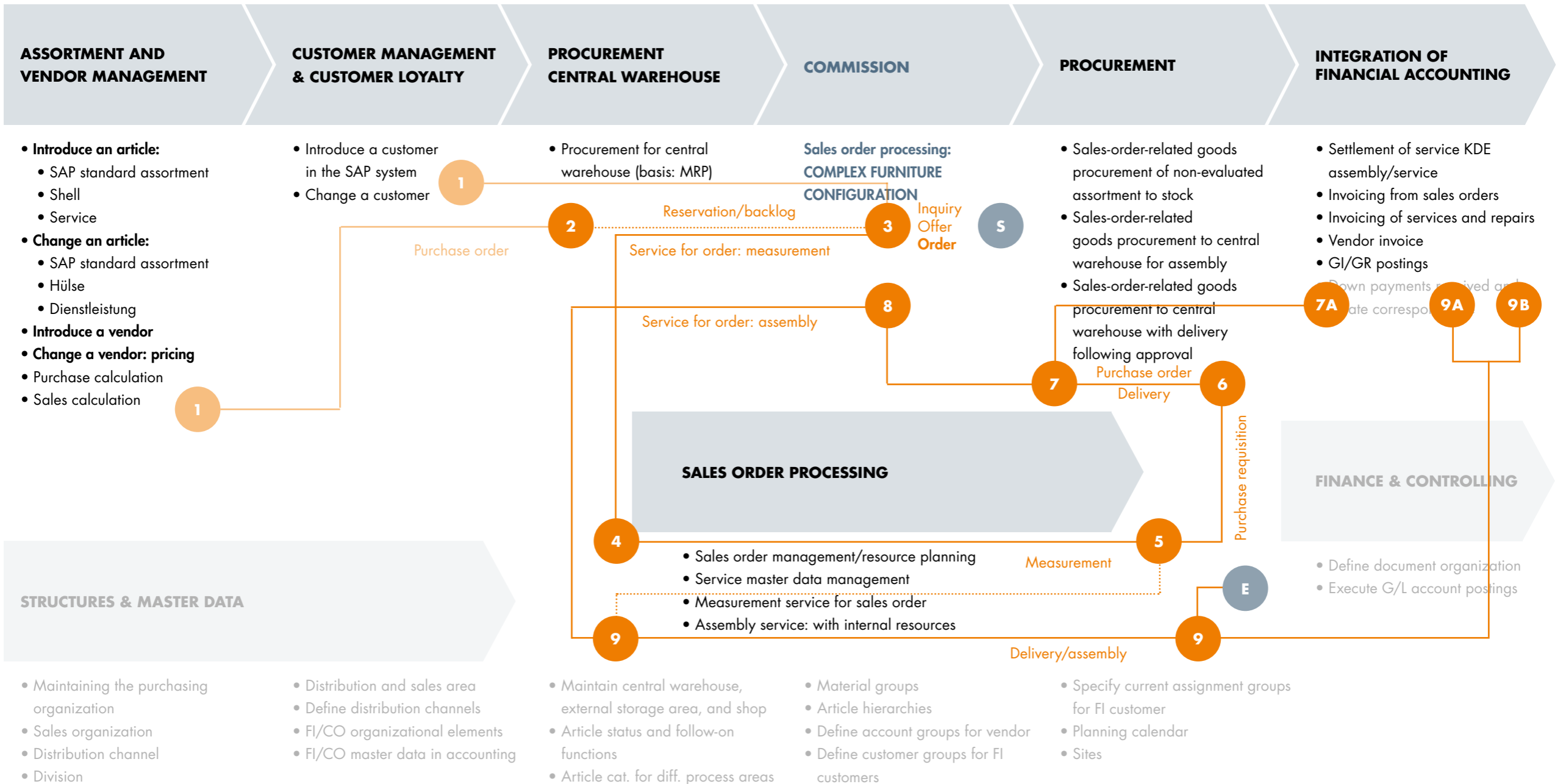
SPECIAL PROCESS REQUIREMENT

The special customer order process in the KPS furniture retail solution based on SAP Retail.

Take the process of customer-specific order processing in furniture retail: Here, purely retail-related processes are linked with those followed by suppliers. Once a customer orders his individually customized product, a number of steps need to take place, including triggering the purchase order process on the vendor side, sending a delivery date confirmation to the customer, arranging for the delivery itself, and consolidating any necessary assembly and service tasks at the delivery location. The sales team enters the customer's specific order directly using iFURNITURE, the app developed by KPS for tablet PCs. This not only assists sales employees in their one-on-one interactions with customers, but automatically handles the integrated business processes running in the background, as well. This makes it possible to factor in even complex warehouse workflows.

