



# SAP NetWeaver™ AT SUPPLYON

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SupplyOn has used the SAP NetWeaver™ platform to consolidate the IT landscape of its electronic procurement marketplace. As a result, the users of SupplyOn services – purchasing companies and suppliers in the automotive industry – are benefiting from the implementation in the form of end-to-end processes, optimized logon procedures, and more effective services. The administration of data and processes has also been simplified for all participants. The ROI for the project amounts to 88%, with a payback period of about 5 years.

## AT A GLANCE

### Company

SupplyOn AG was founded in 2000 by large international automotive suppliers in collaboration with SAP. The company is the world's leading provider of Internet services for the automotive industry. The SupplyOn portfolio offers solutions for the efficient processing of business transactions in sales and purchasing, logistics, product development, and quality management, across several different companies. A decisive factor for the success of SupplyOn has been the concept of offering a vertical marketplace, including standardized benchmark processes for the automotive industry.

### Challenges

- SupplyOn must be able to react quickly and flexibly to changes in processes and supplier networks. The company must be able to implement new processes swiftly.
- Automated, fast, and secure processes based on consistent master data are the decisive factors for the acceptance of a procurement marketplace.

### Strategic Goals

- Reduce process costs through standardized and interenterprise business processes
- Reduce the workload for administration of master data and users in the individual applications

### SAP® Solution Approach

- With the SAP NetWeaver™ platform, implement an open and flexible technology platform for the marketplace infrastructure, allowing business transactions to be processed from end to end at reduced costs to all involved.

### Results

- With its investment in SAP NetWeaver, SupplyOn has achieved an ROI of 88% with an amortization period of about 5 years.
- Total cost of ownership (TCO) will reduce by at least 8% in 5 years, and by around 17% in 10 years.
- The internal workload for contract processing has decreased by 17% for improved efficiency in sales administration.
- The workload for formal contract adjustments (for example, address changes) has decreased by 20% for improved customer management.

## EXECUTIVE SUMMARY

SupplyOn optimizes procurement processes in the automotive industry by providing a central procurement marketplace on the Internet. Founded in 2000 by large automotive suppliers including Bosch, Siemens VDO, ZF Friedrichshafen, INA, and Continental, in collaboration with SAP, SupplyOn now has approximately 6,500 customers in over 30 countries. Currently SupplyOn processes about 1,200 electronic queries and sends 200,000 Web Electronic Data Interchange (EDI) messages each month. The company, based in Hallbergmoos near Munich, Germany, is represented in Europe and the United States and meets the high demands of its international customers with just 65 employees.

An increasing number of automotive suppliers are making use of SupplyOn's Web-based services, leading the company to continuously integrate new functions into its range of services. Maintaining the advantages of the marketplace in terms of simplicity and user-friendliness had become increasingly difficult due to the large number of separate applications, such as complex manual procedures surrounding logon and registration.

With the SAP NetWeaver™ platform, SupplyOn today guarantees fast and economical processing of business transactions between purchasing companies and suppliers in the automotive industry. SupplyOn has used the open and flexible SAP NetWeaver technology platform to create a consolidated central IT infrastructure, which connects existing applications and automates registration processes across all applications. As new applications can also be integrated easily, the extension capability of the marketplace and therefore the expansion of SupplyOn is assured.

The results of the SAP NetWeaver implementation at SupplyOn are based on the application of Gartner's total value of opportunity (TVO) method. As an independent consultancy, Gartner Consulting also performed the requisite data collection at the customer site for this study. The business consulting group of SAP® Consulting supported the compilation of the study.

The results of the analysis show that the investment in SAP NetWeaver was a profitable decision, with an ROI of 88% and a time to value of 5 years. In addition, the implementation of SAP NetWeaver sustainably reduced future IT costs (total cost of ownership) for SupplyOn by 17% over the coming 10-year period. Internal workload for contract processing has decreased by 17%, thus increasing sales efficiency. Reducing the workload for formal contract adjustments by 20%, and for service enhancements or upgrades by 9%, has improved customer management. In addition, the consistent quality of the master data prevents errors and accelerates efficient processing of transactions throughout the entire procurement process.

## CHALLENGES AND EXPECTATIONS

As one of today's most innovative industries, the automotive business is characterized by intense competition. The success of manufacturers and suppliers is heavily dependent on fast reactions to increasingly specific customer demands. Suppliers are always involved at a very early stage in the manufacturer's processes. The automation of processes and just-in-time and just-in-sequence supply are decisive factors for survival in the market. In turn, this intense pressure places high demands on both sides for capable IT solutions.

