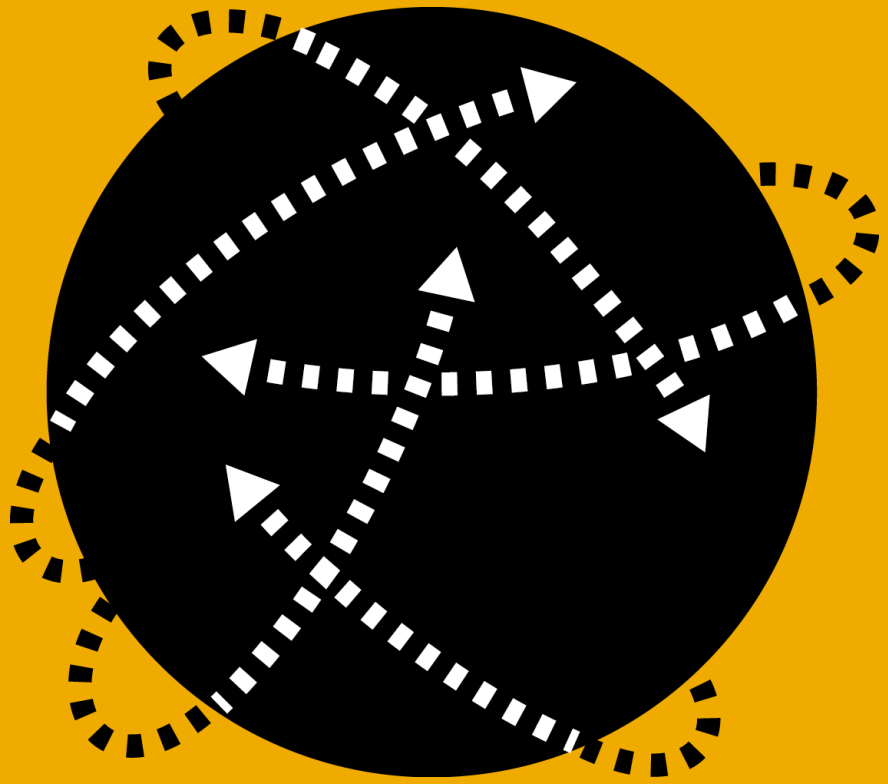
Outsourced Manufacturing for Process Industries



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Manage Your Manufacturing Network

Manufacturing Networks

Establishing Collaboration

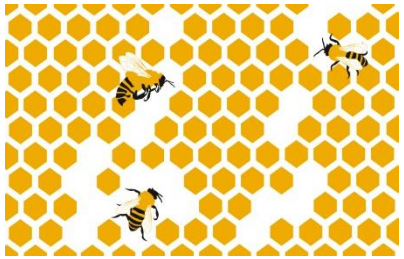
Efficient Orchestration

SAP Innovations

For most manufacturing companies, linear supply chains have turned into complex supply networks. Orchestrating all the outsourced manufacturing activities has become a key task.

Managing outsourced manufacturing processes efficiently is important as always, but today there is more. Companies also need to provide for seamless traceability of their products and components even beyond company borders to fulfill compliance requirements. Often they must deal with multilevel subcontracting scenarios where several contract manufacturers are collaborating to produce a certain component or product.

To fulfill their customers' demands, manufacturing companies must be able to identify bottlenecks across their whole supply network in real time to adapt quickly to changing conditions.



11% of organizations have enterprise-wide two-way data access with external business partners

Source: SAP Performance Benchmarking

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Collaboration for Quality

Manufacturing Networks

Establishing Collaboration

Efficient Orchestration

SAP Innovations

The better manufacturing companies collaborate with their contract manufacturers, the better they can adapt to volatile demands and ensure good quality.

What started as exceptional more than 40 years ago is nowadays a core business process for most manufacturing companies. Efficient management of outsourcing processes is key to staying competitive in the market. To be successful in the manufacturing industry today, companies need process automation, batch traceability across supply networks, and visibility into what's going on at their contract manufacturers.

Solutions for outsourced manufacturing from SAP help manufacturing companies like yours collaborate efficiently with your subcontractors and thus realize cost savings while improving customer satisfaction.

