



Quick ROI supply chain projects in SAP environments

By Alan Earls, Contributor

07 Feb 2011 | SearchSAP.com

Supply chain projects around collaboration with suppliers, contract lifecycle management and transportation management can provide a quick return on investment (ROI) for SAP shops looking to enhance the supply chain, according to interviews with SAP consultants.

Companies trying to find [supply chain management \(SCM\) improvement](#) opportunities should begin by examining their business processes, according to Manish Agarwal, head of the SAP practice at IT services company Nagarro.

Begin by looking for any manual processes that could be automated, as well as disconnected processes -- those spanning several participants or involving hand-offs -- and any error-prone processes, such as manual data entry. Keep an eye out for processes needing timely alerts or notifications to allow for remedial action, as well as processes involving strategic decision making that require access to overviews of historical data.

Taking advantage of the [SAP value engineering program](#) -- a free consulting service provided by SAP -- can help organizations identify quick-win projects, according to Valerian Harris, vice president for enterprise solutions at IT consulting firm Patni.

“It is a common practice in IT organizations to build a business case before initiating such projects,” he said. “The difficult task is always in identifying projects that can provide the maximum business value.”

Building a [supplier collaboration portal](#) can facilitate the exchange of business data with vendors -- forecasts, schedules, purchase orders, advanced shipping notices, returns, invoices, and payment status. Likewise, a field sales portal or means of mobile access could allow sales force and channel partners to read business data from SAP. Gaining access to inventory availability, prices, customer order status, service order status and customer contracts can improve sales, Agarwal said.

Increased collaboration, in turn, provides savings by reducing lead times and providing the flexibility to change supply plans based on real-time visibility of changing demands.

There are two specific supply chain projects that can be built on standard SAP SCM 7.0 functionality and standard [SAP NetWeaver Business Warehouse \(BW\)](#) software that companies already have, Harris said.

The first involves implementing SAP SCM Supply Network Collaboration (SNC) functionality around the standard Supply Network Inventory; this will integrate critical partners for inventory and order updates. This project can be completed within 14 weeks, Harris said.

Another potential project aims to enhance the inventory supply chain visibility by deploying standard out-of-the box Supply Chain Operations Reference/Supply Chain Performance Management (SCPM) based on the new SAP Business Information Warehouse (BIW) SCPM business content. The project can be completed within three months from initiation to deployment, according to Harris.

“We recommend making use of the standard SAP BIW SCPM business components,” Harris said. “Customers can make use of the SAP ASAP (Accelerated SAP) methodology from blueprinting right through the rollout and the project can be completed within a budget of \$500,000.”

Increased supply chain visibility brings improved supply and demand

Deployment of what Harris referred to as a “Clear to Build” functionality can also provide quick ROI. This can be achieved by leveraging the SAP Advanced Planning and Optimization Capable-to-Match engine for constrained planning and availability check, in conjunction with the SAP SNC for component stock availability. By deploying the “Clear to Build” functionality, customers will experience improved supply and demand match and improved visibility of stockout situations, he said.

Implementing the functionality takes between 12 and 16 weeks and costs \$500,000 to \$800,000, according to Harris.

Another supply chain project with quick ROI is improving or initiating approval workflows within the organization, such as purchase requisition to the purchase order cycle or travel expense approvals, Agarwal said. It’ll improve the purchasing cycle and vendor contracts adherence through analysis of purchase orders and alert the business of important events, such as goods in transit, according to Agarwal.

“For cross-border shipments, alerts can significantly assist in speeding up the customs clearance, arranging compliance paperwork and coordinating the different agencies involved,” he said.

Transportation optimization another road to fast ROI

Another quick-win project is a contract life cycle management (CLM) implementation, said Sachin Shetty, a principal consultant and manager of SAP supply chain practice at Infosys. Customers can implement SAP CLM within two to three months, Shetty said, which can help them contain contract leakage and ensure better contract compliance.

If that kind of spending is a little too much for your budget, Shetty stressed there are low budget alternatives because SAP implementations often have features and functions which customers don't always use.

“By extending implemented solutions to use those existing functions, you can extend the capability of what you have without the need to buy anything new,” he said. In addition, Shetty noted that these kinds of projects can often be executed fairly quickly.

Ultimately, the choice of which supply chain projects to pursue -- small and quick or larger and slower -- is that of the SAP shop.

“In our experience, we have seen that there are two ways to approach this. One is to go for the low-hanging fruit, which can deliver measurable benefits quickly,” Shetty said. “The other way is to focus on projects with large impacts, but break them down into chunks that can deliver measurable benefits in a shorter time. Either approach can be helpful.”