



SAP® Customer Profile

Zeon Chemicals

Zeon Chemicals needed an information architecture to support process manufacturing. The company implemented the SAP solution in nine months – on time, within budget, and with little customization.



Zeon Implements SAP Solution in Nine Months For Process Industry Excellence

As the leading producer of elastomers and specialty polymers in the United States, Zeon Chemicals L.P. is tightly focused on process manufacturing. That's a key reason why Zeon picked the SAP® enterprise solution – to support that process emphasis.

“We needed a strong production-planning solution because we had plant experts with 25 years of experience using spreadsheets to plan our production process,” says Chris Speth, director of IT and the SAP Phase I Project Director at Zeon, a wholly owned subsidiary of Nippon Zeon Company Ltd. “The SAP solution component Production Planning - for Process Industries [PP-PI] allows us to encode that process knowledge from the plant to drive repeatable, efficient, flexible operation.”



Efficient, Flexible Operation



Zeon uses the PP-PI component to simulate and develop production schedules from information such as customer demand, formulation recipes, material and capacity constraints, and process instructions. Linked to other SAP solution components, the PP-PI component determines the production flow and schedule, issues purchase orders for necessary raw materials, and reduces demand against the forecast as finished goods are produced.

As Zeon uses the SAP solution and specifically the PP-PI component to plan and execute its processing operations – tightly linking demand, inventory availability, and production schedules – managers drill down into the information collected at the transaction layer.

“We used to get material consumption numbers on a weekly basis – now we can view them second by second,” says Speth. “Financial users can look at costs hitting the various cost centers. Product managers can view inventory, open orders, filled orders, and sales for particular product lines. The SAP solution has enabled us to become a better business because all our information is now centralized, integrated, and trusted. We can now make crucial business decisions based on accessible information contained within a single database.”

Zeon used the SAP AcceleratedSAP™ implementation methodology to roll out the SAP solution suite quickly, in nine months.



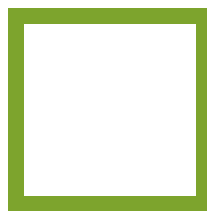
“We brought in the SAP solution on time, within budget, and with a minimum of customization,” Speth says.

Zeon will next be looking at mySAP.com™ to improve its processing business even further. mySAP.com delivers software that mirrors individuals’ work patterns to provide users with a more satisfying work experience. It helps companies reduce adaptation times and training expenses and brings the benefits of enterprise computing to casual users. mySAP.com provides Web-enabled applications in a comprehensive, open, e-business environment comprising portals, industry-specific enterprise applications, Internet applications and services, and XML-based technology that enable companies to participate in the Internet economy.

“The improvements realized through the EnjoySAP initiative enable you to put more on a single screen tailored to a specific user. It has a browser-like front end that is more logical and user-friendly, requires less training, and enables users to do their jobs faster,” Speth says. “We will also be looking at mySAP.com. We feel that extending the functionality of the SAP solution to our customers through mySAP.com-enabled extranets and electronic commerce will simply be the ‘price of admission’ to be successful in business.”

Not that Zeon isn’t already realizing success through the enterprise solution.

“We expect to recoup 15% of the cost of our Phase I and II implementations through use of SAP solution components PP-PI and Plant Maintenance alone,” Speth says. “The even bigger payback will come through the fact that, in implementing the SAP solution, we



have satisfied what we believe to be the crucial information-system business requirements to lead the industry in our market segment.”

Business Challenge: Replace Proprietary Legacy Systems

Zeon Chemicals L.P. is a \$200-plus million company headquartered in Louisville, Kentucky. Zeon employs 425 people and produces synthetic elastomers such as Nipol NBR, HyTemp Polyacrylate, Hydrin ECO, and Zetpol HNBR. Zeon products are used in the manufacture of hoses,



seals, gaskets, belts, and other parts for automotive, industrial, oil field, and printing products. Zeon customers are served from plants in Louisville, as well as Hattiesburg, Mississippi, and Bayport, Texas.

Zeon is a diversified company – in addition to specialty elastomers, it is also involved in producing vaccines for the poultry and avian industries and basic ingredients for the perfumes and aromas sector.

“We needed a solution that could accommodate these different types of businesses,” Speth says. “We also needed real-time information and multicurrency and multilanguage capabilities for our global operations.”

Zeon’s previous mainframe-based information systems were batch-

oriented, heavily interfaced with supporting systems, and not year 2000 compliant. Additionally, the software was proprietary and geared strictly toward the rubber business, not the other areas the company was already participating in or planning to expand into.

Lack of information timeliness and accuracy were also drawbacks with the previous way of doing business.

“Information was only integrated when we closed the prior month’s books,” Speth says. “There were often conflicting sales reports. It was difficult to make production-scheduling decisions based on the lack of timely and accurate information.”

