SAP Industry Value Stories

Industrial Machinery & Components and ERP in the Experience Economy
Key Business Drivers in Industrial Machinery & Components

30% of manufacturers are predicted to use innovation marketplaces by 2022, raising margins 5%.

90% of large enterprises will generate revenue from data as a service by 2020.

>50% of OEMs are investing in IoT to support connected service.

**STRATEGIC PRIORITIES**

**Customer Centricity**
- Management of asset health
- Smart use of usage data
- Efficient fulfillment

**Serving the Segment of One**
- Provide solutions that fit the needs of a single customer
- Capture customer requirements and enable mass customization

**Digital Smart Products**
- Drive differentiation and specificity from digital capabilities
- Deliver products with self-awareness of technical health and operational status

“Brand management around products and services is becoming the primary marketing focus for the connected OEM.”

Kevin Prouty, Group Vice President, IDC
Creating **Superior Customer Experiences** Through Tailor-Made Solutions

Connections to the end customer are increasing through connected products, new service models, and new business models. While channels will remain important, a new era of the resilient value chain is forcing a recalibration of the roles of OEM and dealer. Product lifecycle management will incorporate service offerings and connected product information directly from the customer, increasing the number of outcome-based relationships.

From ...

- Selling products
- Static, one-size-fits-all experience
- Long feedback cycle on performance
- Brand value chain

To ...

- Delivering service and outcomes
- Highly customized product and services
- Connected product
- A resilient value chain based on customer needs
Traditional Processes Are No Longer Good Enough
Example: Make to Order
Gather ideas and requirements

Create, design, and generate BOM
Maintain manufacturing data
Handover to manufacturing
Move order through production
Outbound delivery, transport planning, and dispatch

Challenges

Management of ideas, requirements, designs, and bills of material in separate systems
Maintain master data and variants in various ERP, production management, and shop floor systems
Pass specifications to manufacturing in decoupled process, manually maintain delivery dates or rely on batch systems
Update variety of systems from production to project execution and tracking, all with different UIs, and data structures
Transportation process taking place in disparate systems with inefficient business partner collaboration
No real-time updates

Outcomes

Missed deadlines and uncoordinated change process
Inconsistent data and planning challenges
Production delays
Lack of visibility into production status
Unclear status for customer
Ex-customer or unprofitable customer

Analytics
Serving the Segment of One with a Lot Size of One in Manufacturing
Example: Make to Order
Key capabilities delivered

- Integrate customer- and partner-led designs
- Closed-loop change management
- Contain costs of custom products to levels of mass manufacturing equivalents
- Generate accurate, comprehensive bill of materials
- Automatically extract and classify unstructured data

Intelligent technology outcomes

- Coordinated design improves customer confidence
- Increased transparency and intelligent analysis yields improved forecasting and confirmation
- Streamlined handover to manufacturing increases accuracy and efficiency
- Intelligent processes rapidly identify potential shortages to streamline production and reduce safety stock requirements
- End-to-end analytics support real-time analysis for increased transparency and financial performance

SAP S/4HANA® customers achieve

- 20%–30% reduction in R&D cost
- 10%–15% reduction in order lead times
- 10%–20% increase in on-time delivery
- 10% reduction in manufacturing costs
- 10%–12% reduction in total logistics cost

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What **Industry Leaders** Are Doing Today

Examples
## What Industry Leaders Are Doing Today

### Hoerbiger Group

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<thead>
<tr>
<th>INDUSTRY</th>
<th>EMPLOYEES</th>
<th>REGION</th>
</tr>
</thead>
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<tr>
<td>Industrial Machinery &amp; Components</td>
<td>7,300</td>
<td>MEE, Austria</td>
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### Challenges

Hoerbiger needed to continue planned growth and also transition into a public company. Its broad geographical presence in more than 100 locations required it to establish a reporting system for plants with globally defined KPIs. This was to improve plant performance through effective use of assets by preemptive actions on maintenance and repairs, lower inventory and processing of customer invoices. Its customers now need products faster and configured to their requirements.

### SAP S/4HANA Innovations

Hoerbiger decided to redesign its business processes for standardization and simplification. It utilized the capabilities of SAP S/4HANA and intelligent asset management solutions to automate equipment usage measurements and automated customer invoicing based on usage. SAP S/4HANA also enabled Hoerbiger to capture unique product specifications using Machine Learning, orchestrated complex networks of internal/external partners, and thus improved business planning, billing accuracy, and customer satisfaction.

### Benefits

- 14% revenue increase
- 30% reduction in inventory
- 84% more standardization in processes to bring scalability and agility for business models
- 42% faster service delivery while lowering DSO by 5-10%
Challenges

With four manufacturing plants spread out over 75,000 square meters in and around Bangalore, Ace Designers Limited is India’s largest machine tool manufacturing company. To deliver the highest-quality products on a large scale, the company relies on state-of-the-art technologies across its operations. When Ace Designers needed a digital transformation solution that would help it meet increased complexity and productivity requirements, the manufacturer opted for state-of-the-art ERP software.

Benefits

Ace Designers migrated to SAP S/4HANA and is now:

• significantly improving operational performance and reducing data processing time
• exploring new features in line with newer business requirements
• improving efficiency of inventory management
• reducing data growth, with a reduction in data volumes from 2 TB to 240 GB
• reducing backup time from 11 hours to 1 hour
• improving database performance and scalability
• accelerating report completion from hours to minutes
• deploying SAP Fiori® apps for improving user experiences with transactions combined with analytics

“With real-time access to information and strong integration of all processes, SAP S/4HANA has clearly set the path ahead to scaling up our operations to the next level.”

TB. Raghavendra, CFO and Whole Time Director, Ace Designers Limited
What Industry Leaders Are Doing Today

Carl Stahl

Carl Stahl needed to not only survive the digitization megatrend but also turn it to its advantage. To meet its high customer expectations, Carl Stahl had to accelerate the digitization of its business processes, creating an advanced digital data architecture, a platform to include future innovations, and one common, real-time view of financial and operational data to help ensure enterprise-wide consistency and reduce reconciliation time and errors.

SAP S/4HANA Innovations
SAP S/4HANA provided a single source of truth (universal journal), New Asset Accounting. It also provided one common, real-time view of financial and operational data to help ensure enterprise-wide consistency and reduce reconciliation time and errors. Instant insights with on-the-fly analysis across all dimensions of financial data, empowering users with contextual, real-time information for faster and better decision making.

Benefits
Massive simplification within SAP S/4HANA to accelerate business value and eliminate the need for overly complex processes:

- Reduced reconciliation time and errors
- Faster and better decision-making