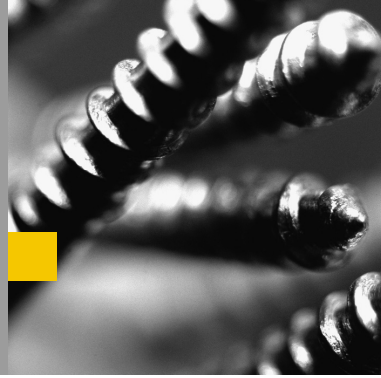


SAP Customer Success Story Industrial Machinery and Components – Industrial Fasteners



“Even though companies are in the midmarket, they have aspirations to grow. That’s certainly our case. You want a solution like mySAP ERP because it’s going to support that.”

Rob Ludwig, CIO, Heads and Threads International

AT A GLANCE

Summary

Heads and Threads International uses the mySAP™ ERP solution to track supply and demand across 4,000 customers and 100 vendors and to manage some 50,000 SKUs. This enables the wholesale distributor to adjust prices rapidly to take advantage of changing market conditions, thereby maximizing the value of its inventory investment margins.

Web Site

www.headsandthreads.com

Key Challenge

Improve information visibility to ensure same- or next-day delivery of product to a demanding customer base

Project Objective

Migrate rapidly from legacy platform of conflicting home-grown and off-the-shelf systems to stable, integrated, scalable solution that can drive growth

Solution and Services

mySAP ERP

Why SAP Solution

- Low total cost of ownership
- Support for future growth, thanks to high degree of scalability
- Embedded best practices for wholesale
- Long-term support from vendor and upgrades

Implementation Highlights

- Rapid, 7-month installation – on time and within budget
- Internal training for process ownership, using a “train the trainer” approach
- Rigorous scripted and unscripted testing at the individual, branch, and company level, resulting in smooth go-live
- Heavy involvement of executive and department heads

Key Benefits

- Enhanced ability to capitalize on market opportunities, thanks to greater visibility into supply, demand, and changing costs
- Improved ability to conserve capital
- Support for rapid growth, enabling company to easily incorporate new acquisitions
- 50% reduction in physical-inventory count times

Implementation Partner

SAP® Consulting

Existing Environment

SAP R/3® software, functionality now available in mySAP ERP

Database

Oracle

Hardware

HP ProLiant

Operating System

Microsoft Windows 2003

HEADS AND THREADS INTERNATIONAL

Heads and Threads Uses the mySAP™ ERP Solution to Power Its Rapid Growth

“Our business is mostly same-day/next-day,” says Rob Ludwig, chief information officer at Heads and Threads International (HTI), a wholesale distributor of quality industrial fasteners, based in Carol Stream, Ill. “When our customers call, they want their goods today or tomorrow. Fasteners are a class-C item, meaning they make up less than 1% of the total cost of a product. But they are just as critical as anything else and can bring down a customer’s production line.”

The privately owned importer has a global distribution network and sells both stock and specialty products built to customer specification. HTI’s customers – distributors that serve demanding markets like automotive and construction – need the goods fast, which is why the company uses SAP® software. HTI originally licensed SAP R/3® software and recently upgraded to the mySAP™ ERP solution. It uses mySAP ERP to view sales and inventory information involving some 50,000 SKUs to forecast demand and place orders to its 100 overseas vendors. It then uses the solution to manage logistics processes for goods going to its 13 stocked branch locations across the United States, so it will have merchandise in place for delivery when one of its more than 4,000 customers calls.

“We move 350 million pounds of merchandise a year,” Ludwig says. “mySAP ERP allows us to manage inventory accurately. This conserves capital and enables us to deliver the right items at the right time, better than ever before.”

And make more money doing it.



“Price setting is crucial to us,” Ludwig says. “We sell a commodity item – our fasteners are no different than our competitors’. They’re both coming from the same factories. What makes us money is identifying the market, understanding supply and demand, and setting the right price.”

“mySAP ERP enabled us to develop detailed pricing models and react quickly to changes in supply, demand, or raw material costs – like the 2004 spike in steel prices, where we were able to adjust our prices and revise forecasts immediately. The SAP solution helped us dynamically ‘find’ the market and become the industry’s primary price setter.”

Lower Total Cost of Ownership

As a midmarket company careful with its purse strings, HTI evaluated a number of vendors before selecting the SAP solution. Key selection factors included solution stability and scalability (to support future growth) and the inclusion of best practices for wholesale in SAP solution functionality.

The SAP solution also won hands down on cost. “With smaller companies like ours, the concern with software is the cost of ownership – what does it really cost to run this thing?” Ludwig says. “I hear a lot of stories from executives at other midsize companies who are using homegrown or second-tier systems. They say they’re constantly seeing problems with interfaces breaking down and data being wrong. They’re wasting time debugging custom code or sitting on the phone trying to reach somebody to help them. Then they ask me, how does that work with SAP software?”

