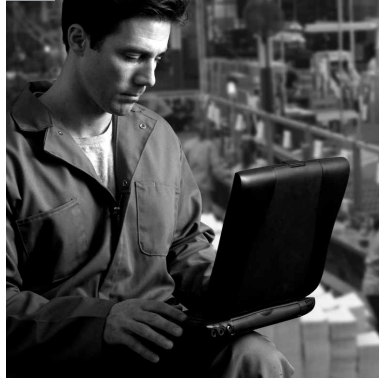


## SAP Customer Success Story Automotive



After making an acquisition, **Volvo CE** replaced existing legacy information systems to drive a process innovation effort. The company implemented **mySAP™ Automotive** and **SAP® Web** functionality for supplier and vendor management. It also interfaced **mySAP Automotive** to its shop-floor control system and implemented **SAP® Business Information Warehouse**. After calculating its return on investment and the total cost of ownership, **Volvo CE** realized a gain of 1,000% above its original investment.

# VOLVO



## VOLVO CE

**VOLVO CE REALIZES GAIN OF 1,000%, TEN TIMES ORIGINAL INVESTMENT IN mySAP™ AUTOMOTIVETM**

Volvo acquired the construction equipment business unit of Samsung Heavy Industries to form Volvo Construction Equipment Korea (Volvo CE), headquartered in Changwon, Korea. As a new company, Volvo CE wanted to replace Samsung's legacy information systems to drive a process innovation effort. The goals of this initiative were to integrate all business areas and functions to support corporate strategy, enhance employee and management productivity, and increase the quality of products and services. Volvo CE used mySAP Automotive to drive the initiative and realized a 1,000% return on its investment. Volvo CE's previous information systems were developed in-house as departmental, stand-alone applications. These applications – which included functionality for core business processes in sales, finance, service, design, and production – were difficult to integrate and required manual data consolidation.

Volvo CE implemented a full range of mySAP Automotive functions to drive its process innovation initiative, including the SAP Financials, SAP Controlling, SAP Sales & Distribution, SAP Materials Management, SAP Production Planning, SAP Asset Management, SAP Quality Management, SAP Warehouse Management, SAP Project System, SAP Service Management, and SAP Plant Maintenance components.

The implementation included additional SAP functions for supplier and vendor management, using a Web-enabled system powered by the SAP® Internet Transaction Server (SAP® ITS) to link vendors and suppliers to Volvo CE. Volvo CE also interfaced mySAP Automotive to its shop-floor control system and implemented SAP® Business Information Warehouse (SAP® BW).

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“mySAP Automotive has enabled Volvo CE Korea to reinvent itself to become a process-oriented organization,” says Yonghak Kim, IS/IT team manager of Volvo CE Korea. “With process innovation efforts and a big-bang approach in systems implementation, Volvo employees are now using an integrated enterprise system that supports its daily customer-oriented business processes.

“The SAP solution helped Volvo reduce its inventory by more than half, with shorter cycle times for component development, month-end closing, shipping, and available-to-promise (ATP), all of which leads to 100% customer satisfaction,” he adds.

### MEASURABLE RESULTS

Volvo CE cites a number of reasons for choosing SAP: functionality, openness, integration, portability, support for multiple languages and currencies, technology, and tools. The company rolled out standard SAP functionality without modification to accelerate the implementation process and to take advantage of SAP’s proven business processes. Volvo CE is running its SAP solution on a Hewlett-Packard platform with the Unix operating system and Oracle database for some 495 users.

Volvo CE had clear, quantitative goals for the implementation: better, more efficient business processes; improved productivity; reduced costs; accelerated transaction times; optimized workflow; and a reduction in errors.

Volvo CE achieved its goals. It increased bill of material (BOM) consistency from 88.2% to 94.2%. It reduced component development lead times from 26 days to 17 days, improved month-end closing times from 13 days to 2 days, and shortened shipping lead times from 7 weeks to 4 weeks.

Volvo CE also reduced ATP times from 15 days to 48 hours, material requirements planning (MRP) runtimes from 21 hours to 1.5 hours, and the MRP cycle from weekly to daily. The company also reduced the number of MRP exception messages from 53,000 to 4,000 and improved the inventory cycle counting accuracy from 88% to 97%.

**“SAP provides a business solution that enables a company to make sweeping changes to become a customer-driven, process-oriented organization.”**

*Yonghak Kim, IS/IT team manager of Volvo CE Korea*

Additionally, Volvo CE reduced average inventory from 100 stock-keeping units (SKUs) to 40 SKUs and reduced inventory from 100% to 47%. Over the course of three years, the company increased per capita revenue from \$85,000 to \$340,000.

Through the implementation, Volvo CE also accomplished its qualitative goals: improved customer service, quality control, and working conditions. It achieved transparent management for the organization. For example, detailed controlling capabilities at the cost center level enables the company to uncover areas where streamlining and improvements are required. These process improvements, in turn, led to the implementation of best-business practices and process-oriented business operations.

“SAP provides a business solution that enables a company to make sweeping changes to become a customer-driven, process-oriented organization,” Kim says. “With mySAP Automotive, Volvo CE has achieved 100% consistency between engineering and manufacturing BOMs. The business benefits of an integrated business solution at Volvo include consistency and integrity of information, business visibility, and reduced time and costs for system maintenance. On top of these, Volvo recorded 4 times increase in revenue per employee and reaped 10 times more return on investment.”