ARVATO
OPTIMIZING AFTER-SALES SERVICES WITH A ONE-STOP SOLUTION

"ROI was not our top priority. Our top priority was a readiness for future business. We had a need for a new system and a need to invest. And by optimizing our processes, we also saved money."

Stefan Danckert, Vice President of IT, arvato AG

QUICK FACTS

Company
- Name: arvato AG
- Headquarters: Guetersloh, Germany
- Industry: Transportation and logistics
- Products and services: 3rd-party logistics
- Revenue: More than €6 billion
- Employees: More than 60,000
- Web site: www.arvato.com

Challenges and Opportunities
- Reduce operational costs by replacing legacy system
- Ensure reliability of data and stability of operations
- Provide tailored, quality service to customers

Objectives
- Quickly and cost-effectively process customer returns
- Streamline returns process
- Easily connect to remote systems to check on warranties
- Establish a foundation for future business

SAP® Solutions and Services
- SAP® ERP application, including materials management, sales and distribution, and customer relationship management functionality
- SAP NetWeaver® Business Warehouse component
- Quicker-than-expected implementation time (under 6 months)
- On time and within budget
- User-friendly applications

Why SAP
- Flexible, 1-stop solution
- Solid and scalable base that grows with customer and business needs
- Fully integrated forward and reverse logistics processes and data

Benefits
- Guaranteed flexibility and an optimized service portfolio
- Swift reaction to market requirements, especially those of high-tech customers
- Ability to keep promises to customers

arvato
BERTELSMANN

A leading international business process outsourcing company, arvato AG has more than 60,000 employees who design and implement solutions for business processes across integrated service chains for customers worldwide. Its services include creating and distributing printed materials and digital storage media as well as data management, customer care, customer relationship management, supply chain management, digital distribution, financial services, professional and custom IT services, and direct-to-customer distribution of educational media.

Each year, arvato manages more than 650 million shipments and services for more than 120 million customers. In addition, the company provides a wide spectrum of tailor-made logistics services and solutions to high-tech customers, including aftermarket sales and service operations, such as field service, return material authorization management and claims processing, after-sales solutions, and replacement, spare parts, and warranty management.

arvato not only customizes operational services for multiple customers and offers value-added services and in-house repair, the company also coordinates, monitors, and tracks the logistics processes of customers from start to finish. More than 1,400 employees are responsible for providing reverse logistics services at arvato, repairing roughly 2.6 million devices per year, from mobile phones, smartphones, and netbooks to routers and other point-of-sale materials. Keeping operation costs low and customers satisfied are top priorities for arvato, and an efficient returns service and delivery process is a critical ingredient for achieving the company's goals.

Foundation for International Expansion

In 2005 arvato made a strategic business decision to acquire Teleservice. The move would help the company establish an international foothold in 8 countries and at 13 different locations. The company's legacy system, however, did not support the multilingual capabilities that arvato now required as a result of the Teleservice acquisition. In addition, the legacy system was already contributing to high operating costs, and arvato was having difficulty finding qualified personnel to support the system. The company needed an IT solution that would help it thrive in a global market, a market with increasingly complex requirements.

arvato also needed to lower operating costs while ensuring information transparency and a fast and efficient supply chain for customers. Replacing the legacy system with newer technology would help arvato streamline logistics processes, such as inbound processes and warranty checks in vendor systems. New technology would also help the company ensure quick, cost-effective collection and return of merchandise. And by guaranteeing fast and quality service, arvato knew that it would be in a better position to retain customers and firmly establish itself in the international market.

Streamlined Processes with Integrated IT

arvato had specific requirements for its new IT solution. First, the company wanted a one-stop shopping solution for customers to process their returns. This would require an integrated system environment, one that could optimize forward and reverse logistics processes by combining after-sales services with logistic services. The company also needed to meet specific customer requirements by providing a flexible solution with easy-to-implement processes that also helped to ensure a quick time to market. "We had two major objectives," says Stefan Danckert, vice president of IT at arvato. "First, we needed to implement an integrated system environment with a central interface and one that would help reduce the cost of operations. Second, we needed a solution that was both reliable and stable."

Although arvato was already an SAP customer, the company still carefully considered a number of IT solutions.

"SAP has provided an application that is stable and that has also kept the total amount for repairs low."

Stefan Danckert, Vice President of IT, arvato AG

SAP was the only provider that had the system features arvato needed, and, from a repair perspective, the SAP® ERP application was the best fit to arvato's existing system landscape. The application also offered a solid and scalable foundation that arvato could build on as the company grew and business needs changed.

A Quick Implementation

arvato used a phased approach to implementing SAP ERP, moving from one location to the next. The first on-site implementation lasted six months – substantially quicker than expected. No business process reengineering was needed, and no organizational changes were required. Users at arvato, already familiar with SAP solutions, adapted to the system quickly. Applications were also intuitive, making ramp-up time much quicker and saving the company training costs. With more than 900 users, cost savings were substantial.

Using the first implementation as a design template, arvato moved on to the next. Implementation time for the second site was reduced by two months – from six months to four. Two additional sites have gone live with similar results, and arvato is preparing for future implementations at more company sites.

Cost-Effective and Efficient Reverse Logistics

With its new, fully integrated IT solution, arvato can now more easily process and track returned items and smoothly runs its customers' repair services. Customer data is integrated, secure, and reliable, and employees can track a product anywhere in the repair process. "One major advantage of the application," remarks Danckert, "has been the integrated document flow. It has helped to guarantee a maximum of visibility into the supply chain." Reporting is understandable, comprehensive, and complete, and management can quickly identify trends and take action as needed.

Execution of manufacturing and repair has become more efficient. SAP ERP easily handles complex routing for repair scenarios, and if a problem occurs, data can be quickly captured for analysis. The company can also determine costs through detailed labor tracking. So far, Danckert is impressed: "SAP has provided an application that is stable and that has also kept the total amount for repairs low."

Employee productivity at arvato has also increased. The repair cockpit is intuitive, which is important for technicians who are responsible for improving repair performance. Processes are more streamlined, more secure, and more transparent. Orders are processed more quickly, and standard invoicing processes are used. Combined, this helps to accelerate cash flow. And since the application helps ensure data validation, errors occur less often.

The application is highly customizable, and arvato has used SAP ERP as the basis for building new applications for arvato customers, with up to 40% new products designed for use on top of the SAP application. For example, arvato has designed a Web portal that is linked to the SAP software platform, which customers use to place and manage repair orders.

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Moving Forward to 4PL

arvato now has a comprehensive solution to manage its reverse logistics process from start to finish, and Danckert foresees a variety of potential new business opportunities. One of those opportunities is in 4PL (fourth-party logistics) services, for example, by operating a complete repair network across Europe and worldwide. Currently, the company is preparing for further system installations at its other sites. "We've found it's an application that can be easily deployed in small increments and that can be linked up more easily to achieve strategic advantages," says Danckert, "The first implementation gave us a readiness to move forward. It became the template that we can now use for all future implementations."

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