

## SAP Customer Success Story

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Jay Wilson, Chief Information Officer, Cavalier Homes, Inc.



## CAVALIER HOMES, INC.

**CAVALIER HOMES REDUCES RAW MATERIALS INVENTORY BY 30%, INCREASES SERVICE PRODUCTIVITY BY MORE THAN 30%, AND REDUCES SERVICING COSTS BY NEARLY 80%**

In 2001, Cavalier Homes Inc. (Cavalier Homes) produced approximately 13,000 manufactured and modular homes in 15 facilities. “We had grown largely by acquisition and accumulated all sorts of disparate systems,” says Jay Wilson, chief information officer, Cavalier Homes. “The systems were not connected, and we didn’t have standard best practices. We wanted to consolidate our operating companies under a single solution umbrella that would give us global visibility and the ability to standardize a best-practice model across our enterprise.” Cavalier Homes selected SAP for Engineering, Construction & Operations (SAP for EC&O) solutions to get the clear view of performance metrics it needed and to standardize best practices across its business units.



### AT A GLANCE

#### Company Name

Cavalier Homes, Inc.  
United States  
www.cavalierhomebuilders.com

#### Industry

Construction

#### Key Challenges

Consolidate IT solutions for all of the company’s operations, obtain global visibility into its all of its systems, and institute standard best practices throughout the company

#### Solution and Services

- SAP for Engineering, Construction & Operations, which includes the mySAP® ERP solution
- Variant configuration functionality, which is available today in mySAP ERP

#### Existing Environment

Legacy solutions

#### Implementation Highlight

- Serves 220 users

#### Key Benefits

- Strategic decision making improved through visibility across the entire supply chain
- Reduced costs through consolidation of stock-keeping units (SKUs) and lowered raw materials inventory by 30%
- Improved product quality and options
- Reduced service costs by nearly 80% and lowered production time

#### Hardware

Compaq PCs

#### Operating System

Microsoft Windows 2000 with Microsoft SQL Server database

Headquartered in Addison, Ala., Cavalier Homes manufactures, sells, finances, and insures homes for American families and had revenues in excess of \$247 million in 2003. The company implemented SAP for EC&O solutions to support sales and distribution, service, production, procurement, and accounting processes throughout its central region of operations. The implementation to date represents roughly 60% of the company's production capacity and 100% of its financial services operations. A key part of the project was variant configuration functionality, which is available today in the mySAP™ ERP solution. This functionality helps Cavalier Homes manage and reduce inventories and maximize profits.

“We build approximately 250 different model units of houses. Customers pick the model, then the decor, cabinets, fixtures, drapes, and so forth,” Wilson says. “Our sales configuration is as complex as anything you'll see out there.”

Before SAP for EC&O solutions were introduced, Cavalier Homes had an average of 3,500 inventory item numbers, or stock-keeping units (SKUs), in a plant. Its best-selling product built in that plant now has only 550 SKUs.

“The SAP® solution gives us the ability to view costs all the way through the value chain,” Wilson says. “That information, combined with after-sale data, has enabled us to simplify our product offering and make configuration changes to reduce the number of SKUs and the servicing costs.”

That translated into measurable savings. “We reduced raw materials inventory by over 30% in the operations implemented to date, allowing us to increase service productivity by over 30%,” Wilson says. “When comparing the models built under the SAP [software] paradigm to those produced prior to [using] SAP [software], we have reduced our service cost from an average of \$1,150 a unit to under \$250 a unit – nearly an 80% decrease.”

**“We have reduced production hours per home by 20% in the SAP [software] operations. In those shops [where] we've implemented [the software], we are producing products that have far superior standards and options than before – and our customers pay less than they would to competitors whose products offer less.”**

*Jay Wilson, Chief Information Officer, Cavalier Homes, Inc.*

SAP for EC&O solutions helped Cavalier Homes reduce operating costs while simultaneously improving quality to gain competitive advantage. “We have reduced production hours per home by 20% in the SAP [software] operations,” Wilson says. “In those shops [where] we've implemented [the software], we are producing products that have far superior standards and options than before – and our customers pay less than they would to competitors whose products offer less.”

### **SAP SOFTWARE PROVIDES INDUSTRY-LEADING CONFIGURATION FOR SALES**

In addition to its production activities, Cavalier Homes also purchases sales contracts primarily for manufactured homes sold through its dealer network and provides insurance products to dealers and retail purchasers. Cavalier Homes evaluated a number of solutions before selecting SAP for EC&O solutions. “The real driver for us was the ability to do variant sales configuration,” Wilson says.

“The way that SAP has structured its variant configuration technology for scalability and platform independence is superior to the competition. We also like the ability, with SAP software, to scale and reuse best practices and business processes.”

Cavalier Homes runs the software for 220 users on Compaq PCs with Microsoft Windows NT and Microsoft SQL Server database. Customers order either stock units or specials through a retail dealership. Sales orders are converted into production orders and scheduled for daily manufacturing efficiency. Using this information, raw materials can then be ordered based on demand.

“This allows us to reduce the amount and number of materials that we have on the ground, which frees up a lot of cash flow,” Wilson says. At each location utilizing SAP software, homes are produced, released, and shipped to the retailer, along with all associated financial transactions. After confirmation of delivery, Cavalier Homes activates the customer in the system. This enables the company to link service issues with the account and to schedule part orders for service work, as well as to forecast necessary materials for those service orders. Cavalier Homes also uses SAP for EC&O solutions to route its trucks. The company initially used the information it collected and analyzed to reduce the cost of transactions. It is now turning to the reporting functions in SAP software to measure performance.

“We’re beginning to get our arms around a vast amount of information we can use to improve the production and delivery processes,” Wilson says. “We can measure any failure in a home by characteristics such as manufacturing, labor, transportation, or setup. We can apply this global visibility and trend analysis to a single facility, as well as compare facilities. We can better understand sales orders, backlogs, and demand. We’re now moving into the profitability side of the analysis, with an ultimate goal of measuring profitability by customer.”

Cavalier Homes is also evaluating mySAP Customer Relationship Management (mySAP CRM) and the SAP NetWeaver™ platform, which includes the SAP Enterprise Portal and SAP Business Intelligence components. “mySAP CRM will enable us to gain enhanced visibility into our end customer and become much more customer-intimate,” Wilson says. “SAP Enterprise Portal will scale up our user interface to push information to our users and integrate our intranet systems with SAP for EC&O software. SAP Business Intelligence will increase the level and sophistication of our trend and management analysis.”

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