

SAP Customer Success Story Chemicals – Agricultural Nutrients



“... with SAP software – we have the potential to experience enormous savings . . . Credit for our success can be attributed to the close working partnership between Agrium’s experts and the consultants from SAP Custom Development.”

Gordon Ingham, Team Leader, IT Sales and Transportation, Agrium Inc.

AT A GLANCE

Summary

Agrium Inc., one of the world’s foremost suppliers and retailers of agricultural nutrients and other crop inputs, uses SAP® software to automate and optimize management of its railcar fleet. Since the implementation, the Calgary, Alberta-based company has realized many improvements across the business, including reduced costs and time savings.

Web Site

www.agrium.com

Key Challenges

- Optimize railcar fleet management throughout the complete life cycle
- Automate manual operations
- Increase visibility of railcar fleet
- Reduce support and training costs
- Improve overall efficiency

Project Objectives

- Replace legacy railcar management system with a state-of-the-art customizable solution
- Enhance solution to include all functionality from legacy system
- Develop and customize solution to meet all key challenges

Solutions and Services

- SAP Railcar Management application
- mySAP™ Supply Chain Management application
- SAP NetWeaver® Business Intelligence component
- SAP Custom Development services

Why SAP Solutions and Services

- The software’s strong integration with existing SAP solutions and its ability to meet company requirements
- The SAP Custom Development organization’s commitment to implement needed functions
- Agrium’s excellent relationship with SAP personnel

Implementation Highlights

- All developments completed on schedule
- Overlap in use of new and old solutions for 6 weeks
- No disruption to operations
- Enthusiastic welcome from user community

Key Benefits

- Time savings – operations that used to take 1 hour now accomplished in 5 minutes, with hundreds of working hours saved annually
- Potential to improve railcar utilization by 10%, resulting in significant cost savings
- Greater ability to plan how to fulfill customer commitments most quickly and cost-effectively
- Reduced support and training costs

Implementation Partner

SAP Custom Development organization

Existing Environment

- SAP R/3® software, functionality now found in the mySAP ERP application
- Legacy railcar management solution

Third-Party Integration

- Database: Oracle
- Hardware: HP
- Operating system: UNIX

AGRIUM

On the Right Track – SAP® Custom Development Helps Optimize Railcar Fleet Management for Leading Supplier of Agricultural Nutrients

Imagine the complexity involved in managing a fleet of thousands of railcars that deliver products to hundreds of customers throughout North America – products that must end up in the right place and right time. These are among the challenges faced daily by Agrium Inc., the Calgary, Alberta, supplier of agricultural nutrients and industrial products. Agrium’s 5,000 employees produce and market more than US\$3 billion worth of nitrogen, phosphate, potash, micronutrients, and other products annually – 60,000 railcar shipments’ worth – much of it in spring when the company’s fleet of 3,200 cars swells to over 6,000 to meet the fertilizing needs of the farm community.

“Railcars represent one of our biggest cost areas,” says Gordon Ingham, team leader, IT sales and transportation for Agrium. “If we can utilize our fleet just 10% more efficiently – and I think that’s very possible with SAP software – we have the potential to experience enormous savings in railcar leasing costs, maintenance, operations, planning, and other areas. And that’s on top of huge efficiency benefits the solutions are already delivering. Credit for our success can be attributed to the close working partnership between Agrium’s experts and the consultants from SAP Custom Development.”

A Long History of Success with SAP

For the last decade, Agrium has been running its business using highly integrated SAP® solutions. The legacy system used for railcar management, however, was a separate bolt-on application with unique support requirements and a user interface unfamiliar to most of the company's employees. That's why Agrium made the decision to replace it with a state-of-the-art system – the SAP Railcar Management application and the mySAP™ Supply Chain Management (mySAP SCM) application – that could be seamlessly integrated with the rest of the SAP software in place.

But before finalizing its decision, Agrium performed due diligence by researching competing systems on the market. “SAP has always been our first choice, and our investigation revealed that there was no reason to deviate this time,” says Ingham. “SAP explained that we'd receive all the functionality we needed either right out of the box or as new features that the SAP Custom Development organization would implement. We wanted to continue taking advantage of the excellent relationships we've built with SAP people over the years. And most of all, we didn't want another bolt-on application, which any third-party package would inevitably be.”

All Goals on Time

The SAP Custom Development team enhanced SAP Railcar Management by developing the inventory and plant-to-plant stock transfer management features that Agrium needed, using the SAP NetWeaver® Developer Studio tool as the primary development environment. Meanwhile Agrium's own developers focused on automating transaction processing wherever possible, enhancing reports, and customizing front ends to make usage straightforward for existing SAP users. At the same time, Agrium's transportation department performed another all-important preparation step: establishing error-free master data to serve as the new solution's starting point.

SAP Custom Development consultants found exactly what they needed in the SAP Global Delivery model. The team from the SAP Global Delivery center in Bangalore, India, and its counterparts at Agrium worked together closely, using SAP open source software (OSS) messaging and frequent WebEx meetings to keep the project on track. “SAP Custom Development did an excellent job for us,” Ingham reports. “The consultants got the job done right and done on time, and they enjoyed an outstanding relationship with our own implementation team. Whenever an issue arose, SAP always responded quickly.”