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Manufacturing Networks

Establishing Collaboration

Efficient Orchestration

SAP Innovations

Better Control of Subcontractors

SAP solutions help manufacturing companies manage their manufacturing networks efficiently. This enables them to meet customers' demands on time while realizing cost savings. Furthermore, best-run companies are able to adapt more quickly to changing conditions on the demand or supply side, which sets them ahead of the competition. By using SAP solutions, companies experience the following benefits:

- Cost savings through automated processes
- Compliance through streamlined batch traceability
- Better decision making through detection of bottlenecks early in the manufacturing network
- Improved customer satisfaction through adapting to changes faster

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SAP Innovations

Manufacturing Networks

Establishing Collaboration

Efficient Orchestration

SAP Innovations

Technology investments by SAP provide enormous benefits for outsourced manufacturing, helping customers to orchestrate their supply network, improve quality and manufacturing profitability, and satisfy customers.

SAP HANA
With the SAP HANA platform, users can analyze huge volumes of business-operations, quality, and customer data as it develops in real time, and they can derive actionable intelligence from it.

Mobile
Mobile apps from SAP enable every aspect of your business to run faster and more efficiently by providing employees with access to critical intelligence anytime, anywhere.

Analytics
Analytics solutions from SAP work with a variety of data sources, including both SAP and non-SAP applications, to deliver actionable insight for your business.

Cloud
The cloud in its many forms provides a new way to unlock extraordinary potential that allows businesses to run faster and better.

SAP has led IT innovation for business for 40 years. Today's new technologies will enable outsourced manufacturing processes to better collaborate with contract manufacturers and provide business users with access to the insight needed to improve every aspect of enterprise operations.

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Enabling Efficient Manufacturing

Solution Overview

Subcontracting Core

External Processing

Collaborative Manufacturing

Why SAP?

Subcontracting Core

Plan, execute, and monitor your core subcontracting process.

External Processing

Plan, execute, and monitor external processing.

Collaborative Manufacturing

Get more insight into your supply network and collaborate better with your contract manufacturers.

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Outsourced Manufacturing

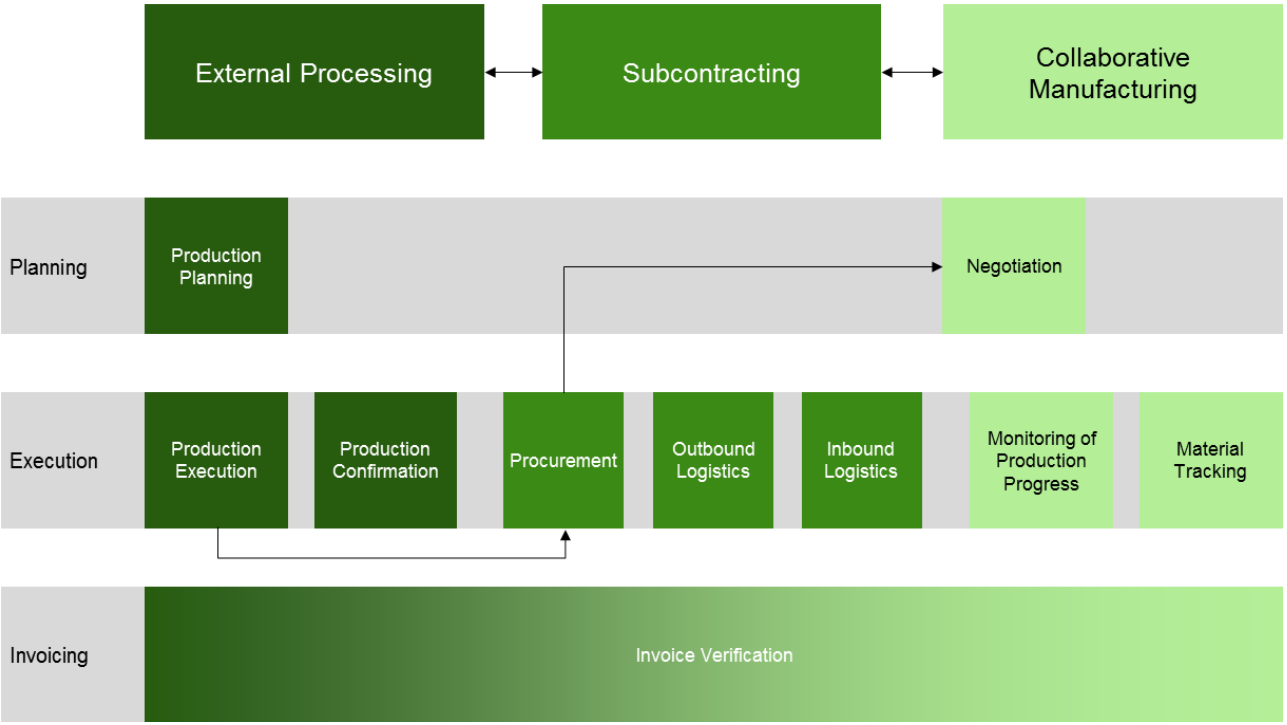
Solution Overview

Subcontracting Core

External Processing

Collaborative Manufacturing

Why SAP?



