

PLM Transformation in Hardlines

The Home Depot, born in 1979 with three stores in the Atlanta area, is now the world's largest home improvement chain and the fourth-largest US retailer, with about 2,250 stores in the US, Canada and Mexico. Targeting the do-it-yourself (DIY) and professional markets, The Home Depot offers more than 40,000 items, including lumber, flooring, plumbing supplies, garden products, tools, paint and appliances.

Over the years, in addition to selling many leading national brands, The Home Depot has also created a space on the shelf for its private labels like HDX, Husky, Hampton Bay and Glacier Bay, which have become household names. The Home Depot is focused on creating more value for customers through their private label brands by providing high quality products at competitive prices.

Why Start a PLM Journey? Vision to Strategy

The Home Depot needed a solution to help them ensure that their private label products met quality and performance requirements, while streamlining their end to end business processes. The key drivers defining their product lifecycle management (PLM) vision and strategy were:

- Support private label business
- Replace burning platforms
- Manage global operations and streamline disconnected processes and systems
- Enable engineering innovation

The Home Depot turned to PLM to meet these goals and help improve efficiency, reduce time to market and drive lower cost with clear, real-time visibility to critical business processes.

Laying the Foundation: Select the Right Tool, Build the Right Team, Develop the Roadmap

To support their PLM program, The Home Depot needed to find a solution with features specific to the retail industry. It needed to be designed to effectively manage the retail supply chain, from planning to product development to sourcing, and seamlessly manage master data across various systems.

Recognizing the gap between their prior systems and their organizational needs, The Home Depot also focused on selecting the right PLM software, which for them was PTC's Windchill FlexPLM®. To ensure FlexPLM was a good fit, they executed a six week proof of concept before purchasing the software.

To execute the project, facilitate adoption and ensure long-term results, The Home Depot also needed to secure buy-in from all levels of the organization. They carefully built a comprehensive team, combining the right people from the IT and business functions, and identified subject matter experts (SMEs) within the company. The Home Depot also hired new talent as needed to fill any gaps. To ensure success, The Home Depot partnered with Kalypso, a leading innovation and product development consulting firm, to help validate their business requirements and develop a PLM roadmap prior to starting the implementation.

By clearly defining the roadmap prior to starting their journey, The Home Depot achieved executive-level buy-in around their objectives, helping to avoid headaches and detours along the way. Slicing their PLM initiative into manageable chunks allowed them to deliver results early and often, proving the ROI incrementally, while working towards the larger goals.

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SUCCESS STORY

The Home Depot also established clear success parameters up front, including: harmonized and standardized processes, reduction of non-value added tasks, faster system performance, and scalability to roll out the solution to all product categories and global divisions.

Setting the Boundaries: Tightly Managing Scope

Because a comprehensive PLM system offers a tremendous number of features and functions to support development processes, companies implementing PLM often misstep by over-expanding their scope in an attempt to solve every problem at once. This type of “boil the ocean” approach

can derail even a well-defined PLM strategic plan. With this in mind, The Home Depot chose to tightly manage the scope of their project, sticking to functions that met established requirements, and avoiding system customizations that did not pass a stringent cost-benefit analysis.

“Since we had a roadmap and strategy in place, we were also able to determine if a customization might adversely affect our ability to meet our requirements for future phases,” said Steve Hartwig, Director of Program Management.

PLM Project Success: Process, System and Organization Improvement

With a practical approach, tightly managed scope and a carefully crafted team, The Home Depot was able to achieve quick success in their PLM program. Immediate improvements included increased system performance, elimination of duplicate data, and simple yet effective business process improvements supported by creative PLM system design.

“To update 200 SKUs in the old system, we would have to manually update each one. Today we can make an update in one place and we’re done in 30 seconds.”

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“This is especially useful for things like the holiday season, when on-boarding volume spikes,” said Hartwig.

The overall PLM program led to a number of transformational results:

- On-time and on-budget – kick off to pilot in six months for phase 1
- Pull vs push adoption – users requesting early entry to the system
- Leveraging external users to drive business functions
- Significant increase in internal users efficiency
- Cycle time improvements exceeding target goals

With the successful rollout of an enterprise-level PLM solution, The Home Depot has also reduced the organization’s risk from relying on outdated, disconnected systems, and positioned themselves to meet their growth targets.

Looking Ahead: The Future of PLM at The Home Depot

After successfully completing a few milestones along their PLM journey and respective roadmap, The Home Depot is now using FlexPLM to cover a large part of their private label product development and sourcing business processes. They are now on the path of continuous improvement.

“We’re very pleased with our PLM initiative,” said Hartwig. “Our people are happy, our suppliers are happy, and we’re able to drive significant improvements to our business, which will allow us to pass the savings along to our most important stakeholders – our customers.”

CLIENT VIEWPOINT

Q&A with Steve Hartwig, Director of Program Management at The Home Depot

Q – A PLM Initiative is no easy task. What were your keys to success?

A – There were three key success factors for us.

First, we chose the right software. We avoided engineering-focused systems and chose FlexPLM from PTC for its strong retail fit. We conducted a proof-of-concept to be sure it could execute our use cases.

Second, we staffed the project with the right team, which included internal folks from both IT and the business side, and we chose the right consulting partner, Kalypso, to help us execute. Kalypso provided key FlexPLM experts with broad process and technology experiences that we were able to apply to our project. Their deep retail industry experience meant that they actually knew what we needed to be successful. Kalypso helped us with leading practices both in terms of business processes and rapid PLM implementation.

