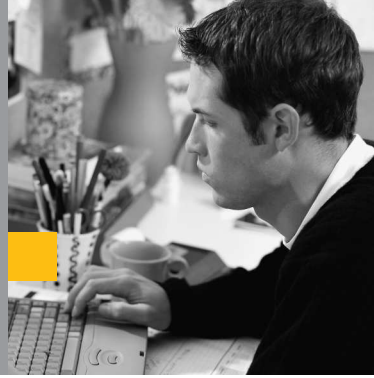


## SAP Customer Success Story Pharmaceuticals



**“We’ve achieved what we set out to do – create a controlled, standardized, documented, Sarbanes-Oxley-compliant environment. And that is helping us to push down costs.”**

Nan Ainsworth, Global Procurement Manager, Perrigo

### AT A GLANCE

#### Summary

Leading U.S. pharmaceuticals manufacturer Perrigo implemented components of the mySAP™ Supplier Relationship Management (mySAP SRM) solution to streamline the indirect procurement process, eliminate maverick spending, and enforce compliance with prenegotiated commodity contracts.

#### Web Site

[www.perrigo.com](http://www.perrigo.com)

#### Key Challenges

- Eliminate widespread maverick spending
- Consolidate supplier base
- Increase visibility over indirect procurement

#### Project Objectives

- Deploy components of mySAP SRM at two U.S. sites
- Ensure system compliance with Sarbanes-Oxley regulations

#### Solutions and Services

- SAP® Enterprise Buyer (SAP EB), a component of mySAP SRM
- SAP Business Intelligence (SAP BI) and SAP Enterprise Portal (SAP EP), both components of the SAP NetWeaver™ platform

#### Why SAP Solution

- Company liked ease of integration with SAP back-end solution
- Company wanted to leverage existing investment in SAP software

#### Implementation Highlights

- Implemented SAP EP, SAP BI, and SAP EB in six months
- Completed Perrigo’s first-ever SAP implementation on Intel servers running Microsoft Windows 2000

#### Key Benefits

- Created controlled, standardized, documented, Sarbanes-Oxley-compliant environment for indirect procurement
- Reduced number of suppliers
- Increased amount of spend going through procurement department to 93%
- Reduced costs by 15% to 20% in most major spend categories
- Created greater depth of information and a variety of reports where none existed previously

#### Implementation Partners

- IBM
- SAP Consulting

#### Existing Environment

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

#### Database

Microsoft SQL

#### Hardware

Intel servers

#### Operating System

Microsoft Windows 2000

## PERRIGO

### mySAP™ Supplier Relationship Management Helps Increase Sarbanes-Oxley Regulatory Compliance and Reduce Costs

Perrigo’s products touch the lives of millions of Americans every day. Yet the company is largely unknown. That’s because Perrigo manufactures pharmaceuticals in the name of others: store-brand, over-the-counter pills and potions for 300 retailers, including Wal-Mart. Established in 1887 and headquartered in Allegan, Mich., Perrigo has 3,500 employees and annual sales of around €602 million.

#### Indirect Spending Out of Control

Like many companies, Perrigo suffered from widespread maverick buying. Indeed, 90% of indirect materials – which account for 25% of total spend – were purchased beyond the control of the procurement department. “We had five different processes – the situation was totally out of control,” says Nan Ainsworth, manager at Perrigo’s global procurement unit. “Practically anybody could buy anything from any supplier. So our supplier base was huge. Because everything had been done informally, we didn’t actually know the scale of the problem. But we knew that with the right controls in place, and by gaining greater visibility and aggregating demand, we could reduce indirect spend.”

## Doing the Groundwork

In January 2003, Perrigo called in external consultants to identify what was going wrong and how to fix it. They defined a number of short- and long-term objectives.

Recommendations included: consolidating suppliers, replacing multiple procedures with one standard process, accelerating the order-to-receipt cycle, introducing more internal checks and balances, and increasing visibility.

