

SAP Customer Success Story Consumer Products – Beverages



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AT A GLANCE

Summary

Facing limited growth potential in a mature Mexican beverage market, soft drinks bottler Grupo Cimsa S.A. de C.V. (CIMSA) looked to improve its infrastructure. With help from SAP® Consulting and by using enterprise services architecture (ESA), CIMSA was able to create a road map, closely review its own way of doing business, and begin to implement new efficiencies.

Key Challenges

- Navigate major changes in corporate culture
- Increase profitability in a tight market with little room for growth

Project Objectives

- Add to profitability by decreasing costs and increasing efficiency
- Analyze all processes to see where to cut waste
- Enable the integration of information between different platforms and allow people in different areas to collaborate
- Simplify functionality and integration of various processes and functions

Solutions and Services

- SAP Consulting services
- SAP NetWeaver® Business Intelligence and SAP NetWeaver Exchange Infrastructure components
- SAP R/3® software (functionality now found in the mySAP™ ERP application)

Why SAP Solutions and Services

- SAP Consulting already knew the CIMSA business and didn't have to be walked through it
- Philosophies of SAP and CIMSA matched regarding ESA
- 3rd party would only have clouded the issue and wasted time

Implementation Highlights

- Business processes were improved with flexibility and innovation
- Smooth teamwork contributed to successful project

Key Benefits

- Immediate results from making business processes transparent
- Improved ability of IT to deliver relevant solutions for business requirements on time and effectively
- Newfound ability to develop common language between IT and business processes and become flexible in meeting market demands
- New process- and opportunity-oriented culture

Implementation Partner

SAP Consulting

Existing Environment

SAP R/3 software

Database

Microsoft SQL Server

Hardware

IBM

Operating System

Microsoft Windows

CIMSA

With Help from SAP® Consulting and Enterprise Services Architecture, Mexican Soft Drinks Bottler Maps Its Way to Higher Profits

When Grupo Cimsa S.A. de C.V. (CIMSA) leaders started looking two years ago for a way to increase profits, the bottler of Coca-Cola and other soft drinks knew that the answer lay within its own infrastructure. In Mexico's mature beverage market, it's hard to increase sales volume, so any income growth has to come from savings. “We wanted to have better visibility of our processes,” says Genaro Chávez Falcón, CIMSA's subdirector of IT. “In the age we're living in, systems are a basic part of survival.”

CIMSA bottles and distributes Coca-Cola, Sprite, Manzana Lift apple soda, Delaware punch, Fresca, and its own original brands in Morelos, Estado de México, and Guerrero – states that include some of the country's largest cities. The fourth-largest Coke bottler in the nation, CIMSA was founded in 1943 by Don Antonio Rivera Venegas. The company has two plants and 21 distribution centers. With US\$365 million in annual sales, the 5,000-employee company is not a large conglomerate by any means. But its operations could still benefit from a better architecture.

Challenge: Making More Profit in a Tight Market

Hemmed in by the mature market that prevents expansion, as well as by a franchise system that relegates each bottler to a territory, CIMSA – headquartered at Cuernavaca Morelos, just outside Mexico City – has known for some time that profits could only be increased by cost savings and enhanced efficiency.

Thus, the company began studying ways to squeeze the last drop of functionality out of its processes and business systems; as a result, most investment has gone into improving production and distribution facilities.

Choosing the Right Partner

Clearly, CIMSA's undertaking required the services of a skillful and experienced partner. CIMSA already used SAP R/3® software (functionality now found in the mySAP™ ERP application) and – because SAP Consulting already had so much background experience not only in its own solutions and technology but also in CIMSA's business requirements – the company felt that SAP was the ideal choice to help it move forward. Besides, the company's managers thought, to call in another vendor might simply confuse the situation. “We chose SAP Consulting,” says Chávez, “because we didn't want to lose focus on integration. Regarding our IT business solutions and creating an ESA road map, who knows SAP components better than SAP?”

It didn't take much for the SAP Consulting organization to convince CIMSA executives that creating an enterprise services architecture (ESA) road map would allow them to pave the way for greater earnings. “We saw many good opportunities for our business,” says Chávez. CIMSA managers soon realized that ESA – the business-driven software architecture enabled by the SAP NetWeaver® platform – was just what the beverage company needed.

Integrating IT and Business Processes

The company had started analyzing its processes using the SAP NetWeaver Business Intelligence component. However, as the project got underway, it became clear to CIMSA – from working with SAP consultants – that what had started as a review of company systems to gauge the relationships between operations and the company's technology had turned into a full-scale overhaul of how things are done at the company's bottling plants and offices – an initiative that could potentially transform the company for the future.

To begin work on this broader mission, the first step was to create an ESA road map – a series of milestones that would eventually lead CIMSA to a fully integrated business and IT strategy. The goal was to create an architecture based on business services – one that could maximize an emerging and integrated relationship between IT and the bottler's corporate business strategy. The new architecture promised to give CIMSA a better view of

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its processes and information and the ability to focus on fundamental activities, avoid duplication of work, and improve efficiency and flexibility. Furthermore, it was important to the company to simplify the functionality and integration of those processes and functions that are executed on different applications and platforms. In addition, by integrating information from different applications, CIMSA wanted to encourage people in different work areas to collaborate more effectively.

Gaining Insights with ESA

After understanding CIMSA's business and IT strategy, the SAP consultants helped the company measure its degree of readiness to adopt ESA. In order to define which business processes would be analyzed in detail, CIMSA and SAP consultants considered three variables: impact on the business through new opportunities to generate value; level of opportunity for conversion into enterprise services; and technological dispersion of applications and systems.