Outsourced manufacturing enables smooth operations with contract manufacturers.

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Subcontracting Core

Solution Overview

Subcontracting Core

Capabilities

Benefits

SAP Innovations

Solutions for subcontracting from SAP help companies plan, execute, and monitor their subcontracting processes. All logistics steps are integrated with financials, facilitating operations and efficiency.

11%

Lower transportation spend when collaboration between contract manufacturers and component suppliers provides full visibility of the supply situation

Source: SAP Performance Benchmarking

The subcontracting functionality in the SAP ERP application covers all aspects of logistics and financials to run subcontracting scenarios efficiently. It supports you in planning, monitoring, and executing the process. By using the subcontracting functionality you can trigger replenishment for your contract manufacturers at the right time and in the right quantity. Since most of the steps can be automated, cost-effective business processes result.

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Greater Subcontracting Efficiency

Solution Overview

Subcontracting Core

Capabilities

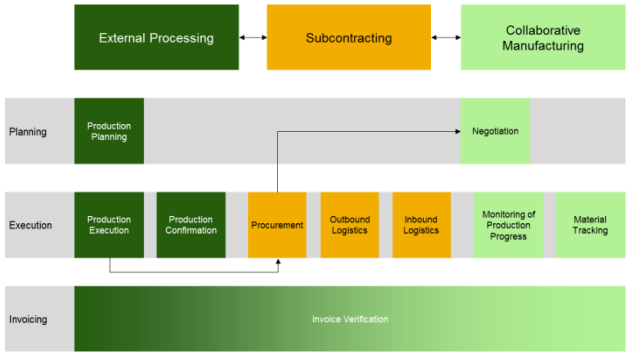
Benefits

SAP Innovations

When running material requirements planning, SAP software can automatically create procurement elements specifically for subcontracting. These elements can then be converted to scheduling agreements or purchase orders in the purchasing department.

The process of replenishing components for subcontractors can be triggered and monitored in a specific subcontracting cockpit in the SAP ERP application.

The subcontracting functionality also provides batch traceability, highly automated processes, and tight integration with financials and controlling.



16%

Lower order fulfillment lead time when collaboration between contract manufacturers and component suppliers provides full supply visibility

Source: SAP Performance Benchmarking

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Tightly Integrated Processes Improve Cost Efficiency

Solution Overview

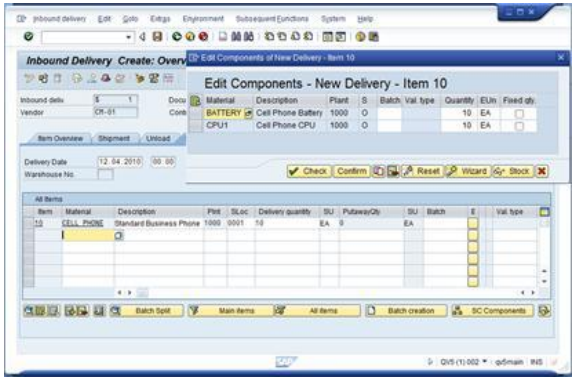
Subcontracting Core

Capabilities

Benefits

SAP Innovations

Integration with financials, controlling, and warehouse management combined with automating key process steps lets companies drive down total cost of ownership (TCO) within subcontracting processes.



The core subcontracting functionality in SAP ERP serves every industry and the requirements of many countries. Integration with finance and controlling allows everyone in the company to see the current status of subcontracting activities from either a quantity or a value perspective.

As most of the process steps can be automated, such as creation of purchasing or invoice documents, companies can achieve a very low TCO.

The subcontracting functionality is designed for both low- and high-volume businesses. Contract manufacturers can start small and grow big over time.

