Lidl is a huge chain of grocery shops across a Germany, with around €80 billion in annual revenue. Old inventory control system “Wawi” reached the limits of it capacity and in 2011 supposed to be replaced by new shiny system – 'eLWIS', but something went wrong, and it never happened. https://www.panorama-consulting.com/lidl-erp-failure/

To create a new solution Lidl hired a SAP – multinational software corporation, whose main field is making enterprise software for managing customer relations and business operations.

New system supposed to not just implement individual functions but combine process chain from customer to supplier. A lot of new features planned to be implemented, for example analysis of a key figures and forecast would be accessible in a real time. <https://www.henricodolfing.com/2020/05/case-study-lidl-sap-debacle.html>

## **What Went Wrong**

Chain was basing its inventory management system on purchase prices, SAP’s standards for software were to use retail prices. Instead of meeting halfway and come up with some mutual solution like change business process, Lidl refused to use retail price and decided to modify software. It was a mistake because software was not designed for that. <https://www.henricodolfing.com/2020/05/case-study-lidl-sap-debacle.html>

Reasons of a failure

**Project Duration**

The project took too long. An implementation of a project took 7 years, retail and distribution market is changing all the time. Project have to cope with those changes.

**Executive Turnover**

Executive turnover became a big problem for a Lidle. Because every new executive had own idea and perspective, it was hard to maintain main idea and direction of a project.

As executive priorities and personalities change (both in this case), ERP projects can become uncoordinated with these new people. This often causes the project to fail. <https://www.henricodolfing.com/2020/05/case-study-lidl-sap-debacle.html>

**Disorganization**

Wrong choice of outsourcing company or wrong distribution of responsibilities. The KPS was in charge of transformation in particular to manage the adaptation process for Lidl, but Lidl criticize KPS for being too slow. In his defense, the head of KPS said that the time frame was too limited, and it was not their fault.

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

Cost

The project carried on for log seven years. In 2017 SAP recognized a Lidl as a top customer in 2017. That top customer in the end had waisted €500 million. https://www.panorama-consulting.com/lidl-erp-failure/

**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

**More news on**

* [ERP Systems](https://www.consultancy.uk/news/expertise/erp-systems)
* [Retail](https://www.consultancy.uk/news/industry/retail)

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>

## **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.

[Learn More](https://www.panorama-consulting.com/services/software-expert-witness/)

### **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/