



“Streamlining our supply chain operations with SAP software for supply chain management was a major factor in positioning the company to take advantage of the growing broadband marketplace.”

Miguel Angel Sancho, IT Manager, Telefónica de España

AT A GLANCE

Company

- Name: Telefónica de España
- Location: Madrid, Spain
- Industry: Telecommunications
- Products and services: Fixed line and mobile telephony and broadband access services
- Revenue: €37.8 billion
- Employees: 220,000
- Web site: www.telefonica.com
- Implementation partner: IBM Consulting

Challenges and Opportunities

- Reduced costs and boosted productivity
- Rapid growth of asymmetric digital subscriber line (ADSL) business

Objectives

- Ramp up ADSL line installations from 500 to 3,500
- Coordinate demand planning and other supply chain activities with major suppliers

SAP® Solutions and Services

- SAP® software for supply chain management
- SAP Advanced Planning & Optimization component
- SAP NetWeaver® technology platform

Implementation Highlights

- Leadership of initial pilot project by IBM Consulting with team members from Telefónica and SAP Consulting
- Ongoing rollout to Telefónica suppliers and partners
- Pilot implementation ROI in several months

Why SAP

- Existing user of SAP ERP application
- SAP supply chain management software already in use by 80% of Telefónica suppliers
- Integration technology of SAP NetWeaver

Benefits

- Reduction of ramp-up time for new product introduction from 6 months to 1 month
- Reduction of underutilized inventory by over 40%
- Accelerated order processing
- Streamlined cross-company workflow
- 30% increase in employee productivity
- 90% increase in on-time customer installations

Existing Environment

SAP ERP

Third-Party Integration

- Database: Oracle
- Hardware: Sun Microsystems
- Operating system: Sun Solaris

TELEFÓNICA DE ESPAÑA

SAP® Software for Supply Chain Management and SAP NetWeaver® Help Global Telecom Build Broadband Business

In 2001, having successfully weathered the dot.com meltdown, Telefónica de España, an international telecommunications provider based in Spain, was ready to significantly expand its global operations. The company strategy was to reduce costs, boost productivity, and set the stage for rapid growth in its ADSL offerings.

“Streamlining our supply chain operations with SAP software for supply chain management was a major factor in positioning the company to take advantage of the growing broadband marketplace,” says Miguel Angel Sancho, IT manager at Telefónica.

“With the help of SAP software, we have been able to broaden our range of services, while keeping CAPEX and OPEX [capital and operational expenses] under control and meeting the challenge of a deregulated, more diverse marketplace.”

Telefónica is a world leader in the telecommunications industry, with presence in Europe, Africa, and Latin America. With more than 191 million customers, the provider is one of the world's integrated operators with the largest percentage of its business outside its home market. It offers a diversified range of services that span fixed phone lines, broadband Internet connectivity, mobile telephony, and Internet content services. The company has more than 220,000 employees. Revenues in FY 2006 were €37.8 billion.

Company Future on the Line

Sancho says that Telefónica had been having problems coordinating with its primary suppliers, third-party logistics service providers, subcontractors, and retailers. Most worrisome was the fact that Telefónica, due to high demand and supplier collaboration problems, was facing challenges deploying its ADSL services.

Telefónica wants ADSL to play a major role in building future revenue. However, existing processes and systems had reached their maximum capacity of 500 daily ADSL line installations – but 3,500 daily installations were needed to support Telefónica’s ambitious plans for growth. The company needed to change both inter- and intracompany business processes in order to meet the requirements for installing one million ADSL lines each year.

Implementing SAP® Solutions

In 2002, Telefónica, with the help of its project management team lead by IBM Consulting, decided to implement SAP® software for supply chain management (functionality now part of the SAP Supply Chain Management application), including its SAP Advanced Planning & Optimization (SAP APO) component for network life-cycle management. The company chose SAP software because it had all the functionality required to enable new business processes to be developed within Telefónica and its suppliers. Another reason to choose SAP was that Telefónica had already implemented the SAP software for enterprise resource planning (ERP). In addition, 80% of the company’s suppliers were using SAP software for their ERP operations.

Sancho recalls, “We decided to launch a pilot project limited to one product, one supplier, and one geographic area – ADSL, Alcatel, and Madrid, respectively. IBM, with help from SAP Consulting, deployed the SAP supply chain management

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software and SAP APO. We linked the software to Alcatel’s ERP system using SAP NetWeaver Exchange Infrastructure and RosettaNet – the communications protocol for open standards.”

“We were very pleased with the results,” he continues. “The new solution worked very well and paid for itself in just a few months.”

Ongoing Benefits

SAP APO continues to allow Telefónica to forecast demand more accurately, communicate that demand to Alcatel and its other suppliers, and convert forecasts to just-in-time supply networks. Both Telefónica and its suppliers have been able to substantially reduce inventory, which has resulted in cost savings to Telefónica and reduced prices from the suppliers.

Because the company has been better able to respond to market demand, it has reduced ramp-up time for new products from six months to one. Underutilized network inventory has seen reductions of between 40% and 60%. The company has also accelerated its order processing. Telefónica was able to streamline cross-company workflow and boost employee productivity between 30% and 40%. Significantly, the company increased its on-time customer installations by 90%.

Sancho says that the success of the pilot project set the stage for a widespread restructuring of Telefónica's business processes. As a result, the company plans to extend the solution to its other primary suppliers, including Lucent Technologies, Ericsson, and Siemens. All of Telefónica's primary contractors also use SAP supply chain management software.

The ongoing transformation of Telefónica's supply chain business processes is being driven by the company's continued success. For example, in April 2006, Telefónica passed a milestone with three million functioning ADSL lines in Spain. In the first half of the year, Telefónica generated €2,574 million in revenues. Net profits rose 40.3%.

One of the ways in which Telefónica is structuring its growth plans is by implementing enterprise service-oriented architecture (enterprise SOA) based on the SAP NetWeaver® technology platform. Enterprise SOA enables the company to deploy enhanced demand planning capabilities with SAP APO. SAP NetWeaver allows Telefónica to compose new applications and use enterprise services to rapidly enable business processes. With this architecture, the company can improve its reuse of software components and become more agile in responding to change.

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In addition to using the SAP NetWeaver Exchange Infrastructure component, Telefónica is using the knowledge management functionality in the SAP NetWeaver Business Intelligence component and – as part of enterprise SOA – composite applications based on the SAP NetWeaver Application Server component.

“By implementing SAP software and enterprise SOA, we have been able to build on the benefits that we first realized in the initial pilot project,” says Sancho, “as well as build new processes to fuel Telefónica's continued growth.”

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