

SAP Customer Success Story Telecommunications



SFR decided to reorganize its supply chain processes in order to meet the challenges of a rapidly expanding mobile telecommunications market. With sales of €5.3 billion in 2001, the company opted for mySAP™ SCM to anchor its new processes and synchronize its supply chain. After a rapid, trouble-free implementation, **SFR** began seeing results: a 98% service performance rate, an average three months drop in inventory, and improved collaboration with its distributors.



SFR

AN EFFECTIVE SUPPLY CHAIN POWERED BY mySAP™ SUPPLY CHAIN MANAGEMENT

In the late 1990s, the mobile telecommunications sector, until then limited to the professional users market, began to target the general public. “Suddenly we were confronted with a market in full expansion driven by the forces of fashion and heavily influenced by promotions,” says Claire Carpentier, director of production and logistics at SFR. “As we were accustomed to a client base consisting almost exclusively of professional users, we were forced to rethink our whole mobile business, which meant developing and marketing mobile phone packages – cellular phone, plus SIM card, plus services, all in one package – for the public.”

To succeed, SFR needed to deploy retail outlets, develop imaginative marketing strategies, and manage increased volumes throughout its entire supply chain – all the way from package assembly subcontracting to distribution to end users – in order to respond to the changing demand of the retail outlets. In order not to lose any potential clients, SFR knew it had to be sure of having the right product in the right quantity at the right place at all times, with very little margin for error. As the cellular phone itself was subsidized by the operator, and the cost of each cell phone is relatively high, the financial impact of having either too much or too little stock at the retail outlets would have been severe; only by expanding its subscriber base could SFR recuperate its huge initial investment.

“We decided to reorganize our supply chain processes all the way from cellular phone and SIM card procurement to delivery to our distribution clients,” says Carpentier. “At the same time, we were careful to keep up with the pace at which the network was developing by ensuring the availability of the two virtual components of the pack: the telephone number and the voicemail account.”

The core objectives of the reorganization project were to implement sales planning processes within SFR in order to create a demand-driven supply chain; enhance and accelerate demand forecasting for both end products and raw materials; ensure faster reaction to market changes and variations; speed up stock rotation; and, finally, improve collaboration with distributors and optimize their stocks via better tailored allocation plans.

EASE OF INTEGRATION A DECIDING FACTOR

SFR began evaluating three major supply chain management solution vendors. “It was not an easy choice to make,” says Carpentier. “We finally selected SAP primarily because of the ease with which the solution could be integrated with our existing SAP environment. Other factors that worked in favor of the SAP solution were its ergonomic user interface, and, especially, the fact that it made sense for us to integrate this planning solution with our existing SAP® R/3® management system, which we use for purchasing, sales, production, and finance.”

After six months developing the pilot configuration, SFR began implementing SAP® Advanced Planning & Optimization (SAP® APO) – a key component of mySAP™ Supply Chain Management (mySAP™ SCM). The project team consisted of about 50 people, including several SAP consultants. The project was divided into 13 transversal sub-projects: 4 involved the new processes being implemented (planning, distribution demand

management, production planning, stock allocation); another 4 were devoted to reengineering existing transactional processes (purchasing/supply, manufacturing order management, order acceptance and available-to-promise checking, and technical data management); 3 were project-wide sub-projects (change management, performance indicators, IT architecture); and 2 were focused on new activities (notably, mail-order sales for renewal of clients’ cellular phones).

A SOLUTION THAT SYNCHRONIZES TASKS AND MEETS ALL NEEDS

After 3 months of general design work and 5 months of detailed design and prototyping, SFR was in possession of a functioning pilot system. The project was put on hold at that stage to make way for another more urgent project: that of combining the SAP systems used throughout the group into a single system. The company deployed SAP APO within 5 months, which completed the supply chain project. The entire project took 12 months, exactly the duration allocated in the project sched-

ule. Carpentier believes that the rigorous project management methodology had a lot to do with the successful and timely project rollout. “It also had to do with the way in which the project was strategically positioned as a transversal enterprise-wide project, sponsored by the general management, and the fact that

from the very outset it called upon all supply chain players to contribute their input to building a set of new processes based on true synergy and synchronization of tasks.”

The 40 users of the new solution adopted it quickly, as it corresponded perfectly to their needs. One year later, it had already formed an integral part of their daily lives. “Motivated by the immediate realization that this solution was going to help them improve their performance, all of the users have now achieved a

“The savings provided by mySAP SCM in terms of enhanced efficiency and reduced costs mean that the return on our investment in the solution is less than one year.”

Claire Carpentier, Director of Production and Logistics, SFR

high degree of expertise,” says Carpentier. “SAP APO is fully functioning as a steering, planning, and decision-making tool, and it has become vital to our business. It enables us to create economic indicators for our flows.”

