

Creating Competitive Differentiation Through Innovation

An SAP Point of View





Hardlines Retail Business Goals

Business strategy and goals

- Grow same store sales
- Keep and create loyal customers
- Expand margins
- Lower costs and working capital requirements
- Build and leverage the brand

Investment imperatives

1. Customer Centricity
2. Innovation
3. Management Effectiveness
4. Process Standardization & Scale
5. Talent & Organizational Agility





Priorities:

- Consumer: Knowledgeable, value conscious, finicky
- Brand: Service, experience, value
- Operations: Streamline, integrate and reduce redundancies
- Stores: Easy to reach, customer friendly, engaged customers



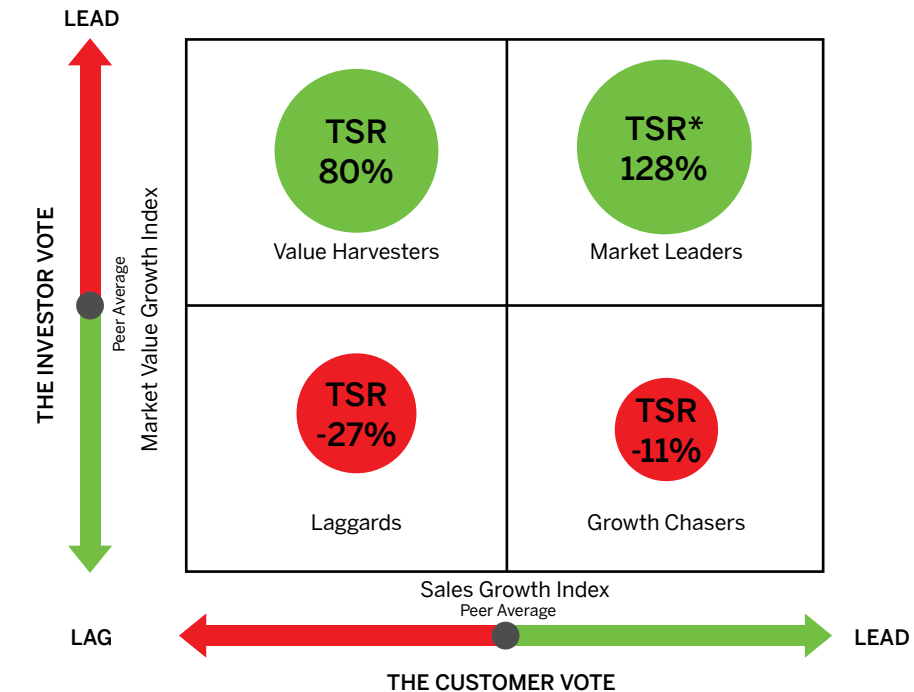
Keep innovating – for growth

Realities of the Retail Operating Environment

| SMARTER CONSUMER | INTENSE PRESSURE ON PROFITABILITY | RELENTLESS INNOVATION | DIGITIZATION AND CONNECTIVITY |
|---|---|---|--|
|  <ul style="list-style-type: none"> • Digital consumer • Has buying power of ~ \$20 trillion (middle class) • Influenced by others • Want to be heard • Knowledgeable about products |  <ul style="list-style-type: none"> • Daily deals • Real-time promotions • Price transparency • Supplier squeeze • Competitors changing |  <ul style="list-style-type: none"> • Customer service • Improved customer experience • Retail without boundaries • Loyalty programs • Omni-channel offerings |  <ul style="list-style-type: none"> • Connected supply chains • Digitized vendor to shelf • Real-time inventory data • Omni-channel fulfillment |
| <p>53%</p> <p>of total US sales will be online or web influenced by 2014¹</p> | <p>48%</p> <p>reduction in share of operating profits on consumer goods from 1999 to 2008¹</p> | <p>40%</p> <p>of U.S. retailers reduced store count and/or total square footage in 2011</p> | <p>2.7x</p> <p>Impact of adoption of best-in-class supply chain practices on performance advantage</p> |

Market Leaders Framework

- Market Leaders focused on sales growth AND profitability
- Grew sales by relentless innovation and questioning fundamental assumptions of their business
- Had a clear information advantage and superior operational execution