Agrium went live with the new applications right on schedule after a short implementation. From then on, any cars leaving headquarters were governed by the new system, while cars already in the field remained under the control of the old system until they returned to Agrium's manufacturing plants. Agrium

“SAP has always been our first choice, and our investigation revealed that there was no reason to deviate this time.”

Gordon Ingham, Team Leader, IT Sales and Transportation, Agrium Inc.

overlapped the use of the new and old software for the six weeks it took most of the cars to return to home base and then decommissioned the legacy system. “Our strategy might not be right for other companies, but it certainly worked for us,” says Ingham. “We established a goal early on to avoid any disruption to ongoing operations, and we succeeded in full.”

Environment for Planning: How to Satisfy Customer Commitments Most Quickly and Cost-Effectively

With the railcar management and SCM software in place as integral components of Agrium's overall SAP landscape, the company now has the integrated railcar planning and execution environment it wanted.

Today, Agrium uses SAP Railcar Management to track the locations of all railcars throughout their entire journey. RFID readers positioned near the tracks read tags that are embedded in the cars and trigger car location messages (CLMs). The mySAP SCM



event management functionality “watches” for these CLMs, processes them automatically, and issues alerts to controllers when cars pass certain points in their itinerary. The end result is a real-time picture of the locations of all cars, which allows

“SAP Custom Development did an excellent job for us. The consultants got the job done right and done on time, and they enjoyed an outstanding relationship with our own implementation team. Whenever an issue arose, SAP always responded quickly.”

Gordon Ingham, Team Leader, IT Sales and Transportation, Agrium Inc.

Agrium to plan more effectively and meet its commitments to customers quickly and cost-effectively. Agrium is also better equipped to cope with delays encountered en route by finding other available cars, thereby improving customer satisfaction.

An extension of this functionality that holds exceptional promise is railcar detention, an application Agrium developed within the SAP system to closely track cars while they are at customer sites. Before this capability went live at the beginning of 2006, Agrium had no way to closely monitor cars that customers retained for longer than the agreed-upon period. Now, since Agrium knows precisely where each car is at all times, it can encourage a customer that has overdue cars to get them back into circulation. “The detailed detention reporting now available to Agrium allows us to proactively identify and work with our customers to get the railcars back into the system,” says Ingham. “And it’s working.”

To improve decision-making ease and efficiency for planners, Agrium developed a railcar fleet cockpit. This one-stop shop for information includes master data and lease contracts, routing information, status of movements, current and historical shipment information, and more. Users take advantage of the cockpit to improve decision making and efficiency.

Extraordinary Efficiency Improvements

Support costs – as well as user training costs – are down substantially now that railcar management is an integral part of the overall SAP solution. But having a common, familiar user interface for railcar management has another, even more significant benefit: now, for the first time, railcar management is an application visible to and usable by all SAP users, not just the small group that knew how to use the legacy system. All the sales, marketing, and distribution members of the SAP user community at Agrium are equipped to improve business operations that involve railcars, and many are taking advantage of their new powers. Customer service representatives, for instance, can easily provide their customers with up-to-date information on the location of their cars.

Furthermore, the new railcar management software is customizable, just like the overall SAP solution – which has led to extraordinary efficiency improvements. For example, Agrium developed the capability to employ a single user scenario to direct the activities of multiple railcars that depart for destinations at the same time. In the past, separate scenarios were required for each car. Since it is not unusual for 100 or more cars to depart simultaneously, the time savings are enormous. “It’s typical for our users to accomplish as much in five minutes as they used to in an hour,” says Ingham. “As an extra bonus, railcar management runs faster because it’s inside the SAP system, improving productivity.

“Our users are thrilled with the improvements they’ve seen in their daily work, and they’ve sent us testimonial after testimonial about the new software,” Ingham continues. “For example, Lorraine Morrow, our shipping supervisor at Agrium’s largest plant, wrote, ‘There is a tremendous benefit to SAP Railcar Management. It enables us to monitor and estimate empty railcar supply and ensure we have enough workforce to load. This makes managing the fleet much easier.’”

Just the Beginning

“These are just a few of the steps we’ve taken to optimize the fleet’s deployment,” Ingham says. “The results of our improvements are preliminary because they’re all so new, but it’s safe to say that the working hour savings are well into the hundreds annually just from what we’ve done so far. The savings will only increase because we’re continually rolling out new functionality, and there’s a lot more coming in the future. One function we’ll implement is EDI for empty railcar billing with the railroads we work with – which they have been requesting. Another will be functionality that will allow us to automatically notify our railcar repair personnel about cars in need of maintenance and nail down each car’s availability. In fact, now that railcar management is tightly integrated into our SAP system, we are positioned to implement more and more valuable functionality as we move ahead into the future.”

“It was a big win for us to partner with people we trust – who know their product so well and who do their job so competently. SAP Custom Development was just as committed to our success as we were.”

Gordon Ingham, Team Leader, IT Sales and Transportation, Agrium Inc.

Agrium also acquired the SAP NetWeaver Business Intelligence component. This solution is currently being used for other projects, but Agrium plans to use it to further optimize the utilization of its railcar fleet and reduce costs. For example, it will

be able to identify an optimal mix of leased versus railroad-owned equipment and the lanes which each ownership type should utilize to leverage freight rate differentials.

“We definitely made the right decision to stick with SAP,” Ingham concludes. “It was a big win for us to partner with people we trust – who know their product so well

and who do their job so competently. SAP Custom Development was just as committed to our success as we were.”