Third, we defined the right scope and stuck with it. A carefully managed implementation approach helped us focus on our unique requirements and demonstrate incremental success along the way. This established a strong foundation for a future roadmap.

Q – What was the biggest execution challenge you faced?

A – As a retailer, we have a unique onboarding process for new products that is very different from traditional engineering development processes. We had a legacy system that did not support this process or meet our needs. So while our initial driving force was to replace the legacy software, we wanted to be sure this burning platform didn’t cause us to rush some critical decisions. One of our biggest challenges was extending our objectives to build a solid platform for product development processes moving forward. We made sure we took the time we needed to validate our unique business requirements, streamline and standardize our business processes, and develop a detailed roadmap for our PLM implementation.

Q – What was the rollout approach for the process and the system to the business? How did you increase user adoption?

A – With all of our global divisions and product categories, it was important for us to use a practical rollout approach for both the new business processes and the supporting software – FlexPLM. We decided to rollout in phases with a gradual ramp up plan for business users and departments, which allowed our PLM project team to provide appropriate support.

At each rollout phase, we focused on communication throughout the process. We made sure business leads were satisfied, kept the leadership team updated, and coordinated regularly with other geographies. The

constant visibility to the process and early wins created tremendous anticipation. Within a few months, we had users knocking down our door for logins.

Q – What was the process for selecting the software and consulting partners?

A – We looked for partners with expertise in our industry, as well as a strong focus and commitment to help us get where we wanted to go. We chose Kalypso because they made it clear that they had high expectations for themselves and they were going to do everything they could to meet those expectations.

For our software selection, we knew FlexPLM had a great retail legacy, but had not yet been used in the hard goods sector. We performed a detailed proof-of-concept that gave us a high level of confidence that the system could support our needs and enable our newly streamlined processes.

Q – Do you think of PLM as a technology or business project?

A – PLM initiatives require strong alignment between IT and business, so instead of one or the other, I think it needs to be a combined effort. It starts by understanding the business goals – in our case, providing a foundation for growth – and then making sure IT supports an implementation plan that delivers business value as quickly as possible.

KALYPSO VIEWPOINT:

Q&A with Vipin Goyal, Senior Manager at Kalypso

Q – What are the key success factors for PLM at Home Depot?

A – The Home Depot was struggling with a legacy system that didn’t support their unique needs as a hard goods retailer. To succeed, they needed to not only replace this system, but reshape the objectives of their PLM program to align it with their business goals. In order for PLM to support their goal of building their private label business, they needed to reduce cycle times with more efficient processes, eliminate duplication of data with a centralized system, and build a platform for future expansion.

Q – How did the rollout approach help with user adoption at The Home Depot? What are some leading practices to increase user adoption?

A – The Home Depot used a phased rollout approach to demonstrate quick wins that not only increased user adoption, but also had employees actively requesting logins. They understood that in order to ensure that their PLM investment wasn’t wasted, they needed people’s willingness to adopt the solution. The Home Depot paid close attention to change leadership up front and throughout the rollout, which prepared their organization to accept and adopt both the technology and process changes.

Companies that are successful with increasing user adoption address leadership alignment, build high-performing teams, and communicate constantly with all stakeholders.

Q – PLM is relatively new for retail. How can more retailers benefit from PLM?

A – In today’s global environment, retailers and their suppliers must work efficiently together to ensure consistent production of high-quality products. Success hinges upon finding the most effective way to work with multiple suppliers to manage geographical requirements, cost, quality standards, price points, product complexity and regulatory compliance.

With increasing numbers of new products and suppliers comes a host of new problems and business challenges. PLM processes and systems can help retailers and suppliers quickly gain control over disorganization that can result in wasted time and resources. Enterprise-wide PLM supported by leading industry practices and best-in-class technology ensures strong supplier relationships, smooth collaboration, high levels of product quality, and reduced rework costs.

Q – What are some leading practices for an implementation approach? When is customization good or bad?

A – Phased implementation supports a strategic “think big, start small, build incrementally” approach to PLM. Gone are the days when companies would attempt to overhaul their PLM systems at once in a big bang approach, as

change management hurdles can jeopardize production in the short term and leave the program with an exhausted budget and no long-term results. The most successful companies have defined a transformation vision and are taking an incremental approach to implementing PLM.

In terms of solution customization, it is not recommended but is not always avoidable. PLM software solutions are evolving based on industry and client requirements. Since the application of PLM in retail is relatively new compared to some other industries like automobile and discrete manufacturing, customization may be necessary to support specific business functions not yet part of the PLM software. If customization is a must, then it should be done in collaboration with the software vendor. In some cases, the software vendor may already have a specific customization on their product roadmap. If not, companies can request that it be added. The key is to validate the customization approach with the software vendor to ensure it is upgrade friendly and that it can be part of the base solution in future.

Q – Do you think the FlexPLM implementation at The Home Depot will open new doors for the solution?

A – Absolutely. FlexPLM is known for its strength in the fashion and apparel industry, but it holds great promise for other retail segments. The implementation at The Home Depot was the first use of FlexPLM for a hard goods retailer, and successfully demonstrated how PLM can be used to manage business functions that are generally considered outside the boundaries of PLM.