SupplyOn supports competition within the industry, as manufacturers and suppliers can perform their procurement processes quickly and easily over an online marketplace. To meet their own claims of supplying added value, the company had to fulfill the following requirements:

- Establish a flexible IT system landscape that overcomes application boundaries and provides end-to-end processes for manufacturers and suppliers
- Realize integrated data management, including standardized access to the marketplace – ultimately the prerequisite for efficient processing of transactions
- Implement a standardized registration and connection procedure for suppliers to all applications on the marketplace to reduce errors and manual workloads
- Reduce the high administrative workload resulting from separate administration of master data and users in the individual applications
- Simplify the integration of new applications to enable flexible reaction to market requirements, without adding to the administrative workload

SupplyOn was therefore looking for a flexible solution capable of linking business processes across applications, standardizing the registration process, centralizing the logon procedure, and reducing the administrative workload for the systems.

## SOLUTION APPROACH AND IMPLEMENTATION

SupplyOn initiated the implementation of SAP NetWeaver at the start of 2003. The central technology platform provides SupplyOn with integrated processing for the following core processes of the marketplace:

- The sourcing manager optimizes the inquiry and quotation process as well as the evaluation of quotations, for example, by offering a preconfigured request for quotation and the option of holding auctions for closing deals quickly.
- The business directory – a standardized cross-enterprise information platform – helps purchasers to quickly locate the appropriate supplier. They can search by material group and production options, and results lists can be used directly as distribution lists for a request for quotation.
- The performance monitor enables purchasers to reliably evaluate suppliers as part of transparent quality management.
- Documents such as standards and drawings are consequently integrated into the purchasing process by the document manager.
- The Web EDI functions cover all purchasing and supply processes as well as payment transactions for the whole supply chain. This means that small and medium-sized businesses can also make use of integrated supply chain management processes.

SAP Consulting and Seeburger, a certified SAP partner supplying EDI connectivity solutions, supported the SAP NetWeaver implementation at SupplyOn, which was conducted in two phases. In the first phase, from November 2003 to April 2004, SupplyOn implemented the SAP Exchange Infrastructure and SAP Web Application Server components of SAP NetWeaver. This phase involved implementation of the whole marketplace infrastructure (apart from the supply chain directory) as well as the sourcing manager, business directory, document manager, and performance monitor applications. In the second phase, from May to September 2004, SupplyOn completed the marketplace infrastructure with the implementation of the supply chain directory and integrated Web EDI.

## RESULTS

The implementation of SAP NetWeaver has had a demonstrably positive effect on the cost-per-business process and on administration costs at SupplyOn. With this investment, the company is set to achieve an ROI of 88% with a time to value of around 5 years. The total cost of ownership (the total cost of the infrastructure, software, and administration) is set to decrease by 8.3% within 5 years and 16.7% within 10 years.

### Quantifiable Benefits

The main quantifiable results that have been incorporated in the calculation of ROI and total cost of ownership (TCO) include the following:

- **Higher sales efficiency:** The internal workload for contract processing has decreased by 17%.
- **Improved customer management:** The workload for formal contract changes (such as change of address) has decreased by 20%. Newly completed contracts or content changes, such as the enhancement of services or upgrades, can be implemented more quickly. The workload has been reduced by 9%.

Over 10 years, SupplyOn calculates an average 14.7% savings in process costs. The company plans to invest the released capital into its sales efforts, and thus encourage further growth.

### Qualitative Benefits

Besides the measurable benefits, SAP NetWeaver has also led to various qualitative improvements, including the following:

- New business processes (applications) on the marketplace are quick, easy, and economical to set up by integration into the portal. Some processes, in the quality area, for example, are in the conception phase. The future transaction volume that this will generate, and the corresponding revenues, can be attributed to SAP NetWeaver.

- Registration and logon procedures are simpler and more secure for the customer. Single sign-on provides the user with standardized access to registered applications and services, using the marketplace is easier, and the time required is reduced. If there are any status changes, the new data is automatically sent to registration management.
- The consistent quality of master data, user data, and business data prevents errors and accelerates the efficient processing of transactions throughout the entire procurement process. Inquiries, and the laborious exchange of additional data by e-mail or post, are no longer necessary.

