

SAP Customer Success Story



Bayer AG, a leading pharmaceuticals and chemicals group, has branches and subsidiaries in about 150 countries around the world. With a global operation that requires high volume of import and export of goods, **Bayer** needed to improve its handling of key cross-border trade processes. That's why **Bayer** selected **SAP® Global Trade Services (SAP® GTS)**. With its seamless integration in the group's revamped IT infrastructure, processes run more smoothly than ever with better communication between customs departments and business units.



BAYER AG

SAP® GLOBAL TRADE SERVICES HARMONIZES AND OPTIMIZES INFORMATION HANDLING FOR CUSTOMS PROCESSING

Bayer is an international pharmaceuticals and chemicals enterprise, with core activities in health, pesticides, polymers, and specialist chemicals. Founded in 1863 in Wuppertal, Germany, it soon became one of the world's largest chemicals companies. Today, Bayer employs a workforce of around 117,000 with 2001 revenues of \$30.66 billion. Bayer's success has spread throughout the world with branches and subsidiaries in 150 different countries. To meet the challenge of its growing operations, the company launched a comprehensive IT restructuring program in 2001, where all IT issues are now managed by a new service subsidiary, Bayer Business Services. To help streamline international trade processes and improve communications with customs departments, Bayer also implemented SAP® Global Trade Services (SAP® GTS).

STRATEGIC DECISION TO IMPLEMENT SAP

The implementation of SAP® R/3® and various mySAP™ Business Suite solutions was a milestone for Bayer in developing a single IT strategy for the entire organization. Bayer and SAP have also been running a strategic development project (SDP) to map and link all of the information processes at every Bayer company involved in business operations using SAP software. One result of this focused project was the successful deployment of the SAP GTS solution for handling cross-border trade. Consequently, experts from both companies worked together to develop a centralized solution to support all customs-related activities and information across its entire enterprise. Bayer's IT requirements

for this were certainly ambitious: The central customs server had to communicate with all of the companies' SAP R/3 Systems in the new distributed system infrastructure and replace the individual customs solutions already installed in each country.

REVAMPING LEGACY IT SYSTEMS

All processes associated with customs processing need to be executed rapidly and reliably, while precisely adhering to the various laws and regulations defined by the respective countries. Until the introduction of SAP GTS, Bayer handled customs using its mainframe architecture with a homegrown system. This solution was highly automated, but could not keep pace with the company's many requirements demanded by its dynamic businesses and increasing globalization. Bayer wanted more flexibility and controlling functions for processing its critical business transactions.

Winfried Terwiel, the subproject leader of the SAP DIALOG project, coordinated and led the project to revamp Bayer's IT systems that supported its custom's activities. Bayer's IT team was represented by Xiao-Qun Krink.

The DIALOG team had a complex, challenging task to face. "By implementing a central customs server solution, we needed to create a single standard that the entire group would have to use worldwide," explained Terwiel.

According to Terwiel, the SAP solution met the challenge. "SAP GTS has enabled the centralized organization of customs processing in accordance with legal requirements and uniform principles. It also takes into account our new distributed IT infrastructure, and ensures effective communication between the customs departments and our different business units."

CLEAR BENEFITS

SAP GTS connects the independent, decentralized structures of Bayer's business units with centralized controlling and monitoring mechanisms. For example, Bayer maintains changes to European law centrally with instructions to which everyone complies. This has reduced the amount of data entry enormously. Once information has been maintained on the central server at Bayer's headquarters, individual countries can use it immediately without any additional processing.

What's more, the central customs department can integrate the legal changes and requirements itself without delay. The benefits are clear – streamlined process chains mean speed, flexibility, and reduced costs.

"We now have a solution, in SAP GTS, that fully supports employees in efficiently completing their day-to-day work, is easy to use, and comes with the security of future-enabled technology," says Terwiel.

"SAP Global Trade Services enables the centralized organization of customs processing . . . and ensures effective communication between the customs departments and the different business units."

Winfried Terwiel,
Bayer subproject leader of the SAP DIALOG project

IMPROVED IMPORT AND EXPORT CONTROL

Import control, which Bayer previously handled manually, is now automated using SAP GTS. Employees can check import licenses online. If there is a critical business transaction, it is locked. The customs department is automatically notified so that it can take further measures. Based on various legal requirements, such as drugs law pertaining to imported goods, employees can manage the license process in the system, which is user-friendly and ensures that they have an overview. Customs processing is not only faster but is more oriented towards the flow of goods.

Just like import control, international sales of goods and services are subject to legal checks. Bayer was already performing export controls online using its legacy system, but SAP GTS has considerably improved the procedure. While the department handling the goods or service was responsible for obtaining licenses and carrying out the legal procedures correctly, the central customs department had to classify the materials. This has now changed. The dual-control principal now applies for import and export control. Licenses are still created by the decentralized departments but are managed centrally and incorporated into the controlling process. The result is that Bayer manages its entire international purchasing and sales process more easily, taking into consideration current laws and regulations.

PURCHASE ORDER CHECK

Another significant change involved the purchase order check, based on the customs tariff dataset from Bundesanzeiger Verlagsges.mBH (publisher of the German Federal Gazette). Customs tariff data is automatically transferred into the system where preliminary costing of the payable customs duty rates takes place. The resulting determination of whether goods are traded unlisted or are subject to a customs procedure with economic consequences is also automatic (for example, bonded warehouse and inward or outward processing).

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PREFERENCE PROCESSING

Bayer needs precise knowledge about legal regulations governing preferences for both its import and export business. Now, SAP GTS can deliver these preference calculations for each product online, at any time. Particularly for new products, this means an up-to-date check for preferences. Thanks to the preference processing of SAP GTS, this is the first time that companies like Bayer can carry out a preference calculation for all plants and countries.

U.S. REEXPORT AND BOYCOTT LIST SCREENING

Products that originated, under trade law, in the United States, are subject to U.S. export regulations if they are products that have to comply with Export Administration Regulations or that are on the U.S. Commerce Control List. SAP GTS securely and accurately screens each business transaction for this category and provides the necessary processing functions so that none of the U.S. reexport regulations are violated.

BAYER'S EXPECTATIONS FULFILLED

Import and export control, preference processing, purchase order check, and U.S. reexport went live in the first half of 2001. Consequently, Bayer began a new and improved phase in integrated, all-encompassing customs processing for its locations in Belgium, France, and Germany. “The end of 2003 will see the completion of the European rollout. The first Asian countries Singapore and Thailand will go live in the second half of 2002, followed in succession by more local companies in Asia,” says Terwiel, looking to the future. The last step will be the rollout for the U.S. companies.

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Overall, Terwiel rates the project quite positively. “The information flow within the distributed system infrastructure is very stable. We can integrate new business areas without difficulty, which not only protects our investment but also, in the long term, takes our planned holding structure into account.” And these are not Terwiel’s only plans for the future: “We are currently working on a customs server for Europe and another for Asia, but our goal is to have a shared global server for the entire Bayer world.”

AT A GLANCE**SAP Global Trade Services at Bayer AG**

- Standardization of trade processes across all Bayer companies
- Seamless information flow for import and export control, purchase order check, preference processing and U.S. reexport
- Reduction of risks by proactively complying with legal requirements
- Transparency as a result of monitoring and controlling functions