SAP Value Proposition to Consumer Products Companies

Eric Domski, CP Industry Principle
Business Forums 2003
### Results of our Survey

<table>
<thead>
<tr>
<th>Description</th>
<th>Frequency</th>
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<tr>
<td>Ability to leverage existing customer data to effectively, identify customer lifetime value, profitability, and buying trends</td>
<td>30</td>
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<tr>
<td>Reducing complexity and cost of IT infrastructure</td>
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<tr>
<td>More effective financial and business planning &amp; reporting</td>
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<td>Leverage the use of technology to communicate and collaborate throughout the business</td>
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<td>Ability to satisfy the ever increasing demands of customers</td>
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<td>Managing new product introductions</td>
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<td>Driving value from existing applications</td>
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<tr>
<td>Building collaboration across the supply chain</td>
<td>19</td>
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<tr>
<td>Increase Inventory visibility</td>
<td>15</td>
</tr>
<tr>
<td>Managing talent within the business</td>
<td>15</td>
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</table>
CPG Leading Technology Trends

- Promotion and deduction management is delivering the most rapid payback (Trade Promotion Management)

- Collaboration inside and out with sales input to advanced (Collaborative Forecasting)

- Significant plans for e-procurement supported by the Web based EDI (Supplier Relationship Management)

- Improving supply chain visibility, including shipment track and trace (Supply Chain Event Management)

- Bringing products to market faster with collaborative design and concurrent engineering (Product Lifecycle Management)

- Data synch technologies (UCCNet Connectivity)

Source: AMR Research
SAP Software Solutions - Information

Integrated Transactional Backbone (ERP)

- Sales Order Processing
- Credit Management
- Purchasing
- Forecasting
- Production Reporting
- Billing
- Product Costing
- BOM Management
- Capacity Planning

Integrated Data Warehouse (BI - Business Intelligence)

- Legacy Data
- 3rd Party Data
- Customer / Vendor

Integration

- NT
- OS390
- IBM
- Oracle
- Unix
- AS400
- DB2
- SQLserver

Empowerment

- Legacy Data
- 3rd Party Data
- Customer / Vendor

THE BEST-RUN BUSINESSES RUN SAP

© SAP AG 2002, Title of Presentation, Speaker Name 5
SAP Software Solutions - Knowledge

Integrated Data Warehouse (BI - Business Intelligence)

Adaptive Collaboration

CRM
Customer Relationship Management
Sales Force Automation
Call Center
Campaign Management
Customer Service
Trade Promotion Management
Internet Sales

SCM
Supply Chain Management
Demand Planning
Supply Network Planning and Optimization
Detail Production
Scheduling and Optimization
Global Available to Promise
Vendor Managed Inventory
Transportation Optimization
Event Monitoring

PLM
Product Lifecycle Management
Design Collaboration
Project Management
Asset Management
Lifecycle Profitability Analysis
Strategic Program Management
Product Structure Management
Documentation

SRM
Supplier Relationship Management
Supplier Collaboration
Dynamic Bidding & Auctions
eProcurement (Direct / Indirect)
Exchange Infrastructure
Trading Partner Directory

Integration
Empowerment Collaboration

Sales Order Processing
Billing
Credit Management
Product Costing
Purchasing
BOM Management
Forecasting
Capacity Planning
Production Reporting

NT
OS390
IBM
Oracle
Unix
AS400
DB2
SQLserver

THE BEST-RUN BUSINESSES RUN SAP
SAP Software Solutions - Wisdom

- Single Sign On
- Pushed Information
- Enterprise Unification
- Customer/Vendor Roles

Portals
Role Based
Personalized

CRM
Customer Relationship Management

SCM
Supply Chain Management

PLM
Product Lifecycle Management

SRM
Supplier Relationship Management

Integrated Data Warehouse
(BI - Business Intelligence)

Integrated Transactional Backbone (ERP)

Sales Order Processing
Credit Management
Purchasing
Forecasting
Production Reporting

Billing
Product Costing
BOM Management
Capacity Planning

Industry Solutions

Value
Empowerment
Collaboration

Integration

NT
OS390
IBM
Oracle
Unix
AS400
DB2
SQL Server
Departmental Optimization

Traditional Departmental Optimization

Potential inefficiencies

- Inventory: too much/too little
- Over schedule individual plant
- Increased freight costs
- Increased inventories
- Out of stock
- Reduced customer service.