### Positioned for the Future

Beyond the short-term qualitative and quantitative results, SupplyOn has laid the foundation for future process improvements and cost savings with its investment in SAP NetWeaver. The company can now easily integrate new applications into the SupplyOn portal, as follows:

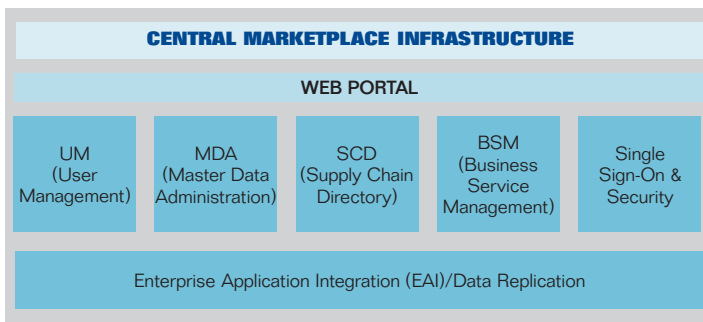


Figure 1: The Central Marketplace Infrastructure at SupplyOn

- The Web portal enables centralized access to the SupplyOn marketplace and role-based navigation.
- With the user management capability, SupplyOn can administer all users centrally, assign roles, and authenticate and authorize users.

- The SAP Master Data Management component is used for administration of the master data for all companies registered in the marketplace. The supply chain directory capability is used for administration of all relevant logistics master data and logistics business relationships.
- With the business service management function, all SupplyOn marketplace services can be administrated and assigned to vendors.
- The single sign-on and security component enables a standardized logon procedure for the whole marketplace.
- The enterprise application integration/data replication component ensures automatic replication of all master data for the individual applications and maps cross-application processes.

### Reduced Workload for Data Exchange

The quantifiable improvements are due largely to the fact that SAP NetWeaver eliminates the need for cost-intensive programming of interfaces. The costs for development and implementation would have considerably exceeded the volume of actual capital invested in the project. Viewed over an analysis period of 10 years, these savings represent 85% of the entire investment.

### Cost Structure of the SAP NetWeaver Project

The costs for the SAP NetWeaver project at SupplyOn can be divided into the following main blocks:

- One-off consulting
- Investment for software development
- Personnel for creating the technical infrastructure
- Hosting (external service provider) and maintenance, including license portions

On the business side (sales, administration, and so forth), no extra costs were incurred. The following graphics show the breakdown of one-off costs and ongoing costs of the investment.