The special customer order process in the KPS furniture retail solution based on SAP Retail

| ASSORTMENT AND VENDOR MANAGEMENT | CUSTOMER MANAGEMENT & CUSTOMER LOYALTY | PROCUREMENT CENTRAL WAREHOUSE | COMMISSION | PROCUREMENT | INTEGRATION OF FINANCIAL ACCOUNTING |

ASSORTMENT AND VENDOR MANAGEMENT

- **Introduce an article:**
  - SAP standard assortment
  - Shell
  - Service
- **Change an article:**
  - SAP standard assortment
  - Hülse
  - Dienstleistung
- **Introduce a vendor**
- **Change a vendor: pricing**
- Purchase calculation
- Sales calculation

CUSTOMER MANAGEMENT & CUSTOMER LOYALTY

- Introduce a customer in the SAP system
- Change a customer

PROCUREMENT CENTRAL WAREHOUSE

- Procurement for central warehouse (basis: MRP)

COMMISSION

Sales order processing:
COMPLEX FURNITURE CONFIGURATION

PROCUREMENT

- Sales-order-related goods procurement of non-evaluated assortment to stock
- Sales-order-related goods procurement to central warehouse for assembly
- Sales-order-related goods procurement to central warehouse with delivery following approval

INTEGRATION OF FINANCIAL ACCOUNTING

- Settlement of service KDE assembly/service
- Invoicing from sales orders
- Invoicing of services and repairs
- Vendor invoice
- GI/GR postings
- Down payments received and create correspondence

SALES ORDER PROCESSING

- Sales order management/resource planning
- Service master data management
- Measurement service for sales order
- Assembly service: with internal resources

FINANCE & CONTROLLING

- Define document organization
- Execute G/L account postings

STRUCTURES & MASTER DATA

- Maintaining the purchasing organization
- Sales organization
- Distribution channel
- Division

- Distribution and sales area
- Define distribution channels
- FI/CO organizational elements
- FI/CO master data in accounting

- Maintain central warehouse, external storage area, and shop
- Article status and follow-on functions
- Article cat. for diff. process areas

- Material groups
- Article hierarchies
- Define account groups for vendor
- Define customer groups for FI customers

- Specify current assignment groups for FI customer
- Planning calendar
- Sites

The special customer order process in the KPS furniture retail solution based on SAP Retail

ASSORTMENT AND VENDOR MANAGEMENT

CUSTOMER MANAGEMENT & CUSTOMER LOYALTY

PROCUREMENT CENTRAL WAREHOUSE

COMMISSION

PROCUREMENT

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- Sales calculation

- Introduce a customer in the SAP system
- Change a customer

- Procurement for central warehouse (basis: MRP)

Purchase order

Reservation/backlog

Service for order: measurement

Service for order: assembly

Sales order processing: COMPLEX FURNITURE CONFIGURATION

Inquiry
Offer
Order

S

- Sales-order-related goods procurement of non-evaluated assortment to stock
- Sales-order-related goods procurement to central warehouse for assembly
- Sales-order-related goods procurement to central warehouse with delivery following approval

Purchase order
Delivery

- Settlement of service KDE assembly/service
- Invoicing from sales orders
- Invoicing of services and repairs
- Vendor invoice
- GI/GR postings
- Down payments received and date correspo...

7A

9A **9B**

SALES ORDER PROCESSING

Purchase requisition

Measurement

E

FINANCE & CONTROLLING

- Sales order management/resource planning
- Service master data management
- Measurement service for sales order
- Assembly service: with internal resources

Delivery/assembly

- Define document organization
- Execute G/L account postings

STRUCTURES & MASTER DATA

- Maintaining the purchasing organization
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- Planning calendar
- Sites

OUR CUSTOMERS' VOICES

dodenhof

"KPS delivered on everything it promised in terms of methodology, resource requirements, the use of standards, and furniture-specific solutions in SAP Retail. We couldn't be happier with their services."

Karsten Kamrath *CEO, Dodenhof*

DODENHOF

180.000 m² of floor space

1.300 brands

FURNITURE RETAIL

5 Mio. customers

2.500 employees
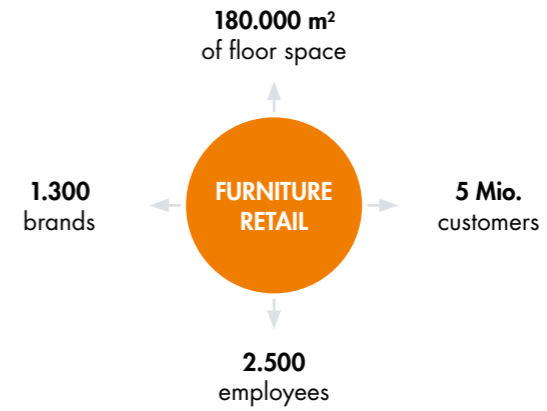
BACKGROUND

- **Sales cockpit** for tablets
- **Integration of portals and planning** (furnplan, KPS ambiente, go2B, iwofurn, XcalibuR)
- Coverage of special **furniture line** requirements
- Industry-specific method of **fulfilling customer orders**
- Standard **SAP Retail** software for company-wide **ERP** (incl. **finance**, controlling)

dodenhof, Posthausen/Bremen
- Largest shopping center in northern Germany
- Large-scale, in-house retail operations in furniture, fashion, sports articles, electronics, and food products
- Also leases out approx. 50 store spaces (H&M, Thalia, Esprit, Obi, Aldi, etc.)
- 2,500 employees
- Approx. EUR 300 million in revenue

www.dodenhof.de

KPS Rapid Transformation

Replaced 4 retail systems

Created digital front ends

WITHIN 18 MONTHS

A successful transformation pulled off in record time at the largest shopping-center operator in northern Germany

OUR CUSTOMERS' VOICES

porta!

"Online sales are accounting for more and more business in the furniture industry. We're looking to reach out to customers in personalized ways – both online and at our stores – and keep them coming back for the long term."

Achim Fahrenkamp Owner and Managing Director, Porta

PORTA!