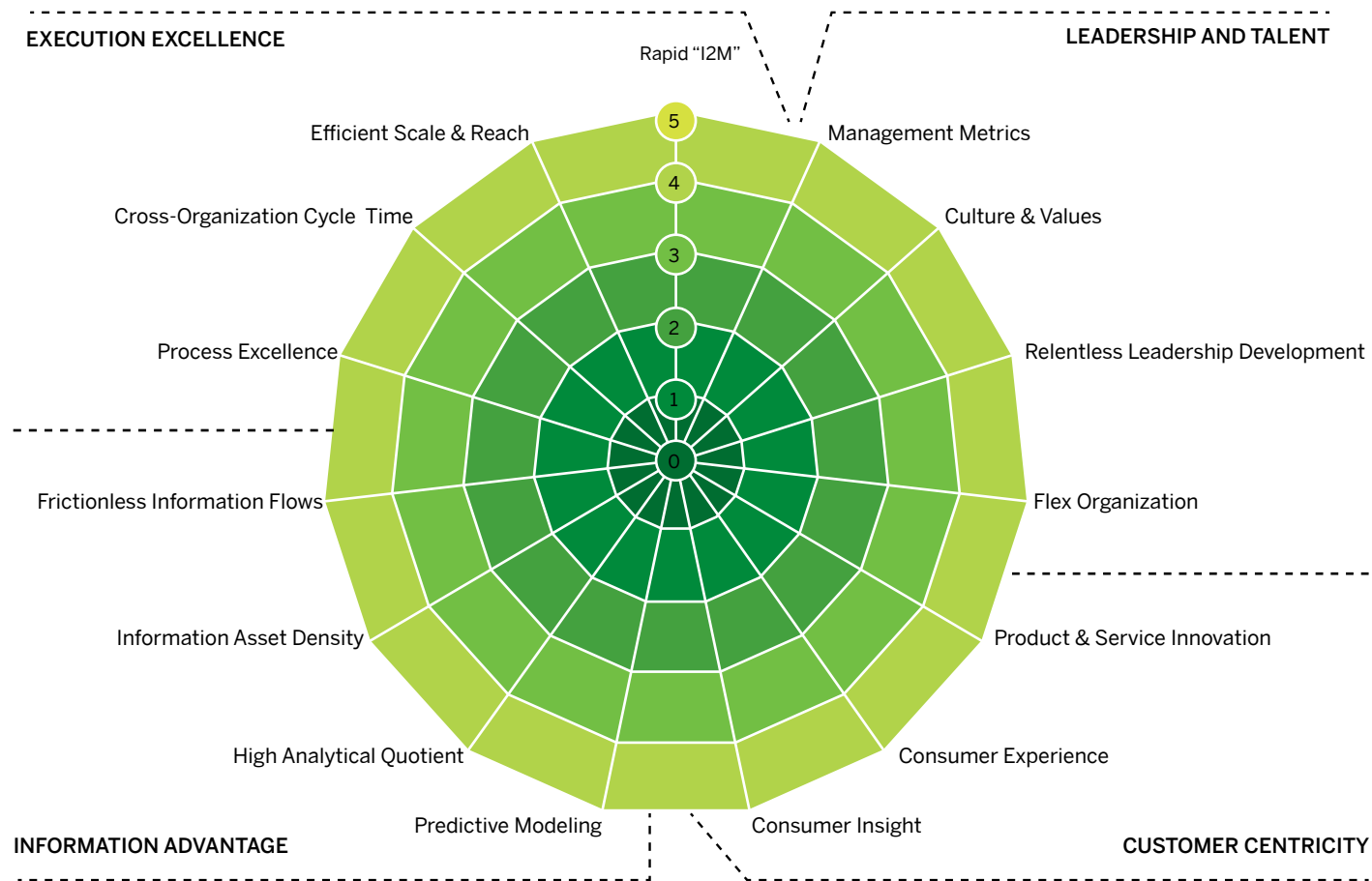


1. Bernstein & McKinsey Global Institute

Source: "The Market Leaders Framework" Fred Wiersema
 * TSR = Total Shareholder Return, Source: SAP Performance Benchmarking, Analysis based on 2008 – 2011 data from 628 retailers globally

Characteristics of Market Leaders

Market Leaders Achieve High Scores on the Innovation Index



Source: Innovation Index adapted from research conducted by Professor Anthony Paoni, Kellogg School of Management, Northwestern University