## Defining a Road Map

“One of the ideas that came out of the assessment was to introduce a solution like mySAP Supplier Relationship Management,” says Deb Moormann, senior project manager at Perrigo’s IT department. “We already had SAP R/3® software in place, and it made sense to leverage our existing investment,” adds Moormann. “We partnered with SAP America to define an overall SRM [supplier relationship management] road map based on best practices. We also looked at similar systems in action at other companies, to get a better understanding of the capabilities. We then set out on the first phase of our SRM journey.”

## Smooth Implementation

The implementation project kicked off in November 2003 and was carried out by a team of in-house IT, procurement, finance, and accounts-payable specialists. They were joined by experts from IBM and one SAP consultant. During this first phase the team implemented the SAP® Enterprise Buyer (SAP EB) component of mySAP™ SRM, SAP Enterprise Portal (SAP EP), and the data warehousing capabilities of SAP Business Intelligence (SAP BI). SAP EP and SAP BI are components of the SAP NetWeaver™ platform.

Events took an unexpected twist during blueprinting. “Sarbanes-Oxley appeared right at that time. On the one hand, that increased the scope of our project in terms of compliance and control, and we had to add a new level of complexity to the workflow approval process. But on the other hand, it was a lucky coincidence because we could react immediately, and ensure full compliance with the new regulations,” explains Moormann.

The U.S. Congress passed the Sarbanes-Oxley Act in 2002. For companies like Perrigo, the regulations demand a new level of complexity in the areas of corporate governance, financial disclosure, and public accounting.

**“Previously, only 8% of our indirect spend went through our procurement department. Now it is 93%. Thanks to this kind of change, we’ve already been able to drive down spend in a lot of our major categories by 15% to 20%.”**

Nan Ainsworth, Global Procurement Manager, Perrigo

Perrigo went live with mySAP SRM at two U.S. sites in May 2004. “The project took around 26 weeks, which wasn’t bad, considering it was our first-ever SAP implementation on Intel servers running Microsoft Windows 2000,” adds Moormann.

## Tangible Benefits Within Months

Only months after the go-live, Perrigo is already seeing tangible benefits from mySAP SRM. “We’ve achieved what we set out to do – create a controlled, standardized, documented, Sarbanes-Oxley-compliant environment. And that is helping us to push down costs,” says Ainsworth.

“Our 200 users now make their indirect purchases via our e-procurement portal. They select items from catalogs and send their shopping carts via workflow for approval. This catalog-based buying is excellent because prices are prenegotiated, and we’ve been able to consolidate our base of suppliers,” adds Ainsworth.

“If users cannot find an item in a catalog, they submit a special request to the procurement department, describing in detail what they need, instead of buying it themselves. The advantage is that procurement can see what people need, and what they should be focusing on for the next catalog.”

Organizational changes have also accompanied the new solution. “We have appointed 125 requisitioners and 100 approvers, and they are the only people able to sanction purchases,” explains Moormann. The results have been quick in coming.

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### **Greater Insight**

Those savings are attributable to the powerful combination of mySAP SRM and SAP BI. “SAP BI gives us valuable insight. It helps us to see where there are opportunities to lower expenditure and to go after them,” explains Ainsworth.

The reporting and analytics provided by SAP BI are delivering the kind of information Perrigo couldn’t get before. “Leveraging SAP BI has brought major benefits. Previously, we had no reports whatsoever for indirect spend. Now we have 12 – from cost center, to general ledger, to department – it’s very helpful, and has represented a big change. It lets us identify any maverick buying rapidly.”

This newfound knowledge will help Perrigo secure ongoing senior management support for the rest of the SRM journey. “Sometimes it can be a hard sell, but now we’ve got the indisputable facts on our side,” says Ainsworth.

### **Continuing the SRM Journey**

“This project was a big learning experience for us,” says Moormann. “But we’ve established a fundamental knowledge base for the rest of our SRM journey.” Perrigo now has a footprint in e-procurement – and a strong platform for the future. “It’s the first step, but it is an important step. Now we’ve got the system in place, we’ll be able to look at more strategic issues, such as reverse auctions. We’re considering a number of options at the moment,” Moormann concludes. “And we are confident that SAP is going in the right direction with its SRM vision.”

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