Hybris Marketing
Personalization, Recommendations

Hybris e-commerce
Online store
Sale of inventory
and made-to-order
goods

FURNITURE RETAIL

SAP ERP S/4
Service
Assembly
Complaints

SAP ERP S/4
Product line management
Procurement
In-store sales
Integration of kitchen planner, third-party solutions

BACKGROUND

SAP RETAIL
Comprehensive retail
SAP HYBRIS
Integration of S4 Simple Finance
(financial and
controlling processes)

PORTA, Porta Westfalica
5th-largest furniture retailer in DE
Porta, Möbel Hausmann, Boss, Asko
5,400 employees
Approx. EUR 1.35 billion in revenue
www.porta.de

KPS Rapid Transformation

OMNI CHANNEL

KPS Rapid Transformation

360-degree customer insights
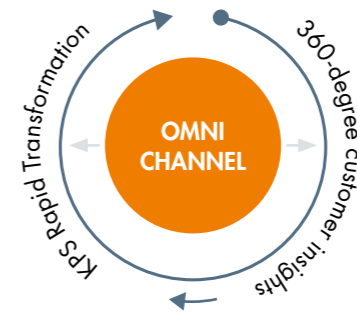
A successful omnichannel transformation at the fifth-largest furniture retailer in Germany

OUR CUSTOMERS' VOICES

POCO
EINRICHTUNGSMÄRKTE

"For us, it was important to find a partner with process and industry expertise, which is exactly how KPS won us over. Without them, it wouldn't have been possible to complete our project so quickly with such a small team."

Dr. Friedhelm Rudolph *Authorized Signatory and Head of Controlling, POCO Einrichtungsmärkte*

POCO

Retail connector
Replication logic (master data), MOEVE interface, Web services for store POS systems

Other Features
Internationalization
ELSTER connection
DART / IDEA extraction
Online payment service
provider

INTEGRATION

SAP S/4 Finance
Accounting
Controlling
Investments
Bank accounting

SAP Add-Ons
KPS Concepts Classifier® for inv. ver.
RepCon® connection
ZOPTION GLSU® (Excel interface)

BACKGROUND

SAP RETAIL license	**POCO Einrichtungsmärkte,** Hardegsen & Bergkamen
SAP S/4HANA Finance 1605	7th largest furniture retailer in DE
Latest HANA technology	More than 115 stores
Retail connector	7,000 employees
Governance/authorizations	Approx. EUR 1.33 billion in revenue
Data migration	**www.poco.de**

KPS Rapid Transformation

KPS Rapid Transformation

OMNI CHANNEL

Scalable Finance

An efficient accounting transformation for the largest discount furniture chain in Germany

OUR EXPERTS' OPINION

home24

„Digitalization opens up new possibilities, especially in the furniture retail. Those who invest in innovative technologies and Omnichannel processes today will maintain and their position in the market."

Jochen Jahraus *Managing Partner KPS*

home24

2 million
customers

3 distribution centers
stores & outlet

ONLINE PLATFORM

7 countries
(Europe)

150.000 products
1.000 suppliers
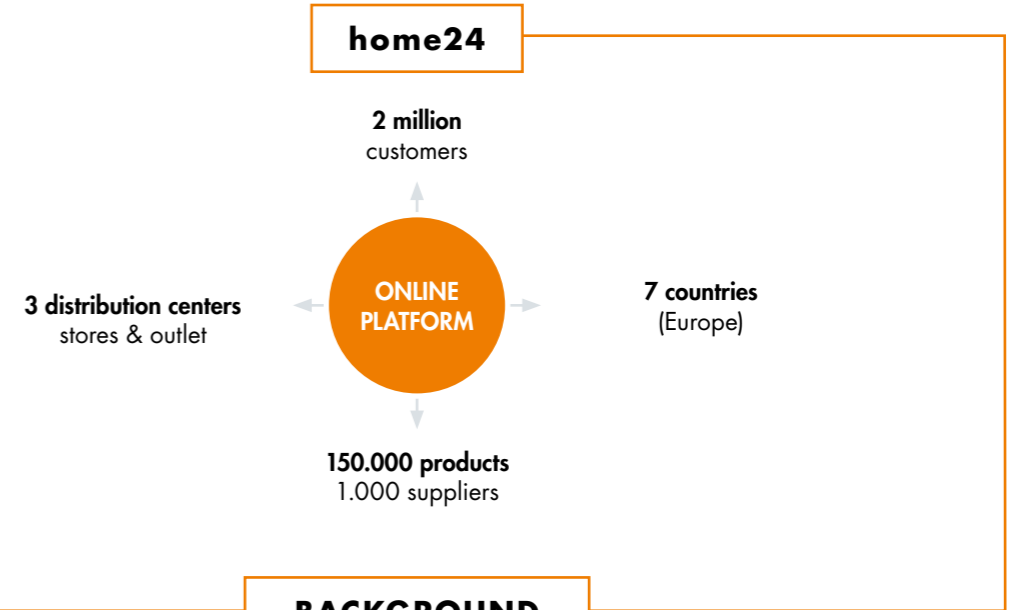
BACKGROUND

- Rapid Prototyp within 12 weeks
- project duration under 12 months
- Implemented SAP solutions: S/4 HANA Merchandise Management (incl. FI/CO), SAP EWM, SAP Track & Trace, SAP Hybris PIM, SAP C4C, incl. Call Center & SAP Contact Center, SAP C4S, SAP Hybris Billing, SAP BW & BI, SAP Vendor Invoice Management incl. OCR & Open Text

Home24, Berlin, Germany
Online sales/mail order for furniture & accessories
Part of the Rocket-Internet-Group
1,000+ employees
Turnover of 300 Mio. Euros
www.home24.de