Optimization

- Optimized Procurement: Low Cost
- Optimized Pricing: Market Share (Sales)
- Optimized Manufacturing: Low Cost Productivity
- Optimized Transportation: Low Cost
SAP Enables Enterprise Optimization

Business Processes Integration
Real Time Database to Synchronize and Optimize The Enterprise

- Optimized Procurement
- Optimized Merchandising
- Optimized Manufacturing
- Optimized Transportation
The Bigger TCO Picture

Integration Point Solutions

Portal
Business Intelligence
EAI
Knowledge Mgmt
Mobile

SAP R/3

Applications
SAP R/3
CRM
Partner
Legacy
Total cost of ownership (TCO) =

Cost of integration platforms +

Cost of integrating applications and platforms +

Cost of applications
Summary Use of Netweaver in CPG

Tailored access for Constituents: Mfr, supplier, retailer,

• Tracking and Measuring marketing effectiveness
• Business event monitoring
• Business Analysis and Reporting

Cross supplier, distributor, customer collaboration for CPFR, inventory tracking and market demand forecasting

Access to real-time information in DSD process
Access to unstructured information and search enterprise knowledge
Modeling complex business scenarios across value chain and triggering information-driven events e.g. replenishment
Leveraging existing investment in system and skills staff by building cross system applications
CPG Leading Technology Trends

- Promotion and deduction management is delivering the most rapid payback *(Trade Promotion Management)*

- Collaboration inside and out with sales input to advanced *(Collaborative Forecasting)*

- Significant plans for e-procurement supported by the Web based EDI *(Supplier Relationship Management)*

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- Bringing products to market faster with collaborative design and concurrent engineering *(Product Lifecycle Management)*

- Data synch technologies *(UCCNet Connectivity)*

Source: AMR Research
Trade Promotion Management

Business drivers, facts and figures

- Trade spending accounts for 13%-19% of revenue
- 91% of manufacturers feel TPM $’s are inefficient
- 84% of trade promotions are unprofitable
- Manufacturers estimate 30% of TPM monies go straight to retailers’ bottom line
- Manufacturers wrote off deductions equal to 8.5% of their revenue in 2000
- TPM related activities account for 25% - 30% of a salesperson's and brand manager’s time
mySAP CRM & TPM Customer Lifecycle

**Service**
- Deductions Management
- Retail Execution
- Validation
- Service Analytics
- Vending Service
- Field Service & Dispatch
- Customer Care
- Help Desk
- e-Service

**Fulfill**
- Billing & Invoicing
- Logistics Management
- Demand Planning
- Promotion Payments Processing
- Order Fulfillment
- Credit Management
- Fulfillment Analytics

**Engage**
- Headquarter Planning
- Marketing Analytics
- TPM Analytics
- Brand Management
- Campaign Management
- New Item Planning
- Telemarketing, e-marketing

**Transact**
- Account Planning
- Contact Management
- Field Sales
- Negotiation
- Route Planning
- Merchandising
- Sales Analytics
- Telesales, e-Selling
- Order Acquisition
TPM: Fully Integrated, Closed Loop Process

Step 1) Headquarter Planning

Step 2) Field Account Planning

Step 3) Sell-in & Negotiation

Step 4) Retail Execution & Validation

Step 5) Evaluation & Analysis
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- Data synch technologies (UCCNet Connectivity) Kellogg’s

Source: AMR Research
“The COMPLETE SCM Solution”

Advanced Planning & Optimization of Supply Chain Processes

Supply Chain Optimization Planning and Execution
“The COMPLETE SCM Solution”

Advanced Planning & Optimization of Supply Chain Processes

Supply Chain Optimization Planning and Execution
SCP June 2002 Magic Quadrant

Source: Gartner Research
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Source: AMR Research
SRM eProcurement

EnterpriseBuyer

Catalog | Favorites | Special Request

Search for products in catalog

Office Supply

Hardware

To display items, click the detail icon

Favorites
Name: [Name], Created on: [Date], Status: [Status]
Favorite: [Action]

My Favorites
My Favorites: [Name], Created on: [Date], Status: [Status]
Favorite: [Action]

Office supplies for new employee
Created on: [Date], Status: [Status]
Favorite: [Action]

