## 5. Lidl Scraps a New $500 Million Euro SAP System

German grocery store chain Lidl apparently developed a new inventory management system with SAP at a cost of $500 million Euro [only to completely scrap the project](https://www.computerweekly.com/news/252446965/Lidl-dumps-500m-SAP-project) in 2018 after rolling it out in 2015.

<https://www.iteachrecruiters.com/blog/8-it-project-failures-of-the-2010s/>

It was to be a monumental and transformative project for grocery store chain Lidl. And success appeared certain. Lidl and German software giant SAP are leaders in their respective fields.

About a thousand staff and hundreds of consultants implemented a new company-wide system for inventory control for the discount grocery chain, which has close to €80 billion in annual revenue.

The system, in planning since 2011, got the code name 'eLWIS' which in German is pronounced like Elvis. The name is short for electronic Lidl merchandise management and information system.

In April 2017, SAP even awarded Lidl a prize for being one of their best customers.

But by July 2018 eLWIS was pronounced dead before arrival. Lidl would need to revert to its old inventory system. “We are practically starting from scratch,” a company insider told German newspaper Handelsblatt.

All this after spending an estimated EUR 500 million on eLWIS.

Lidl is part of the Schwarz Group, the fifth-largest retailer in the world with sales of  EUR 104.3 billion (2018), and Lidl makes up 80 % of that result.

The first Lidl discount store was opened in 1973, copying the Aldi concept. By 2019 Lidl had over 10.800 stores in 29 countries.

Both Lidl and Aldi have a zero waste, no-frills, "pass-the-savings-to-the-consumer" approach of displaying most products in their original delivery cartons, allowing the customers to take the product directly from the carton. When the carton is empty, it is simply replaced with a full one. Staffing is minimal.

Lidl rigorously removes merchandise that does not sell from the shelves, and cuts costs by keeping the size of the retail outlets as small as possible.

But in contrast to Aldi, there are generally more branded products offered. Lidl distributes many low-priced gourmet foods by producing each of them in a single European Union country for its whole worldwide chain, but it also sources many local products from the country where the store is located.

**Before we continue with this case study...**  
 **>**For an overview of all case studies I have written please click [here](https://www.henricodolfing.com/p/project-failure-case-studies.html).

## **Timeline of Events**

**2011**

In 2011 Lidl made the decision to replace its homegrown legacy system “Wawi” with a new solution based on “SAP for Retail, powered by HANA”. The old merchandise management and information system was reaching the limits of its capacity. In fact, SAP claimed that Lidl’s system was “hampered by process breaks, redundant master data storage, integration gaps and functional restrictions. Moreover, a combination of myriad interfaces and modules and a decentral server structure was making the task of running and maintaining the system increasingly complex.”

The new solution should no longer implement just individual functions, but integrate process chains from the supplier to the customer. Key figure analyzes and forecasts should be available in real time. In addition, Lidl hoped for more efficient processes and easier handling of master data for the more than 10,000 stores and over 140 logistics centers.

**2014**

Lidl appointed Sven Seidel as the new CEO, a day after announcing it had removed Karl-Heinz Holland, citing “unbridgeable” differences over future strategy.

In an unusually blunt statement the secretive company said Holland was leaving after more than five years as chairman, 12 years on the board and a total of 23 years at Lidl.

**2015**

Lidl initially went live with the new electronic merchandise management and information system at its Austrian stores in May 2015. Also the stores and hubs in Ireland and the US went live with the new solution.

**2016**

In recent years, Lidl has also worked on harmonizing internal data transfers from the branch to the country systems to the new ERP system. Software AG's webMethods integration platform was implemented for this purpose. Apparently a number of systems have already been connected to the SAP system. In autumn 2016, René Sandführ, member of the management board, and head of ERP systems at Lidl, spoke of over 30 systems from the existing infrastructure that were integrated into eLWIS already.

"With the new platform, we are positioning ourselves for the future," Alexander Sonnenmoser, responsible for the entire Lidl IT, started the international rollout of eLWIS in spring 2016.

**2017**

CEO Seidel stepped down from his position in February 2017 after Manager Magazin reported he had fallen out of favour with Klaus Gehrig, who has headed the Schwarz Group since 2004. Seidel was succeeded as CEO by Dane Jesper Højer, previously head of Lidl's international buying operation.

By May 2017, Lidl's head of IT, Alexander Sonnenmoser, also had left.

The project at that time must have been going well because in 2017, SAP awarded Lidl a prize for being one of its best customers.

**2018**

In July 2018 Holland's successor Jesper Hojer and board member Martin Golücke pulled the plug on the whole project. With eLWIS, "the originally defined strategic goals cannot be achieved with reasonable effort", says an internal memo.