KPS Rapid Transformation

12 weeks to Prototype

S/4HANA MERCHAN-DISING

12 months to Go-Live
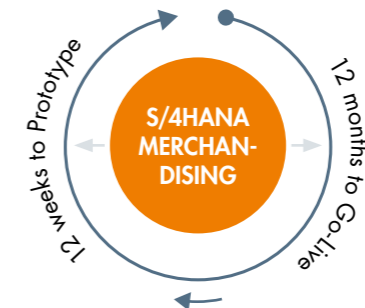
Implementation of digital process chains and technology within the shortest possible timeframe

VIDEO

Interview with CFO Karsten Kamrath, Dodenhof

BRING YOUR RETAIL SYSTEM INTO THE DIGITAL ERA.

METHOD

TRANSFORMING THE FURNITURE RETAIL BUSINESS UP TO 50 PERCENT FASTER

KPS Rapid Transformation: fast and reliable

The integration of strategy, business processes, and implementation poses a challenge in any project. KPS covers the entire consulting spectrum, from strategy development, through process design, to system transactions. Success depends on the interplay between two key factors: methodology and experienced consultants.

The KPS Rapid Transformation methodology includes and integrates all project levels based on KPS reference processes for furniture retail. Change management is another important factor in the success of the methodology. It ensures that strategy definition, process modeling, and implementation in the SAP Retail environment are integrated seamlessly.

KPS consultants – or KPS Transformation Architects – have extensive knowledge of the industry and, on average, more than 12 years' project experience. The seniority of our team is a key factor in our success. For project-specific situations, we follow the "All-Star" principle, calling in generalists or specialists depending on the project requirements.

THE UNIQUE COMBINATION OF METHODOLOGY AND CONSULTING TEAM GUARANTEES THE SUCCESS OF OUR CUSTOMERS' PROJECTS.

Solution for the furniture retail business

KPS

FURNITURE RETAIL

COMPETENCE
SOLUTION
COMMITMENT
INNOVATION

Thank you.

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info@kps.com

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INTERVIEW

DODENHOF IMPLEMENTS CENTRALIZED IT SYSTEM

Furniture Retailer Leading the Way with SAP

Text:

Sascha Tapken, Doris Schmidt

With the help of KPS, a consulting firm that supports business transformations all across Europe, Dodenhof has taken a significant step forward in consolidating its business processes. In fact, this member of the BEGROS group was the first furniture retailer in Germany to implement SAP Retail based on KPS's best practices. The project was not without its challenges, however, as the two companies ultimately needed to map complex sales processes in real time and replace an IT landscape that had begun to show its age. To find out how this project progressed, the resources it required, and the areas in which the system is running smoothly (along with those still needing improvement), möbel kultur spoke with Dodenhof CEO Karsten Kamrath and Michael Tsifidaris, chairman and managing partner of KPS.

möbel kultur: Mr. Kamrath, your company was the first furniture retailer in Germany to implement SAP Retail based on the best practices followed by KPS. Why did you choose to make this transition?

Karsten Kamrath: At Dodenhof, we were looking for a way to move from our fragmented IT landscape to a solution that would corresponding to our current strategy. In doing so, we also wanted to address the shortcomings of our established systems, support digitalization, and focus more on processes in order to glean more knowledge from the information at our disposal. One of our main goals was to lay a foundation for digitalization by enabling both our in-store and digital elements to work together in a single retail system, which in turn would make real omnichannel sales possible. In SAP, we've found a solution that covers these requirements.

möbel kultur: How many employees were involved in this project, and why did you bring KPS on board as your service provider?

Karsten Kamrath: In the furniture retail sector, our sales employees enter orders directly into our retail system, which means more than half of them are working with the system at present (editor's note: Dodenhof has over 2,500 employees). More than 100 employees were involved in the project itself. We went

with KPS because I definitely wanted to avoid a situation where our organization would have spent months writing up business blueprints that presumably would have described the systems we already had rather than the uniform, company-wide processes we wanted to achieve. The agile methodology KPS employs seemed like the right fit, and that turned out to be true over the course of the project.

möbel kultur: What sort of relationship do KPS and SAP have?

Michael Tsifidaris: KPS leads the European market when it comes to transformation projects in retail. In carrying out projects like these, standard software stacks are essential. SAP is the world's biggest provider of business software, so we use its products whenever possible. We've been successfully implementing SAP solutions for more than 15 years; with SAP ERP, industry solutions like SAP Retail and SAP Fashion, and SAP Hybris for customer management, there's no retail requirement we can't fulfill. Plus, SAP itself has certified the quality of our services a number of times: Besides having been a Gold Partner, a Gold Channel Partner, and a Service Partner for many years, we're also involved in a number of Special Expertise partnerships.

möbel kultur: In analyzing Dodenhof's requirements, you employed what's known as a "rapid prototyping" procedure. What exactly does that involve?

Michael Tsifidaris: In digital transformation projects in particular, speed is a key competitive advantage. That's why we aligned our processes accordingly to significantly reduce lead times. By combining veteran industry consultants with the Rapid Transformation methodology we've developed, we're capable of accelerating projects by as much as 50 percent – all while setting standards in efficiency and transparency. One of the tools we use to do so is our rapid prototyping procedure, which enables us to map and visualize the future business processes in a given system in just weeks.

möbel kultur: How much of a challenge was it to adapt SAP Retail to the complex requirements of the furniture retail sector?

