

SAP Customer Success Story Healthcare – Medical Technology



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Paul Renaud, Vice President and CFO, Biomet Europe

AT A GLANCE

Summary

Headquartered in Warsaw, Ind., Biomet Inc. designs, manufactures, and markets products for musculoskeletal medical specialists. With net sales of more than US\$1.6 billion in 2004, Biomet is the world's fourth-largest company in its industry. Netherlands-based Biomet Europe chose the mySAP™ ERP solution to help it achieve its business goals.

Web Site

www.biomet.com

Key Challenges

- Cope with cost pressure in the healthcare sector
- Manage complexity of logistics processes
- Provide centralized business insight across all European subsidiaries

Project Objectives

- Create company-wide database for analytics
- Standardize processes and applications
- Facilitate business consolidation

Solutions and Services

- mySAP ERP
- SAP® Strategic Enterprise Management application, which includes business consolidation functionality
- mySAP ERP Financials solution, which includes internal controls management functionality
- SAP NetWeaver® platform with the SAP NetWeaver Business Intelligence and SAP Auto-ID Infrastructure components
- Services from the SAP Hosting organization

Why SAP Solutions and Services

- Broad functional scope
- Future-proof solution with integration functionality
- Superior process integration and capability to map complete business processes in 1 system
- Investment security

Implementation Highlights

- Upgraded to mySAP ERP within 3 months
- Implemented mySAP ERP in 11 countries

Key Benefits

- Improved business insight due to common database and customized reports
- Established 1 single system to integrate and map complex processes
- Increased standardization reduced IT landscape complexity
- Central data consolidation reduces errors and eases preparation of the balance sheet
- Lower cost of operations due to efficient processes and lower total cost of ownership

Implementation Partner

SAP Consulting organization

Database

Oracle

Hardware

Fujitsu Siemens computers

Operating System

Solaris

BIOMET EUROPE

mySAP™ ERP Solution Helps Company Cope with Business Complexity and Achieve Business Goals

“The mySAP ERP solution is the best enterprise resource planning software for multisite companies,” says Jan Willem Bartz, ICT Manager at Biomet Europe. Bartz speaks from firsthand experience. When his company, Netherlands-based Biomet Europe, was looking for an enterprise-wide solution to help it standardize and centralize processes, it chose mySAP™ ERP.

Biomet Inc., headquartered in Warsaw, Ind., and its subsidiaries design, manufacture, and market products used primarily by musculoskeletal medical specialists in both surgical and non-surgical therapy. The product portfolio includes implants, bone cements, fixation products, spinal products, and reconstructive products. With more than 6,000 employees worldwide and 2004 net sales of more than US\$1.6 billion, Biomet is the world's fourth-largest company within its industry.

In a market environment that requires high speed of innovation at low cost, Biomet outpaces competition providing product and technology solutions to clinicians, bringing more than 410 new products to market during the past five years. Biomet differs from most companies in the industry in that it handles almost everything in-house – from research and development to production and distribution.

Powerful Control for the Strategic Direction of Subsidiaries

To support the company's growth and business model, management decided to implement SAP® software in all of its European subsidiaries in 1999. One of the major drivers was to standardize and centralize processes. Since the current company includes many acquisitions, the IT department has had to deal with some inherited legacy applications and infrastructures that it replaced with SAP software. To ease these implementations, the company created a template that it called "Biomet Europe Common Model." Based on ASAP methodology, the template ensures common processes and common master data. Some local processes and legal requirements have been added, but today, in 95% of all cases, Biomet uses standardized processes and applications. The company's centralized SAP software-based system gives management a powerful tool for the direction and control of its country subsidiaries.

When Biomet Europe decided to upgrade to mySAP ERP in 2004, it standardized its IT landscape even further. In the course of the upgrade, the whole application landscape was cleaned up and legacy applications were replaced by mySAP ERP. "We reduced the number of our own defined programs from more than 2,000 to 700," says Bartz. He was also attracted by the integration

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functionality of the SAP NetWeaver® platform, which comes as part of the mySAP ERP license. In the future, Biomet Europe plans to implement more SAP NetWeaver functionalities so it can integrate more SAP and non-SAP software into its system landscape. So from a strategic point of view, the upgrade was important in preparing the company for future IT requirements and paving the way for a more flexible IT infrastructure.

Improved Functionality Throughout the Entire Organization

The major reason for the software transition was to extend functionality across the company's IT landscape. "mySAP ERP offers a plus in functionality to support our business," says Bartz, mentioning product recall and complaint management as two of many examples. Now mySAP ERP supports almost all business processes in 11 subsidiaries, including finance and accounting, materials management, production, procurement, warehouse and inventory management, quality management, capacity planning, human capital management, and asset management. In particular, inventory management is crucial to Biomet since the company has a very distinct business model in this area: Most of the products are delivered to hospitals and stored on-site while still owned by Biomet. As soon as a product is removed from storage and used, the hospital is billed and a refill procedure is started. This whole process is completely mapped and integrated within the SAP software.

In general, SAP software has significantly increased process efficiency and transparency at Biomet Europe. Major benefits in productivity are realized through the integration of sales and logistics processes, integrated human capital management functionality, and asset management functionality.

