



SAP Service Parts Management

Distribution Center
in the Middle East region

Introduction

Achieving a world-class supply chain requires a flexible, customer-centric network that delivers the highest value with the greatest velocity at a low cost. Deloitte has helped many clients in their efforts to organize and manage their supply chain to optimize profit, cost, efficiency, flexibility, reliability and customer satisfaction.

In this paper we will focus on how Deloitte accompanied one of our clients with their spare parts distribution network transformation program. This program encompasses initiatives that focus on network optimization, process standardization and the implementation of one common global software solution for the management of their service parts.

Implementation

Together with Deloitte, the client team implemented the SAP Service Parts Management (SPM) solution to replace multiple legacy systems and not only drive common processes, but also improve parts' visibility and support a globally integrated network. Deloitte assisted them with the opening of a new distribution center in the Middle East region and the integration of this facility in their existing logistics network, which was facilitated by the implementation of SAP SPM.

SAP SPM was developed as a cross-component solution for supporting and managing a companies' whole service parts network. It encompasses the entire range of service parts management activities, including planning, execution, fulfillment, collaboration, and analytics. SAP SPM helps to link the entire service value chain for better visibility, coordination, collaboration, and control of the service parts network.

Distribution Center Middle East

With the start-up of a new distribution center in the Middle East and the linked SAP SPM go-live, this is the 7th distribution center in the companies' network that runs on SAP Extended Warehouse Management (EWM), the warehouse module of SPM. Six distribution centers and two inbound packaging centers in the United States are also running on SAP EWM, which makes this the first SAP EWM implementation outside of the United States for the client. Furthermore it is the first time the Customer Relationship Management (CRM) and Global Trade Services (GTS) functionality in SPM has been implemented integrated with EWM, supporting pricing, invoicing, claims, returns and customs processes making this the first SAP SPM implementation worldwide.

SAP Service Parts Management Overview

- Extended Warehouse Management
- Customer Relationship Management
- Service Parts Planning
- Global Trade Services

Warehouse characteristics

- Located in Middle East
- 40.000m² Storage Space
- 110 Workers, 2 shifts
- 18 countries in the Middle East and Africa are served from the warehouse



Local Blueprint and Implementation Strategy

A global template approach was used to align the common processes and to drive for quick, repeatable project implementations and rollouts. Therefore the "80% global - 20% local" rule was applied. This allows for the global template processes to be validated, and where needed adapted, against local needs. Starting from this global template strategy, the first step was to compare the local requirements with the global template. For the Middle East warehouse the main localization needs were caused by the local legal requirements and the warehouse location in a free trade zone. As this was the first implementation where SAP EWM would be integrated with SAP CRM, SAP GTS and SAP ECC, particular attention was put to all integration points to ensure appropriate end-to-end processes.

As an implementation strategy it was decided to group 4 implementations into 1 release: besides the warehouse in the Middle East, 2 new warehouses were added to the Logistics network in the United States and also an Inbound Processing Center had to be converted to the SPM system. It was the first time the client used a release strategy, which consolidated the system development process into one work stream to drive efficiency.

Thanks to process standardization and the use of the global template strategy the incremental work to include an additional facility in a release is far less than duplicating the number of implementations.

The driver for this release strategy was to accelerate multiple concurrent facility implementations.

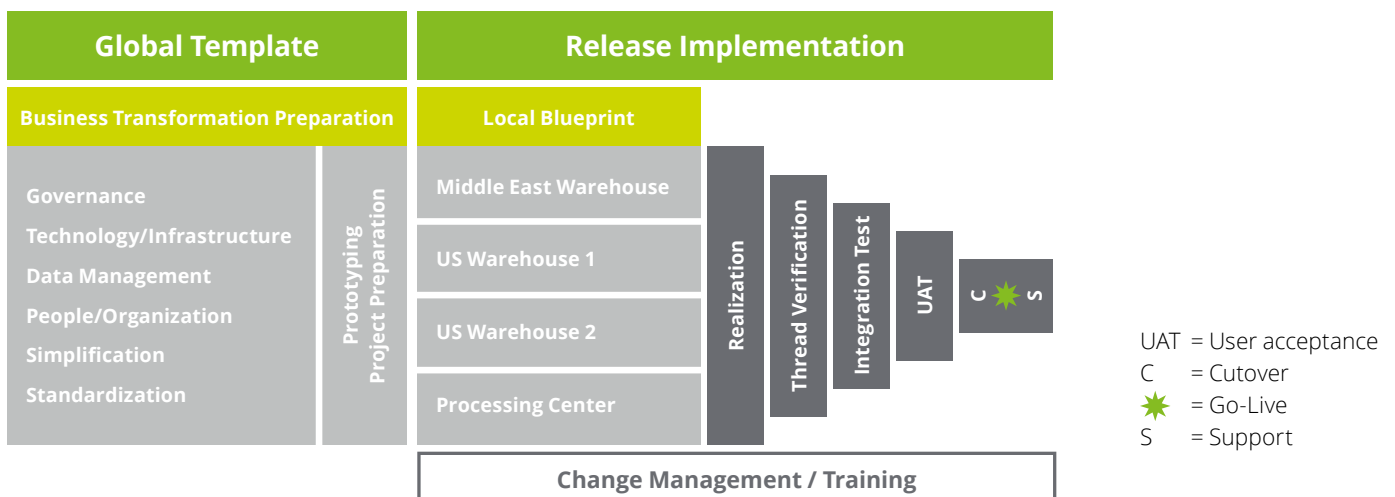
It also enables to leverage resources during testing cycles & alleviates some environment bottlenecks.