The message directed to Lidl employees states that they should all stay on board and now help to make the old, modular system (Wawi) future-proof - by bringing in the experience from the SAP project. This is to be done step by step, it is emphasized, and with the involvement of the Lidl national companies.

The company's official announcement states that the decision was "not a decision against SAP, but for its own system". "Lidl will continue to work closely with SAP in other areas."

## **What Went Wrong**

The problems arose when Lidl discovered that the SAP system based it's inventory on retail prices, where Lidl was used to do that based on purchase prices. Lidl refused to change both her mindset and processes and decided to customise the software. That was the beginning of the end.

**Requirements Gap**

Lidl based its inventory management system on purchase prices. The standard SAP for retail software uses retail prices, and fearing the group could lose a competitive edge by compromising, Lidl declined to change, so the software was instead adapted.

Customizing package software to fit your needs may be easy or it may be hard. The degree of difficulty depends on the so-called ‘requirements gap’ (i.e. the difference between what the existing package is capable of and what you want it to do). The smaller the gap the easier the project, the bigger the gap the more challenging the project becomes.

A requirements gap can be addressed in a number of different ways;

**1)** You change your business processes to match what the software can do

**2)** You customize the software to match your business processes

**3)** You can meet in the middle (i.e. do a bit of both – change the software and change the business processes).

All have their challenges, but by deciding to keep their processes as is, Lidl took on the challenge of making a system do something it was not originally designed to do.

Going live in 2015 with smaller countries made Lidl discover it wasn’t a ‘requirements gap’ they had in front of them, it was a ‘requirements chasm’. After all the adaptations and amendments that were required by Lidl along the way, it is reported the solution that SAP had produced was “not suitable for high-turnover countries”.

**Project Duration**

An ERP implementation just cannot last seven years. The pace of change has accelerated in many industries, retail and distribution is not immune. ERP systems have to cope with this pace of change.

Customisations should be avoided as far as possible, leveraging built-in best practices that are now part of modern ERP systems.

**Executive Turnover**

Lidl experienced quite a bit of executive turnover throughout their transformation. It is difficult to maintain alignment and momentum against this backdrop. As executive priorities and personalities change (and both did in this case), it is highly likely that your ERP project will become misaligned with those new people. This is where projects often fail.

No one wins when a project is misaligned with executive priorities. Resources aren’t committed to the project the way they need to be. The project team lacks clear direction. Project and software decisions don’t tie into bigger-picture business decisions that need to be made. I could go on, but the point is that executive misalignment will derail projects like these.

**Change Management**

According to SAP, 80% of the retailers in the Forbes Global 2000 are SAP customers. This suggests that grocers like Lidl are successfully using the software. Even setting this statistic aside, there are thousands of organizations that are successfully operating on SAP S/4HANA and other legacy versions of the software. Simply put, the software works.

The more relevant question is: does or can SAP software work for your business? Are you willing to do the hard work required to reconcile the inevitable differences between your business and the software out of the box? This is where so many organizations fail. It sounds like Lidl was one of them.

Jean-Claude Flury, chairman of the worldwide SAP user group, stated in the German Handelsblatt "that it is the fault of Lidl itself and not of SAP." Lidl bought a solution that was implemented by SAP and her partners at several large retail companies. If the customer does not pay attention during the buying process or does not want to accept the principles of the software solution, the vendor is not to blame.

At most you can ask yourself whether SAP and its implementation partner KPS have sufficient change management skills. And whether the correct 'change guidance' was offered to the Lidl management. After all, those people are retailers with little or no experience in such large change processes.

**Expertise System Integrator**

Gossips are scapegoating German IT consultancy KPS, which was supposed to guide the transformation. SAP only provided the software — KPS was supposed to manage the adaptation procedures for Lidl, they say. Critics inside Lidl say that KPS was too slow. But Matthias Nollenberger, a senior manager at KPS who was responsible for overseeing the eLWIS project, says his company was working too short deadlines compared to other similar projects, and that the pilot phases in Austria, the US and Northern Ireland were all achieved on time.

## **How Lidl Could Have Done Things Differently**

As painful – and unbelievable – as it is to read about, there are some good lessons from SAP failure that we can take away from this story.

**Evaluation**

The principles of inventory management belong to the elementary characteristics of any software solution. These kinds of characteristics are published in every product brochure and on any product website. That is definitely not something to discover after a few years of implementation. So, didn't the Lidl staff pay attention during the product demonstrations and the Proof of Concept? And why did the Lidl management sign a contract for a solution in which such a distinguished function was lacking?