Michael Tsifidaris: The biggest obstacle involved integrating purely retail-related processes – also called B2C functions – with B2B order processing in real time and consolidating it all within a common process model. Dodenhof's sales team also needed fast, efficient access to their specific order entry workflow right from the initial screen. Luckily, the order cockpit KPS developed for tablets

not only assists sales employees in their direct interactions with customers, but handles the integrated business processes running in the background, as well. That makes it possible to factor in even complex warehouse workflows, for example. Items stored in multiple locations are displayed along with their correct quantities and can be picked in the same amounts. The customer-based picking typical of the furniture retail industry is also now part of Dodenhof's integrated process chain.

möbel kultur: To what extent does this new system simplify omnichannel, cross-selling, and mobile strategies?

Karsten Kamrath: Thanks to our integrated retail landscape, we've now assembled a core around which we can continue to digitalize the way we do business. In doing so, we've laid a foundation for efficiently integrating Dodenhof's retail activities in furniture, fashion, electronics, and food products. Whether it's e-commerce based on conventional shipping, click-and-collect, or click-and-reserve; a website that introduces both current and new customers to our various shopping experiences; an app that regularly notifies frequent customers of the sales and events currently on offer; or the ability to add cross-selling vouchers to receipts based on the customer's profile, the pos-

sibilities are virtually endless with an integrated retail solution.

möbel kultur: How long did it take to implement this, from the initial idea to full integration? And how many phases does a project like this entail?

Michael Tsifidaris: The entire project took 20 months: We got started in late February 2014, and the last go-live was in November 2015. A project of this kind progresses through several phases, from process alignment and prototyping to going live with a pilot. The pilot involves the first area that will be working with the new system. Subsequent areas are then gradually rolled in until the previous system landscape can be taken offline. Dodenhof opted to go live in its individual business areas for fashion, electronics, food products, and furniture one after the other, all of which took place within those 20 months. Following each roll-in, there was a hypercare phase in which any remaining issues were addressed in each area parallel to the ongoing project.

möbel kultur: What does a system conversion like this cost, and what long-term savings are you expecting?

Karsten Kamrath: Some of our IT systems had already been amortized for

Karsten Kamrath,
CEO of Dodenhof

At the same time, however, digitalizing various steps of your processes in sales, purchasing, and all of the supporting elements of retail also presents a huge opportunity to gain a competitive edge.

more than 10 years; if we hadn't moved to a new retail system, Dodenhof wouldn't have been prepared to take on the future. Implementing an entirely new system is a major investment for any retail company, of course. At the same time, however, digitalizing various steps of your processes in sales, purchasing, and all of the supporting elements of retail also presents a huge opportunity to gain a competitive edge. Taking full advantage in the most efficient ways possible will now be the focus of Dodenhof's management team in the years ahead.

möbel kultur: How much training do employees need to get a hang of the new system?

Karsten Kamrath: As always, it depends on the skill level of the employee in question. That said, we've found that much less training is required than in our previous system, even for new part-time employees. The rate of error has dropped, as well. One key part of our training concept involved turning our own employees into coaches in order to minimize the attrition that occurs when you have too large a gap between theory and practice. During our soft go-live, we also made sure that our sales personnel would be able to enter purchase orders into the new system the very first day after completing their training. Meanwhile, you're

always going to have functions that aren't used as often. To enable our employees to supplement their training as required, we offered one- and two-hour courses on specific subject areas in the months following our implementation.

möbel kultur: Users sometimes gripe about how complex SAP systems can be. How would you describe working with the system on a day-to-day basis?

Karsten Kamrath: SAP is an incredibly powerful system. No one could ever master all of the process steps it covers, which is why KPS employs people who are experts in specific modules. The job of the project team – which consisted of Dodenhof's IT department, the user department in question, and KPS – was to keep things as simple as possible for our end users. There were definitely instances where we didn't identify the need to simplify a certain step until after we went live, but the hypercare phase made it possible to take the necessary action in short order.

möbel kultur: What did you learn in seeing this transition through? Is there anything you'd handle differently next time?

Karsten Kamrath: Of course! Carrying out a project of this scale without any friction or follow-up work is almost im-

Michael Tsifidaris,
Chairman of KPS

Plus, SAP itself has certified the quality of our services a number of times: Besides having been a Gold Partner, a Gold Channel Partner, and a Service Partner for many years, we're also involved in a number of Special Expertise partnerships.

possible, if you ask me. Overall, though, the approach we followed – KPS's Rapid Transformation methodology, establishing a dedicated change team at Dodenhof, taking responsibility for the transfer of knowledge – ensured that things progressed as smoothly as they could. On the other hand, there are specific areas that have required a great deal more effort since the implementation. Master data maintenance is much more resource-intensive than in our previous system, for example. That said, doing it right the first time makes a lot of things easier later on in the process. If you don't heed that principle enough – as we definitely learned the hard way at the start of our implementation – addressing problems down the road becomes a costly endeavor.

möbel kultur: What business formats is SAP Retail equipped to handle?

Michael Tsifidaris: The program has something to offer any retail company. Wherever goods are ordered, advertised, delivered, monitored, paid for, and posted, SAP Retail sets the standard. SAP supports all of the processes involved, from the manufacturer or vendor all the way to the end consumer.

möbel kultur: What have your initial results been like? In what areas is the system running

smoothly, and where do you still need to make adjustments?