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Innovations for Subcontracting

Solution Overview

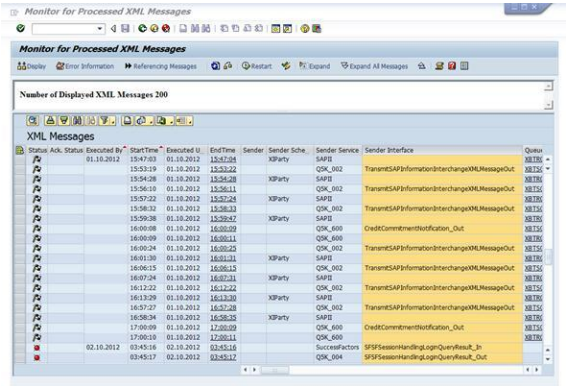
Subcontracting Core

Capabilities

Benefits

SAP Innovations

SAP innovations improve subcontracting processes along the supply chain.



53%

Of organizations report a big gap between the availability of Big Data and their ability to analyze it for insights

Source: SAP Performance Benchmarking

Using standardized messages like XML or intermediate document (IDoc) for the data interchange with contract manufacturers drives productivity and avoids redundant work.

With the SAP HANA platform users can analyze huge volumes of data in real time.

Mobile apps from SAP provide your employees with access to critical intelligence anytime, anywhere.

The cloud provides a new way for businesses to run faster and better.

Analytics solutions from SAP deliver actionable insight for your business.

SAP has been an innovation leader for 40 years. Today's new technologies will enable subcontracting processes to better collaborate with contract manufacturers and customers.

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External Processing

Solution Overview

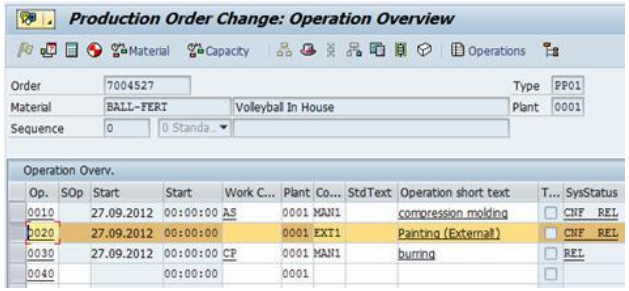
External Processing

Capabilities

Benefits

SAP Innovations

Solutions for external processing from SAP enable companies to efficiently manage planned or unplanned out-sourced production activities.



The functionality to manage external processing scenarios helps customers run these processes in the most efficient way. Some outsourcing occasions are unplanned and urgent, such as the breakdown of a machine. Others are routine and regularly scheduled. SAP ERP has full support for both types.

The integration with financials and the functionality to automate process steps are key elements of SAP ERP, leading to an excellent TCO.

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Enabling Adaptive Manufacturing

Solution Overview

External Processing

Capabilities

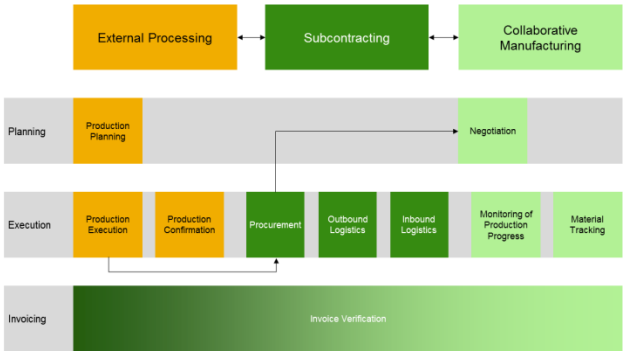
Benefits

SAP Innovations

If certain operations are always performed by a contract manufacturer, that fact can be stored in master data. This provides for embedding these activities in production orders and ensuring that they are considered during production planning.

In emergency situations, operations can be switched from internal manufacturing to external processing. This automatically triggers materials management processes like procurement and goods movements.

External processing can be used in both the process order scenario and the production order scenario that are used in process manufacturing.



11%

Of organizations have collaboration with the contract manufacturer and component suppliers providing full visibility of the supply situation

Source: SAP Performance Benchmarking

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Increasing Capacity on Demand

Solution Overview

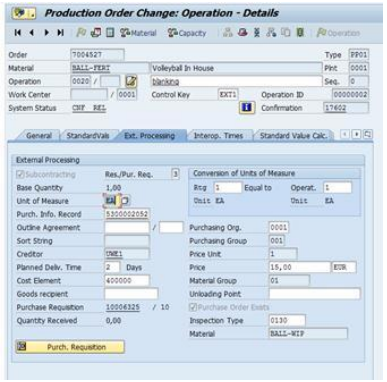
External Processing

Capabilities

Benefits

SAP Innovations

Avoid long downtimes by outsourcing critical steps on demand. Profit from the tight integration between production, materials management, and financials and enjoy the efficient processes that result.



