

SAP Customer Success Story Telecommunications



“Ericsson’s e-procurement activities enabled by mySAP SRM are reducing our costs, increasing productivity, and improving relationships with our suppliers.”

Tomas Elken, Product Manager,
Global Systems Landscape and Release Management, Ericsson

AT A GLANCE

Summary

Ericsson, the world’s leading supplier of mobile systems, generates revenues of €13.2 billion and employs around 51,600 people. It deployed a single worldwide purchasing system built around the mySAP™ Supplier Relationship Management (mySAP SRM) solution. Today, some 32,000 employees use the system.

Web Site

www.ericsson.com

Key Challenges

- Replace disparate purchasing systems
- Cut costs, increase productivity, and streamline business-support system landscape

Project Objective

Create a flexible, scalable system that would enable a common purchasing process and one global marketplace but allow every business unit to handle its own e-procurement operations

Solution and Services mySAP SRM

Why SAP Solution

- Covered the full supply cycle, from sourcing to procurement
- Offered unique capabilities in the 4 key areas of SRM: strategic sourcing, operational procurement, supplier enablement, and content management

Implementation Highlight

Implemented solution for employees worldwide in 30 countries, to date, involving 40 companies

Key Benefits

- Cut cost of handling purchase orders (POs) from around €88.4 to around €22.1
- Reduced PO handling from days to hours
- Provided a standard global purchasing system
- Increased productivity by enabling purchasing professionals to spend more time on strategic tasks
- Improved and reduced vendor base
- Increased strategic control by providing access to global statistics, including aggregated data
- Enabled company to control spend through automatic authorization routines
- Reduced purchasing cycle times from 10 days to 2 days

Implementation Partner IBX

Existing Environment

- Various homegrown solutions for purchasing
- mySAP Supply Chain Management solution
- mySAP Customer Relationship Management solution
- SAP® R/3® and SAP R/3 Enterprise software, functionality for both now available in the mySAP ERP solution

Database Oracle

Hardware HP

Operating System HP-UX

ERICSSON

Leading Telecom Company Uses mySAP™ Supplier Relationship Management (mySAP SRM) to Create an E-Procurement System that Spans the Globe

“We now have 32,000 employees using the mySAP Supplier Relationship Management–based system – out of a workforce of around 51,600 people. That’s a large percentage,” says Tomas Elken, product manager for global systems landscape and release management at Ericsson, the €13.2 billion leading supplier of mobile systems.

It all started back in 2000 when the Stockholm, Sweden–based telecommunications giant decided to overhaul its worldwide purchasing operations.

One Global Marketplace

Over time, various business units located around the world had developed a number of local, homegrown purchasing solutions to deal with Ericsson’s global network of suppliers. Seeing an opportunity to cut costs, increase productivity, and streamline its business-support system landscape, the company began investigating how it could implement a common global purchasing process in order to work with its suppliers in a more productive and uniform way.

“This did not mean that we wanted to centralize all buying operations,” says Elken. “We wanted to create a flexible, scalable system that would allow every business unit to handle its own e-procurement operations, but work with common purchasing processes and one global marketplace.”

After reviewing solutions from a number of vendors, Ericsson chose the mySAP Supplier Relationship Management solution and SAP® R/3® software (which is now available in the mySAP ERP solution) for its back-end system. Ericsson also helped establish IBX, the first business-to-business (B2B) marketplace in the Nordic region, which has rapidly grown since its creation in 2000 into a global operation.

Elken says that Ericsson decided on mySAP SRM because it covers the full supply cycle, from sourcing to procurement, and because it promised to help the company optimize supplier selection, increase collaboration, and shorten cycle times. Specifically, the

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solution would give Ericsson unique capabilities in the four key areas of SRM: strategic sourcing, operational procurement, supplier enablement, and content management. Rollout of the system began in 2002; it received high marks almost immediately.

“One of the reasons the system has been so well accepted is that it allows our employees to easily create their own e-procurement process,” says Elken. “Also, the system supplies and constantly updates all our catalogs. So, if you want to buy test and measuring equipment, IT systems and services, consulting services, insurance, business travel, phones, furniture, or anything else you might need for yourself or your operation, the information is immediately available and the process is fast and efficient.”

mySAP SRM at the Hub

Schematically, mySAP SRM sits at the center of the Ericsson procurement system. Employees use a Web interface to log on to the system and retrieve product and generic catalogs of indirect materials and services. Orders are routed through mySAP SRM to the SAP back end. The ERP software creates purchase orders, requisitions, and goods receipts and sends the orders electronically to the IBX marketplace, which in turn routes it to the appropriate vendor. In the meantime, SAP R/3 sends an order history and updated invoice workflow back to mySAP SRM, where the information can be accessed by the user and Ericsson purchasing. About 15,000 purchase orders involving 40 companies in 30 countries pass through the system each month. More than 400 catalogs can be accessed through the Web interface.

