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Wal-Mart Buys SAP Financials

By Thomas Wailgum, IDG News Service

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Wal-Mart's decision to purchase SAP's ERP Financials, announced on Oct. 18, provides another piece of evidence that the IT strategy of the world's biggest retailer is shifting in favor of packaged applications.

An SAP press release said that Wal-Mart had purchased ERP Financials to "support the retailer's global expansion and its need to efficiently respond to changes in the business and regulatory landscape."

Though financial details weren't divulged, SAP said that Wal-Mart plans to roll out the package globally in phases, with the first phase expected to be completed in 2010. "This solution will replace some legacy systems while integrating with other internal Wal-Mart systems," the statement said.

Wal-Mart CIO Rollin Ford added, "We believe SAP's experience in helping global companies with their financial systems will bring more flexibility and scalability to our growing business."

Retail industry analysts say Wal-Mart has lost its technology edge, in part because it has relied heavily on homegrown systems. Buying packaged software applications is one way in which the $349 billion retailer can regain its IT dominance and fend off competition. The company recently purchased price optimization software from Oracle as well as HP's Neoview business intelligence tools.

Paula Rosenblum, an analyst and managing partner with Retail Systems Research, says the SAP deal is a "good move" for Wal-Mart because SAP Financials can easily handle all of Wal-Mart's financial needs, and the software shouldn't be too big a deal to integrate with its existing systems. "SAP is of the right scale and scope [for] what it is Wal-Mart is doing," she says. "It makes a lot of sense."

In a report earlier this year, Rosenblum applauded Wal-Mart's recent forays into buying packaged software. "Wal-Mart is getting creative," Rosenblum wrote. "We're not naive enough to think that implementing a particular technology is the key to success," she added, but using technologies that Wal-Mart didn't invent "and driving profits through brains along with brawn is a clear indicator that Wal-Mart is finding its own way to success in the Post-Wal-Mart world."

The market research company IDC (a sister company to CIO.com's publisher), reported recently that SAP is among the vendors with a large enough customer base to influence "the next generation of business applications."