No matter whether you always outsource a particular production operation or need some external help in an emergency situation, SAP ERP helps you run and monitor subcontracting processes efficiently. Because of the solution's integration, relevant people within and outside the company are automatically informed when they need to be. All necessary steps are connected, facilitating efficiency, transparency, and a smooth flow of materials and information.

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Innovations for External Processing

Solution Overview

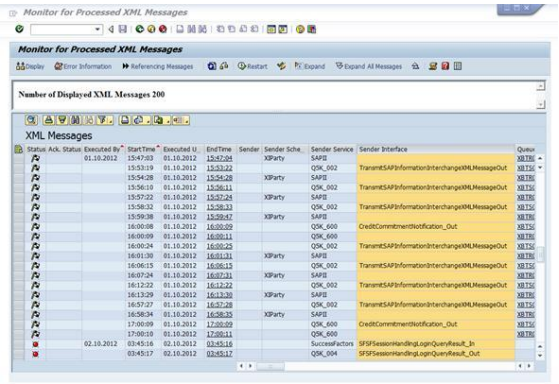
External Processing

Capabilities

Benefits

SAP Innovations

SAP innovations improve subcontracting processes along the supply chain.



68%

Of organizations have limited or no predictive modeling capabilities or complex optimization techniques for Big Data analysis

Source: SAP Performance Benchmarking

Using standardized messages like XML or IDoc for data interchange with contract manufacturers drives business productivity and avoids redundant work.

With SAP HANA users can analyze huge volumes of data in real time.

Mobile apps from SAP provide employees with access to critical intelligence anytime, anywhere.

The cloud provides a new way to unlock potential that allows businesses to run faster and better.

Analytics solutions from SAP deliver actionable insight for your business.

SAP has been an innovation leader for 40 years. Today's new technologies enable better collaboration with contract manufacturers and customers.

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Collaborative Manufacturing

Solution Overview

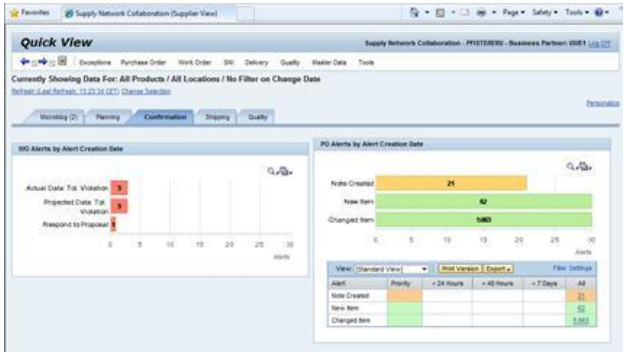
Collaborative Manufacturing

Capabilities

Benefits

SAP Innovations

Collaborative manufacturing helps you manage your outsourced activities efficiently across company borders, increasing visibility and efficiency.



SAP solutions help companies ensure that costly manufacturing capacity is optimized, while meeting customer request dates and minimizing inventory levels and obsolescence.

By providing one platform that acts as a single source of truth between customer and contract manufacturer, SAP ERP enables better and more efficient collaboration.

Tracking and monitoring of supply network activities is a key differentiator for collaborative manufacturing solutions from SAP.

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Adapt Faster to Supply Network Changes

Solution Overview

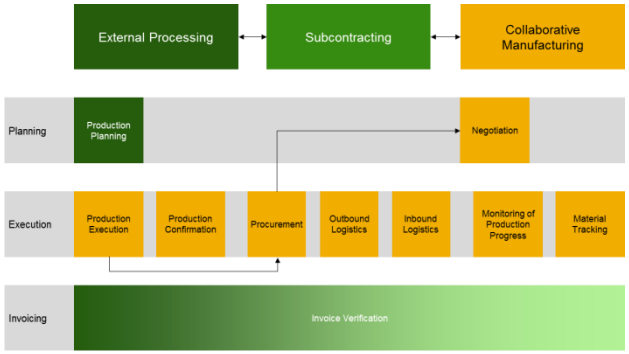
Collaborative Manufacturing

Capabilities

Benefits

SAP Innovations

Collaborative manufacturing is an enhancement to classic subcontracting and external processing scenarios. Companies can start with an external production operation or directly with a subcontracting purchasing document. Before the actual outsourced manufacturing process is performed, there can be a negotiation phase between companies and their subcontractors to achieve alignment on quantities and delivery dates.



