

SAP Customer Success Story



Alcan Packaging's pharmaceutical and cosmetic sector is using mySAP™ Supply Chain Management and its supply chain performance management capabilities to manage its supply chain more effectively and increase shareholder value.

The complete rollout will involve 20 plants that produce 15,000 stockkeeping units for 5,000 customers. The company's target metrics include a 25% reduction in overtime, a 7.5% reduction in setup costs, and a 10% reduction in inventory carrying charges.

ALCAN PACKAGING 



ALCAN PACKAGING IMPLEMENTS mySAP™ SCM TO INCREASE SHAREHOLDER VALUE

Alcan is a multinational, market-driven company and a global leader in aluminum and packaging with 2002 revenues of \$12.5 billion. With world-class operations in primary aluminum, fabricated aluminum, as well as flexible and specialty packaging, Alcan is well positioned to meet and exceed its customers' needs for innovative solutions and service. Alcan employs 48,000 people and has operating facilities in 38 countries.

Alcan Packaging – one of Alcan's business groups – produces packaging materials for food, pharmaceuticals, cosmetics, and personal care packaging, and specialty packaging and tobacco applications. The group supplies a global base of customers through 72 manufacturing facilities.

Alcan Packaging's pharmaceutical and cosmetics/Americas sector is implementing mySAP™ Supply Chain Management (mySAP™ SCM) to manage this supply chain more effectively. The complete rollout of the solution includes SAP® Advanced Planning & Optimization (SAP® APO) integrated with SAP® Business Information Warehouse (SAP® BW) and SAP® R/3®.

“We were planning manually, mostly in reaction to customer orders,” says Mike Freeman, director of business systems. “This resulted in a spiky demand pattern. We couldn’t level-load our plants, and it was difficult to plan capital investment and personnel decisions. We would go from overtime one month to cutting back the next to meet customer requirements.

“Right now, customers get into a queue. mySAP SCM will enable us to anticipate their requirements and quickly slot firm orders into the production schedule.”

**Ed Mathany, Vice President of Supply Chain Management,
Alcan Packaging**

“We needed to strengthen our ability to forecast sales to create an appropriate production plan. We needed an available-to-promise capability to accurately project when we will meet shipment requirements. We have customers that require vendor-managed inventory and collaborative forecasting and planning. And we needed the ability to develop detailed plans and schedules.”

Alcan Packaging is piloting the mySAP SCM solution, beginning with demand planning capabilities, at its Des Plaines, Illinois facility, which produces rigid plastic containers. The company’s target metrics for the pilot indicate how great a gain it expects from the SAP solution.

“We believe we can realize a 25% reduction in overtime, reduce setup costs by as much as 7.5%, and reduce carrying inventory by as much as 10%,” Freeman says.

After the pilot project, Alcan Packaging Pharmaceutical & Cosmetics – Americas will conduct successive pilots and global rollouts of mySAP SCM capabilities for demand planning, global available-to-promise, and production planning and detailed scheduling.

“By the time we finish the rollout, we will be running mySAP SCM at 20 plants, running 5 manufacturing processes, and producing 15,000 stockkeeping units [SKUs] for 5,000 customers,” Freeman says.

IMPROVING CUSTOMER SERVICE

Alcan Packaging will use the solution to serve these customers more efficiently.

“On the custom products side, where we produce to order, we want to be able to allocate production time and anticipate the order,” says Ed Mathany, vice president of supply chain management. “Then, when the order comes in, the production time will have been already set aside so we can meet the requested delivery date. Right now, customers get into a queue. mySAP SCM will enable us to anticipate their requirements and quickly slot firm orders into the production schedule.”

Alcan Packaging wants to promise delivery dates in real time for every order, from distributors and customers that buy stock product, as well as for special orders.

“Our customers request a true availability date,” says Scott Sautner, vice president of IT. “It’s just a tenet of doing good business today, and our customers are requiring it.”

Alcan Packaging will bring its suppliers into the mySAP SCM loop to ensure compliance to the promised delivery date.

“In our science products division, for example, we have a large vendor base that supplies specialty items with long lead times,” Freeman says. “We will integrate the vendors with whom we have complex supply arrangements into mySAP SCM.”

