REVOLUTIONIZING RETAIL AT RIACHUELO WITH SAP S/4HANA
Digital transformation project drives customer experience and growth

Riachuelo is the flagship retailer in the Guararapes Group. It started as a fabric store in 1947 and evolved into a major department store by 1979. Today, there are more than 300 stores, 40,000 employees, and three distribution centers in Brazil. With more than 30 partnerships with big brands in the fashion world, Riachuelo's See Now, Buy Now concept is meant to provide customers access to quality fashion at fair value.

Like every retailer, Riachuelo wants to deliver a seamless omnichannel experience to customers. The company needs to understand tomorrow's trends, drive personalized shopping, and run a sustainable fashion business. It also needs to provide employees the best platform and tools to build the future.

> "
> The retail market is changing faster than ever before, because COVID accelerated it. All retailers, particularly fashion retailers, had to reinvent themselves when stores closed during lockdown. It meant we went heavily online and offered pickup at the store to deal with the changing rules."
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> **Denis Pavin**
> SAP S/4HANA Project Lead, Riachuelo

Moving toward digital transformation

Riachuelo needed a technology platform that could help consolidate its leadership in Brazil and assist with opening new stores, the omnichannel strategy, the modernization of the point-of-sale systems, and a thriving e-commerce business. It needed to support customers, suppliers, employees, and the brand today and in the future. The retailer decided to move to SAP S/4HANA to get the flexibility and agility to thrive in the market.

An on-premises SAP S/4HANA management system in the HANA Enterprise Cloud will be the heart of the digital transformation. And, after a competitive review process, Riachuelo chose to work with Capgemini on the strategy and roadmap for SAP S/4HANA based on its understanding of the project goals and experience with other retailers.

"We have a very strong digital-transformation strategy and we have implemented several projects already," Pavin says. "For example, omnichannel has gone live and has grown a lot because of the pandemic. Same with our e-commerce and, most recently, our marketplace project, which is an opportunity for customers to purchase products within Riachuelo or from our entire ecosystem. And SAP S/4HANA gives the foundation to all of this."

SAP S/4HANA has built-in intelligent technologies, such as artificial intelligence, machine learning, and advanced analytics, which provide the tools that drive efficiency and process standardization across the business. Riachuelo's new system will also boast a specialized core engine to support the fashion industry as well as adopting SAP Extended Warehouse Management to integrate manufacturing, retail, and finance.

The mantra for the project is "Adopt the system, don't adapt." Riachuelo worked with SAP Consulting early on to identify best practices for each process – including back office, retail, and production – and deploy the tools as they are, adjusting procedures to suit the SAP approach.
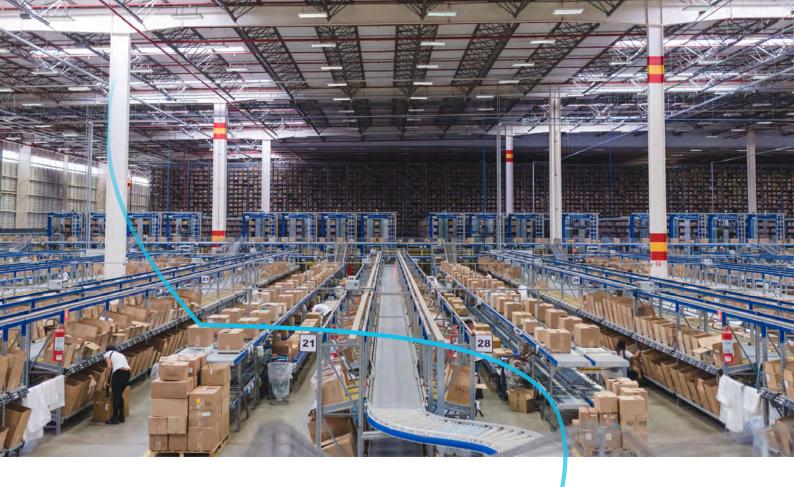
Leveraging the cloud to scale

The company will also integrate the Microsoft Azure cloud platform, and it is open to the hybrid approach this will probably create. "Our objective is to modernize our IT platform and build the foundation to support our cloud strategy moving forward with Microsoft Azure, which means we may end up with a hybrid model of cloud and on-premises systems," he says. "We know the cloud will provide our IT more agility while supporting new innovations."