The SAP Supply Network Collaboration application supports all common subcontracting scenario variants, allowing them to be monitored in fine detail. Information from a contract manufacturer can be directly replicated to back-end SAP ERP software. Data such as confirmations, batch usage information, and shipping notifications is only entered once and then distributed to relevant systems. This streamlines the data flow and provides better transparency and traceability.

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Collaborate Better to Maximize Profits

Solution Overview

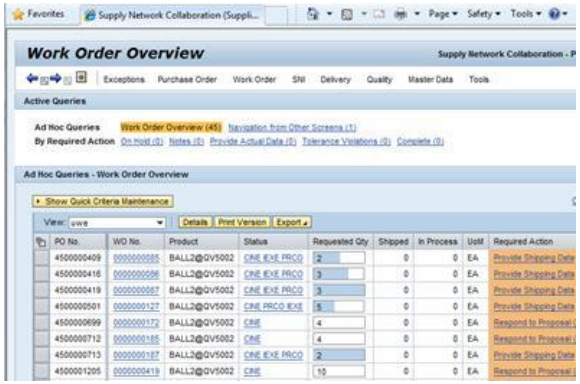
Collaborative Manufacturing

Capabilities

Benefits

SAP Innovations

Having all relevant information on a common platform gives both partners the same view into inventory, production progress, and schedules. The results: better-informed decisions and improved customer satisfaction.



Having more insight into the activities and bottlenecks in your supply network enables you to make faster and better-informed decisions and improves your on-time delivery rate. SAP solutions help you learn early when products can be delivered and in what quantities, increasing customer satisfaction.

Since the customer and the subcontractor are working on a common platform in a secure way, redundancies are eliminated.

Confirmations, component consumption, and batch usage information can be directly maintained by the contract manufacturer and replicated to the customer's back-end system. This improves the accuracy and efficiency of business processes.

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Innovations for Collaborative Manufacturing

Solution Overview

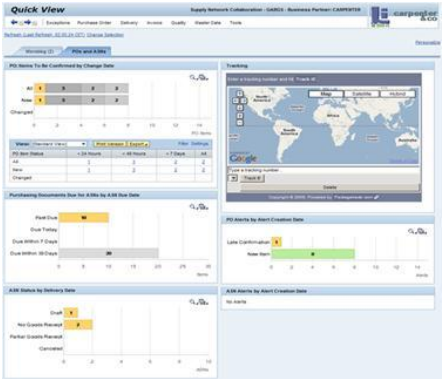
Collaborative Manufacturing

Capabilities

Benefits

SAP Innovations

SAP innovations improve collaborative manufacturing processes within the supply network.



66%

Of companies expect greater flexibility and agility provided by cloud computing to be a source of business advantage

Source: SAP Performance Benchmarking

Using standardized messages like XML or IDoc for data interchange with contract manufacturers drives business productivity and avoids redundant work.

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Efficient Manufacturing for Process

Solution Overview

Subcontracting Core

External Processing

Collaborative Manufacturing

Why SAP?

Efficient Manufacturing for Process	Production Planning and Execution	Plant Performance Management	Sustainable Operations	Asset Operations and Maintenance
Outsourced Manufacturing	Collaborative Manufacturing	External Processing	Subcontracting Core	
Manufacturing Visibility and Performance	Plant Performance Management	Operations Monitoring	Continuous Improvement Management	Asset Visibility and Performance

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Why SAP?

Solution Overview

Subcontracting Core

External Processing

Collaborative Manufacturing

Why SAP?

With SAP software, manufacturers have the visibility to collaborate with the entire supply network. Supply chain process automation and a single collaboration platform enable an integrated network of outsourced manufacturing processes.

Complete, Tightly Integrated Solution

Drive down TCO through SAP software's native integration across the business functions and with other SAP and partner applications.

Flexible and Scalable Solution

Using outsourced manufacturing software from SAP means having access to the latest SAP technology, present and future.

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