

A LEAP FROM LEGACY TO MODERNIZATION

DISCOVER HOW DELOITTE HELPED MSC INDUSTRIAL SUPPLY CO. REIMAGINE THE ENTERPRISE WITH A SUCCESSFUL ERP IMPLEMENTATION



MSC Industrial Supply Co. is a leading North American distributor of metalworking and maintenance, repair and operations (MRO) products, and services. The company has been serving the marketplace for more than 75 years, providing customers with offerings that can help drive productivity and growth.

As a distributor of industrial products focused on the manufacturing economy in the U.S., with more than 6,500 experienced associates and more than 3,000-plus suppliers, MSC caters to both large and small businesses. The company stocks over one million products in five large distribution centers, shipping those products to customers within a day by standard freight. Approximately 60 percent of MSC's business is transacted digitally via the company's eCommerce site.

"Our supply chain is very efficient, yet complex, and was once powered by legacy technology," says Charles Bonomo, Senior Vice President and CIO of MSC. Bonomo, who leads MSC's transition from legacy technology to state-of-the-art systems, understands the nitty-gritty of what it takes to develop MSC's strategic IT roadmap.

CHALLENGES: CLOSING THE DOOR ON LEGACY SYSTEMS

MSC's old systems were driven by 13 million lines of code of legacy software, which was built over the last 40 years. Despite being perfectly customized for MSC's business, these old systems were neither scalable nor kept up with a dynamic technology landscape. As the company grew over the years, it got to the point at which the legacy infrastructure became a barrier to efficient operations. Too many disparate, siloed systems surfaced, creating contradicting data sets and inaccuracies.

"From the HR perspective, the vertical was mired in manual processes, where tasks were performed using spreadsheets," says Bonomo. "While Millennials are increasingly being added to the workforce, lack of a modernized online social-media-enabled onboarding process and mobile capabilities around the HR processes can be a big disadvantage in today's competitive world."

With RPG and CGI script running on the mainframe, a transition and upgrade could have taken months. In addition, the senior leadership wanted to avoid ERP "horror stories" such as cost overruns or lack of flexibility—which could lead to considerable delays in shipping products.

For a company that sells more than a million individual products, a system overhaul was not going to be a cakewalk.

SOLUTION: DELOITTE AND MSC FORM DEEP TIES FOR TRANSFORMATION

As MSC decided to move forward with systems modernization, the SAP S/4HANA digital core ERP emerged as the leading contender for an enterprise solution. In an effort to integrate supply chain management and customer-facing activities—and achieve strategic goals—MSC embarked on a thorough market analysis to find the right partner for SAP S/4HANA implementation. After scrutinizing the prospects, Deloitte emerged as an obvious choice. MSC's implementation of SAP S/4HANA in the cloud also includes IBM as the hybrid cloud partner and Mindtree as the developer for legacy interfaces. "While others were experiencing unsuccessful implementations, Deloitte differentiated themselves with a successful implementation under their belt," says Bonomo. "We worked with Deloitte to build the case and begin the execution of the ERP roadmap, one piece at a time. After evaluation, it was found that we had insufficient knowledge about SAP."

Deloitte collaborated with company leaders to perform an assessment and identify underlying issues and business requirements at MSC. "With their credibility going beyond just SAP, folks at Deloitte acquired a sound understanding of our business, distribution, and finance," says Bonomo.

Deloitte's expertise in SAP S/4HANA and finance helped push the ball over the line in the selection of Deloitte, according to Bonomo. "It's not always about which provider is offering you the best cost, but which one is ready to take risks with you and negotiate," he says. "Also, ensure that the terms and conditions make you feel like both parties are aligned for success."

At the outset, Deloitte stepped in to help MSC zero in on key issues and operational pain points. Deloitte served as a knowledgeable guide and partner, identifying and helping to address roadblocks along the SAP S/4HANA implementation journey. Deloitte also helped MSC leaders get buy-in for the transformation strategy and determine what the architecture

would look like. The first 90 days of the project were spent building a blueprint, guided by Deloitte's in-depth understanding of distribution, combined with the firm's extensive experience and track record with SAP. (Deloitte has won three consecutive SAP Pinnacle Awards for achievements with SAP S/4HANA—most recently as SAP S/4HANA Partner of the Year—Large Enterprises.)

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OUTCOME: BUILT FOR SUCCESS

While the time for implementation was predicted to be 18 months, MSC worked with Deloitte to launch the new system in 15 months, at 5 percent under the initial budget. As with all its projects, the Deloitte team employed leading practices for SAP implementations—to help accelerate timelines and ensure that MSC was getting optimal value from the new technology. "We were surprised and impressed to see success of this magnitude in a first initiative—wherein a highly customized legacy system was replaced by SAP S/4HANA ahead of time and under budget," says Bonomo.

In an attempt to stay ahead of issues, MSC and Deloitte have continued to hold regular meetings on each aspect of the project—to address existing and get ahead of emerging issues. From a financial standpoint, Deloitte's consulting services and solutions, coupled with SAP S/4HANA, have helped MSC to become much more productive and efficient.

Regardless of the size or scope of the project, an ERP implementation entails a substantial investment in both human and financial resources. In essence, Bonomo believes, assembling the right team with the best people who are dedicated to the effort is essential for a successful implementation. For MSC, Deloitte proved its mettle by helping to deliver tangible results. "You are betting on the right horse if you are partnering with Deloitte for SAP," says Bonomo. 