SAP Solution Differentiators: Industry Standard, Best-in-Class, Global Scope

Zeon CEO Bill Niederst, as president of the International Institute of Synthetic Rubber Producers (IISRP), polled other companies in the industry and discovered that most of the leaders were adopting the SAP solution as their information-systems infrastructure.

“The SAP solution was becoming the de facto standard in our industry,” Speth says. “We also determined that the solution was best-in-class for the mission-critical components that we wanted to implement. Additionally, the SAP solution had the global scope we needed. In the near future, we hope to link up with Zeon Europe and Nippon Zeon to automate order entry and material purchasing across global operations.”

Zeon also took full advantage of AcceleratedSAP™ to move the implementation forward quickly. AcceleratedSAP is a rapid implementation solution designed to provide the fastest possible return on the SAP solution investment. AcceleratedSAP helps define a clear, specific scope for the project. It equips a company with the necessary

At a Glance

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| SAP Solution Components | Financial Accounting, Controlling, Sales and Distribution, Materials Management, Plant Maintenance, Warehouse Management, Production Planning – for Process Industries, SAP Human Resources |
| Hardware Platform | Compaq Alpha 7300 |
| Operating System | Windows NT Server |
| Database | SQL Server 7.0 |
| Number of Users | 350 |
| Number of Sites | 6 |
| Implementation | Rapid – nine months |
| Business Change | Content experts from business areas executed detail design and configuration of business processes within the SAP solution. |
| Partners Working with SAP | CCAI Nichols Holland Celerian Pumpkin Productions RSA |

processes, tools, training and services, then moves the SAP solution installation rapidly along the step-by-step AcceleratedSAP Roadmap – from Project Preparation through Business Blueprint, Realization, Final Preparation, and Go Live and Support.

Zeon also drew upon the experience and commitment of its users to accelerate the implementation process.

“We determined that the content experts from the business areas, not

IT, were going to be the experts in the system,” Speth says. “Each functional team member was responsible for the execution of the detail design and configuration of the current business processes within the SAP solution. Our content experts solicited the help of extended team members – individuals from the various departments who verified data loads, tested the design, and trained users.”

The user team developed test scenarios for moving products

through the Zeon business processes, from product forecast to paying for raw materials, production and quality inspection, sales and distribution, shipping, invoicing, and payment collection. This testing helped identify configuration problems that needed to be resolved before the go-live date. During the final months of the implementation, the team also created key reports and forms, including purchase orders, bills of lading, and shipping pick lists.

Users were empowered to make decisions quickly. They avoided territorial behavior, working together for the best overall solution for Zeon, not their individual department or location. Users also worked effectively with teams and work groups outside the formal lines of authority to accomplish Zeon organizational goals.

Another success factor was strong executive support – the SAP solution steering committee at Zeon was made up of top management. Zeon also published and froze the scope of the implementation. Additionally, it undertook significant hardware, software, and infrastructure migration prior to launching the project, installing TCP/IP, a client/server architecture, and the Microsoft Windows NT Server platform and SQL Server database.

SAP Solution Integrates Business Processes at Zeon

Zeon relies on the SAP solution to execute and manage the entire transaction cycle at the company, from order entry through invoicing.

“We use the SAP solution to enter incoming orders,” Speth says. “Customer demand drives our replenishment production schedule, which automatically launches MRP so we can view materials on-hand and generate purchase orders where needed. We receive raw materials into inventory, consume them, and produce finished goods. The SAP solution then reduces the forecast as we fulfill the demand.”

Before the SAP solution, service representatives would manually transmit the production demand to the plants. There, Zeon personnel would use spreadsheets and individual expertise to schedule production and calculate the quantity and timing of raw material orders. This process is now automated and calculated from the production recipes.

We have improved forecasts through better forecasting models as sales history is accumulated.

“Procurement of raw materials is integrated with the rest of production planning,” Speth says. “We have added capability to automate processes for costing, scheduling, and capacity evaluation. Activity costs are more related to actual processes. We have improved forecasts through better forecasting models as sales history is accumulated. Capacity constraints are now considered during production scheduling. And operators enter production quantities as they process goods, providing consistency across all of the plants on how each of them records the cost of goods sold.”

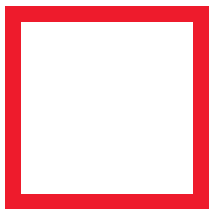


Zeon is a make-to-stock company.

According to Speth, “As each skid rolls off the production line, the finished product label is scanned; this updates inventory immediately. Before we implemented the SAP solution, inventory produced over the weekend would be received at our distribution center before we had recorded the production in the system.”

Zeon uses the Nichols Holland chemical-industry solution to enhance the SAP solution, optimizing the distribution process when a pick list is issued for deliveries.