Select the items you want to add to your shopping basket

Select Description | Product | Quantity | Unit of Measure | Price | Currency | Each
---|---|---|---|---|---|---
Felt green | 010002345 | 20 | piece | 1,50 | $ | 1
Felt red | 010002346 | 10 | piece | 1,25 | $ | 1

Add to shopping basket
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Source: AMR Research
NPDI – Our Solution

1. Strategic Planning & Evaluation
2. Idea Assessment
3. Concept Advancement
4. Product Development
5. Market Launch
6. Production & Distribution
7. Post Analysis

mySAP PLM

R/3 Project System
R/3 Document Management

Collaborative Project Management
CP Customer successes

Drive inter- and intracompany collaboration

- **Osram:** Several Divisions, one product

  "With mySAP PLM we now have the opportunity to leverage advanced product development capabilities that allow for collaborative engineering across different divisions within the company."

  (Source: Osram, Germany)

**Beiersdorf:**

- 90% reduced time for complex document search and access
- 70% reduced time for approval and change processes
- 30% reduced time for ECR creation & approval
- 70% improved data accuracy and transparency of change process
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Data synch technologies (UCCNet Connectivity)

Source: AMR Research
Application Server Technology Evolution @ SAP

SAP Basis

SAP Web Application Server

Java Technologies
- Full J2EE support
- Web Dynpro

Native Web Technology
- Server side scripting
- Native http/XML support
- Web services (SOAP, WSDL, UDDI)

Internet-enabling
- Internet Transaction Server
- SAP Business Connector
- SAP GUI for HTML

Reliable Architecture
- Three tiers
- Scalability
- High Performance

### SAP Customers tell the bottom line

#### SAP Presence in the Fortune 500 Consumer Products Industry:

- **63%** of Companies
- **69%** of Revenue
- **72%** of Earnings

**SAP Users are 63% more profitable than those that do not use SAP!**

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<th>Company</th>
<th>Total Revenues</th>
<th>Total Earnings</th>
<th>Not SAP Revenues</th>
<th>Not SAP Earnings</th>
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(7.1% 4.6% 7.5%)
Figure 2  Total Cost of Ownership (TCO) as a Percentage of Corporate Revenue
## Time to Benefit

<table>
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<th>Average</th>
<th>Smallest</th>
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<td>JD Edwards</td>
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<td>1</td>
<td>18+</td>
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<td>Lawson</td>
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<td>3</td>
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<td>Oracle</td>
<td>9</td>
<td>0</td>
<td>18+</td>
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<td>PeopleSoft</td>
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<td>SAP</td>
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<tr>
<td>SSA</td>
<td>10</td>
<td>5</td>
<td>18+</td>
</tr>
</tbody>
</table>

### Time to Benefit

Meta Group Data
Figure 4  ERM Average Implementation Time – Segmented by Revenues
**Best Business Practices**

**Best-in-class Consumer Products expertise built into AcceleratedSAP**

Collection of Industry Knowledge

- Industry Questionnaires
- Industry Scripts
- Industry Specific Settings
- Understanding Mapping
- R/3 Implementation
- Training
- Project Documentation

**Preconfigured System**

- Preconfiguration settings
- Master Data
- Configuration documentation
- Test catalogs
- Workshop content

**Benefits:**

1. **Leverages industry best practices** and provides a quick view of business processes for Coleman business people to learn from and confirm.

2. **Facilitates change management**, by providing a demonstration system where common systems, integration, and reporting can quickly be evaluated.

3. Enables a **faster Implementation with quick ROI** and lower risks by increasing productivity and leveraging Coleman people.
SAP Still Offers the Best Value for Price Ratio...

Implemented 60,100th system in 19,300th company taking SAP over 12 million users.

This is an effective rate of one new SAP system implemented every 20 minutes of every working day over the past ten years!

Every minute 9 new SAP users are initialized.

Every hour 536 new users start using SAP systems.

Today, 120 countries run more than 60,100 SAP systems.

In the time we spend together today, 4500 new users will be added to SAP systems.

In 2003 all this experience becomes available to...
The SAP Selection Process: One Customer's Perspective

Steve Okun, Director of Information Technology and Business Systems, Indigo Books & Music
Business Improvement with SAP

Panel Members

- Wayne Corston, Dir. Of Information Technology and Business Systems, Scott Paper

- Akil Kramer, General Manager, Gustin-Kramer Ltd.

- Neil McLaughlin, CPG Industry Lead, IBM Business Consulting Services