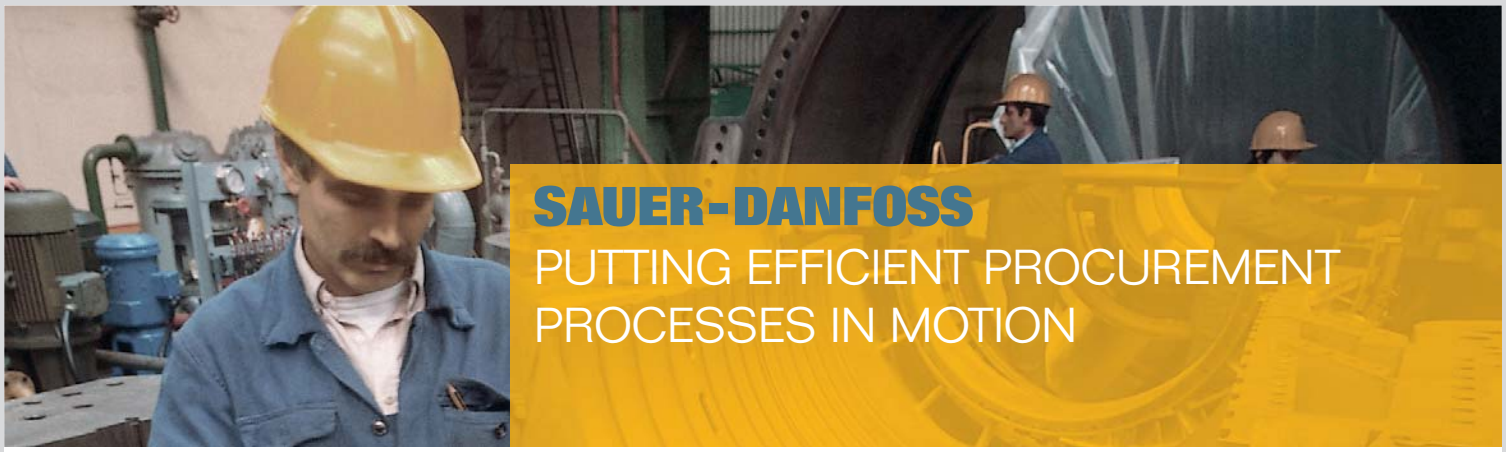

SAUER-DANFOSS

PUTTING EFFICIENT PROCUREMENT PROCESSES IN MOTION

QUICK FACTS

Industry
Industrial machinery and components

Revenue
US$1.2 billion (2009 estimate)

Employees
5,900

Headquarters
Neumünster, Germany

Web Site
www.sauer-danfoss.com

SAP® Solutions and Services
Implementing a Web-based supplier portal with the SAP® Supply Network Collaboration application

Implementation Partner
SAP Consulting

Sauer-Danfoss Inc. is a leader in the production of engineered hydraulic and electrohydraulic systems, with more than 20 manufacturing sites worldwide. Each of these locations procures tens of thousands of direct materials from shared suppliers around the globe. By choosing SAP® software to implement a single Web-based interface for its suppliers, Sauer-Danfoss gained greater control over its procurement operations while reducing operating costs.

Key Challenges

- Provide a single method for communicating with globally shared suppliers
- Respond effectively to changing requirements and shorter lead times
- Reduce inventory financing, excess inventory, and airfreight costs
- Improve productivity
- Retire a homegrown legacy system

Why SAP Was Selected

- Sauer-Danfoss corporate philosophy to leverage SAP® software globally whenever and wherever possible
- Availability of rapid deployment model
- Consulting support for new functionality
- Web-based solution for supplier collaboration

Implementation Best Practices

- Strong executive support
- Project leadership with IT, procurement, and lean background
- All regions and affected business units represented on global project team
- Pilot rollout with 10 suppliers in the United States and Germany
- Tailored training for internal users and suppliers

Low Total Cost of Ownership

- On-budget implementation
- Single blueprint for global implementation
- Minimal customizations for easier upgrades
- In-house team provides global support

Financial and Strategic Benefits

- 1 Web-based portal for global suppliers
- Reduced overshipments and inventory levels
- Enhanced 2-way communication with suppliers
- More accurate payments to suppliers
- Shipping errors identified at point of receipt
- Improved productivity in procurement and accounts payable (AP)
- Faster supplier response to changing requirements
- Real-time access to information
- Elimination of paper invoices
- Reduced payment discrepancies through system controls

Operational Benefits

Key Performance Indicator	Impact
Payback period	18 months
Early shipments	-41% reduction (where implemented)
Payment discrepancies	-100% reduction (on-boarded suppliers)
Manual processes in AP	Reduced up to 100%

SAUER DANFOSS

SAP®

"We have already seen significant benefits, and we expect more in the future."

