

## SAP Customer Success Story Automotive



**Nissan Motor Co., Ltd.** has developed a new production-parts sourcing and purchasing system for use at its sites across the globe. Initially implemented in Japan in July 2003, the system uses the mySAP™ Supplier Relationship Management (mySAP SRM) solution for this strategic undertaking.



## **NISSAN MOTOR CO., LTD.**

### **NISSAN DEVELOPS A NEW GLOBAL PROCUREMENT SYSTEM WITH mySAP™ SRM**

#### **A STRATEGIC SYSTEM TO REALIZE NISSAN'S THREE-YEAR PLAN**

Based in Tokyo, Japan, the Nissan Motor Co., Ltd. (Nissan) has undergone an amazing recovery, from a consolidated deficit of 684.3 billion yen in March 2000 to a consolidated profit of 710 billion yen in March 2003. In April 2002, Nissan embarked on a new three-year plan named NISSAN 180 (N180), which calls for the reduction of purchasing costs by 15% over three years. To accomplish this, Nissan needed a system that could quickly compile, compare, and share purchasing costs incurred by its affiliates in different countries. The company decided to develop a new system that it calls GTOP21, to support this globally optimized process.

Now, with the exception of machinery and equipment, all production parts and materials needed to produce cars, including maintenance parts and prototype parts, are procured using the new system. That means about 70% of all purchases are made with this mission-critical system. Domestic affiliated companies such as Nissan Shatai Co. Ltd., as well as all production sites in the United States, Europe, and Mexico, will soon use the new system to purchase materials. It is highly advanced and links parts suppliers worldwide.

## **SAP® SOFTWARE HELPS NISSAN ATTAIN GLOBAL OPTIMIZATION**

Nissan has been updating its business software since 2000, when many existing applications had been in use for more than 20 years. The old applications were developed and tailored specifically for use in individual countries. Nissan realized that it needed to standardize all processes and business applications across the globe in order to optimize its operations worldwide. So, in 2000 Nissan Motor Co., Ltd. specified the SAP® R/3® system as its global group standard.

The company chose SAP R/3 because the system held the greatest worldwide market share, and because Nissan's alliance company, Renault, had already introduced it with excellent results. A fit/gap analysis revealed a 70% fit for Nissan.

In addition, Nissan decided to implement the mySAP™ Supplier Relationship Management (mySAP SRM) solution to interface with its suppliers. mySAP SRM acts as the backbone for the company's global, mission-critical, production parts purchasing system.

Nissan started to formulate its plans for a global procurement system in October 2001 and the project to develop it began in March 2002. The project took around a year and a half, with operation starting in Japan in July 2003, in Mexico in September 2003, in Europe in January 2004, and in North America in March 2004. “[The new] GTOP21 [system] enables more meaningful comparisons that take value into account, instead of simply comparing supply prices for a given part,” says Yukihiro Endo, former deputy general manager of the purchasing administration department, Nissan Motor Co., Ltd.

## **CUSTOM DEVELOPMENT AND SUPPORT FROM SAP**

One of the factors contributing to the project's success was a globally connected SAP project team. “The critical point was to show how Nissan's business style combined with mySAP SRM standard scenarios. As a result of collaboration between SAP Global Custom Development Services [SAP GCDS] and SAP developers, we were able to construct the very high-quality system,” says Kenichi Yomogizawa, manager of the system devel-

**“As SAP was directly involved in the development, we were able to construct a very high-quality system in a short period of time and achieve the server-concentrated global system.”**

Kenichi Yomogizawa, Manager, System Development,  
Global IS Division, Nissan Motor Co., Ltd.

opment department, global IS division, Nissan Motor Co., Ltd. The new system covers the entire automotive life cycle from planning to mass production, which demands that it interface with systems related to production control, planning, design, production, and accounting. Ultimately, there are more than a hundred interfaces with other systems. Despite that, system migration in Japan was completed in only one day and without any problems.

## **PROCUREMENT EFFICIENCY IMPROVES WORLDWIDE**

The greatest advantage realized by the new system is the reduction in the number of man-hours required for low-value-added operations, which frees up time for high-value-added operations. Previously, 30% of purchasing work involved collecting data, checking prices, and preparing reports. Most of these tasks are automated by the new system, allowing purchasing staff to spend more time on high-value-added work such as selecting strategic suppliers, reviewing the values of parts prices, and so on.

“[The] GTOP21 [system] aims not to reduce costs but to improve quality of manpower,” says Endo. “As [the three-year plan,] N180 progresses, more tasks will be assigned to the people in charge of procurement. However, we won’t need to increase the number of people that we employ, because the quality of our staff’s work will have improved.”

Suppliers have also been freed from low-value-added tasks related to procurement. By shifting from a manual style of working that relied on phone and fax as well as computer operations, suppliers have successfully reduced their lead times and process costs. Another advantage to suppliers is fair, transparent trade. With mySAP SRM, all suppliers receive request-for-quotation (RFQ) data under the same conditions.

There are two notable merits to using the SAP software. The first is multiple-language support. GTOP21 is a central server system, with one server located in Japan that is accessed over a network by about 500 worldwide purchasing staff, 24 hours a day, every day. This configuration prevents the alteration of applications

**“We rely on SAP’s global support because the system is intended to be used globally.”**

Tomoka Sugiyama, System Development, Global IS Division,  
Nissan Motor Co., Ltd.

at individual sites, which could easily take place if the applications were distributed. With multiple-language support, SAP software makes it possible to support users in many different locations with one single application.

The second merit of using the SAP system is its contribution to keeping the development schedule. In the past, one of the most difficult parts of the development stage was gaining a global consensus on standard procedures and then establishing applications. Even if people agree with the basic concept, they sometimes will not accept a screen design when they actually see it. With mySAP SRM, this step can be eliminated, because everyone involved can see the basic screen from the outset and provide input to the designers. This prevents setbacks in development work.

#### **BENEFITS OF PROCUREMENT SYSTEM CONTINUE TO GROW**

The new system continues to support an increasing number of users and will be extended to additional sites. Purchasing professionals at Nissan are looking to improve the precision of their benchmarks by using data accumulated with the new system. “We are looking forward to SAP giving us more suggestions such as the introduction of the auction function of the SAP system in the future deployment of sites as a trusted advisor,” Endo says.

## AT A GLANCE

<b>SAP® software</b>	mySAP™ Supplier Relationship Management (SAP Enterprise Buyer, SAP Bidding Engine); SAP Business Intelligence with SAP Business Information Warehouse
<b>Number of sites</b>	8, including Nissan Motor Co., Ltd. – 1, domestic subcontractors – 3, overseas sites – 3, and Renault and Nissan joint procurement company – 1
<b>Implementation time</b>	March 2002 to April 2004 (including expansion to global sites)
<b>Number of users</b>	About 500 worldwide
<b>Hardware platform</b>	IBM e-Server (pSeries)
<b>Operating system</b>	AIX 5L
<b>Database</b>	Oracle 9i
<b>Implementation partner</b>	IBM Japan, Ltd.
<b>Top three challenges</b>	<ul style="list-style-type: none"><li>- Standardize global purchasing processes</li><li>- Improve the efficiency of purchasing processes by using a B2B tool</li><li>- Globally integrate Nissan's purchasing systems in Japan, at overseas sites, and those of subcontractors</li></ul>
<b>Top three benefits</b>	<ul style="list-style-type: none"><li>- Faster purchasing processes</li><li>- Increased manpower from purchasing personnel</li><li>- Shift to high-value-added operations in the overall purchase processing system</li></ul>

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