

**SAP Solution Brief
SAP for High Tech**



DEMAND AND SUPPLY PLANNING FOR HIGH TECH

Comprehensive and cost-effective, the SAP® Demand Planning packaged solution for midsize high-tech companies enables you to reduce inventory and improve customer service levels, and derive a single demand forecast number by which to drive all business activities. You receive the proven demand-planning functionality of the mySAP™ Supply Chain Management solution – in a packaged solution that can be implemented in weeks and at a predictable cost and time to value. Equally important, the packaged solution quickly pays for itself by delivering dramatic benefits.

High-tech companies today face ever-changing customer demand, making it difficult for them to optimize the balance between inventory and customer service levels. The fact is, many midsize high-tech companies do not have an effective demand-planning process – the key to achieving the ideal balance – and as a result, they can face dire consequences. Customer service levels typically deteriorate because orders cannot be consistently filled on time. Production operations also have whiplash from constant changes in demand. At the same time, companies experience a decline in return on assets. They tend to carry too much or too little inventory at any point in time, and their inventory strategies are not aligned to satisfy specific product demand. In addition, inventory turns are low or deteriorating, and cycle times are not competitive.

These are just some of the effects on businesses when they lack a single demand forecast number by which to drive planning. And it's a common problem. Most high-tech companies struggle with untimely information flow across their organizations, and their employees typically have varying levels of interest and skill in forecasting. In addition, bottom-up forecasting processes often confuse employees when company financial goals are pushed from the top down. The highly variable, inaccurate forecasts that result prevent executives from being able to hold participants accountable for accuracy.

SAP® Demand Planning – Tailored for Midsize High-Tech Companies

How can you optimize demand planning for your business? With over 30 years of experience in the high-tech industry, SAP offers a packaged solution for demand planning that helps midsize high-tech companies achieve an optimal balance between inventory and customer service levels. The solution provides tools that transform forecasting from guesswork into a regular

business process and deliver a more accurate, single-number forecast that pulls together both internal and external variables. As a result, you have a better handle on your demand stream today – while laying the foundation for integrating both demand- and supply-planning processes in the future. Equally important, the solution quickly pays for itself by delivering dramatic benefits. For example, you can increase forecast accuracy and reduce your organization’s forecasting process cycle time by up to 75%, freeing up costly time and resources for other priorities.

A Powerful Solution That’s Fast, Proven, and Affordable

The SAP® Demand Planning packaged solution for high tech enables you to leverage advanced planning and optimization (APO) processes – and it can be up and running in weeks at a predictable cost and time to value. And with a defined scope and a modular, phased implementation, you quickly benefit from supply chain management capabilities that, until now, only large enterprises could harness. Fast, proven, and affordable, the solution enables your business today – and builds for tomorrow.

SAP Software: A Powerful Solution for Today – and Tomorrow

The packaged solution includes the mySAP™ Supply Chain Management (mySAP SCM) solution, the world’s leading APO software used by hundreds of customers today. You benefit from the complete range of functions that support supply chain planning, execution, and coordination, along with the demand-planning functions of mySAP SCM. Using this as a foundation, you can take a modular approach to deploying additional functions as your business requires.

Accelerated Implementation Services: For a Fast, Affordable, and Predictable Deployment

SAP-qualified partners deliver accelerated implementation services based on their extensive experience and proven methodologies gained from hundreds of successful customer installations at midsize high-tech companies worldwide. Implementations are affordable and predictable because they are

delivered using a clear, step-by-step methodology, including a work plan, team structure, and training plan tailored specifically for deploying mySAP SCM within high-tech companies. Product knowledge and experience, documented as configuration settings, reports and forms, data migrations, interfaces, and documentation, also reduce the time and cost of implementations – and ensure quick and effective adoption by employees. And during the implementation, you receive a business blueprint for the supply network planning phase, which you can use to jump-start the next step toward optimizing your extended supply chain.

Predefined Industry Functions Deliver Rapid Time to Value

The SAP Demand Planning packaged solution includes implementation of the following APO functions to support the forecasting requirements of high-tech businesses.

Statistical Planning

While statistical forecasting has not been widely used by high-tech companies, many industries today use it to improve forecast accuracy. The SAP solution makes it easy for you to leverage statistical forecasting, allowing you to look at multiple data streams, such as shipment history, customer orders, prior statistical forecasts, and judgmental data, to generate and compare various forecasts. The solution provides many out-of-the-box key figures and enables you to input countless other figures relevant to your organization. While the solution enables you to apply dozens of sophisticated forecasting models, it also includes an automatic selection feature that will choose and apply the best model for you. You can also perform composite forecasting to optimize results, and base your planning on the characteristics of variable, configurable end products. By enabling forecasting of many variants on the same product, the solution helps you to improve plan accuracy and react more quickly to changing market conditions. You can also add events that are unrelated to sales, such as competitors’ activities, upward or downward economic trends, and strikes, adding more market intelligence to your forecast planning.

