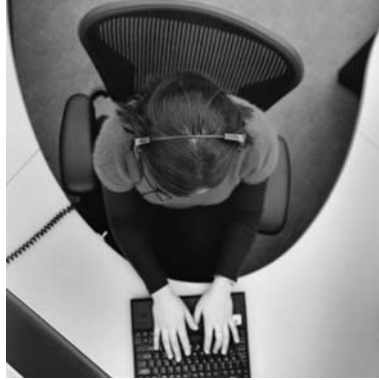
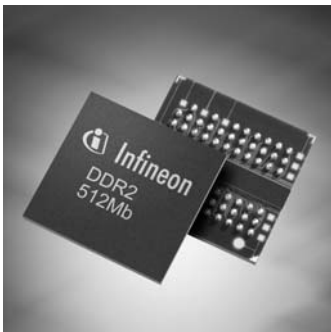


SAP Customer Success Story



The pressure to lower prices in a weak marketplace is forcing companies in the semiconductor industry to introduce long-ranging, cost-cutting measures. With the help of SAP® Business Information Warehouse (SAP BW) – a key component within SAP Business Intelligence – the German semiconductor manufacturer **Infineon Technologies AG** managed to improve the transparency of its procurement processes companywide. SAP BW also provided the foundation for a supplier relationship management system at Infineon.



SAP® BUSINESS INTELLIGENCE AT INFINEON

SAP® BUSINESS INFORMATION WAREHOUSE HELPS IMPROVE TRANSPARENCY OF PROCUREMENT PROCESSES WORLDWIDE AND REDUCE COSTS

Headquartered in Munich, Germany, Infineon Technologies was founded in 1999 to continue Siemens's business activities, inheriting a legacy of innovation begun by Siemens Semiconductors in 1952. Today, Infineon's 30,000 employees develop, design, manufacture, and market a wide portfolio of semiconductor products and complete system solutions – for wired communication, computer, security, and chip-card technology, as well as automotive and industrial electronics.

MASSIVE PROCUREMENT VOLUME

“Infineon purchases goods and services that total between €3 and €4 billion every year. To increase purchasing transparency and achieve further cost savings, we implemented a procurement analysis project, based on SAP,” says Peter Reischl, purchasing manager at Infineon.

It used to take a lot of effort to retain a monthly overview of the entire company's purchasing volume. Although Infineon had been using SAP® R/3® companywide, the different systems were

not integrated. Each location would create evaluations using SAP R/3 tools and then send them as Microsoft Excel sheets to Infineon's headquarters in Munich for compilation. "We used to generate global reports by manually consolidating Excel tables containing data from nine local systems," says Thomas Uhlik, project manager for spend analysis at Infineon. That's why the

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Peter Reischl, Head of Purchasing, Infineon Technologies AG

company decided to integrate purchasing data from the SAP R/3 Materials Management and Financial Accounting components used around the world into a single data warehouse.

FUTURE-PROOF SOLUTION

Infineon chose SAP Business Information Warehouse (SAP BW) to do so. SAP BW is a component within SAP Business Intelligence, a key offering of the SAP NetWeaver™ integration and application platform. "We decided on SAP BW because the SAP data warehouse is a future-proof solution that can be easily integrated using standard interfaces across different releases and forms," says Uhlik. Plus, SAP BW supports the data universal number system (DUNS) from Dun & Bradstreet (D&B). DUNS allows identification and qualification of more than 70 million businesses worldwide. This means, for example, that companies can easily consolidate and update supplier data – or third-party data – on a regular basis and keep track of which businesses belong to which company. SAP BW also includes a user-friendly Web reporting feature. "Being able to access reports and evaluations on the Internet was an important criterion for pragmatic reasons, because it meant that we didn't have to install special

presentation software on our PCs that were being used all over the globe," says Uhlik. "Web reporting allows users to access the information with a regular Web browser."

EFFICIENT CONSULTING

In collaboration with Infineon, SAP Consulting carried out a feasibility study to show SAP BW's cost-effectiveness. The study clearly showed process improvements and the potential for savings.

Preparation for the project began in October 2002. Using the AcceleratedSAP™ (ASAP) implementation method, the system went live in just under four months – in February 2003.

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Thomas Uhlik, Spend Analysis Project Manager, Infineon Technologies AG

able to stick to the schedule and come in well under our budgeted costs," says Reischl. "The SAP consulting team, which provided support during every project phase, partly via remote support, helped us reduce our consulting costs – by about 30%."

