



HP IPG LATIN AMERICA

OPTIMIZING INVENTORY ACROSS LATIN AMERICA

QUICK FACTS

Industry

High tech

Revenue

US\$104 billion

Employees

172,000

Headquarters

Palo Alto, California

Web Site

www.hp.com

SAP® Solutions and Services

SAP® ERP application; SAP Advanced Planning & Optimization component; SAP Enterprise Inventory Optimization application by SmartOps

From enterprise servers to home printers, Hewlett-Packard Company (HP) is a global technology provider. HP Latin America serves a diverse market of over 40 countries. HP IPG Latin America serves customer printing needs from industrial solutions to home-based printing. To improve inventory management across the region, HP IPG Latin America implemented SAP® business software and the SAP Enterprise Inventory Optimization application by SmartOps, resulting in reduced inventory and increased service levels.



Key Challenges

- Manage a large number of finished goods with frequent substitutions
- Operate a multiechelon manufacturing, assembly, and distribution network
- Manage a mix of low- to high-volume items
- Handle regional supply chain uncertainties
- Maintain customer service quality while reducing inventory
- Optimize inventory with more granularity

Implementation Best Practices

- Developed a formal success measurement process
- Drove project by regional business needs
- Received strong support at corporate level
- Involved business owners across functions

Financial and Strategic Benefits

- Increased response to forecasting accuracy
- Achieved service levels of 94% to 97%
- Improved accuracy of inventory targeting based on variation analysis
- Implemented a better mix of inventory at individual locations
- Gained the ability to track inventory at the location, SKU-item, and time-frame level
- Provided on-time information for decision making
- Tightly integrated planning and execution systems

Why SAP Was Selected

- Integrated, end-to-end supply chain planning and execution platform
- Scalable, stochastic, and multistage inventory optimization
- Ability to model demand and supply uncertainties
- Strong partnership between the Hewlett-Packard Company and SAP

Low Total Cost of Ownership

- Implemented optimization software in 5 months
- Took advantage of standard SAP® software integration
- Developed regional inventory skill sets
- Set up solution to run on a shared, HP-hosted environment

Operational Benefits

Key Performance Indicator	Impact
Overall inventory levels	-29.1%
Supplies division inventory	-8.8%
Consumer division inventory	-32.3%
Commercial division inventory	-39.2%

“We would like IPG Latin America to be the showcase for inventory management within Hewlett-Packard.”

Salvador Romo-Fragoso, Director of Supply Chain Operation, Hewlett-Packard Company IPG Latin America

www.sap.com/contactsap

Regional Challenges in a Complex Supply Chain

As the world's largest IT company – with over a billion customers on six continents – it's no surprise that Hewlett-Packard Company (HP) can also claim the industry's largest supply chain. HP IPG Latin America delivers thousands of separate printing technology products to more than 40 countries through a multiechelon manufacturing and distribution network ranging from industrial solutions to home-based printing.

When HP IPG Latin America wanted to improve inventory management across the region, executives knew they had to replace their static, rule-of-thumb approach. They needed a dynamic solution that could support a rapid response to the region's mercurial business conditions. For as Salvador Romo-Fragoso, regional director of supply chain operations, quips, “In Latin America, everything changes every single day.”

Rolling Out an Integrated Solution

To support end-to-end supply chain activities, HP IPG Latin America implemented an integrated platform that includes the SAP® ERP application and the SAP Advanced Planning & Optimization component. Subsequently, the company added the SAP Enterprise Inventory Optimization application by SmartOps to gain even greater efficiencies. Decision makers were impressed with this applica-

tion's holistic approach to inventory optimization and its ability to integrate fully with the other SAP software.

Benefits Down to the SKU Level

The SAP software platform provides greater visibility into inventory and provides a central repository for demand management, supply network planning, and proactive exception management. With real-time information fueling monthly forecast and weekly replenishment processes, the company has increased its response to forecasting accuracy and significantly reduced days of inventory.

Building on this success, HP IPG Latin America sought added benefits with SAP Enterprise Inventory Optimization. “First, you need a transactional engine that connects all the information,” Romo-Fragoso observes. “Then you can find ways to gain more precise targeting for your inventories.” SAP Enterprise Inventory Optimization enables HP IPG Latin America to establish timed-based inventory targets for every SKU at each location – some 40,000 items in total. By adapting quickly to the uncertainties in supply and market demand, managers can place optimal inventory across a complex supply chain.

HP IPG Latin America premiered the application in its high-volume supplies business; at the time of implementation IPG represented more than 50% of the region's revenue. In the first year, the company reduced inventory almost 9% in this already

well-run operation. Subsequently, even greater improvements were seen in the consumer and commercial businesses. On average, the region reduced overall inventory by more than 29%.

But optimization goes beyond inventory reduction. HP IPG Latin America can also establish the right mix of products at individual locations – matching inventory levels to local demand. Moreover, the company achieved these efficiencies without sacrificing customer service. With service levels at 94% to 97%, HP IPG Latin America is exceeding some previous targets.

A Still Brighter Future

At HP IPG Latin America, inventory improvement is an ongoing process. The company continuously recalculates its inventory targets in response to the ever-changing market conditions. Executives have reason to showcase their accomplishments – as the numbers indicate, their efforts to optimize inventory have been very successful. En verdad, fantástico!

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