Gary Botine, VP Information Technology, Sauer-Danfoss Inc.

www.sap.com/contactsap

A Better Way to Communicate

Know-how in motion. At Sauer-Danfoss Inc., these words aptly describe the company's innovative products and its approach to business. Sauer-Danfoss is a leading manufacturer of engineered hydraulic, electric, and electronic systems that help propel and control mobile machinery such as road-building, agricultural, and construction vehicles.

These products are, in turn, built with tens of thousands of parts that Sauer-Danfoss procures from thousands of direct material suppliers. Many of these vendors are shared by the company's more than 20 worldwide manufacturing facilities. But Sauer-Danfoss lacked a global solution for communicating with those suppliers that were unable to use Electronic Data Interchange (EDI) technology.

Sauer-Danfoss was at a crossroads. The company could extend a home-grown legacy system currently used in the United States, or it could take the opportunity to roll out new functionality globally to drive greater process efficiency and improve two-way communications. With a corporate philosophy of leveraging SAP® software globally whenever and wherever possible, Sauer-Danfoss chose the SAP Supply Network Collaboration (SAP SNC) application to provide its worldwide suppliers with a single Web-based interface.

A Business-Driven Project

For this company-wide initiative, Sauer-Danfoss had representatives from all regions and affected business units on the project team. It also ensured that the implementation addressed the specific business needs of the procurement organization. "This project was successful because it was business driven and had the highest level of executive support," notes Gary Botine, VP of information technology at Sauer-Danfoss.

Using a single global blueprint, the company has already completed rollouts at nine sites, and 125 direct material suppliers, who provide more than 2,500 parts, are set up in the new system.

Global Benefits

"By retiring our legacy solutions and establishing SAP software as a common platform, we can enforce standard processes for how Sauer-Danfoss procures products for the business," observes Botine. These processes include mandatory advance shipping notifications (ASNs) from suppliers and streamlined invoicing and payment practices that leverage evaluated receipts settlements (ERS).

As a result, Sauer-Danfoss manages incoming inventory with greater visibility and accuracy. Enhanced two-way communication, for example, provides suppliers more complete forecasting information. And instead of using blanket orders, the company relies on individual purchase orders and supplier ASNs to curtail unexpected deliveries and to catch shipping errors at the time of receipt. Today, Sauer-Danfoss has reduced overshipments and significantly cut early shipments – up to 41% in the company's largest North America division. These efficiencies are helping Sauer-Danfoss reduce inventory financing and airfreight costs.

The company has also boosted efficiency and productivity in its procurement and accounts payable (AP) organizations by using paperless electronic invoices and ERS payments. In fact, Sauer-Danfoss has essentially eliminated invoice discrepancies for those suppliers on board the system. Moreover, payment processing often occurs now without time-consuming interactions between vendors and AP personnel. In the past, settlements could require up to a dozen manual process steps.

The Road Ahead

Ultimately, Sauer-Danfoss hopes to support up to 750 suppliers on its SAP SNC portal. This would represent nearly 85% of an annual direct material spend that totals US$650 million. Sauer-Danfoss keeps machinery – and its procurement processes – moving in the right direction. "As we continue to add suppliers to SAP SNC, which enables us to leverage the ERS payment method, we believe our business volume could double, and we wouldn't have to increase resources on our AP team," states Botine.

50 097 986 (10/01)

©2010 SAP AG. All rights reserved.

SAP, R/3, SAP NetWeaver, Duet, PartnerEdge, ByDesign, Clear Enterprise, SAP BusinessObjects Explorer, and other SAP products and services mentioned herein as well as their respective logos are trademarks or registered trademarks of SAP AG in Germany and other countries.

Business Objects and the Business Objects logo, BusinessObjects, Crystal Reports, Crystal Decisions, Web Intelligence, Xcelsius, and other Business Objects products and services mentioned herein as well as their respective logos are trademarks or registered trademarks of SAP France in the United States and in other countries.

All other product and service names mentioned are the trademarks of their respective companies. Data contained in this document serves informational purposes only. National product specifications may vary.

These materials are subject to change without notice. These materials are provided by SAP AG and its affiliated companies ("SAP Group") for informational purposes only, without representation or warranty of any kind, and SAP Group shall not be liable for errors or omissions with respect to the materials. The only warranties for SAP Group products and services are those that are set forth in the express warranty statements accompanying such products and services, if any. Nothing herein should be construed as constituting an additional warranty.