The initial step migrated the current operations platforms to a new cloud environment.

"We have an IT architecture principal within the Group to be cloud-first," he says. "We have SAP S/4HANA implemented in the cloud and we will gain scale because we are not tied to hardware. We are increasing our cloud footprint as the project continues, and the benefits of this flexibility are already becoming clear.

"We have our own cloud now with Microsoft Azure," he says. "It is a complex migration but it brought flexibility into the SAP S/4HANA project in situations where we actually needed greater control."

Delivering during disruption

This work would be a complex undertaking at any time. The pandemic added new obstacles. "Working remotely, even during the RFP selection process, was obviously challenging," he says. "All of the sections had to be completed online and we had to integrate a large team."

Riachuelo will continue operating remotely for an integration test and will repeat several waves before the cut-over and go-live event.

"The pandemic made it a different project because we never actually had a face-to-face meeting during the process," he says. "The entire project is being completed digitally, from negotiation to implementation. Capgemini delivered using a remote model with minimal disruption to the original plan. The pandemic made us adapt and find new ways to deliver seamlessly."

The implementation is happening in three waves. The first is the financial back office, real estate, and middle banking to be launched at the start of 2022. The second wave began in April 2021 and is aimed at the Group's manufacturing plant and its two distribution centers, with launch expected in 2023.

The third wave started in July 2021 when the integration with stores, point-of-sale, and e-commerce will be carried out using SAP's Customer Activity Repository module, an important base to ensure a more complete data analysis. That launch is expected in January 2024.

"The project will continue remotely. SAP S/4HANA will provide the backbone of our growth strategy. We intend to roll out the platform throughout the Guararapes Group, so the entire business is unified across all segments."

Strong digital core creates a data-driven future

"Even with the pandemic disruption, we plan to grow," he says. "We need a platform that will revolutionize our operational culture and support our future vision. Real-time data will allow us to make better business decisions based on what is happening in our stores now. Having a single source of data and analytics means we can get better insights on the markets and trends and move quickly when needed."

For example, Riachuelo will gain a real-time view into inventory and optimize demand-supply matching. It will deliver the styles of tomorrow and exceed customer expectations, as well as build loyalty with more personalized experiences and one-on-one engagement at scale.

"The integration means our customers will be able to see the stock of a product in a different state and make decisions based on this information," he says. "They can pay more to get it shipped faster or choose another product from a closer location. It gives the customer more decision-making power and puts the control into their hands. SAP S/4HANA allows us to offer more possibilities to customers."

It will also make the back-office process easier for employees. For example, a product entering the distribution center may be subject to different taxation levels depending on the state. Rather than having to capture tax differences manually, TaxRules now defines the tax rate within the tax-determination software Taxweb, which is integrated with SAP. It will mean greater efficiency in distribution centers and faster delivery.

"During the project, we decided we would embed SAP S/4HANA as much as possible in our ecosystem of solutions, even those outside of the core. This meant the information would be more easily available online without the need for integration or an interface between two systems. By having the data available online, our management can have insights and make decisions in the shortest time possible, based on data."

Measuring the success

"We are measuring return on investment based on the efficiencies we will gain with new processes, new modules, and new routines.

"At the end of this project, our entire chain will be integrated, from our production at Guararapes to our digital bank, Midway. All of the processes within the group will be more standardized and harmonious. It means we will get product to market faster, we can contribute to fashion trends, supply our stores more efficiently, and make back-office processes easier for our suppliers. It means a customer can receive a refund faster and a supplier has better insight into their payments without having to expend internal energy dealing with the issues."

"*Our relationship with Capgemini is a partnership. We are very transparent with each other, and the entire executive team participates and monitors the project closely. When problems arise, both sides work together to find the best way to solve it.*"

Denis Pavin
SAP S/4HANA
Project Lead,
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RIACHUELO

Distribution Center
Guarulhos SP - Brazil

Natal RN - Brazil Factory

Fortaleza BA - Brazil Factory

guararapes

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