Karsten Kamrath: Now that our team has announced the project's completion, most of our organization (which didn't hear much about this undertaking as it was under way) is realizing that for them, the transition is only just beginning. Some of the things people had come to like about our old systems no longer exist; they'll now have to deal with a new environment. Meanwhile, various unintended consequences have cropped up for a wide range of reasons: technical system errors, insufficient user training, a lack of user-friendliness in the system, differences in the way certain processes are now mapped compared to our old system, shortcomings in our ability to adapt – and probably all kinds of combinations of these issues, as well. We've seen it all at Dodenhof, and I don't think that's anything out of the ordinary; all things considered, however – and this is the important thing – our business hasn't been impacted in any significant way that we couldn't offset. In summary, we can report that after just over a year and a half, we've replaced three retail systems and a financial accounting solution with SAP. We've also done so in the furniture industry, which is uncharted territory for SAP, while laying a foundation for digitalization at Dodenhof. ●

ARTICLE

KPS/SAP: A DAY OF FRESH IDEAS FOR FURNITURE RETAILERS

Time for a Clean Slate

Text: Sascha Tapken

With Dodenhof having become the first furniture retailer in Germany to implement SAP Retail based on KPS's best practices, another member of the BEGROS group is now following suit in Porta. In light of this trend, inviting other furniture stores to an event that would showcase the strengths of their IT infrastructure was the next logical step for SAP and KPS. No fewer than 50 prominent names attended, providing further evidence that finding the right system is one of the key issues the industry currently faces.

Following the successful implementation of SAP Retail at German retailer Dodenhof, Michael Tsifidaris – chairman and managing partner of KPS AG, which hosted the event – has become one of the furniture industry's biggest advocates. With 700 consultants working at 10 office locations around the world, KPS now operates in this and every other branch of the retail sector. Its holistic approach to SAP implementations is catching on: The insular solutions companies have favored in the past are expensive, and the interfaces among them resource-intensive. "The era of modification is giving way to one in which companies want to build on a fresh foundation," Tsifidaris declares. "After all, digitalization isn't something you can pull off in small steps." According to KPS's philosophy, digitalization comprises retail, e-commerce, and customer management – all of which SAP Retail has covered, as SAP's Andreas Wormbs explains. Right now, the German IT giant's retail agenda features three main topics: In addition to introducing a new retail offering, SAP is focusing on providing end-to-end solutions that support vertical processes. With the e-commerce software provider Hybris having belonged to the SAP empire since 2013, more effective support for retailers' omnichannel efforts are also on the way for SAP Retail. SAP and KPS have something in store for point-of-sale systems, as well: The new cockpit iFurniture offers retailers an extensive range of functions, along with support for all of the commonly used planning programs (Furnplan, IWOfurn, Go2B, and others).

At the industry event, Dodenhof CEO Karsten Kamrath explained what reconstructing its IT infrastructure from the ground up meant for his company. "It's a real paradigm shift that makes IT part of your value chain," he stated. "As a retailer operating in various sectors, we were dealing with a lot of inefficiency due to the different retail systems we were using," adds Andreas Iken, head of IT at Dodenhof. "It was basically the opposite of effective integration." To lay a foundation for future digitalization, Dodenhof thus needed a single integrated system for all of its business divisions. According to its managers, only two solutions would be suitable out-of-the-box: those offered by Microsoft and SAP. In the end, Dodenhof opted for SAP, not least because of the change management services KPS would be able to provide. Despite a few minor obstacles, not one of Dodenhof's three SAP implementations went off track during the 18-month integration process. Following six months of optimizations, the company's system is now stable and secure. Its next big challenge? Integrating the mobile devices its furniture assembly specialists use into SAP. In the mind of Porta owner Achim Fahrenkamp, this is how things will proceed at his own store chain over the next two years. The transition is planned for 2017 at Möbel Boss (another member of the Porta group), and for 2018 at Porta itself.

Felix Doerr, chairman of the European furniture association EMV, was also on hand

to tell the attendees more about EMV's multichannel concept. Doerr believes that the term "trade association" has become obsolete: These days, a headquarters functions as a shared service center that seeks to advance the development of synergetic services. With competitive pressure at a consistently high level, EMV was quick to position itself at the forefront of the multichannel discussion back in 2010. The company that came out on top in the association's call for tenders at the time was Hybris, which proved to be a "reliable partner". Retailers that belong to EMV can now incorporate the multichannel module myPOS into their IT landscapes in order to preserve connections to the systems they use – all for a flat monthly fee of less than €200. Also reporting on the use of SAP software in practice was Holger Rommel, CIO at the Gries Deco Company. There, SAP Fiori aids floor managers in controlling the shop-in-shop concept "Rooms", which also makes live operations possible in retail settings. Among all of the perspectives offered during the event, one thing in particular was clear: Modern IT has to be open, flexible, and holistic in its functionality. This is why Michael Tsifidaris believes that the furniture industry – where some companies still have IT infrastructures that have long been obsolete – has plenty of work to do. Luckily, guiding furniture retailers on the path to process excellence is the core purpose of the KPS Rapid Transformation methodology. ●

The SAP/KPS industry event in Walldorf, Germany, reinforced the notion that IT is an executive-level concern. Those in attendance included: 1. Karsten Kamrath, CEO of Dodenhof; 2. Kamrath's colleague Andreas Iken, Dodenhof's head of IT; 3. Andreas Wormbs, chief strategy advisor for retail, wholesale, and fashion at SAP; 4. Holger Rommel, CIO at the Gries Deco Company; 5. Felix Doerr, chairman of EMV; 6. Achim Fahrenkamp, owner of Porta; 7. Michael Tsifidaris, event host and chairman/managing partner of KPS AG.