TIGHT INTEGRATION MOST IMPORTANT CRITERION

Alcan Packaging chose SAP APO – a key capability of mySAP SCM – for its tight integration with SAP R/3. “We’re an SAP-centric shop – R/3 is our core business system,” Freeman says.

“When we look at expanding that capability, we look at SAP products first. If SAP addresses our requirement, that’s where we stay.”

“Whenever you develop a plan, you have to analyze the quality of that plan. The supply chain performance management capabilities of mySAP SCM provide us with a tool that makes it easy to look at supply chain metrics any way we want.”

Mike Freeman, Director of Business Systems, Alcan Packaging

Integration simplifies the data exchange and information management task.

“We do not want to maintain master data in more than one location,” Freeman says. “Our users will not have to maintain any master data in a separate system. Everything will be maintained in R/3, and through the integration model brought across to mySAP SCM. Similarly, supply chain planning information will be brought back into the core R/3 System for execution.”

Adds Sautner, “We expect the integration to be tightest between SAP products. This means we will have fewer issues downstream, with respect to integration and maintenance of the datasets and data loads.”

BUSINESS INTELLIGENCE FOR THE SUPPLY CHAIN

Alcan Packaging is also relying on the supply chain performance management capabilities enabled through the integration of SAP APO with SAP BW – which it has already installed – to deliver flexible reporting on supply chain operations. These reports will provide crucial information for use by production planners, sales representatives, sales managers, customer service representatives, and supply chain and operations managers within each business unit. Moreover, this integrated approach will enable increased shareholder value.

“SAP BW will be the source for all the historical data that is used by SAP APO. We will also input SAP APO data into SAP BW for analysis,” Freeman says. “Whenever you develop a plan, you have to analyze the quality of that plan. The supply chain performance management capabilities of mySAP SCM provide us with a tool that makes it easy to look at supply chain metrics any way we want.”

The reporting focus will be on variance-to-plan and trend analyses.

“We will look at sales variance, forecast variance reports, manufacturing variances, and variances within manufacturing scheduling,” says Mathany.

SAP BW has also helped management make better decisions.

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“Decisions have to be made daily. We can’t wait a week to get information,” Freeman says. “Where supply chain performance management has been implemented, decision support is real time. If we are looking at a plant machinery rationalization, we have real-time information on loading. When we go to visit a customer, we can get real-time information on that customer, including margins, sales history, and customer trends.”

That helps the company make money.

“We have seen significant improvement in enhancing our margins by utilizing mySAP SCM,” Sautner says. “If we have production constraints, we can now make decisions based on margin and overall account profitability.”

SUPPORTING CORPORATE STRATEGY AND MAXIMIZING EVA

That supports the Alcan Packaging corporate strategy.

“Our goal is to maximize EVA [economic value added],” Sautner says. “To do this, you need to understand all your operational costs.”

The company is concentrating its business intelligence effort in this area.

“Our management process is driven by shareholder value,” Freeman says. “We have to understand value down to the specific customer and product level, and be able to attribute all of the resources required to make that product for that customer. This includes all our fixed assets, such as machines and buildings; our entire inventory, whether it be raw materials or finished goods; and our receivables. It includes the entire cost of doing business with that customer.”

SAP BW allows Alcan to make this information readily accessible as plans enabled by SAP APO are executed.

“We utilize the system to attribute everything down to a customer and product level, then, using the attributes assigned to the product or customer, develop and execute our five-year strategic business plans,” Sautner says. “We base our decisions on the highest value-add, which we are now able to calculate to a high degree of accuracy. If we are considering a capital investment for two different customers, we can determine the full cost and profit, identify the highest value-add, and make our decision based on that information.”

“Creating a model that leverages the combined strength of SAP APO and SAP BW provides us with the ability to extract the data to support our business recommendations, and really assists us in terms of time to market.”

Scott Sautner, Vice President of IT, Alcan Packaging

This speeds up the business.

“Creating a model that leverages the combined strength of SAP APO and SAP BW provides us with the ability to extract the data to support our business recommendations, and really assists us in terms of time to market,” Sautner says. “Traditionally, we have not made decisions on capital investments in new plants and equipment as quickly as we would have liked. SAP Business Information Warehouse, along with the planning capabilities enabled by mySAP Supply Chain Management, is allowing us to move much more quickly in that area.”