Even though SAP is one of the most well-known software houses in the enterprise segment worldwide, has a great image and the customer generally cannot “go wrong” when choosing SAP, it still does not offer the right solution for every project / company.

The lack of flexibility in the field of adjustments, the excessive use of numerous external consultants and the complex implementation complicate the project’s success, especially for companies that do not want to completely change their previous processes, but rather “only” want to improve.

See "[Be a Responsible Buyer of Technology](https://www.henricodolfing.com/2019/10/responsible-buyer-of-technology.html)" for more insights on this topic.

**Stop Earlier**

When Lidl refused to conform to the SAP standard, the fence was from the dam. Explosion arose in time and the costs kept running. Suppose the project was budgeted at EUR 180 million and 3 years. Then for sure there was a moment when the counter stood at EUR 200 million. At EUR 260 million. And even at EUR 380 million. Probably still without any prospect of a successful completion. Again, the question is - why did the management of Lidl not intervene?

See "[Why Killing Projects Is so Hard (And How to Do It Anyway)](https://www.henricodolfing.com/2019/01/why-killing-projects-is-so-hard-and-how.html)" for more insights on this topic.

**Less Customization / More Change**

Customization is a risky way to reconcile your off-the-shelf ERP software with the realities of your business. Most organizations customize their ERP software to some degree. But, should they? That’s a different question.

Customization creates headaches by breaking other parts of the software, introducing risk to implementation, and making ongoing maintenance very difficult. It is important to have stingy project governance processes in place to validate and rationalize any requests to change the way the software was initially built.

And here’s an important takeaway: too much customization is often a symptom of not having a good enough organizational change management strategy and plan in place.

**Executive Sponsorship**

It is always interesting to wonder who is responsible for this type of projects at the top level. In many companies, this responsibility is considered as a 'group responsibility'. And it often goes wrong there.

This is because nobody in the top has "all" as a first name. With the logical consequence that nobody feels personally responsible for the project.

This is certainly true if a new CEO has been appointed ("oh, that project of my predecessor"). Every business software project must have a competent director who owns the project and who is responsible for both success and failure from the start till the end.

Without real, in-depth and end-to-end management involvement, today's business software projects are doomed to whole and half failures. Anyone who does not understand this is probably wise to postpone that new project.

See "[Successful Projects Need Executive Champions](https://www.henricodolfing.com/2019/08/how-to-champion-your-project.html)" for more insights on this topic.

## **Closing Thoughts**

EUR 500 million is one heck of a lesson to learn, but good for Lidl’s management team for eventually recognizing that their plan was not going to achieve what they wanted to achieve. I know of many management teams that wouldn’t have the nerve to step up and admit that.

Of course, writing off EUR 500 million is a bitter pill. Although, with a yearly turnover of circa EUR 80 billion, Lidl can have a small bump. Much worse than this financial loss is probably the fact that the company has spent 7 years without any modernisation and further development of its business processes.

One would expect the Lidl organization to learn from this lesson. But nothing seems less true. According to the latest reports, the retailer has decided to continue to develop the old, self-developed 'Wawi' system. So that they can continue the way of stock valuing in the old, familiar way. And therefore do not have to change.

**In a nutshell: Forcing a square peg into a round hole does not work for large ERP projects.**

<https://www.henricodolfing.com/2020/05/case-study-lidl-sap-debacle.html>

# Lidl cancels SAP introduction having sunk €500 million into it

 13 August 2018 Consultancy.uk 4 min. read

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Disruptive discount grocery brand Lidl has made an uncharacteristic misfire, shelving a seven year project to introduce SAP to its business. The attempts wasted an estimated €500 million, with Lidl now looking to revive its old system.

In recent years, German supermarket groups Aldi and Lidl have [emerged as major threats](https://www.consultancy.uk/news/13890/german-discounters-aldi-and-lidl-winning-big-in-the-uk) to the previously untouchable market leaders of the grocery scene, with their discounted prices and quality goods appealing to consumers in the UK whose stagnating wages demand they do more with less. As a result, so many customers have invested into the budget supermarkets as opposed to the 'big four' – consisting of the more mainstream supermarkets Tesco, Sainsbury's, Morrisons and Asda – that those long-time market incumbents have either been forced into [stringent cost-cutting measures](https://www.consultancy.uk/news/14087/gca-critical-of-asdas-cost-reduction-plan-developed-with-bain), or surprise merger talks to preserve profits.

