



SAP BUSINESS TRANSFORMATION STUDY

AT A GLANCE

Industry	Wholesale distribution
Revenue	US\$5 billion
Employees	8,400
Location	St. Louis, Missouri
Web Site	www.graybar.com
SAP® Solutions and Services	SAP® ERP application, SAP NetWeaver® platform, SAP Supply Chain Management application
Implementation Partners	Deloitte Consulting LLP, SAP Consulting

Graybar Electric Company Inc., a US\$5 billion employee-owned Fortune 500 company, is a leading North American wholesale distributor of electrical, telecommunications, and networking products and related supply-chain-management and logistics services. Graybar employs nearly 8,400 people at more than 250 distribution centers across North America. Through its distribution network and value-added services, Graybar distributes some 1 million products from 4,500 manufacturers to 250,000 customers.

Key Challenges

- Outdated legacy system – hindering ability to meet changing regulatory, business, and industry trends
- Increasing demands for more responsiveness from customers and suppliers
- Limited reporting capabilities and lack of consistent real-time information
- Manual processes – slowing timing of chargeback and cost-recovery efforts

Why SAP Was Selected

- Ability to meet immediate and future operational needs
- Strong market position and installed customer base
- Robust R & D and technology expertise
- Many suppliers and customers using SAP® software

Implementation Best Practices

- Robust management support for standardized best practices supported by SAP
- Strong governance and project management
- Minimal disruptions to business and customers
- Solid focus on employee training
- Committed, experienced implementation team from Graybar, Deloitte Consulting LLP, and SAP Consulting

Low Total Cost of Ownership

- Elimination of high-maintenance legacy systems
- Reasonable customization efforts and costs
- Quick, cost-effective ability to integrate with external partners
- Use of best practices; standardization of corporate policies company-wide
- Accelerated processes and reduced paper usage

Financial and Strategic Benefits

- Ability to handle same business volume with significantly reduced headcount
- Improved cash flow; faster responses to market changes and operational issues
- Streamlined chargeback management due to increased visibility into customer and supplier transactions
- Improved inventory turns; reduced stock outs/carrying costs
- Enhanced decision making
- A 69% improvement (US\$443 million reduction) in net debt

Operational Benefits

Key Performance Indicator		Impact
Days sales outstanding	-5%	(+US\$68 million in cash flow)
Days in inventory	-46%	(+\$363 million in cash flow)
Employee productivity	+20%	(+\$130,000 more in sales per employee)
Stock outs		-38%
Inventory turns		+30%
Very slow-moving inventory		-33%



“We deliver a dashboard report to executives, district managers, and branch managers every morning with all the key business metrics. Using this information, the execs are moving our business forward at a faster pace than ever before.”

Steven Becker, VP, CIO, Graybar Electric Company Inc.

“SAP offered us an opportunity to modernize, standardize, and automate almost all of our business processes using a proven glossary of global best practices. We used the software as a catalyst to take Graybar to the next level.”

Beatty D’Alessandro, Senior VP, CFO, Graybar Electric Company Inc.

Graybar Electric Powers Up with SAP Software

Graybar Electric Company Inc.’s aging mainframe-based legacy system was expensive, labor-intensive, and unable to handle the company’s growth. It could not support increasingly complex – and critical – pricing and cost-recovery activities. The system also made it difficult for Graybar to track eligible claims and recoveries in real time and accommodate growing government regulations.

Graybar’s customers were demanding more services and fast responses, including just-in-time delivery of materials and accurate, timely data about product listings, stock availability, and back-order quantities. To meet such challenges, the company had to create hundreds of customized reports. In addition, suppliers needed better supply chain visibility and data, but the existing system limited Graybar’s ability to manage changes and respond to supplier queries effectively.

Internally, paper-based reporting methods afforded executives no uniform, timely view of business performance. And, many key performance indicators (KPIs) were only available monthly.

A New Spin on Inventory

Graybar needed to manage effectively more than 1 million SKUs in physical inventory and process tens of thousands of purchase and customer orders and quotes daily. After an extensive search, executives chose the SAP® ERP application because of its ability to meet current and future business needs, while ensuring seamless integration with other business functions and a low total cost of ownership.

SAP also had a secure market position and offered best practices gleaned from 22,000+ SAP ERP installations in 18,000 companies. Plus, many Graybar suppliers and customers used SAP software, which would help position the company as a value-added provider.

Lighting the Way

A technology-driven need quickly became a business transformation project. Strict timelines governed the on-time project, from the project-risk phase through the investment-risk stage, ongoing since late 2004. A steering committee of senior executives met monthly for three years. Scope changes were minimal, and early communications with users, customers, and suppliers helped reduce disruptions.

To ensure effective change management, Graybar provided instructor-led training and set up an IT competency center. Deloitte Consulting LLP came on board as implementation partner.

With SAP ERP, the wholesale distributor transformed its financial and supply chain operations. Benefits included streamlined reporting of KPIs, yielding better decisions; enhanced inventory management via improved forecasting; better control of chargebacks from increased visibility into customer and supplier transactional data; and enhanced efficiency via workflows, alerts, and self-service functions.

In 2006, Graybar realized a 17% increase in revenue, compared to 2005, and a 19% increase in gross margins. Plus, its operating margin was up 88%. Graybar was also able to close its books 50% faster and reduce by 35 the number of resources needed for cash management.

Employee productivity went up 20%, too. In 2000, the company handled more than US\$5 billion worth of business with 11,000+ employees. Now, some 8,400 workers handle the same amount of business.

A Bright Future

Graybar is evaluating the SAP Financial Supply Chain Management set of applications to enhance its cash-application process and provide more customer self-service functionality. Also on the list: an SAP ERP upgrade.

