

## Interview

# “We are approaching a peak”

*By Patrick Braun, Dr. André Claassen, and Frank Rochlitzer, consultants at KPS*



INTERVIEW

## “We are approaching a peak”



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*The quality of master data has always played an important role for retailers. In this interview, Patrick Braun, André Claassen, and Frank Rochlitzer, consultants at management consultancy KPS, explain the new demands posed by digital transformation.*

**Lünendonk:** When it comes to master data, what situation do you typically encounter at retail companies?

**Claassen:** The situation varies widely, but usually there is a lack of transparency. In the various company departments, people work with different tools for entering master data. This is particularly true for customer master data. For example, a retail company has three or four different sales channels through which it collects its customer master data, which is then stored in different structures. As a result, the same customer may exist with different spellings and with various profiles. This makes a standardized and transparent view of the customer impossible.

In addition, there is often a lack of clear objectives. Today, as in the past, most stationary retailers are primarily interested in sales per unit area. They are often less interested in customer performance in the form of share of wallet. E-commerce companies have a considerable edge in this respect, because they have no costs for floor space and focus firmly on customers.

**Rochlitzer:** The SAP S/4 HANA Retail for merchandise management solution is now a good reason to tackle the issue of master data in earnest. To deploy this product, companies must harmonize their master data and consolidate it in a standardized repository. Tackling master data is therefore no longer just a strategic issue but is becoming an operational imperative.



**Lünendonk:** What has changed with the release of the new SAP solution?

**Rochlitzer:** This new development brings a very sizable reduction in previous functionalities. This means that functions from SAP Business Suite applications, such as CRM, SRM, and SCM, are returning to the core ERP product. Certain unused or duplicate functionalities are being weeded out. This is all taking place under the banner of simplicity. The new system is a lot leaner. It enables companies to work with a central data pool in real time. This means IT has reached a point where the requirements of the omnichannel world can be met using standard software. That's a real quantum leap.

**Lünendonk:** And anyone who wants to leverage these opportunities now to tackle their master data?

**Rochlitzer:** That's my core message. We've been having these strategic discussions about the quality and organization of master data for years. Recently, the discussion has also been driven by changes in the market. In other words, the influence of online retailing in conjunction with new expectations on the part of customers. Pressure from the customer side has now been joined by pressure from the technology side. For the first time, IT is actually able to implement the requirements of the digital world on the basis of standard products. This means we are approaching a peak, where increased expectations and technological challenges converge, and a feasible solution is also available.

**Lünendonk:** The central data pool enables the right master data to be made available in the various corporate units simultaneously...

**Braun:** Yes. This is the sole data source and ensures that the data is standardized. Naturally, it is then used in many different places. For this to work, we need a

governance model – in other words, clearly defined management of the master data – alongside the technological solution. This approach also includes an access concept: For example, bank or credit card details are typically information for the financial department and should not be accessible to the marketing department.

**Lünendonk:** Managing master data remains an important task for companies, even after they complete their transformation project. What are the key factors here?

**Braun:** Companies must keep their master data constantly up to date. People move house, have children, get divorced, grow older, and die. Master data must be changed accordingly. Master data that is not continually maintained loses its value or may even ultimately be counterproductive – for example, if particular information reaches the wrong recipient. A company therefore has to constantly review its master data. This entails providing the right resources for the purpose. Many individuals may be required to maintain customer data, depending on the number of data records involved.

**Lünendonk:** How can data maintenance be organized effectively?

**Braun:** What is needed is a clearly defined process, specifying how the data is handled. In addition, there should be a person responsible for the process who steers this process – from creating the data to maintaining it right through to deletion. Some companies set up a dedicated department for maintaining master data. At many companies, responsibility is also shared. The individuals responsible for master data relating to articles and suppliers are usually from the purchasing department while those responsible for customer master data are usually from marketing.



**Lünendonk:** Let's assume the company has entered the omnichannel world and that it also has a well-organized master data process. Can the system then be expanded to include future functions that are currently unforeseeable?

**Rochlitzer:** There are two distinct dimensions here. When companies expand geographically, they usually transfer their existing business model – stationary retailing, online retailing, or whatever – to a different region. The processes and data structures involved are in principle the same, just in another region and in larger volumes. Being able to expand in this way does not usually pose major problems.

**Lünendonk:** And the second dimension?

**Rochlitzer:** The second dimension relates to expanding the company's business segment – for example, if a fashion company wants to include furniture in its assortment. Retail companies with comparatively old or home-grown software often run into problems in cases of this kind because they are unable to expand their system to include new product categories. Companies with a clothing-specific master data model cannot readily support furniture. Here, it is worth investing in broad-based software such as the new SAP S/4 HANA Retail for merchandise management solution. This software offers the option of creating a new category, enabling a totally new assortment to be set up.

**Claassen:** From a strategic point of view, however, it should be remembered that we are in the middle of a major technology-driven innovation cycle that will continue to bring unforeseeable changes. I don't think it makes sense to look ahead further than three to five years. This continuous change is here to stay, and so we have to continually adapt or revamp our systems. Naturally, that also applies to master data management. So it makes sense to stay very close to the standard solution.

**Lünendonk:** If you were to hazard a look ahead, which trend would you underscore?

**Claassen:** Well, there's the trend toward verticalization, for example. Ten years ago, manufacturers generally used the retail sector as a gatekeeper to reach end consumers. Today, almost all industries also operate in the end consumer business, whether through e commerce websites or their own stores. On the other hand, retailers are establishing their own brands and assuming manufacturers' functions.

**Lünendonk:** How does this verticalization impact on master data?

**Claassen:** Let's take the example of a pair of jeans. Retailers can think about designing distinctive individual product components for their own brands – by using specific buttons, a particular wash, something really special. They then have to include these features in their master data. In the past, all they needed to know was whether a product was in stock. In the future, they will have to enter the structure of the product with all the relevant components in the master data.

Or looking a little further ahead: In the future, retailers and manufacturers will again produce goods close to the sales markets, or even manufacture highly customized products in stores – in the way Adidas and Nike, for example, are planning to use a 3D printer to manufacture personalized shoes. To serve their customers, retailers must have the necessary materials in stock. And to achieve this, they require information that used to be totally irrelevant in stationary retailing. They are no longer dealing with a classic article structure. Their master data must now also incorporate the raw materials and all other product ingredients.