While the duo have often leveraged [innovative and sustainable business practices](https://www.consultancy.uk/news/13674/ecofys-supports-belgian-arm-of-lidl-with-climate-strategy), as well as slashing prices, to eat into the market share of top brands, however, Lidl in particular has made headlines for lagging behind in the race to digitise its back office procedures. Following a protracted attempt to complete an SAP introduction project, Lidl called time on the procedure, having already spent €500 million on it, though neither Lidl nor SAP have issued comment to confirm that number as of yet. If it is indeed accurate, then the cost will have been similar to another similarly incurred by Deutche Post - DHL for another failed SAP implementation in 2015.



SAP SE is a German-based European multinational software corporation that makes enterprise software to manage business operations and customer relations, and the project was reportedly intended to be a grand, transformative change for Lidl, as well as the biggest in the chain’s history, but with Lidl and German software giant SAP both being leaders in their respective fields, on paper, it looked set to succeed. In April 2017, SAP even awarded Lidl – which has close to €100 billion in annual revenues – a prize for being one of their best customers. The eLWIS (pronounced like Elvis in German) system, in planning since 2011, quickly lost its lustre however, as roughly 1,000 staff and hundreds of consultants implemented a new company-wide system for inventory control, the price quickly spiralled beyond the two groups’ estimations.

By May 2017, Lidl’s head of IT, Alexander Sonnenmoser, had left, and in July this year, eLWIS was finally halted. Now, Lidl intends to revert to its old inventory system, an embarrassing change of course. One company insider told German business paper Handelsblatt, “We are practically starting from scratch.”

The trouble for eLWIS began when SAP came up against the issue that unlike many of their competitors, Lidl based its inventory management system on purchase prices. The standard SAP for Retail software uses retail prices, and fearing the group could lose a competitive edge by compromising, Lidl declined to change, so the software was instead adapted. As this and several other accommodations had to be made, performance fell and costs rose.

## **Lessons to learn**

According to a letter to staff from Lidl boss Jesper Hoyer, “The strategic goals as originally defined were not possible at an acceptable expense.”

On the other hand, suggests Jean-Claude Flury, an IT manager who works in the pharmaceuticals branch and also heads a SAP-user group, DSAG, which includes more than 3,300 SAP clients told the press, “If a company wants to use the standard software, it has to adapt its own processes,” perhaps suggesting the fault rests with a client unwilling to change.

Elsewhere, Andrea Cravero, an ERP, SCM & EPM Sales Consulting Senior Director of SAP’s ERP rival Oracle, took to his LinkedIn to suggest that there were at least two lessons to be learned from the failed project. He said, “An ERP implementation cannot last seven years. The pace of change has accelerated in many industries, retail and disrtibution is not immune. ERP Systems have to cope with the pace of change. Customisations should be avoided as far as possible, leveraging built-in best practices that are now part of modern ERP Cloud Systems.”

Secondly, Cravero added, “Now Lidl apparently wants to revive his old system… This sounds very odd to me. I would not base a digital transformation program on an on-premise, legacy solution conceived a long time ago. New technologies such as artificial intelligence, robotic process automation, conversational interfaces, block-chain are disrupting the application landscape and will guarantee a competitive advantage to the early adopters.”

A number of retail and consumer companies have tapped consulting firms to aid their SAP implementation schemes in recent years. Earlier in 2018, [US chocolatier Hershey’s](https://www.consultancy.uk/news/16311/accenture-to-oversee-sap-roll-out-of-us-chocolatier-hersheys) hired [Accenture](https://www.consultancy.uk/adviesbureaus/accenture) to assist its SAP roll out, while in 2016, [Indian grocery group Bharti](https://www.consultancy.uk/news/665/accenture-helps-bharti-retail-with-sap-implementation) similarly looked to the consulting world for help, among a number of other cases.

<https://www.consultancy.uk/news/18243/lidl-cancels-sap-introduction-having-sunk-500-million-into-it>

In 2011, grocery store chain Lidl kicked off what was meant to be a transformative initiative. Thousands of staff members and hundreds of outside consultants came together to help the German discount supermarket implement an enterprise resource planning (ERP) solution. With industry giant SAP at the helm, they initiated a project nicknamed “eLWIS,” an acronym for electronic Lidl merchandise management and information system.

The project continued for seven years, with SAP even recognizing Lidl as one of their top customers in 2017. However, by 2018, the [Lidl ERP failure](https://www.computerweekly.com/news/252446965/Lidl-dumps-500m-SAP-project) was in full effect, costing the chain around 500M Euros, or $580 million USD, in total losses.

