Shoprite Checkers:

Working with implementation partner CQS Performance Solutions to implement SAP BPC for financial consolidation

“We no longer have ‘black holes’ and the system has given us much insight into our exposure to currencies. Gone are the days when we had to pore over spreadsheets with highlighters to find out why the numbers didn’t.”

Lerena Coertzen - Group Finance - Shoprite Checkers

Synopsis:

Africa’s largest food retailer has gained major benefits following deployment of SAP BPC for financial consolidation, with implementation partner CQS Performance Solutions. Benefits include all group data being available in a single source, reduced reporting cycles and a more controlled reporting process with validations to ensure accuracy. The ability to do sensitivity analyses is another key advantage, as is the automated inter-company elimination process and the accuracy of automated FCTR calculations. In addition, even when the data is not yet complete, the group’s accountants are able to perform a soft close to give a preliminary view of group data at a very early stage.

Customer profile:

Shoprite Holdings Ltd operates 1166 corporate and 283 franchise outlets in 16 countries across Africa and the Indian Ocean Islands. Reported turnover was around R67 billion for the year ended June 2010. It is a public company listed on the JSE Limited, with secondary listings on both the Namibian and Zambian Stock Exchanges.

The Shoprite group has various brands and business models. Its primary business is food retailing through stores including Shoprite, Checkers, Usave, OK Furniture and House & Home. It also owns Computicket and the Hungry Lion chain of fast food outlets.

“We are benefiting from all group data being available in a single source, reduced reporting cycles and a more controlled reporting process - with validations to ensure accuracy.”

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Challenge:

The biggest challenge for Shoprite Holdings from a consolidation perspective is the highly diverse environment across which it operates. This includes 15 different African currencies to be translated into South African rand, three main languages, hyperinflation in Zimbabwe, exchange rate fluctuations, differing year ends and having to consolidate data from five different systems, including SAP, Pastel and Accpac.

The group had an inefficient consolidation process, which made extensive use of Excel and email. Recalculation of data was difficult and time-consuming, data management was lacking and security needed to be improved. Data capture and recapture had to be performed manually, with scope for error.

The group needed a system with a central data store to control its data and consolidate close to 100 legal entities. The solution had to be able to manage foreign currency translation reserves (FCTR), cope with hyper-inflation and provide accurate sensitivity analysis regarding currency exposure to the Board. Shoprite Holdings needed powerful ‘what if’ capability. The group needed to understand what impact an exchange rate change in Angola would have on its numbers, for example.

The group also needed to calculate tax and deferred tax effectively. It had a manual system to calculate provisional tax, do forecasting, calculations or planning of tax payments, and these were estimations at best.

The group also needed to work with a highly experienced implementation partner that would add real value and ensure knowledge transfer during the process.

Solution:

Shoprite Holdings chose SAP Budgeting, Planning and Consolidation (BPC), a unified, predictive performance management solution that delivers core functionality from a single application, interface and database.

As its implementation partner, it chose CQS Performance Solutions (formerly OutlookSoft South Africa), a division of leading South African software development company, CQS. The company has extensive financial consolidation experience. It has implemented BPC since 2004, significantly longer than any other South African company, has a large dedicated team focused on the product, enjoys a close strategic relationship with SAP and is the local market leader, having completed 30 BPC projects in South Africa and Africa.

Objectives:

The primary project objectives were to reduce the closing cycle and to have a fully integrated solution, a standardised reporting tool for management as well as statutory reporting, and a single tool for all financial consolidations.

“...We desperately needed one version of the truth,” says Lerena Coertzen, Group Finance, Shoprite Checkers. “With all the emails we had flying around, no one was sure which was the final version! We needed to eliminate Excel as the definitive financial data source and add more controls.”

The group also needed to have a data audit trail on the final consolidation numbers, and it was important that the tool could be managed by the financial team.

It needed to be able to load financial data from multiple source systems.

Validations were also key, as they would force those who input numbers to ensure that they balanced.

CQS Performance Solutions worked closely with Shoprite Checkers to understand requirements and design the solution accordingly. Shoprite’s project was divided into three key phases: Management, Statutory and Tax. The Finance Management and Finance Statutory applications have been implemented, and Tax is currently being implemented.

“The system acts as a police watchdog right from the beginning. We no longer pick up problems only at the end of the consolidation process. That in itself makes the cycle stronger and shorter.”

Lerena Coertzen - Group Finance - Shoprite Checkers

Results:

Major benefits include all group data being available in a single source, reduced reporting cycles and a more controlled reporting process with validations to ensure accuracy.

In addition, Shoprite Holdings now has extensive drill-down functionality giving visibility into numbers in real-time. The finance team can analyse and drill down into the detail, quickly and easily.

A major benefit is that even if the data is not complete, the accountants are able to do a soft close, giving a preliminary view of group data at a very early stage.

The implementation has also resulted in improved processes and master data.

“We did a data clean-up as part of the implementation,” says Coertzen. “If I have to give one piece of advice, it would be to be aware of the fact that this is a rules-driven system. If your base data and structure are not aligned, or your master data is not clean, you will run into frustrations.”