The project team implemented spend analysis functionality using SAP Consulting's proven methods and tools. This, coupled with the use of SAP BW business content, which Infineon was able to use almost in its entirety, meant the project could be completed swiftly and smoothly. "The preconfigured report

and analysis scenarios helped us immensely,” says Uhlik. With extremely complex operations in a multitude of countries, and material master data that differs from location to location, Infineon needed to tailor business content companywide. Master data should be harmonized in one to two years.

COMPLETE SOLUTIONS – ALL UNDER ONE ROOF

The implementation, however, involved some challenges. “Accommodating nine SAP R/3 Systems, releases 4.0 to 4.6, in different languages, and with each needing to be customized, was not an easy task,” says Uhlik. Infineon also standardized around 450 product categories during the project. Today, some 100 employees use SAP BW – including 25 core product managers around the world, employees in purchasing and controlling, and purchasing managers.

Infineon loads data on all product groups from the Materials Management application – transaction data every week, master data every four weeks. And, once a month, data on some 30,000 creditors is synchronized with the D&B database.

COMPREHENSIVE REPORTS FOR TRANSPARENCY

Today, using six standard reports available in SAP BW, Infineon creates the necessary transparency to optimize procurement processes and save costs. One type of report, which determines purchasing volume, contains the volume/number of invoices paid and the amounts paid. The total purchasing volume at Infineon can be sorted by vendor, purchasing organization (by client), purchaser, product group, and month.

A second type of standard report enables invoice-to-order comparison. This provides an overview of number/volume of orders and the number/volume of invoices received for these orders. It also makes payment for outstanding purchasing volumes

more transparent and makes it easy to see when a large number of transactions with a low volume are made to a single vendor.

One important issue at Infineon includes the monitoring and optimization of its business relationships with the top 20 vendors from around the world. To address this need, the company uses

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**Martina Kamm, Purchasing Department,
Infineon Technologies AG**

tools within SAP BW to create reports that enable high-value vendor analyses. With the SAP solution, the company will always have at its fingertips a clear overview of its vendors, displayable by location, product group, and invoices paid.

Finance reports (FI reports) provide the volume of all paid invoices and credits – which means that invoices without Materials Management orders or without involvement of the purchasing department are also included. FI reports give Infineon the necessary information to maverick buy – without involving the purchasing department.

The DUNS family tree provides information on which corporations/groups individual vendors belong to. This information is important for contract negotiations because this is the only way that Infineon can determine the total volume it purchases from a single corporation.

And, finally, duplicate vendor analyses use companies' DUNS numbers to identify and merge (or delete) duplicate creditors stored in local SAP R/3 Systems. This allows Infineon to reduce the number of creditors.

REAL BUSINESS VALUE

"With SAP BW, we get detailed, clear information on our entire procurement volume at the touch of a button – instead of the difficult-to-consolidate Excel lists we previously had," says Martina Kamm, a power user in Infineon's central purchasing

"Through close collaboration with SAP Consulting, we were able to stick to the schedule and come in well under our budgeted costs."

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department in Munich. Employees, who especially like the intuitive navigation and excellent usability of the Web reporting function, also say that SAP BW's overall performance is very good.

As a result of its SAP BW implementation, Infineon expects to begin showing quantifiable savings in the 2003/2004 financial year, which starts on October 1, 2003. "We know in advance

exactly what we are going to buy, how much, and from whom, and we certainly benefit from the new level of transparency," says Reischl. "We can bundle purchase volumes with individual vendors more effectively than previously, which gets us better prices." Infineon expects savings of 3% to 5% through volume bundling and by reducing the total number of vendors. "SAP BW will have amortized within a year, which means a fast return on investment – that's real business value," says Reischl.

THE NEXT STEP

After the successful SAP BW implementation, Infineon wants to implement other SAP tools this year. For example, it plans to introduce an electronic, catalog-based procurement system for selected products based on SAP Enterprise Buyer.

The company also wants to extend the use of SAP BW by the end of 2003 to create and distribute consignment reports. This will support Infineon's consignment model for procurement, where vendors deliver goods to Infineon warehouses, and Infineon pays only for the goods that are used. This dynamic approach of combining innovative procurement processes with SAP BW will allow Infineon to save on capital goods.

With the help of SAP BW, Infineon can continue to empower employees, streamline purchasing – and above all, reduce costs.