ARTICLE

KPS DEVELOPS FURNITURE RETAIL SOLUTION
BASED ON SAP RETAIL

Making the Leap from the Stone Age to the Digital Age

Numerous studies have shown that the furniture business is another sector that is shifting to online channels. At the same time, the internet is also presenting new opportunities for brick-and-mortar furniture stores. While most retailers have taken notice, many are still hesitating to tackle this challenge and take advantage of the possibilities afforded by digitalization.

Plenty of industry players are already building relationships with their customers both online and in physical locations, but keeping these channels entirely separate from one another in most cases. They now need to develop integrated omnichannel expertise in a new

KPS helps its customers implement innovative strategies and processes in a fast, efficient manner. In the furniture retail sector, the company is currently advising Dodenhof and Porta.

dimension that enables them to address each customer in a personalized way. This will mean rethinking customer interactions in stores, over the internet, and through other digital media. Process innovations are required in every area, and it all needs to be part of a healthy strategy and a clear road map involving more than just a shiny new online shop.

The first major challenge lies in establishing a functional retail system. Compared to other industries, some of the requirements in furniture retail are highly specialized. Take the process of customer-specific picking, for example: Here, purely retail-related processes need to be linked with those followed by ven-

dors. Once a customer requests a made-to-order product, a number of steps need to take place, including triggering the order process on the vendor side, sending a delivery date confirmation to the customer, arranging for the delivery itself, and consolidating any necessary assembly and service tasks at the delivery location. Ideally, the sales team can enter the customer's specific order right there in the store. A corresponding order cockpit KPS has developed for tablets not only assists sales employees in their one-on-one interactions with customers, but automatically handles the integrated business processes running in the background, as well. This makes it possible to factor in even complex warehouse workflows: Items stored in multiple locations are displayed along with their correct quantities, for example, and can be picked up in the same amounts.

An integrated retail system thus forms a basis for digitalization, but most furniture retailers are still a long way from taking this step. Many of the systems and software solutions they use are obsolete, and enhancements that would bring them up to speed are no longer possible. Each and every day, the subsystems involved – along with their endless resource-intensive, error-prone interfaces – make it harder to run myriad processes and gather reliable information. Since they focus exclusively on online channels, e-commerce solutions are also incapable of providing dependable insights. All this makes it difficult to obtain solid analyses and data on customers – and certainly impossible in real time when they enter a store or log into an online shop.

This requires an integrated process model and a matching solution that combines the realms of retail, e-commerce, and tailored customer outreach in digital marketing.

Based on SAP Retail, KPS has developed a catalog of processes that are fine-tuned for the furniture industry. In 2016, Dodenhof (a member of the BEGROS group) became one of the first furniture companies to use SAP to modernize and consolidate its business processes based on KPS's best practices (see the May 2016 edition of möbel kultur). Besides representing Dodenhof's entry into the digital age, this highly successful project has enabled the company to make much better use of the opportunities the digital realm presents not only in terms of customer retention, but also cross- and upselling across all channels.

Today, customers choose their preferred channel every time they make a purchase. The primary factors involved are the convenience of the process at a given point in time and the shopping experience itself. Therefore, the wide range of possibilities presented by mobile devices must be considered and exploited along with retail and e-commerce concerns. This is the only way for retailers to truly know their customers and interact with each of them individually in real time.

Those in retail are familiar with their in-store customers – and those they serve online, to an extent – but unaware of how customers behave in each channel; this is because neither their processes nor their systems are currently aligned to deliver such information. To achieve this, they need to modernize the-

Patrick Braun, a partner at KPS Business Transformation GmbH, is a specialist and thought leader in IT and multichannel retail.

se systems and implement forward-thinking processes as quickly as possible. After all, developments on the market won't stand still while retailers are choosing a solution and partner with which they want to take on the future. To benefit from digitalization and all its possibilities – and keep up with the new markets that are emerging as we speak – companies need to take fast action and see corresponding projects through with all possible speed. In particular, recent developments such as Amazon's voice-recognition device Alexa (Google and Apple are working on similar applications) are set to open up even more markets and opportunities going forward. Artificial intelligence will also play a significant role in determining which players will survive on the market over the long term.

Retailers need to know their customers, follow them every step of the way, and have the ability to track their behavior. This in turn requires observation, analysis, and corresponding action, be it in the form of services tailored to individual in-store customers, personalized outreach on social media, or targeted assistance through call centers and every other available customer touchpoint. Companies capable of such activities have already arri-

ved in the realm of real-time analytics, joining successful online retailers like Amazon and Westwing.

"The consultants at KPS don't believe in taking a conventional approach to this subject, nor do they favor carrying out individual projects or solving one problem at a time," explains KPS partner Patrick Braun. "Doing so might keep the cost of each separate investment comparatively low, but apart from only working up to a certain point, it makes each new solution increasingly complex and expensive." This is why KPS recommends assembling an entirely new platform as quickly as possible. Doing so is the only way for companies to avoid being held back by their current systems and workflows as they move into new territory and ensure their ability to account for the latest market developments as they occur.

Retailers are familiar with their in-store customers – and those they serve online, to an extent – but unaware of how customers behave in each channel because their processes and systems are not currently set up to deliver such information.

