

SAP Customer Success Story Manufacturing and service industries



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Manuel Gutierrez, VP of E-Business, Alfa

AT A GLANCE

Summary

Alfa, a US\$5.6 billion Mexican conglomerate, replaced its legacy platform with mySAP™ Supplier Relationship Management (mySAP SRM) to streamline e-procurement processes and reduce costs.

Web Site

www.alfa.com.mx

Key Challenges

- Enable strategic sourcing
- Gain better insight into spend
- Negotiate better deals with suppliers
- Push down costs

Project Objective

- Replace legacy system to gain more comprehensive e-procurement functionality
- Ensure transparent view of procurement processes/simplify user experience

Solutions and Services

- mySAP SRM
- SAP NetWeaver™: the SAP® Business Intelligence and SAP Enterprise Portal components

Why SAP Solution

- Fully integrated SRM suite concept
- Rich functionality for strategic sourcing
- Scalability
- Ease of integration with back-end environment

Implementation Highlights

- Implemented mySAP SRM at one Alfa company in just 3 months
- Involved rollout of solution company-wide

Key Benefits

- Gained greater insight into spend, enabling managers to negotiate better deals with suppliers
- Experienced bottom-line savings
- Lowered transactional costs

Implementation Partner

SAP Consulting, a part of SAP Customer Services Network

Existing Environment

SAP R/3®, now available in mySAP ERP

ALFA

Spearheading the Drive Toward Strategic Sourcing with mySAP™ Supplier Relationship Management

Looking for “Something Better”

Always hungry for new functionality and better performance, Alfa was keeping a close watch on the market for supplier relationship management (SRM) software. “We took a serious look at mySAP SRM, which has grown in leaps and bounds through the years,” says Manuel Gutierrez, vice president of e-business at the US\$5.6 billion Mexican conglomerate. “We felt that the time was right to overhaul our legacy system and replace it lock, stock, and barrel with SAP software. mySAP SRM offered the functionality we always wanted, and there was the added incentive of seamless connectivity with our SAP R/3 back-end.”

“The product we were using had naturally been enhanced,” explains Ovidio Espinoza, director of e-procurement at Alfa. “But it was a set of solutions rather than a fully integrated suite concept. When we weighed up the whole package on offer from both companies, SAP came out on top.”

“We simply wanted something better,” adds Gutierrez.

Alfa comprises 52 companies dispersed among five business groups. Its most prominent subsidiaries include Alpek, which produces petrochemicals and synthetic fibers; Sigma, Mexico’s leading refrigerated and frozen-food company; Versax, which supplies components to the auto industry; Hylsamex, a major

steel maker; and Onexa, a telecommunications provider. Alfa, which has 37,000 employees and manufacturing facilities all over the world, sells its products in 45 countries. It is the world's leading producer of aluminum cylinder heads.

First SAP® Customer in Latin America

Alfa has a relatively long, satisfying history with SAP® software – and in 1994 became the first company in Latin America to deploy SAP R/3® (functionality now available in mySAP™ ERP). In fact, Alfa was such an early adopter that SAP didn't even have an office in Mexico at that time, which was symbolic of Alfa's attitude. "We like to grab the best technology and make the most of it," says Espinoza.

"We made SAP R/3 the standard platform throughout the group, and we employed practically all of its capabilities," adds Gutierrez.

"SAP is definitely going in the right direction, and that's one of the main reasons we made the switch – because of the company's vision, and because the platform, the quality and reliability of the software, and the service were all excellent."

Manuel Gutierrez, VP of E-Business, Alfa

But why does Alfa favor SAP software? "It comes down to reliability and quality," Gutierrez continues. "Not to mention the excellent service. SAP has sometimes helped us solve big problems within hours, and in doing so, even made our system work better than it did before. That kind of support is exactly why we like using SAP software."

"What's more," says Espinoza, "for a company of our size and diversity, there are considerable benefits that come with a standardized, consolidated, fully integrated enterprise resource planning platform."

Creating a Road Map

Alfa actually began formulating an e-procurement strategy several years ago. "Back then, each company was buying separately. So one of the ideas was to consolidate and control purchasing via one system. We identified e-procurement as a way of driving savings. These would come in three forms: from automation, from eliminating maverick buying, and from strategic sourcing – in other words, getting a better deal from our suppliers. Our mission was to support this continuous circle of negotiating and control," says Gutierrez. "Once we'd made the move, we asked ourselves why we hadn't done it before. The short answer: without the right systems, it's impossible." That e-procurement strategy eventually led to mySAP Supplier Relationship Management.

Appetite for More Functionality

Alfa first implemented mySAP SRM at one of its subsidiaries. In-house specialists carried out the project with support from SAP Consulting, particularly during the evaluation phase. The software went live in just three months. It was around this time that SAP announced its latest version of mySAP SRM. Alfa decided to upgrade to the new release immediately, rolling it out across the company via the SAP Ramp-Up program throughout the next nine months.

"The newer version of mySAP SRM had a lot more of the functionality we really wanted to deploy – things like the sourcing cockpit, the bidding engine, and live auction and contract management capabilities. We were convinced straightaway, and were very confident of the additional benefits we'd gain," says Gutierrez.

"We also have 7,000 trained users and 1,000 concurrent users, so flexibility and scalability were important issues," says Espinoza. mySAP SRM delivered exactly what the company needed.

Alfa also decided to deploy a number of components from the SAP NetWeaver™ platform – including SAP Business Intelligence and SAP Enterprise Portal – to help gain deeper insight into procurement and to simplify the user experience.

Bottom-Line Gains

“Although it is still in the early days, we are already seeing more powerful functionality, particularly for our procurement professionals,” says Gutierrez. “mySAP SRM gives our procurement people more control over the whole process. Essentially this is about more than switching systems. It’s about a shift in focus – from the transactional level to the strategic level, to analysis through negotiating better deals. That’s where SAP software is going to help us.”

Alfa is using mySAP SRM to close the e-procurement loop: leveraging better data to gain greater insight to negotiate better terms. “Ultimately, savings on paper – bottom-line savings – come from strategic sourcing. mySAP SRM will make those savings happen, and keep them happening. Automation is important, but strategic sourcing is where the real value lies,” emphasizes Gutierrez.

“Reverse auction functionality is particularly interesting because it fosters competition among suppliers, as opposed to simply aggregating demand and then selecting one supplier to buy from,” says Espinoza. “Auctions can be set up easily via the sourcing cockpit, and the buyer gets a comprehensive view of bids submitted. That enables us to analyze bids against supplier performance. So the most attractive proposal wins – not necessarily the lowest price. We are very excited about using these kinds of tools.”

The software also has advantages in terms of transaction costs. “A manual purchase transaction costs us about US\$30. An electronic transaction costs about US\$16. An electronic and contracted transaction, we estimate, will cost only US\$2. Multiply that savings by 400,000 – our total annual transactions – and it adds up to quite a lot of money,” Espinoza adds.

Looking Forward

Alfa is looking forward to completing the rollout of mySAP SRM, and to reaping the benefits of its new, seamlessly integrated system. “SAP’s vision of SRM is very similar to ours, particularly in terms of how to drive value. SAP is definitely going in the right direction, and that’s one of the main reasons we made the switch – because of the company’s vision, and because the platform, the quality and reliability of the software, and the service were all excellent,” Gutierrez concludes.

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