



mySAP™ SUPPLIER RELATIONSHIP MANAGEMENT FOR THE AUTOMOTIVE INDUSTRY

Under intense pressure to cut vehicle prices, automotive companies are looking to reduce sourcing and procurement costs – a key step toward increasing profit margins. But managing complex sourcing and procurement processes leaves little time to negotiate favorable terms for supply contracts, rein in out-of-contract spending, and measure the performance of purchasing processes and suppliers. The mySAP™ Supplier Relationship Management solution can help. This single, integrated solution enables companies to optimize their entire supply cycle from strategy to execution.

In the automotive industry, purchasing has become a critical business component. Purchased goods account for about 80% of the cost of vehicle goods sold, and together, the large auto companies spend hundreds of billions of dollars a year with suppliers. Thus purchasing processes can have a big impact on a company's bottom line. In fact, some experts estimate that a 4% reduction in sourcing costs can add as much to profits as a 10% increase in sales. With intense global competition putting constant pressure on vehicle prices, many companies see improved sourcing and procurement – and the resulting cost benefits – as key to increasing margins, profits, and competitiveness.

However, the industry's sourcing and procurement processes have become increasingly complicated, and that creates some significant challenges. Automotive companies must manage a growing number of product models, pursue mass customization, and handle complex product structures – with some 70% of purchased car components involving engineered parts.

What's more, automotive purchasing activities can be a moving target. About 80% of supply contracts cover one year or less, which means that companies typically spend a lot of time and energy renegotiating contracts. Meanwhile, the complexity of managing supplier relationships has increased with the extension of automotive supply chains to regions in Eastern Europe and Asia with low labor costs.

To a large extent, the systems that support sourcing and procurement processes cannot keep up with these changes. IT systems used by various departments and suppliers are often fragmented, disconnected, and disparate, so the ability to integrate and analyze information is limited. Many purchasing processes are still paper-based and likely to be overwhelmed by the volume of supplier-related information that must be shared and managed.

In short, many automotive manufacturers are unable to manage purchasing from a holistic, enterprise perspective. They cannot easily leverage spending across the company to negotiate favorable terms, rein in out-of-contract spending, or measure the performance of purchasing processes and suppliers. They spend too much time performing basic, day-to-day processes and not enough time on strategic sourcing and procurement issues. The result, too often, is time-consuming purchasing processes that require long lead times, increased errors and delays in purchasing, and ongoing frustration of attempts to drive out costs and collaborate with suppliers to enhance competitiveness.

Bringing Order to the Supplier Network

Automotive companies can tackle these challenges with the comprehensive mySAP[™] Supplier Relationship Management (mySAP SRM) solution, which lets you optimize the entire supply cycle, from strategy to execution. With mySAP SRM, you can automate, integrate, and streamline purchasing processes across the company – and manage spending and supplier relationships from a central perspective. You can also synchronize business processes with key partners, work closely with suppliers to control costs, and collaborate to increase speed and drive innovations. And you can continuously fine-tune your supply strategy, increase the efficiency of your supply base, and reap the maximum return on your relationships with suppliers.

mySAP SRM supports and enables supplier-relationship processes in a single solution to help you manage activities in three basic areas: sourcing, procurement, and supplier enablement.

Focusing on Strategic Sourcing

mySAP SRM supports key sourcing processes such as purchasing planning, category management, and vendor evaluation and qualification. It enables you to develop effective segmented supply strategies as well as analyze spending patterns, track the performance of your suppliers and your purchasing organization, and streamline purchasing processes.

With mySAP SRM, you can automate and manage a range of supplier negotiation processes. For example, you can prepare for bidding events, execute electronic requests for quotation, conduct reverse auctions, and evaluate and award bids. You can also centralize the control and monitoring of contracts and strengthen your ability to ensure that suppliers, business units, and individual buyers comply with contract terms and conditions – and that you reap the savings you expect.

Taking Control of Procurement

mySAP SRM lets you simplify, automate, and accelerate strategic and operational procurement processes, from requisitioning and ordering to receiving and financial settlement. It gives you the tools to manage direct material spending as well as spending in areas such as maintenance, repair, and operations and for services such as temporary labor, consulting, maintenance, and facility management.

The solution lets you work with a centralized contract repository that facilitates document and knowledge management. The centrally housed contracts can be shared easily with distributed execution systems to meet the needs of local operations, enabling you to balance central control with the flexibility of decentralized purchasing.

The solution can also draw on information from plant maintenance and project management systems to drive sourcing processes, helping you reduce administrative effort while improving spending management. And it can be integrated easily with your existing back-end enterprise resource planning (ERP)-based procurement systems, allowing you to complement them with e-procurement and self-service requisitioning tools.