The main risk is that slippage on any single thread impacts the entire release. It is therefore important to manage to key interim milestones with gate reviews & go/no-go decisions.

With 4 warehouses and multiple modules being implemented at the same time, the work was split over several global teams. Every team had one focus-area but intensive communication and collaboration between the different teams ensured the standard processes were adhered to and all teams were aligned. For the Middle East warehouse a split was made by functional area: Customer Relationship Management, Warehouse Processing, Finance and Global Trade & Compliance.

An overview of the implementation scope by process area is shown on the next page.

Release strategy



EWM	Inbound		Internal	Outbound	
	Inbound Delivery	Deconsolidation	Slotting	Outbound Delivery	Packing
	Goods Receipt	Putaway Execution	Rearrangement	Route Determination	Staging / Shipping
	Unloading	Quality Management	Physical Inventory	Wave management	Loading
	Putaway Strategy	Returns Handling	Scrapping	Warehouse Order	Goods Issue
			Ad Hoc Moves	Picking Strategy	Order Cancellation
			Replenishment	Picking Execution	
	Cross - Process				
	Yard Management	Resource Management	Cross-Docking	Labor Management	Quality
	Request Invoice before Goods Issue	Warehouse Structure	Reporting / Monitoring	Internal Routing	
Commercial	Global Trade & Compliance		CRM	Finance	
	Embargoed Country List	Export Licenses	Order Management	General Ledger	Account Determination
	Sanctioned Party List	Customs Classification for Import & Export	Pricing	Revenue Recognition	Enterprise Org Structure
		Import and Export Declarations	Billing	Period End Closing	Title Transfer
			Claims	Financial Source of Supply	Accounts Payable
			Returns		Accounts Receivable

Phased Go-live

Because the warehouse in the Middle East was newly built, it was an obvious decision to split the go-live in two main phases. First the inbound processes went live to stock-up the warehouse. During this stock-up period, also outbound-pilots were run to all the dealers in scope. These pilots were small-volume shipments to validate the outbound processes and the integration of the systems at the dealer's side.

For the outbound go-live a phased approach was chosen. Every 2 weeks one extra dealer family was "re-phased" and started ordering at the new warehouse. This way the warehouse personnel had the opportunity to learn the processes, while they moved on the learning curve in accordance with the volume increase. Furthermore this phased dealer go-live also reduced the impact of the issues: it allowed the operations to identify the issues while working with low volumes so that the project team could fix them before the next launch.

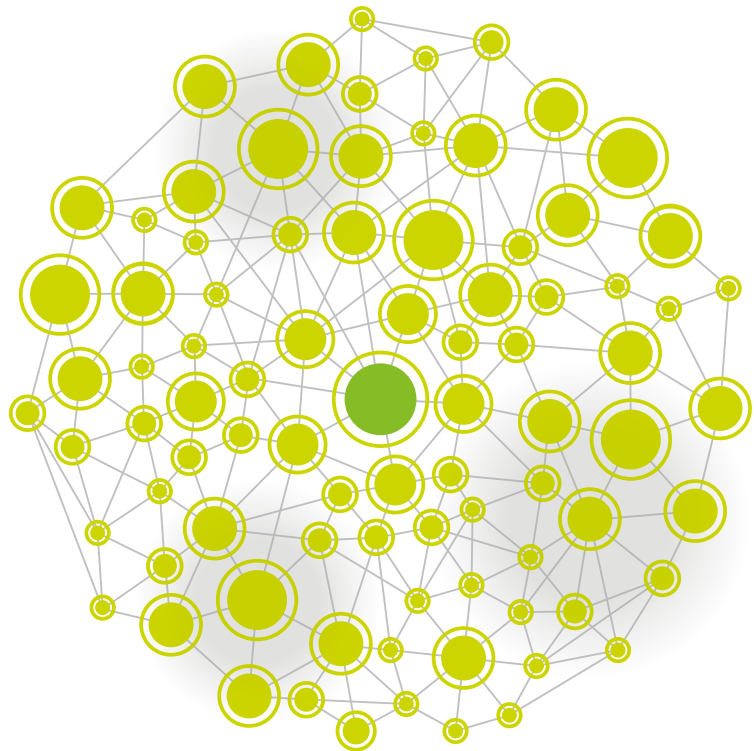
Benefits of the global SAP SPM implementations for the client

The global SPM program drives and facilitates the use of global standard processes; it improves parts visibility and supports a globally integrated network. Having 1 global software solution for all supply chain activities allows them to reduce development costs, implementation costs and ongoing support costs. The SAP SPM solution guarantees standard integration of CRM, EWM, Finance & GTS and thus reduces the number of interfaces with other IT systems. With the use of the global template strategy they are able to shorten the duration of each implementation. Thanks to the start-up of the Middle East warehouse and the implementation of SAP SPM, the lead time to the local dealers is drastically improved.

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Our expertise and experience from other projects allows us to provide you with an external and objective view on your business processes. Deloitte has the experience to add value both on the business process definition and operational execution. With specialists in business operations, SAP functional and technical consultants as well as developers, we are able to deliver a well balanced team.



Contacts

For more information, please contact us.

Steven Moors

Partner
Tel: + 32 2 749 56 98
Email: stmoors@deloitte.com

Eric Desomer

EMEA Lead Manufacturing
Tel: + 32 2 749 56 91
Email: edesomer@deloitte.com

Stijn Van Hoof

Director
Tel: + 32 2 749 59 36
Email: svanhoof@deloitte.com

Sacha Van Hoever

Specialist Leader Warehouse Management
Tel: + 32 2 749 57 46
Email: svanhoever@deloitte.com

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