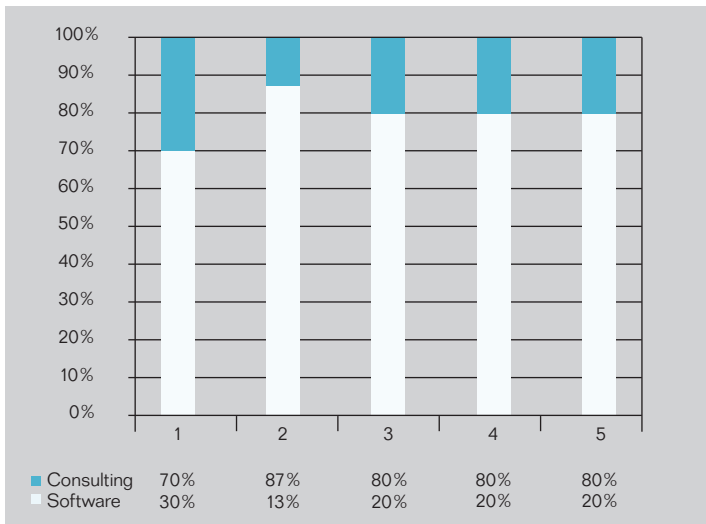


Figure 2: One-Off Investment Costs

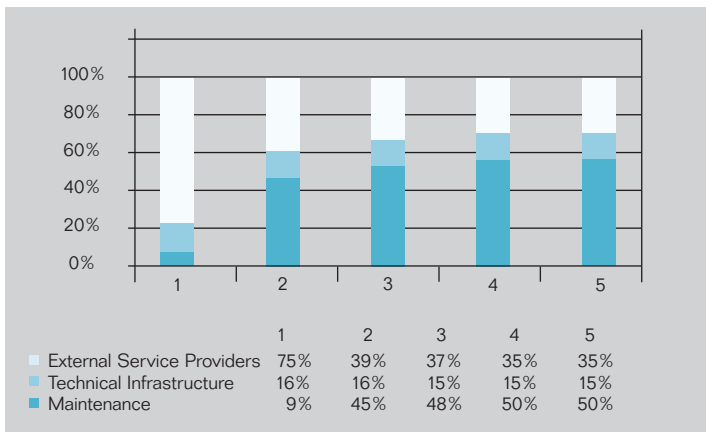


Figure 3: Ongoing Costs of Investments

The following table shows an overview of the key figures of the SupplyOn project. All values are valid for 10 years, unless stated otherwise.

Total investment	€5.4 million
Net present value (NPV)	€5.7 million
Total savings	€11.5 million
Percentage of saving represented by process costs	15%
Payback period (static)	5.3 years
ROI	88%
Internal rate of return (IRR)	195%
Reduction	16.7%
Notional capital costs	6% p.a.

Table 1: Key Figures of the SupplyOn Project

## OUTLOOK

Simple, convenient, and secure data exchange, and the possibility of implementing new processes across different systems and companies, have all become a reality with SAP NetWeaver. The new central infrastructure ultimately provides SupplyOn with the prerequisites for flexible further development of the marketplace and for economic success of the company.

In addition to the TCO savings of 17% over the next 10 years, SupplyOn also foresees additional process improvements, which will further reduce TCO. Significant factors in these process improvements include simplified change management and the “application integration guide,” which defines the technical and practical integration of new applications.

SupplyOn will further drive integration of the IT infrastructure, and in the future, plans to directly connect the employee portals of customers’ employees to the suppliers’ portals (the automotive manufacturer). The implementation of SAP NetWeaver also creates potential for completely new added value – for example, to better support business processes of joint development efforts within the automotive industry.

## LESSONS LEARNED

The SAP NetWeaver project at SupplyOn may inform other projects involving the optimization and standardization of processes across applications and between companies. SupplyOn and its consulting partners drew the following conclusions:

### 1. Define ROI and TCO goals and monitor achievement of targets

These definitions should include both quantifiable improvements and qualitative benefits.

### 2. Define strategy and milestones for achieving goals

Strategy and milestones should encompass basic decisions on the overall IT architecture, as follows:

- Create an open Web-based technology platform for the integration of data, users, and processes
- Plan for all services (applications) and their master data to be centrally administrated and controlled
- Protect previous IT investments, as existing applications can be simply integrated
- Simplify the workload for the integration of new applications as much as possible through standardized interfaces

The setup of the infrastructure and the integration of existing applications should also be planned and implemented in several manageable phases.

### 3. Define and implement operational goals

These goals should include the following:

- Establish a universal registration and connection process for all business partners involved
- Prepare and execute data-cleansing activities to keep risks and workload to a minimum when switching to a new integration platform
- Train all users and administrators early on with regard to the new possibilities, as well as the restrictions, of the integrated platform

## NOTES REGARDING METHOD

### The Total Value of Opportunity Method

The ROI results in this case study were determined using the TVO method devised by Gartner, which surveys the business benefits of IT-driven business initiatives. Gartner uses The Gartner Business Performance Framework as a standard methodology for measurement of the business benefit to be analyzed.

The ROI results based on the TVO method do not represent a guarantee or recommendation by Gartner Consulting for the suitability of products, services, data, or sales technology of SAP. The results determined with the TVO method should not be viewed as an industry average and may deviate from results published by Gartner Research. In this case study, Gartner Consulting contributed to the calculation of ROI; all other evaluations and conclusions are not based on statements from Gartner.

### The Business Process Metrics

The following table provides an explanation of the business process metrics used by The Gartner Business Performance Framework:

Demand Management	Market Responsiveness	Sales Effectiveness	Product Development Effectiveness
Supply Management	Customer Responsiveness	Supplier Effectiveness	Operational Efficiency
Support Services	Human Resources Responsiveness	Information Technology Responsiveness	Finance & Regulatory Responsiveness

Table 2: Business Process Metrics

- Demand management: All measurable activities for generating demand for the company's products and services.
- Supply management: All measurable activities for satisfying the demand for the company's products and services.
- Support services: All other measurable activities that support the company internally. This includes all types of services, quality, and costs accepted from internal customers in comparison to alternatives.