BALKAN STAR

UNIFYING OPERATIONS AND DRIVING CONTINUED GROWTH WITH SAP® SOFTWARE

"SAP provided the only solution that could support Balkan Star's wholesale and retail companies in a completely integrated way."

Ivan Kiurkchiev, General Manager, B-Systems

QUICK FACTS

Company

- Name: Balkan Star
- Location: Sofia, Bulgaria
- Industry: Automotive
- Products and services: Automotive wholesale, retail, and service operations
- Revenue: €110 million
- Employees: 650
- Web site: www.balkanstar.com
- Implementation partners: proaxia consulting group ag, B-Systems

Challenges and Opportunities

- Enable continued business growth by integrating systems and processes and improving scalability
- Gain full business visibility and improve planning and decision-making processes
- Reduce costs by eliminating manual processes and increasing employee productivity

Objectives

Replace fragmented applications and eliminate manual processes with a single, integrated IT solution that supports all core processes for wholesale and retail operations

SAP® Solutions and Services

- Wholesale division: SAP® ERP application, SAP Vehicle Management for Automotive package, SAP Warranty Management application
- Retail division: SAP Dealer Business Management application

Implementation Highlights

- "Big-bang" approach for going live in 4 locations, with a phased implementation in other countries
- Multibrand and multicountry wholesale and retail template

Why SAP

- State-of-the-art solution that supports wholesale and retail businesses on a single platform
- Trusted solution provider with a sustainable future
- Support that spans multiple countries
- Software that supports multiple brands
- Highly scalable software functionality specific to the automotive industry

Benefits

- Ability to support and enable continued business growth
- Improved business visibility via predefined key performance indicators within cockpits
- Establishment of integrated, scalable, company-wide processes
- Instant access to accurate, company-wide inventory data, preventing unnecessary reorders
- Data consistency that enabled integrated processes, efficient stock management, and accelerated sales
- Integration with IT systems of OEMs, enabling real-time access to product, order, and configuration data
- Improved customer service
- Automated processes that accelerate handling of customer-related tasks and communication

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Balkan Star sells and services vehicles such as Mercedes-Benz, Maybach, smart, Jeep, Mitsubishi, Setra, Mitsubishi Fuso, Renault, Nissan, and Dacia. Part of the Willi Betz Group, Balkan Star consists of two wholesale companies and a retail one. "Each company used different, fragmented IT systems for financials and other business processes," says Anna Boyadjieva, project manager for B-Systems, the internal arm of Willi Betz that provided system integration and IT services for the Balkan Star project. "SAP software helped unify operations and lay the foundation for growth."

Challenges of Rapid Growth

Founded in the 1990s, Bulgaria-based Balkan Star grew quickly and was poised for further expansion. "From a process and scalability perspective, however, we had hit the wall with our heterogeneous IT landscape," says Boyadjieva. "We couldn't grow any further without integrating processes and data across all three companies. Each area of the business had different customer data with no single, shared view. Employees worked in parallel rather than as a team to meet customer needs, making it difficult to provide well-coordinated, high-quality service."

In light of this – and despite the fact that sales were down substantially due to a global recession – Balkan Star made the bold decision to invest in an IT transformation. The executive team envisioned a new IT landscape that would unify data and processes across all legal entities and enable a single, integrated view for all automotive brands sold and serviced. "We called this large strategic initiative the Automotive Business Solution, or ABS," states Boyadjieva. "Executing on it required the redesign of each company's core processes based on best practices for our industry."

The right solution would support both wholesale and retail operations and provide full transparency across the business. "Because each subsidiary used different financial software that stored data differently, we couldn't get an overall picture of costs, profitability, and their interrelationships," says Boyadjieva.

Management also wanted a solution that would increase efficiency and reduce costs by improving integration between vehicle manufacturers, Balkan Star's wholesale companies, and its retail centers. "We wanted to have accurate, up-to-date master data and prices from the automotive manufacturers, with detailed information about product configurations direct from each OEM. We always had out-of-date information that was manually entered into spreadsheets," notes Boyadjieva. The envisioned solution would also help create consolidated views of company-wide customer data.

Choosing the Right Solution

The management team took great care in evaluating potential IT solutions. It wanted a state-of-the-art, comprehensive solution from a company with a sustainable future. To ensure that it made the best choice, the team developed detailed, weighted evaluation criteria for each process required by the wholesale and retail businesses.

"We chose SAP software because of its strengths in the automotive industry," says Ivan Kiurkchiev, general manager at B-Systems. "SAP provided the only solution that could support Balkan Star's wholesale and retail companies in a completely integrated way. And Willi Betz used SAP software as well."