What happened to cause this change of events? More importantly, what can your organization do to avoid such a setback in your own [ERP implementation](https://www.panorama-consulting.com/services/erp-software-implementation/)? Here’s our [ERP expert witness](https://www.panorama-consulting.com/services/software-expert-witness/) analysis of this notable ERP failure:

## **4 Lessons Learned From the Lidl ERP Failure**

### **1. Be Open to Business Process Reengineering**

After the SAP [ERP failure](https://www.panorama-consulting.com/top-6-reasons-for-erp-failure/), Lidl was forced to revert to its original inventory management system, with little to show for the project other than a major hit to its reputation and bottom line.

While there were many issues that ultimately led to the failure, there was one major challenge that held up progress from the very beginning. Put simply, Lidl was unwilling to change any of its business processes to fit the ERP vendor’s best practices.

Since its inception, Lidl has always based its inventory management on purchase prices, while the SAP platform is built on retail prices. Firmly against accepting this new approach, Lidl instead decided to customize the [ERP software](https://www.panorama-consulting.com/top-10-erp-software/).

The only problem? The requirements gap was massive and trying to bridge it signaled the beginning of the end for this ill-fated project.

A requirements gap refers to the difference between the way your company wants to do something, and the way the ERP software is designed to perform that particular task. As expected, a smaller requirements gap means you need less customization, which results in an easier and less costly implementation.

By prioritizing business process improvement or [business process reengineering](https://www.panorama-consulting.com/services/business-process-reengineering/), you can understand what’s currently working and what processes you need to change to make the best use of your new system. A willingness to look at requirements gaps and fix them at the onset can make all the difference between a project that stays on track and one that veers off course.

## **Contemplating litigation?**

We are called upon to investigate the feasibility of litigation, provide software expert witness testimony and build background reporting for some of the industry’s highest-profile ERP lawsuits.

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### **2. Adhere to a Defined Timeline When Possible**

In all, the Lidl ERP project spanned around seven years. This is far longer than Lidl expected, and far longer than the business could withstand, considering that its retail and distribution needs were still very real – the pace of competition didn’t slow and neither did customer and partner expectations.

Trying to balance outside pressures with internal demands can cause an already-dragging project to slow down even more. In this case, the overwhelming number of customizations that the project required was the primary culprit behind the lagging schedule. This is yet another reason why it’s best to avoid extensive customizations and instead, leverage the best practices that most modern [ERP systems](https://www.panorama-consulting.com/top-10-erp-software/) provide.

### **3. Ensure Executive Alignment**

Throughout the seven-year project, the Lidl executive team was in constant fluctuation. As leaders joined and exited the team, maintaining [business-IT alignment](https://www.panorama-consulting.com/business-it-alignment/) and buy-in became more difficult.

We recommend aligning your executive team with project priorities. Otherwise, you will lack the resources, budget and focus you require.

In the case of Lidl’s project, it’s likely that the project lost momentum as the office door continued to revolve. New teams bring new priorities and goals, and it can be nearly impossible to keep a years-long initiative at the top of that list.



### **4. Prioritize Organizational Change Management**

There wasn’t an inherent error or flaw in SAP’s ERP platform that caused the Lidl project to fail. In fact, SAP is an industry powerhouse. Recognized by Forbes as one of the [top 25](https://www.forbes.com/the-worlds-most-valuable-brands/#52e67b30119c) most valuable brands in the world, its ERP solutions are among some of the most popular across business sectors.

Rather, the critical issue with this ERP project was that Lidl unable to effectively prepare their workforce to make smart use of the software’s functionality.

While this sounds like an issue that could easily be avoided, the reality is that it’s all too easy for employees to hold tight to tried-and-true practices. This is where [organizational change management](https://www.panorama-consulting.com/services/organizational-change-management/) comes into play. This is the structured process of looking at the “people side” of a major, enterprise-wide change. From managing resistance to communicating key messages, the steps your company takes to prepare employees before and during the ERP implementation directly affect the project’s outcome.

## **Learn From the Lidl ERP Failure and Avoid Similar Setbacks**

Any time a highly anticipated project fails, it can be devastating to the company involved. Factor in a loss of $580 million, and that’s one difficult lesson to learn.

The Lidl ERP failure might be in the past, but its effects are still widely felt throughout the organization. While the financial setback might be minimal compared to the annual revenue that the chain brings in, the company is still left with an outdated inventory management approach in dire need of modernization. Moving forward, this could directly affect the brand’s longevity and competitiveness in the market.

Your business might be in a different industry, but the lessons learned here are the same. To find out how you can apply these lessons to your project, contact our [ERP consultants](https://www.panorama-consulting.com/company/meet-our-erp-consultants/) by requesting a free consultation below.

https://www.panorama-consulting.com/lidl-erp-failure/