Consensus Demand Planning

The solution enables a disciplined, consensus-driven, multi-functional process that aligns all company forecasts to create a single-number forecast. This internal number is used to drive all of the activities of your business – not just report accuracy. The forecast becomes the responsibility of a cross-functional team and provides mechanisms for periodic realignment based on actual deviations from plan. You can also align the forecast with key customer forecasts and other criteria, resulting in a realistic estimate of what can be sold.

All kinds of sales, marketing, and operations data, such as sales plans, budgets, forecasts, and promotions, can be imported and integrated into the consensus demand-planning process. The software provides instant views and reports, enabling participants to compare forecasts for the purpose of identifying, discussing, and closing gaps that affect their business decisions. Web collaboration features facilitate timely and efficient consensus building, and mechanisms are included for period realignment based on actual deviations from plan. The final demand plan can be transferred to SAP's supply network planning solution for further planning or to various SAP software products for execution, reporting, archiving, and integration with other applications.

Collaborative Demand Planning

The solution supports Web-based collaborative demand planning, which allows you to extend your internal consensus demand-planning process to manufacturers and distributors. By allowing your partners to provide input into your planning process, you can streamline work processes and ultimately benefit from a more accurate forecast, better market transparency, greater stability, reduced inventory, and better communication. Depending on the settings that you assign your partners, they can display selections in a planning book in table form or as a graphic, change the planning data, view and create notes, execute predefined macros, and export the data to Microsoft Excel or other spreadsheet programs.

Life-Cycle Planning

One of the most significant challenges high-tech companies face today is short product life cycles. In some segments, product life cycles can range from six months to two years. To help companies manage more effectively under these conditions, SAP leverages statistical modeling to improve forecasting capabilities. Using the concept of "like modeling," which enables you to use a similar product's history to generate the forecast for a new product, the software helps to lessen forecasting problems associated with "short" product life cycles. The software also provides "phase-in/phase-out" modeling, which allows you to account for the fact that when you introduce a new product or phase out an existing product, you expect the demand to be noticeably different compared to the "mature" phase of the product's life.

Management by Exception

Leveraging the alerting capability within mySAP SCM, you can make the management of the entire demand-planning process exception based, which saves employees time and increases their efficiency and effectiveness. Managers begin the day by addressing high-priority alerts and then work through an auto-prioritized list that includes low-priority alerts. Tracking alert situations, or events, in this way makes it easier to manage a vast supply chain and to respond immediately and appropriately to new developments.

Key Benefits

According to an AMR Research report, “The Case for Supply Chain Excellence” (June 16, 2004), companies with superior supply chain performance outperform their peers in earnings per share, return on assets, and profit margins. And that’s no surprise – because SAP customers have consistently realized significant benefits after implementing the SAP Demand Planning packaged solution. Our customers report that, on average, they realize the following benefits:

- Improved forecasting accuracy by more than 20%
- Reduced forecast cycle time by 50% to 75%
- Improved customer service cycles
- Reduced inventory levels by 30% to 35%
- Reduced cash-to-cash cycle time by 13 days

These benefits not only boost the bottom line, but they also quickly pay for the cost of the solution itself.

Hosting and Financing Options

SAP provides application hosting services for the ongoing maintenance of your demand planning solution, providing additional flexibility at an affordable price while also freeing up internal resources to focus on your core business. SAP Hosting works closely with a qualified SAP implementation partner to ensure a smooth and cost-effective transition from implementation to maintenance. SAP also provides a wide range of financing options to help you with your investment.

Increase Your Opportunities

Take the first step toward optimizing your demand-planning and forecasting processes. For more information about the SAP Demand Planning packaged solution, please visit our Web site at www.sap.com

Powered by SAP NetWeaver™

mySAP SCM is powered by the SAP NetWeaver™ platform, the open integration and application platform that enables change. SAP NetWeaver helps companies align IT with their business. It allows companies to obtain more business value from existing IT investments and to deploy a services-oriented architecture. SAP NetWeaver reduces total cost of ownership (TCO) and complexity across the entire IT landscape.

SAP NetWeaver powers mySAP Business Suite, SAP xApps™ packaged composite applications, and partner solutions. It provides the best way to integrate all systems running SAP or non-SAP software. SAP NetWeaver unifies integration technologies into a single platform and is preintegrated with business applications, reducing the need for custom integration.