

E-Guide

# Managing the supply chain for SAP

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**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.**

*Read this SearchSAP.com E-Guide to learn how best to manage the SAP supply chain. Readers will learn:*

- *Why companies trying to find supply chain management (SCM) improvement opportunities should begin by examining their business processes*
- *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*
- *How enhancing visibility to help meet compliance directives related to trade practices, environmental mandates and upcoming serialization and track-and-trace*

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## Quick ROI supply chain projects in SAP environments

**By: Alan Earls, Contributor**

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

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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.

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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.

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“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.”

## Enhancing supply chain visibility to achieve compliance

By: Beth Stackpole, Contributor

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Providing a more accurate, real-time picture of demand signals or supplier inventory levels is the focus of most manufacturers' supply chain visibility projects. But facing an increasingly complex regulatory climate, manufacturers are beginning to want enhanced visibility to help meet compliance directives related to trade practices, environmental mandates and upcoming serialization and track-and-trace laws.

"[Compliance] is an up-and-coming factor, and manufacturers are expecting a lot more regulations for environmental compliance, around packaging for trade compliance and things like ePedigree, for understanding where your product is coming from," said Noha Tohamy, vice president of research at AMR Research, a Gartner company. "We see a lot of manufacturers working with the government and their customers to come up with what to invest in without stifling their ability to be profitable and efficient within their supply chains."

One of the more prominent areas where enhanced supply chain visibility comes into play is environmental compliance. Regulations like REACH (Registration, Evaluation, Authorization and Restriction of Chemical Substances), which makes manufacturers responsible for tracking and managing the hazardous chemical substances that are part of their products; RoHS (Restriction of Hazardous Substances); and WEEE (Waste from Electrical and Electronic Equipment) up the ante for manufacturers. These directives require manufacturers to keep tabs not only on the attributes of the supplier components and materials that go into their products but also on how those parts and components are disposed of and potentially recycled at end of life.

The ramifications for manufacturers that aren't on top of these mandates can be quite significant -- costly redesigns, scrapped parts, blocked shipments, potential customer dissatisfaction and, possibly, steep fines. Most manufacturers are still using spreadsheets, homegrown databases, even manual processes to retrieve and manage this data with their supply chain.

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Increasingly, however, a variety of enterprise systems -- from supply chain offerings to product lifecycle management (PLM) suites -- are adding functionality to help manufacturers automate these processes and more effectively track and improve the environmental performance of their products.

Forthcoming environmental regulations around carbon emissions will be the real game changer for manufacturers, stepping up the need for visibility solutions to aid in meeting compliance. "If you look at what Walmart is mandating in terms of having to reduce the carbon footprint of the products that are offered in Walmart stores, visibility is a huge part of being able to track that information because there are so many parties involved in creating one product's carbon footprint," said Amy Drevna, senior vice president of marketing for One Network. According to a study by the Business Performance Management Forum and E2open, a provider of on-demand supply chain management services, 42% of companies surveyed have yet to consider carbon footprint or greenhouse gas emissions across their extended supply chain. While 76% of respondents said their customers have not requested such information, two-thirds expect them to demand such data in the coming years.

Aside from environmental compliance, new laws related to global trade are another area where manufacturers can benefit from better visibility in their supply chains. Global trade management solutions like those from Management Dynamics, Oracle and others automate the processes that allow manufacturers to efficiently trade and collaborate across borders and ensure they pay the correct amount of duty while protecting against fines and penalties, as well as loss of trading privileges.

Directives around serialization and track-and-trace laws emerging in such industries as pharmaceuticals and retail are yet another area of compliance that can directly benefit from improved supply chain visibility. Companies such as Acsis and IBM, among others, are offering solutions, many based on barcode and RFID technology, to help track, monitor and measure the chain of custody of a product as it moves through its lifecycle.

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Despite the fact that all of these compliance efforts create visibility challenges for manufacturers, compliance is rarely a springboard for building a case for a specific supply chain visibility project. John DiPalo, chief technologist for Acsis, said: "The message is you should focus on the traceability and visibility of products and get compliance as a byproduct, as opposed to compliance being the focus."



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