Innovative RFID Solution

To further optimize logistics, Biomet Europe has just finished a feasibility study for the use of radio frequency identification (RFID) technology together with one of its suppliers. The objective of this first step was to determine which products are suitable for the use of RFID technology. In the second step, a practical warehouse test will be performed with the suitable products. If the technology proves to be ready for broader use, Biomet Europe plans to implement RFID technology because the technology can dramatically improve logistic processes and reduce the amount of manual work, such as scanning and unpacking. Using SAP Auto-ID Infrastructure, a component in

SAP NetWeaver, Biomet Europe plans to integrate RFID technology into the company's enterprise resource planning (ERP) backbone. The ultimate goal is to completely automate the whole product delivery and billing process by automatically billing hospitals when they remove a product from storage and starting the refill process. "Once we fully use RFID technology and integrate it with our ERP system, it will make our processes a lot more efficient and save us a considerable amount of time and work," says Bartz.

Comprehensive Business Insight and Custom-Built Reports

With the support of the SAP Consulting service in the Netherlands, the whole upgrade to mySAP ERP took place in only three months. At this time, management is very satisfied with the new software. One major area of improvement is the new analytical capability that the software provides to Biomet Europe. The company uses the SAP NetWeaver Business Intelligence (SAP NetWeaver BI) component, which includes the SAP Business Information Warehouse component – software that helps the IT department maintain a single, company-wide database. Biomet Europe makes heavy use of mySAP ERP product classification and materials master functionality to classify all of its products according to the European Product Code. This information is then uploaded to the business intelligence software and serves as master data for the whole company. It is also used as the database for a virtual warehouse that contains all the stock of all the organization's European subsidiaries.

In addition, management relies heavily on the analytical functions of the solution to assess performance in the areas of sales, inventory, production, purchasing, and delivery. "The introduction of SAP NetWeaver BI was a huge leap forward for us," says Paul Renaud, vice president and CFO at Biomet Europe. "Now I can access all European data comfortably from my own desktop," he continues. In the past, to get a complete business view, management had to send out e-mails to all subsidiaries and wait for responses that sometimes never arrived. With mySAP ERP and SAP NetWeaver BI in place, the necessary data from all countries is at hand at any time. Formerly, executives could not assess the performance of certain brands or get an overview on the price development within a certain sector. Now, with all data available from the SAP software, this is no longer a problem.

Biomet management uses the many business analytics reporting functions of SAP NetWeaver BI to support its business decisions. "We use a lot of the standard business content and add individual elements to easily create custom-built reports," says Bartz. And users receive tailored reports for any purpose. "Whenever I want to know something, I just use the SAP Business Explorer tool and get the requested information within a second," says Renaud.

Biomet Europe has integrated the SAP Business One solution at their Finnish subsidiary into SAP NetWeaver BI. Supported by a custom-built application, data is now automatically extracted from SAP Business One into SAP NetWeaver BI.

Europe-Wide Business Consolidation with SAP SEM®

To further ease the management of data from all European countries, Biomet also implemented the SAP Strategic Enterprise Management (SAP SEM®) application, which con-

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solidates business data from all of the European subsidiaries. Most importantly, the software helps Biomet's financial department aggregate all numbers into a consolidated balance sheet. Before the mySAP ERP implementation, this process was handled in Microsoft Excel. With SAP SEM in place, it is easier to prepare the balance sheet since the whole process is faster, more stable, less sensitive to errors, and less time consuming. In addition, this procedure helps Biomet to build up a historical database that can be used for analytics.

In the next step, Biomet Europe will further automate its processes so that each country can automatically import its data into the SAP solution. In the future, the company plans to implement additional software in SAP SEM for business planning, simulation, and forecasting. The long-term goal is to integrate SAP SEM with SAP NetWeaver BI for completely automated business consolidation and analytics. "No other ERP vendor can offer a business planning tool like SAP SEM, and that is a clear advantage of SAP," says Renaud.

Biomet Europe also plans to take advantage of internal controls management functionality provided in mySAP ERP. As a publicly listed company, Biomet has to comply with the Sarbanes-Oxley Act. In achieving compliance, the company's three largest production sites use this functionality to attain better control over internal processes. Now the sites can model business processes, document existing controls, test results, and determine any control processes that need improvement. Better management of internal controls will help Biomet comply with the Sarbanes-Oxley Act in the next fiscal year.

SAP Hosting Contract Leads to Lower TCO

Continuous pressure to keep costs stable at a low level is a challenge that all healthcare companies face, and Biomet's IT department is continuously looking for ways to cut costs. As a result, Biomet Europe just recently signed an SAP Hosting organization contract. From November 1, 2005, on, SAP Hosting will handle all of the company's SAP software systems. "The hosting contract will considerably lower the total cost of ownership of our IT infrastructure and save us a significant amount of money," says Bartz. Outsourcing also helps the IT department to further centralize and standardize IT. "With the ongoing centralization, we get much better insight into our costs per IT user and improve our cost control," says Bartz.

mySAP ERP for Growth and Efficiency

After going live with mySAP ERP nearly a year and a half ago, Biomet's management is more than satisfied with the solution. The complexity of the company's business requires a complete and reliable business solution with highly integrated processes. "mySAP ERP enables us to successfully cope with the challenges of our business environment. There is no other company or product on the market that could help us more effectively than SAP," says Renaud. Management especially appreciates the investment security and long-term strategy that SAP solutions offer customers. With mySAP ERP and SAP NetWeaver, Biomet Europe can provide its executives with the comprehensive business insight they need to help the company continue to grow and realize innovation. At the same time, the software makes daily operations effective and productive and lowers costs. "SAP has really helped us improve our business. We all know that there is a direct link between the achievement of our business goals and mySAP ERP," says Bartz.