“I tell them that when you buy into a company and a solution like mySAP ERP, the support structure is different. It moves away from IT to the business side. You don’t need a slew of programmers changing performance parameters every day or constantly fixing bugs. You’re running the same software as some of the biggest, best companies in the world. The stuff just works.”

That’s critical to a company HTI’s size.

“The value for us – as a midmarket company that can’t afford to have a lot of emphasis on IT – is that the business unit people own the process,” Ludwig says. “They own it because they can dictate how the process should work and can standardize around best practices. There’s a lot of value in that for small and midsize firms.”

“The Other Side of the Fence”

HTI knows “the other side of the fence.” Prior to the SAP solution, it ran homegrown inventory and purchasing systems on a mainframe. The order entry system that fed them was a PC-based application written in-house. Accounting was an off-the-shelf package. “We had three different platforms,” Ludwig says. “We also needed a warehouse management system and wanted to enable bar coding, which would be a fourth. That’s when we recognized the need for something more robust and more integrated.”

That’s also when HTI evaluated the second-tier companies as potential vendors. “We needed a system that could scale upward, so we could acquire other companies and grow rapidly,” Ludwig says. “The question with the tier twos was that you didn’t know if they could scale. In fact, you didn’t even know if they would be around, given the turmoil in IT and enterprise resource planning. That’s not an issue with SAP.”

Rapid Implementation, Smooth Go-Live

HTI implemented the solution rapidly, in only seven months. “We pulled all the department heads into the project to expedite decision making,” Ludwig says. The project was completed on time and within budget. Success factors included a strong core team and focused training.

“We trained ourselves – a ‘train the trainer’ approach,” says Ludwig. “Core team members trained an extended team of people from the branches. This team wrote additional documentation and developed classes, then dispersed across the country to do the training. This was very important – it gave us ownership of the process. It put people in the field who were the owners, the experts.”

SAP Consulting, part of SAP Customer Services Network, helped with the implementation. SAP Customer Services Network provides a single point of access to consulting, education, support, custom development, and hosting services from SAP and its partners.

HTI tested the SAP solution rigorously before rollout using scripted and unscripted scenarios at the individual, branch, and company level.

“When we cut over, it was a nonevent,” Ludwig says. “I remember being there that morning and thinking, well, something has to go wrong. Around lunchtime we realized there was one SAP database parameter that had to be adjusted. But that was it.”

HTI needed that smooth transition – the company announced its first acquisition the day after the go-live. It has since acquired two other companies and is always considering other options, including companies with overseas presence where the SAP software’s multilanguage and multicurrency functionality will simplify the task.

“With mySAP ERP, the business processes and best practices are well documented,” Ludwig says. “We have a blueprint for how the business works and can quickly identify what the changes need to be. This enables us to acquire new companies and bring them online, add branches and product lines, or modify business processes, all in a simple, straightforward manner.”

A Modern Platform for Growth

mySAP ERP is built on the SAP NetWeaver™ platform. As the foundation for all SAP software, SAP NetWeaver facilitates the integration and alignment of people, information, and business processes across organizational and technological boundaries.

HTI is anxious to take advantage of additional software that comes with its upgrade to mySAP ERP and SAP NetWeaver.

“We will use the SAP NetWeaver Business Intelligence component to develop a reporting infrastructure for better analysis of sales, product, and customer information,” Ludwig says. “The SAP Easy Document Management application will let us electronically manage material test documents for fasteners used in critical applications such as bridge building, per the requirements of the Fastener Quality Act. We’ll deploy the SAP E-Commerce application to provide self-service to the low-volume segment of our customer base.”

HTI also plans to use the SAP Strategic Enterprise Management application, which provides functionality for business planning and simulation, business consolidation, strategy and performance management, and stakeholder relationship management.

“Our CFO can use SAP Strategic Enterprise Management for more visibility into budgeting and planning, to better manage cash flow and to build a ‘dashboard’ to manage by exception,” Ludwig says. HTI will also use global available-to-promise (ATP) functionality.

“Global ATP will enable us to determine where material is and where it needs to go, to satisfy the national or global requirements surrounding any given sale,” Ludwig says. “We can create rules that will allow us to make better decisions and ensure we’re using inventory in the best possible way.”

Open Communication Across the Business Chain

Ludwig says SAP NetWeaver is central to HTI’s plans. “SAP NetWeaver provides us with an open platform for sharing data with partners, be it vendors, customers, or trucking companies and other logistics providers. For example, we’re working on moving information like stock availability and price directly into our customers’ buying systems. When they’re ready to buy, all they’ll have to do is hit a button and the requisition will go through so we can take the order.”

It’s that kind of process optimization and tighter linkage with customers that will allow HTI to fulfill its potential. “Even though companies are in the midmarket, they have aspirations to grow,” Ludwig says. “That’s certainly our case. You want a solution like SAP because it’s going to support that growth.”

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