“Big Idea” Innovation Opportunities for Hardline Companies

Anywhere, anytime customer engagement

Real-time analytics

Streamline store operations

Demand sensing and response

Endless Aisle

Mobilize and Empower associates

High impact customer experience

Business insight and accessibility across entire organization

Talent management

Harness consumer feedback

Integrated platform






















Personalized, relevant, real-time offers

Customer loyalty

Address show rooming

SAP Leadership in Retail Hardlines

Leading retailers run SAP to support their critical business processes

| INDUSTRY BUSINESS PROCESS | SELECTED CUSTOMERS | | | |
|--|---|---|---|---|
| Integrated Marketing and Merchandising |  |  |  | |
| Demand Driven Supply Network |  |  |  |  |
| Multi Channel Customer Interaction |  |  |  |  |
| Corporate Operations |  |  |  | |
| Business Analytics |  |  |  |  |
| Strategic Technology |  |  |  | |

Top Hardline Companies Are Innovating with SAP

SUNING (LARGEST RETAILER IN CHINA) PROCESSES ORDERS FASTER THAN EVER WITH SAP HANA.

Collaborating with SAP since 2005, Suning built the largest centralized real-time retail system to enable domestic and overseas operations to process sales in real-time. Due to the enormous amounts of complex data during sales peaks, Suning turned to SAP HANA to support the millions of orders during peak season. After implementing in only 2 weeks, HANA was battle-tested on the peak sales day and 1800+ stores were able to do real-time complex ATP inventory checks with 10-1000x performance improvement – fundamentally impacting the future growth of Suning’s business.



SAP MODERNIZES STOCK MANAGEMENT FOR BRITISH RETAILER B&Q* WITH FORECASTING AND REPLENISHMENT

With the implementation of SAP Forecasting and Replenishment, B&Q expects to see significant savings across stock reduction, increased profit from better product availability and cost savings in logistics through better forecasting and planning.

“Stock availability is at the heart of everything B&Q does, so we need to have the most efficient processes in place to remain at the top of our game and continue to delight our customers everyday,” said Suren Sornalingam, project executive, B&Q. “Project CLOVER was so much more than a technical implementation – it was a fundamental change in our business journey. We had to ensure everything was planned appropriately and effectively rolled out to our workforce of 32,000.”



*B&Q is the largest home improvement retailer in Europe

Why Innovate with SAP?

5 reasons

1. Address Key Business Priorities

Consumer experience, demand-driven supply chains, global expansion, brand integrity, commerce without boundaries and many more...

2. Leverage Innovations from Similar Business Models

Consumer branded goods, merchandising and account sales, digital sales

3. Production Ready Solutions to Make It Happen Now

Applications, Analytics, Mobile, Cloud and Database that work together

4. Industry Perspective and Experience

183,000 companies, 25 industries, business solutions, leading technology

5. A Proven Process for Co-innovation

Working with leading innovative companies: Colgate Palmolive, Fresh Direct, Verizon, Nike, StubHub, Under Armour, Burberry, Groupe Casino and many others

Next Steps Innovation workshop

Explore the art of the possible; identify and prioritize big ideas

KEY ACTIVITIES /OUTCOMES

- Industry context, company strategy and performance
- Innovation index assessment
- Vision and future state scenarios
- Identification, evaluation, and prioritization of big ideas



www.sap.com/contactsap

© 2012 SAP AG. All rights reserved. (0912)

SAP, R/3, SAP NetWeaver, Duet, PartnerEdge, ByDesign, SAP BusinessObjects Explorer, StreamWork, SAP HANA, and other SAP products and services mentioned herein as well as their respective logos are trademarks or registered trademarks of SAP AG in Germany and other countries.

Business Objects and the Business Objects logo, BusinessObjects, Crystal Reports, Crystal Decisions, Web Intelligence, Xcelsius, and other Business Objects products and services mentioned herein as well as their respective logos are trademarks or registered trademarks of Business Objects Software Ltd. Business Objects is an SAP company.

Sybase and Adaptive Server, iAnywhere, Sybase 365, SQL Anywhere, and other Sybase products and services mentioned herein as well as their respective logos are trademarks or registered trademarks of Sybase Inc. Sybase is an SAP company.

Crossgate, m@gic EDDY, B2B 360°, and B2B 360° Services are registered trademarks of Crossgate AG in Germany and other countries. Crossgate is an SAP company.

All other product and service names mentioned are the trademarks of their respective companies. Data contained in this document serves informational purposes only. National product specifications may vary.

These materials are subject to change without notice. These materials are provided by SAP AG and its affiliated companies ("SAP Group") for informational purposes only, without representation or warranty of any kind, and SAP Group shall not be liable for errors or omissions with respect to the materials. The only warranties for SAP Group products and services are those that are set forth in the express warranty statements accompanying such products and services, if any. Nothing herein should be construed as constituting an additional warranty.



The Best-Run Businesses Run SAP™