The ESA road map strives to bring together a company's various applications and integrate processes without the company necessarily having to install new software. Furthermore, the ESA

procedure for evaluating a company's business processes and IT landscape is complex. Each step of an operation is broken down into its components, no matter how small. To facilitate the procedure, the ESA team creates a questionnaire for each business process.

These questionnaires generate key data. For example, in the questionnaire that checks for readiness, SAP Consulting asked CIMSA managers to rate processes – in areas such as process standardization, harmonization of master and transactional data, and stable version control of process steps. The managers rated the various categories on a scale from poor to perfect. The team extrapolated from the current ratings and came up with the ratings it expected to achieve within the next three years. Similarly, the IT strategy questionnaire that the SAP consultants created asked the CIMSA staff to spell out which programs were already in place to address certain issues – especially how well business processes were aligned with the IT infrastructure.

Looking for a Successful Start and Quick Gains

CIMSA's confidence in the SAP Consulting team was soon rewarded. According to Chávez, the expertise of SAP Consulting and the knowledge it already had of CIMSA's business was evident immediately; the consultants' know-how sped up the evaluation process considerably. "When we started our walk-through of the processes, the SAP Consulting team knew the end-to-end process already," says Chávez. "So we didn't have to spend time looking for people who could dissect each part of the process."

SAP Consulting then helped CIMSA break down the main business processes into their smallest components. After evaluating them, CIMSA identified some key business functions as candidates for improvement: the order-to-cash, plan-to-produce, inventory management, project management, and human resources processes. More specifically, the project team identified three individual processes where it saw the potential for quick gains – client billing, demand planning, and project management.

Centralizing Production Planning

Two years ago CIMSA moved production planning to a central office instead of having each plant do its own. Now each plant has its instructions and quotas and is responsible for meeting them.

"Before, each bottling plant was an isolated structure," says Chávez. "We had two big plants and each one had its own structure. But two years ago this changed and we created a central demand and distribution planning office with two centers of production – this was very different. Prior to the change, the plants were competing against each other. Now the competition is outside, not inside. The way of working changed a lot and the systems have been a key to success."

Exposing Duplicated Work and Lost Value

As the ESA analysis of CIMSA's business further unfolded, the company continued to gain insights – sometimes surprising – about how things were actually functioning in the company, as opposed to how people thought they were functioning. Evidently, discrepancies in some operations had been leading to loss of value in some key areas. For instance, when the team mapped out the existing inventory control process, CIMSA's managers found that many employees were still keeping track of information in Microsoft Excel spreadsheets instead of, or in addition to, maintaining that data using the SAP R/3 software.

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"It was duplicated work," Chávez says. Besides, he adds, because the information was not 100% accurate, the redundant work and unreliable data was costing CIMSA time and money in lost employee productivity in a key part of the company. The insights were revealing and useful. "This type of thing happens a lot," Chávez says, commenting on the nature of taking a hard look at the business. "You always find that many processes you thought weren't being used any more are, in fact, still in use."

Managing Change Just as Important

A major challenge for CIMSA was how to implement the changes in the corporate culture that resulted from the evaluation process. Chávez makes the point that cultural changes in an enterprise do not happen overnight and that it took planning to keep 5,000 employees focused when all around them business processes were either changing or were completely new.

Chávez adds that CIMSA created a change-administration office to disseminate information to employees. The staff at the new office explains to employees what CIMSA is trying to do with projects and what to expect. "As a result," says Chávez, "we reduce the stress that the changes produce, and now the programs are better accepted. I think it's a key theme – managing change well is vital."

Benefits Galore – Just from the Road Map

Because the adoption process is ongoing and its components will be implemented over the next couple of years, many of the expected benefits are not yet evident. But according to Chávez, simply performing the initial evaluations and creating the road map has already paid off. "It has provided much light, much clarity," he says. "It's very different from proceeding with closed eyes."

Chávez points out another benefit of creating the road map: "It's something that helps us a lot in our dialogue with the business," he says. "These documents generated by the ESA plan have been useful, and we have used them in meetings with company directors. Sometimes it's difficult for directors to understand how things are related, and the documents have supported us greatly in this."

Insights Lead to Better Customer Service

CIMSA is also using some of its newfound know-how to improve the response time at its maintenance call center. Between 70% and 80% of CIMSA's clients are small stores such as mom-and-pop groceries. The remaining 20% of the customer base consists of large providers such as Costco, which sells CIMSA products by the pallet. For the smaller retailers, CIMSA provides the refrigeration units for storing and merchandizing its products.

By employing the SAP NetWeaver Exchange Infrastructure component, CIMSA responds more readily when a customer reports that a refrigerator or cooler isn't working properly. CIMSA can now deploy a technician immediately, thus reducing the amount of time the equipment is out of commission and – by keeping the drinks cool – keeping up sales. "For us, the capacity to chill the product is key. A cold product sells better than a warm product," Chávez explains.

Consolidation and Plans for the Future

The project has already made good progress. The first phase, creating the road map, was completed in 2005, and CIMSA expects the next phase – adopting the road map and putting it into practice – to continue until 2007. As the road map comes into play, CIMSA will tweak it to bring in areas that don't conform to its business goals. "We want to maintain a living road map," Chávez says. "Planning is key for us."

Now that it has a road map in place, CIMSA is looking forward to taking advantage of new business opportunities.

Today, CIMSA – as a result of adopting ESA – is armed with a detailed map of how its systems and processes are interrelated, is already starting to profit from its insights, and is well on its way to realizing the bigger picture – integrating its technology with its business plan.