Enabling and Connecting with Suppliers

mySAP SRM lets you create and manage cost-effective connections with partners and easily integrate suppliers of all sizes into your network. Its powerful document-exchange functions allow you to share documents in various formats across heterogeneous systems. You can also give suppliers direct access to your applications using the SAP NetWeaver® Portal component. Or you can link suppliers to your purchasing processes via the SAP® Supplier Network offering, a global document exchange platform that lets you bring new partners on board easily and conduct business with numerous suppliers through a single standards-based network connection.

At the same time, mySAP SRM gives you the tools to manage collaborative processes with suppliers, enabling you to work with them closely on product design and ordering and to share information about transactions, catalog updates, acknowledgments, payment status, changes to orders, inventory, and supply-and-demand plans.

Designed for the Real World

With mySAP SRM, you can integrate purchasing processes across the enterprise – and close the loop between sourcing and procurement via built-in contract and compliance management tools, a single analytical framework, and a multichannel approach to enabling and collaborating with suppliers. Ultimately, the solution gives you a solid foundation for improving sourcing and procurement and for strengthening relationships with suppliers, resulting in long-term benefits.

mySAP SRM is designed to work with the mixture of systems found in the automotive industry's extended supplier networks. Based on the SAP NetWeaver platform, it can be integrated easily with both SAP and non-SAP systems. It also lets you draw on key SAP NetWeaver functions such as master data management – to ensure that you and your trading partners are working with accurate, consistent information – and on sophisticated business intelligence tools that let you monitor the performance of suppliers and procurement processes. In addition, the solution helps you work smoothly in a global environment by supporting more than 25 languages and a variety of currencies as well as local regulations, laws, and taxation.

Just as important, mySAP SRM is designed to meet the automotive industry's need for cost-effective efficiency and is in step with the industry's tight IT budgets. As a comprehensive, integrated solution, it offers low total cost of ownership compared to numerous disparate point solutions. It can be implemented in a modular fashion, allowing you to focus on your most pressing needs, achieve quick wins, and gradually build your supplier relationship management capabilities. And it provides the scalability and flexibility you need to keep up with evolving purchasing needs.

The Business Payoff

mySAP SRM draws on SAP's experience with companies around the world. Today the solution is used by more than 3,000 organizations to reduce procurement costs, shorten sourcing cycle times, and improve sourcing strategies. Here is a snapshot of how the solution is being used in three of these organizations:

■ Hero Honda

"Now we're well equipped to handle our growing market and product mix ... We're more responsive than ever before to our dealers and other customers, thanks to the mySAP SRM and mySAP Customer Relationship Management solutions," says S. R. Balasubramanian, former vice president of information systems at Hero Honda.

■ Mahindra & Mahindra

"We selected mySAP SRM because it is from a tried-and-trusted vendor and easily integrates with our environment ... quite simply, mySAP SRM offers us a better way of collaborating with our suppliers," says Krishna Nabar, head of business solutions at Mahindra & Mahindra's corporate IT unit.

With mySAP SRM, automotive companies like yours can achieve a range of benefits, including:

- Better control of spending with suppliers, resulting from
 - The ability to leverage global purchasing power while meeting local procurement needs
 - The availability of shared centralized information
 - Improved contract management processes
 - The ability to monitor real-time business performance and enforce purchasing policies
- Reduced operational and administrative costs, resulting from
 - Automated processes and the elimination of paperwork
 - The elimination of errors
 - The use of collaborative tools
 - The use of more accurate information throughout the supply network

- Shorter time to market for innovations, thanks to
 - Enhanced information-sharing with suppliers
 - The ability to quickly and accurately identify the right suppliers
 - The ability to collaborate to deploy new strategies and processes and create and build new products
- Continuous improvement in purchasing processes, thanks to
 - The ability to measure and analyze performance
 - The ability to collaborate with suppliers to improve performance and reduce material costs without sacrificing quality

To Get Started

With mySAP SRM, you can take a company-wide approach to supplier management, optimize spending, and build your supplier network into a powerful competitive asset.

To find out how mySAP SRM can help your company, please visit www.sap.com/srm.

Powered by SAP NetWeaver

mySAP SRM is powered by the SAP NetWeaver platform, the open integration and application platform that enables change. SAP NetWeaver helps companies align IT with their business. It allows companies to obtain more business value from existing IT investments and to deploy a service-oriented architecture. SAP NetWeaver reduces total cost of ownership and complexity across the entire IT landscape.

SAP NetWeaver powers mySAP Business Suite solutions, SAP xApps™ composite applications, and partner solutions. It provides the best way to integrate all systems running SAP or non-SAP software. SAP NetWeaver unifies integration technologies into a single platform and is preintegrated with business applications, reducing the need for custom integration.

THE BEST-RUN BUSINESSES RUN SAP™



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