HD SUPPLY FACILITIES MAINTENANCE

INCREASING EFFICIENCY WITH SAP® BUSINESSOBJECTS™ SOFTWARE

"SAP BusinessObjects Planning and Consolidation helps us drive greater efficiency in planning and reporting processes and enhance cost controls."

Mark Schneider, Senior Manager of Financial Planning and Analysis, HD Supply Facilities Maintenance Ltd.

QUICK FACTS

Company

- Name: HD Supply Facilities Maintenance Ltd.
- Location: San Diego
- Industry: Wholesale distribution
- Products and services: Maintenance, repair, and operations products
- Revenue: US$1.6 billion
- Employees: Approximately 3,600
- Web site: www.hdsupplysolutions.com
- Implementation partner: Akili Inc.

Challenges and Opportunities

- Enhance ability of managers to positively affect productivity
- Reduce time spent managing planning and reporting software
- Enable employees to access source data
- Eliminate need to manually aggregate and transfer information between applications
- Empower employees to use software without training
- Use more effective cost-management measures
- Boost business user accountability for planning and for reviewing results

Objectives

- Implement software that will evolve with the company's changing requirements and meet customer-facing needs
- Create a user-friendly planning and reporting environment

SAP® Solutions and Services

SAP® BusinessObjects™ Planning and Consolidation application

Implementation Highlights

- Implementation in approximately 5 months
- 250 users
- Quality assurance and training ownership by customer

Why SAP

- Support for changing financial-reporting needs
- Integration with existing SAP ERP application and Microsoft Excel

Benefits

- Lowered the number of support calls during the planning and report-generation process
- Reduced data-entry errors and miscommunication during the planning process for selling, general, and administrative expenses (SG&A)
- Increased consistency in forecasting and planning across the business
- Gained better insight into and accountability for SG&A across each business area
- Eliminated discrepancies through a single source for headcount reporting
- Empowered employees to easily conduct detailed analysis and arrive at accurate conclusions quickly
- Enabled managers to clearly and consistently explain cost variations
- Increased capabilities to better align costs with commercial days and catch forecasting "misses" before they get built into the annual plan

Existing Environment

- Cognos software
- SAP ERP

HD SUPPLY FACILITIES MAINTENANCE℠

SAP Customer Success Story
Wholesale Distribution

SAP®

When you run a labor-intensive and seasonal business, you must tightly align costs with revenues to ensure profitability. That was the challenge facing HD Supply Facilities Maintenance Ltd., one of the nation's largest providers of maintenance, repair, and operations (MRO) products. As business grew, the company's planning and reporting software couldn't keep pace. "We needed to use more effective cost-management measures to reach our business goals," says Mark Schneider, senior manager of financial planning and analysis (FP&A) at HD Supply.

With a focus on delivering MRO supplies on time and on-site, HD Supply employs approximately 3,600 people and stocks more than 22,000 items. To increase efficiency and better manage costs, the company chose the SAP® BusinessObjects™ Planning and Consolidation application.

Outgrowing Planning and Reporting Software

To successfully process and deliver more than 20,000 orders per day, HD Supply requires a large labor force and a network of facilities and vehicles. In addition, the company must manage a significant number of variable and fixed costs. As the company had to build out its organization to serve a growing number of customer channels with differing needs, these issues became more problematic.

The company had built its modular planning and reporting software around its unique business cost structure. While the software enabled HD Supply to build budgets and generate month-over-month variance reports, it did not always calculate results correctly. "Our team sometimes spent one or two days resolving issues with the application," explains Schneider.

Because the software's modules lacked integration, the FP&A team had to manually move data from the planning area to the reporting area – a time-consuming and error-prone process. Furthermore, as the company adapted its organizational structure to satisfy customer needs, the team struggled to adjust the software accordingly. "We needed a sophisticated tool that enabled us to easily and accurately track expenses and analyze our financials," continues Schneider.

Extending the Value of the Existing Environment

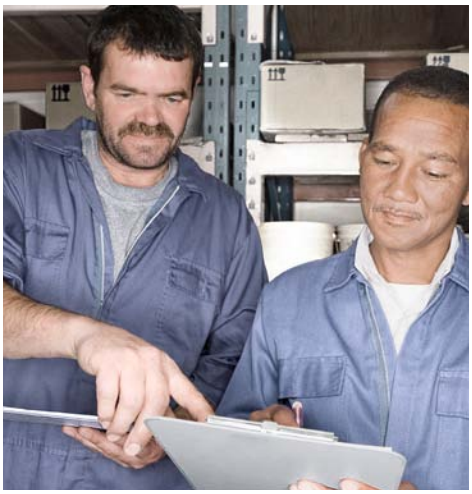
The company began evaluating solutions. It needed support for its annual forecast and planning process, with a 16-month outlook. In addition, it required a solution that was flexible and scalable to support its unique and changing financial-reporting requirements. Furthermore, it wanted software that could integrate with Microsoft Excel and the company's existing implementation of the SAP ERP application. HD Supply didn't have to look far. "When our SAP account executive told us about the SAP BusinessObjects Planning and Consolidation application, it sounded like the perfect fit," says Schneider.