KPS's process catalog offers best practices furniture retailers can follow to focus their attention on those internal operations that make the difference in competition – which, in most cases, make up around 15 percent of a company's processes. The remaining 85 percent can be considered standard methods that vary little from organization to organization. Thanks to KPS Rapid Transformation methodology, customers can quickly establish and visualize best-practice processes as prototypes in their new system and have them tested and approved by the relevant user departments. These methods also give companies an efficient means of managing their internal resources and concentrating them on the key phases of such projects.

The prototyping approach was also an important reason why Dodenhof ultimately chose KPS as its partner. The company was in-

tent on avoiding spending months writing documentation that likely would have described its existing systems and processes. Dodenhof's decision to eschew a traditional approach in favor of KPS's agile methodology proved to be the right one, as it was an essential factor in the project's success.

Meanwhile, the Porta group has also opted for the KPS approach in implementing a furniture industry solution based on SAP Retail. Porta, one of the 10 largest furniture retailers in Europe, is in the process of migrating its retail operations and e-commerce platform to SAP Retail and SAP Hybris. In fact, the northwest German group is revamping its entire organization with the help of KPS experts who are well-versed in the furniture retail sector. This endeavor was partly the result of a furniture industry gathering KPS and SAP held at the latter company's headquarters in late 2016. At the time, Porta owner Achim Fahrenkamp spoke with möbel kultur (see the November 2016

edition) about what led his organization to opt for the new retail and e-commerce solutions from SAP and choose KPS as its implementation partner.

So, why KPS and SAP? In short, because similar projects had gone very well for Porta's industry peers, and the specialists at KPS had an edge on the competition following extensive workshops on functionality, technology, and implementation methodology. They also offered experience in furniture retail, an industry-specific SAP Retail solution, and solid references. In addition, KPS is one of the few companies that not only boasts SAP Gold Partner status, but has also been an SAP Hybris Platinum Partner since 2003 (making it one of the very first). This means KPS has every last area covered, from retail to e-commerce to digital marketing. With its help, Porta is already planning to go live with its new system at an initial brick-and-mortar store by the end of 2017. ●

ARTICLE

Furniture retailers invest heavily in attracting and retaining customers, but many focus solely on converting the sale, rather than on what occurs after the checkout process. However, what happens in that last mile between payment and delivery is critical to customers' perception of a brand as it can influence both whether they decide to keep that purchase, and if they'll shop with the retailer again, as Frank Lochbaum, managing partner at retail consultancy KPS, explains ...

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Why the last mile is the most important in the purchasing marathon

As the saying goes, 'It's not a sprint, it's a marathon', and furniture retailers certainly need to look to play the long game when it comes to customer satisfaction and retention by paying keen attention to the last mile in the customer journey marathon.

To optimise the last mile delivery experience and the retention, retailers need to address three key areas: convenience, customer service based on transparent and end-to-end business processes.

Convenience falls into two categories – speed and choice. Customer expectations are constantly increasing in terms of speed of delivery, this is in part due to the likes of Amazon Prime Now with its one-hour delivery service and UberRUSH, which is offering real-time, on-demand delivery services to avoid costly bottlenecks during busy times.

As well as speed, consumers demand choice via a range of fulfilment options to get their purchases to the most convenient location at a time that suits them. To keep up, retailers need to not only consider home/work delivery options, but others such as order in-store for home delivery.

And it's not just collections – it's also returns that are critically important to shoppers. The two key questions on shoppers' minds are typically: 'Where can I return an item?' And 'are returns free of charge?' This is further highlighted by our recent survey findings, as 57% of those polled said free delivery would directly impact on their decision to buy and 51% said they would not order from a company that does not have a free returns policy.

When it comes to customer service, no matter how shoppers choose to have their orders fulfilled, the quality of the service they experience has to be consistent during the whole process – from ordering through to delivery – as this can directly impact on whether they choose to shop with a retailer again.

But it's not just about that customer shopping again, their last mile experience can influence others as they share their positive or negative experiences with their family and friends, and even to the wider community through social media.

Customers' last mile expectations are high – and to compete, retailers should keep innovating their business processes.

However, there's a big problem here as so many furniture retailers are trying to innovate using legacy systems, that either cannot accurately respond to customer activity in real-time, or do not have the technical agility to respond efficiently to customer demand.

This is where radical change is needed. If the technology retailers have now is not enabling them to meet shoppers' needs and therefore retain them, it never will. So instead of trying to bring out-dated business processes up to speed, any effort and budget would be much better spent on starting anew with technology that is up to the job.

Not only does technology and process innovation make it easier to respond to customer expectation, but it also makes it more profitable for retailers. It's easier for them to fulfil based on inventory availability in all locations, and to categorise their choice of fulfilment location and service based on the value of the customer – and given the pressures being placed on delivery margins, this opportunity to become more cost-effective is extremely valuable.

Essentially, processes need to be aligned with shoppers so they're not only happy with their experience, but they come back for more. Customer retention is a key factor towards overall business success and retaining existing, loyal customers is a cost effective and profitable strategy which can be relatively simple to achieve.

There's no doubt that sometimes the last mile may seem more like a full marathon. But by pushing through the pain barrier – and adopting new technology with effective new business processes – furniture retailers can better experience the euphoria of successfully crossing that all important finish line and encourage customer retention, meaning they'll be in a fitter position to begin the next journey.

THE AUTHOR
Frank Lochbaum is managing partner at KPS, a management consultancy for the retail sector, covering a range of omnichannel business.
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