Equally important, SAP® software could facilitate compliance with the EU's Block Exemption Regulation, which regulates all automotive wholesale and retail businesses. Management also liked that SAP software is flexible enough to accommodate changes, supports a variety of languages, and offers prebuilt adaptors to ease integration with the IT systems used by its OEM partners.

A Smooth Implementation

Balkan Star took a phased approach to the implementation, starting with its Bulgarian locations. Working with proaxia consulting group ag, the company

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Manfred Multz, General Manager, Balkan Star

deployed finance and controlling functionality first, followed by wholesale business functionality. This was integrated with the systems of the automotive manufacturers so that the software could be populated by accurate master data and kept up-to-date in real time. Once the wholesale side of the business was up and running, Balkan Star deployed functionality supporting the retail operations. This gave managers direct access to the real-time data coming from the OEM partners and the wholesale operations.

The company deployed standard functionality across all locations, with proaxia adding custom-developed features that fine-tuned the solution to meet some unique business needs. "We worked hard to implement standards-oriented, international best practices. The idea was to use the initial implementation in Bulgaria as a template to streamline and accelerate deployments in other countries and to accommodate other brands we may choose to carry in the future," says Boyadjieva.

Recognizing that employees would need to learn how to transition to the new software and processes, executive management gained the buy-in of local managers before beginning the project. Together, they identified key users at each location. "We provided these users with special training early on so they could get comfortable with the software and help others," says Boyadjieva. "This was followed by a two-month training period for all employees and then a refresher course a week before launching the software."

Transformed Operations

Balkan Star now has a single IT solution that covers its wholesale and retail businesses in Bulgaria, as well as a blueprint for enabling successful rollouts of the solution to other locations. "For the first time, we have full transparency across all areas of our business," says Manfred Multz, general manager at Balkan Star.

"Now, all the data we'll ever need on our profitability and costs is available in real time."

Manfred Multz, General Manager, Balkan Star

"For example, the wholesale business receives data regarding availability, prices, delivery dates for orders, and more from OEMs. This information, as well as warehouse inventory and parts data, is instantly integrated into our business processes." When the wholesale business orders new vehicles using an online ordering system, status information is instantly updated in the software and available to staff on the wholesale and retail sides of the business. This allows salespeople to keep customers up-to-date with accurate delivery information regarding their orders.

Equally important, everyone is working from the same set of data and operating more effectively, as core processes are natively integrated. Before, someone at a retail location had to e-mail a PO to the wholesale business. The PO triggered a paper-based process with lots of dependencies and little or no visibility into the current status of inventory or orders. "In many cases, we had the part in the warehouse of another location, but no one could access company-wide inventory data and find it," says Boyadjieva. "So we ended up ordering the same part again, rather than making an intercompany transfer that would have accelerated customer service and lowered our inventory costs." With the SAP solution, the parts-ordering process is fully automated and integrated. POs, orders, and invoices are all electronic, and everyone has real-time visibility into all current stock and the status of orders from OEMs.

Management can also centrally monitor performance using predefined key performance indicators and reports optimized for the auto industry. "Before, data was trapped in different systems with different structures and not readily comparable. We had to rely on estimates to make decisions," says Multz. "Now, all the data we'll ever need on our profitability and costs is available in real time."

Looking to the Future

ABS is now the business management platform for all brands and legal entities within the Balkan Star automotive group. The company is pleased with the benefits realized thus far. Processes are faster and leaner, people can get more done in less time, and several business improvements were immediately achieved.

"Dead stock" parts inventory was reduced by up to 80%. In some remote sites, parts turnover frequency and on-stock times were improved by 30% to 80%. Order processing significantly improved, and delivery times were reduced. The frequency of introducing new products to the market in aftersales, warranty, and finance has increased. Due to its improved business flexibility, Balkan Star gained market share in segments formally outside of its business scope. Credit management improved 68% because of the reduction of overdue payments for customers with credit lines. Customer and product information gathering and management were restructured, with better information utilization. Profitability reporting and consolidation of information were also facilitated.

Balkan Star managers now have a much better understanding of the business and are able to steer it in the direction they want. They have the visibility and insight to proactively drive performance. Service levels and responsiveness to customers are higher. In addition, the company has a stable technology platform to support and enable growth.

Going forward, Balkan Star plans to continue the rollout of the ABS template across all locations. Once the entire company is running on the same SAP software platform, management plans to monetize the IT investment by making it available to other auto wholesalers and retailers. "B-Systems now has a proven project template in place that can be integrated with expert consulting support from proaxia to enable other regional implementations," adds Boyadjieva.

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