SAP also recommended that HD Supply work with Akili Inc. for implementation. As an SAP services and channel partner, Akili's experience suited the company because of Akili's history of forming close vendor partnerships during implementation.

A number of measures helped ensure a successful implementation in approximately four months. For example, cross-functional input – early in the design phases – helped address key requirements. In addition, by applying Akili's iterative design approach, HD Supply identified opportunities to enhance the planning and reporting process.

Gaining More Efficiency

As the company's forecast and planning process occurs annually, HD Supply had to continually retrain its employees on the use of its planning and reporting software. SAP BusinessObjects Planning and Consolidation enabled the implementation team to develop custom menus that walk employees step-by-step through the most common planning and reporting activities. "This customization



"The SAP solution helped reduce data-input errors and increase consistency in forecasting and planning across our business."

Mark Schneider, Senior Manager of Financial Planning and Analysis, HD Supply Facilities Maintenance Ltd.

reduced the number of support calls by more than 50% during the planning and report-generation process," says Schneider.

The software also enabled HD Supply to improve the accuracy and simplify the process of headcount planning. The company found it challenging to accurately track variable expenses for nonexempt employees and fixed expenses for exempt employees absent a clear reconciliation between planned and actual headcount in the former reporting tool. Seeding the actual headcount for exempt employees from the company's payroll system into SAP BusinessObjects Planning and Consolidation simplified the planning process for selling, general, and administrative expenses (SG&A).

"The first time we used the SAP software for our planning cycle was easier than the fifth time on the prior solution."

Mark Schneider, Senior Manager of Financial Planning and Analysis, HD Supply Facilities Maintenance Ltd.

The data entry process is now streamlined and less prone to error. HD Supply also can utilize a budget approach built from the ground up for its nonexempt employees, in support of variable labor planning.

Moreover, with SAP BusinessObjects Planning and Consolidation, the company simplified and streamlined the SG&A planning process. The software made it possible to limit the number of predetermined general ledger accounts presented as departments worked on the annual forecast and plan. Plus, it enabled the company to prepopulate the forecast and plan with actual historical results. "The SAP solution helped reduce data-input errors and increase consistency in forecasting and planning across our business," says Schneider.

Enhancing Accountability

SAP BusinessObjects Planning and Consolidation also helped HD Supply enhance business user accountability. The application made it possible to establish multiple revenue amounts for each area of the business as a statistical account that could be used for planning and reporting. This provided better insight into SG&A as a percent of the specific revenue in which each area of the business is most closely aligned. "With this knowledge, we gained relevant basis-point comparisons to better understand the productivity impacts of all functions – without having to manually manipulate financial and general ledger revenue in offline analyses," explains Schneider.

The company's previous software did not always provide enough detail to systemically capture the underlying drivers for key expenses in reports. This forced numerous support calls and e-mails to develop variance explanations. The company created a template that allows business users to input support detail for the planned general ledger account. Users may also add free-form comments to input templates and reports for forecasting and planning. Now that employees can document and explain their rationale for cost changes, communication is streamlined during the planning cycle. "In fact, the first time we used the SAP software for our planning cycle was easier than the fifth time on the prior solution," says Schneider. Moreover, the company has improved its overall insight into and accountability for SG&A.

HD Supply needed a way to consistently view headcount growth and investment across the organization, which was previously tracked offline in payroll-system extracts. The company used SAP BusinessObjects Planning and Consolidation to develop an automated monthly headcount load and analysis that isolated changes from existing headcount on the basis of job title. According to Schneider, "This enables us to fully reconcile all changes as a variance from our existing headcount, and clearly articulate the annualized roll-forward impact of year-end forecast period and plan investment decisions. In addition, because the data reconciles each month to our HR system and provides a single source of headcount reporting, we no longer worry about discrepancies."

Realizing More-Effective Cost Management

Previously, employees had been forced to research cost drivers in actual results through a time-consuming process outside of the company's planning and reporting solution. With cost-management

tools in SAP BusinessObjects Planning and Consolidation, the company can present actual invoice-level data in tabular, real-time views. Employees now see immediate reasons for cost drivers. They can drill down from reports into Microsoft Excel or SAP ERP for immediate access to expense-related data and can quickly arrive at accurate conclusions. "Now our employees can easily conduct detailed analysis as necessary – without toggling between applications," says Schneider.

HD Supply conducted a user feedback survey upon completion of the first planning cycle. The survey indicated that training was easy to administer and retain. In addition, users were comfortable with the Excel-based input and presentation of information that was easily tailored to the needs of specific groups, such as transportation, customer contact, and warehouse functions.

The SAP application also helps improve reporting. The company created standard variance reporting in SAP BusinessObjects Planning and Consolidation, which provided comparisons to the plan and to prior years. This enables managers to explain cost variations based on relevant revenue. Additionally, HD Supply uses the application to create standard reports showing actual, forecast, and cost variances so it can better align costs with commercial days – days the company is in operation – and fulfilling customer orders. As a result, the company can better leverage both fixed and variable costs. It also can catch forecasting "misses" – issues that may not take true expense run rates into account – before they get built into the plan for the year. "SAP BusinessObjects Planning and Consolidation enhances our ability to positively affect productivity and cost management," concludes Schneider.

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