“The pick list is important because of our varying product specifications,” Speth says. “We make products to different viscosity level, ash content, and so forth. Each customer may have a different range of specs for the product it orders. The Nichols Holland solution generates pick lists for the skids that contain the products that meet the custom specifications. Forklift drivers can choose the skids in the warehouse that both meet customer specs and optimize loading time.”



Business in Brief

Snapshot

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Business Challenge

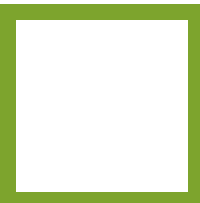
Zeon is a diversified company – in addition to synthetic polymers and specialty elastomers for the plastics industries, it is also involved in producing vaccines for the poultry and avian industries and basic ingredients for the perfumes and aromas sector. The company needed a solution with strong process-industry capabilities that could accommodate these different types of businesses. Zeon also needed real-time information and multicurrency and multilanguage capabilities for global operations.

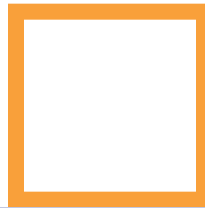
SAP Solution

SAP solution component Production Planning – for Process Industries (PP-PI) enables Zeon to encode process knowledge from the plant to drive repeatable, efficient, flexible operation. Zeon uses PP-PI to develop production schedules from information such as customer demand, formulation recipes, material and capacity constraints, and process instructions. The component, linked to other SAP solution components, determines the production flow and schedule, issues purchase orders for necessary raw materials, and reduces demand against the forecast as finished goods are produced.

SAP Solution Differentiators

De facto standard in rubber industry
Production Planning - for Process Industries component
Best-in-class functionality for Zeon's mission-critical operations
Global scope to extend implementation to Europe and Japan





Implementation Strategy

- Rely on content experts from business areas
- Empower implementation team members to make decisions quickly
- Get strong executive management support
- Limit and freeze scope
- Use AcceleratedSAP to accelerate rollout
- Use extended team members for testing, data load verification, and training

Business Benefits

- Users have real-time visibility into information like material consumption
- Financial users see costs hitting their cost centers
- Product managers can view inventory, open orders, filled orders, and sales for particular product lines
- Zeon can now make crucial business decisions based on accessible information contained within a single database
- Zeon will recoup 15% of the cost of its Phase I and II implementations through use of SAP solution PP-PI and Plant Maintenance components alone

New Business Model

Zeon uses SAP solution component PP-PI for efficient process operations and has become a better business because all its information is now centralized, integrated, and trusted.

SAP Solution Enables Available-to-Promise

As the Nichols Holland chemical-industry solution manages the execution of the production process, it also records the information Zeon needs to keep track of its business. This visibility into production is allowing Zeon to move toward an available-to-promise model, a key customer benefit.

“We can look at the production schedule for the next month, compare it against current inventory, and allocate product,” Speth says. “When the shipment date comes, we can pick the skids that meet the order.”

Zeon is benefiting from the SAP solution across all major functional areas of the enterprise. In finance and controlling, it now requires less overtime to close the books each month. Standard overhead costs are posted automatically and Zeon does not need to maintain separate interfaces for accounts payable or accounts receivable. Inventory entries for work-in-process (WIP) are performed automatically. Rebates and accruals from sales orders are also calculated automatically.

“This makes it easier for managers to track their costs and produce automated, exact, product-line income statements,” Speth says. “Cost-center managers are also more involved in the budget process. Because of centralized data, it is easier to drill down into the system and analyze information. And there is a better audit trail.”

SAP solution benefits extend to sales and distribution as well.

“Customer service representatives do not have to price manually, decreasing errors,” Speth says. “We have improved availability check during order entry. We can group multiple orders into one delivery. We can issue one monthly invoice for a customer. We have better lot-skid and order traceability. And we have improved the traceability of returns.”

Zeon has also realized benefits in materials management.

“We have eliminated manual spreadsheets for calculating raw-material purchasing quantities,” Speth says. “We have less dependence on the expertise of veteran personnel. We have more accurate and timely reporting. A centralized vendor database facilitates greater analysis. We have better cost control and cash forecasting capabilities, because payments are seen immediately instead of at month end. And we have automatic general ledger postings and inventory updates upon receipt

of raw materials, stock items, and non-inventory items.”

SAP Solution Enables Zeon to Expand Activities While Controlling Costs

Zeon is getting these results without increasing overhead.

“The SAP solution is enabling us to perform more business transactions with the same number of people,” Speth says.

Zeon next plans to implement SAP solution components Asset Management, Plant Maintenance, and SAP Human Resources™ (SAP HR™). The company expects to work closely with SAP on these and other projects to come.

“SAP provided the consultants and resources for a very aggressive implementation schedule,” Speth says. “The SAP resources had depth of knowledge of the product and commitment to our implementation milestones. We have had a very positive experience working with SAP.”