“Ericsson’s vendor master list is kept in the back-end software, as well as all financial information,” Elken says. “The infrastructure has the flexibility to allow us to order directly using the back end, but the primary flow for purchase orders is through the SAP e-procurement front end.

“Automating the purchase order process is one of the major benefits of the marketplace,” Elken continues. “We determined that handling a typical purchase order using manual methods costs about €88. But when processed through IBX using e-procurement concepts, the price of a purchase order drops to about €22. Since we generate more than 180,000 orders annually, the savings are really quite substantial.”

Elken notes that since implementing mySAP SRM, Ericsson purchasing staff members are more productive – they can focus on strategic tasks rather than getting bogged down in detail. Also, the analytic and reporting tools available through the mySAP SRM software allow Ericsson to evaluate its suppliers and make the best choices. The company has also been able to reduce off-contract or “maverick” spending and has cut cycle times for purchasing goods and services from 10 days to 2 days.

He says that the new SRM system not only helps the company take full advantage of its aggregated buying power, but also helps it manage the time-consuming and costly activities of supplier activation and content management. The supplier activation process helps Ericsson select an optimal mix of suppliers and “e-enable” its product offerings.

“The mySAP SRM software allows us to easily manage all contacts with suppliers, create catalogs, and activate Ericsson’s suppliers, a key task,” he continues. “IBX, using the SAP technology, is responsible for writing the supplier contracts, creating and maintaining the catalogs, continuously loading them into the purchasing system, and making sure that each order is sent to the right place in the right format. The SAP platform gives us the level of robustness, integration, and high availability that we need to meet our high service-level standards.”

Elken says the combination of supplier activation and catalog management has a number of advantages – product information is clearly displayed and the catalogs are always up-to-date. Catalogs are also coded according to the international United Nations/Standard Products and Services Code (UN/SPSC) so that statistical reports can be aggregated globally.

“A major factor in our procurement operation’s growth and success is cooperating and partnering with the IBX marketplace company to form an extensive e-procurement network,” he explains. “From Ericsson’s point of view, the network is a single entity – a totally transparent delivery mechanism – even though it encompasses supplier relationships all over the world.

“So far we have implemented the mySAP SRM solution in about 30 countries, including Canada, Asia, Australia, and Africa, with plans to roll it out in the United States,” Elken adds. “IBX functions as our implementation partner, helping us roll out e-procurement services worldwide. We are able to consolidate our suppliers across international divisions – for example, we have reduced the number of personal computer vendors we use.”

A Long List of Strategic Advantages

Ericsson has also realized other strategic advantages from its implementation of the mySAP SRM-based e-procurement system – including, primarily, the creation of a standard global “purchase-to-pay” process. With the SAP software, the company has experienced an improvement and reduction (nearly 90%) of its local vendor base, and has gained the ability to control spend through improved automatic authorization routines. Additional benefits include an increase in strategic control, thanks to the fact that managers can now easily access information regarding some 15,000 purchase orders placed each month throughout the globe. mySAP SRM has also enabled the company to reduce purchase-order handling time (from days to hours) and decrease

the amount of resources it needs for ordering and accounts payable. And finally, the software has enabled purchasing personnel to spend more time focusing on strategic tasks rather than simply filling orders.

Maintaining a Holistic View

When discussing the actual SRM project, Elken says that one of the most important lessons the company learned as it moved through the implementation was that it needed to maintain a holistic view. “Every aspect of the operation, from need to payment, had to be covered across a variety of dimensions that took into account geography, products and services, and the organizational structure of both Ericsson and its suppliers,” he explains. “We have achieved our goal of establishing a simple approach for connecting companies to the system, and we made the setup available to everyone who needs it. We also placed a lot of emphasis on change management, education, and training.”

Elken says that Ericsson is moving toward its goal of implementing strategic e-sourcing initiatives designed to provide a single tool to handle the entire sourcing process. The goal is to simplify the professional buyers’ mission and leverage their skills in today’s complex sourcing environment.

Next on his IT agenda is an upgrade of the SAP e-procurement system that will bring an improved interface to all 32,000 users. In addition, his group plans to investigate how the company can leverage the power of the SAP NetWeaver™ platform to help it cope with the complexities of the heterogeneous systems operating in Ericsson’s global IT landscape.

But, in the meantime, things are looking pretty good at the multibillion-dollar company. “The bottom line is that Ericsson’s e-procurement activities enabled by mySAP SRM are reducing our costs, increasing productivity, and improving relationships with our suppliers,” Elken concludes. “The solution has improved the quality and speed of information flow, collaboration, and our basis for decision making.

“We are able to communicate a single, clear, and consistent message to our suppliers,” he adds. “The mySAP SRM-based system enables us to secure total transparency and control, from order placement to payment. Maverick buying at retail prices is now a thing of the past, and we have improved customer satisfaction, both internally and externally. In the long run, this makes Ericsson more competitive in the global marketplace.”

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