The company experienced numerous and measurable benefits throughout the supply chain as a result of implementing mySAP SCM. Upstream, it manages 6,000 different raw material items, and downstream, it manages some 2,500 finished products of all types (various packages, SIM cards, recharges, and so on) and 15,000 retail outlets. The two are linked by an optimized flow due in part to the new processes put into place, but also as a result of mySAP SCM and the full-scale integration of its supply chain planning functions and SAP R/3.

SAP APO focuses on strategic issues and operational planning, while SAP R/3 handles after-process execution. At the tactical level, the demand planning functions enable sales planning at the most detailed level: for each product-retail outlet pairing. The new solution also enables SFR to work collaboratively with its distributors. The supply network planning capabilities within SAP APO calculate end-product and key component requirements for the extended logistics network, taking account of SFR’s stocks and those of its distributors, without the distributors needing to intervene.

A SUPPLY CHAIN DRIVEN BY THE NEEDS OF THE MARKET

“Before, we had no way of obtaining such useful and accurate visibility of our needs, or of taking our projections into account at all levels,” says Carpentier. “Thanks to these new capabilities, we now have a supply chain that is genuinely driven by the needs of end clients, a supply chain which is therefore much better correlated with market reality. The fact that we can update our forecasts as frequently as we like with SAP APO – with corresponding updates of demand planning – means that we can respond more rapidly to market uncertainties and sudden changes in behavior.”

At an operational level, the forecasts are used by SAP R/3 to calculate requirements for finished products, production, and distribution, taking into account SFR’s stocks and those of its distributors. Supply network planning is used to establish an initial stock allocation plan, which also considers orders from retail outlets entered in the SAP R/3 system. The sales department employees adjust the stock allocation plan to account for any events or promotions taking place that were not apparent when the original plan was made.

MORE ACCURATE AND BALANCED STOCK ALLOCATION

“The solution provides our stock handlers with a reliable tool for tracking distributor stocks on an individual outlet basis,” says Carpentier. “They know exactly how much each distributor needs, where they need it (which retail outlet), and when. The transparency the solution provides them with respect to stock availability fluctuations allows them to keep our distributors informed of delivery schedules. All of this means that our stock handlers are contributing directly to better communication and closer collaboration with our clients.”

“We started off with nothing as regards processes and tools, and now, at the end of a thrilling project, we have an open-ended solution that will enable us to move from the old market of conquering new ground to the new market of renewal.”

Claire Carpentier, Director of Production and Logistics, SFR

The supply network planning capabilities provide production plans for two production sites and one distribution center. They provide data for the production planning capability in SAP R/3, which in turn generates SIM card and package manufacturing orders for SFR’s subcontractors. “This process is tailored to the

needs of our planners,” says Carpentier. In the future, SFR will use the available-to-promise (ATP) functions in SAP APO to compare stock allocation plans with deliveries to retail outlets, thus further refining the allocation plan and optimizing distributor stocks. “This means much more coherent stock allocations to our distributors than before,” says Carpentier. “They have a much clearer view of our deliveries, and, accordingly, of their own stocks. This enables them to plan their sales better, and reinforces the collaboration between us.” Improvements achieved in the logistics process and stock allocation as a result of the implementation have enabled the

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company to improve its service performance rate, which is now at 98% or more, with more than 80% of retail outlets having the target stock levels on hand in order to execute sales plans.

FASTER STOCK ROTATION FOR COMPETITIVE PROMOTIONS

SFR has not only accomplished its original objective of having the right product available at the right time for each potential client; its new solution has also enabled a significant reduction in finished product stock levels throughout the logistics network. Better planning accuracy and optimized stock allocations and processes have brought down stock levels at SFR from two months to one month, and from six months to two or three months for SFR’s distributors depending on the product in question.

AT A GLANCE

Software	mySAP SCM (SAP APO)
Hardware	HP Superdom
Operating system	UNIX
Database	Oracle
Number of users	40

“This reduction has had a direct impact on inventory costs – and hence the cost of our finished products – and on product rotation, which is now better coordinated with our monthly promotions,” says Carpentier. “The fact that a particular product might have been sitting on our distributor’s shelves for six months or more made it difficult for us to play this competitive card in the past.”

Reduced stock levels at SFR also mean better stock management: mySAP SCM provides good visibility of under-supply and over-supply risks and enables the company to take swift action. This applies also to upstream operations, on the supply end, where inventory needs can be revised at any time and production planning revised accordingly. If problems arise with suppliers, such as nondelivery of cell phones, SFR can deploy a substitute product faster.

“SAP APO is now an integral part of our daily life at SFR. The processes it supports and its tools have facilitated much more fluid information flows, both internally and externally, and improved our global performance thanks to the synergy it creates at all levels: sales, logistics, stock allocation, distribution,” says Carpentier. “Our ultimate goal would be to have all of our distribution clients connected into our system in order to ensure even closer integration of their procurement processes.”