BOREALIS
IMPROVING DEMAND MANAGEMENT PROCESSES WITH SAP® SCM

"We wanted to make a step change to achieve operational excellence and get control of our processes. SAP Advanced Planning & Optimization helped us achieve our goal."

Mark Schoemans, Process Development and Support Leader, Borealis AG

QUICK FACTS

Company
- Name: Borealis AG
- Location: Vienna, Austria
- Industry: Chemicals
- Products and services: Plastic resins, compounds, and base chemicals
- Revenue: €6 billion
- Employees: 4,500
- Web site: www.borealisgroup.com

Challenges and Opportunities
- Short-term view of demand, resulting in daily changes in plans and high stress for employees
- Limited data integration and visibility among business groups, affecting supply chain efficiency
- Focus on proper level of detail when working with data in the system
- Shortening the planning cycle to minimize time spent on planning activities

Objectives
- Implement support tool to enable a long-term view of the demand planning process
- Optimize capacity utilization and reduce costs
- Achieve a predictable and stable planning environment
- Order execution in line with plan or deviate when needed
- Improve demand management process

SAP Solutions and Services
SAP® Advanced Planning & Optimization component, a part of the SAP Supply Chain Management (SAP SCM) application

Implementation Highlights
- Implemented software in less than 10 months
- Facilitated change through workshops and training sessions
- Reassigned roles and responsibilities to improve business process

Why SAP
- A single, central technology platform: a "one-company approach"
- Common, transparent data throughout the company
- Standardized planning processes for different planning levels and time horizons

Benefits
- Generated more sales opportunities by reallocating blocked inventory
- Optimized use of assets, enabling faster product launch and better innovation
- Maximized return on assets by allocating most profitable match of supply and demand
- Achieved superior customer service with an on-time delivery rate of 97.5%, thanks to a better provisional outlook
- Better controlled inventory

Existing Environment
- SAP software for enterprise resource planning
- SAP Customer Relationship Management application
- SAP NetWeaver® Business Warehouse component
- SAP SCM

BOREALIS
SHAPING the FUTURE with PLASTICS

A critical first step in any organization's effort to streamline supply chain efficiency is effective planning. This scenario was certainly true for Vienna, Austria–based Borealis AG, a leading provider of plastic resins and compounds with more than 40 years of experience in making polyethylene (PE) and polypropylene (PP). The company employs 4,500 people throughout Europe and has subsidiaries and joint ventures in the United States, Brazil, China, and the United Arab Emirates.

With annual revenues of €6 billion, Borealis produces more than 3.5 million tons of PE and PP each year. Customers throughout Europe, Asia, and the United States convert these materials into products such as food packaging, medical devices, diapers, distribution pipes, automotive parts, and power cables.

Borealis relies on a supply chain organization to stock distribution centers and customers' warehouses according to demand requirements. To streamline planning processes and improve overall company performance, the firm kicked off an ambitious sales and operations planning (S&OP) project. The S&OP process is designed to make sure a company's longer-term business plans stay in line with its business strategy. It is an action-oriented process that helps management ensure a balance between market demands and available resources. To support this initiative, Borealis participated in the SAP® Ramp-Up program for the SAP Advanced Planning & Optimization (SAP APO) component, which is part of the SAP Supply Chain Management (SAP SCM) application.

Borealis has implemented SAP SCM in steps. About five years ago, the first step introduced demand planning functionality. About three years later production planning and detailed scheduling were launched. Finally, global availability to promise has been taken on board.

Process Improvement

Borealis made a strategic decision in the mid-1990s to use SAP software as its technology platform. The company currently uses SAP software for enterprise resource planning along with the SAP Customer Relationship Management application to support global operations and the SAP NetWeaver® Business Warehouse component for reporting. SAP APO offered the advanced planning functionalities Borealis needed – and it integrated smoothly with the company's SAP software.

Smooth Data Integration

For Borealis, transferring the master data into SAP APO was a virtually seamless task, thanks to the company's tightly integrated SAP software landscape. Transactional data – such as sales data (invoiced quantities and sales order quantities) and price information (sales margins by ship-to customer and material) – was collected in SAP NetWeaver Business Warehouse and transferred to SAP APO.

"One of the biggest success factors is our competency with SAP NetWeaver Business Warehouse. SAP APO uses the same data definitions, so we were able to leverage that expertise," explains Guido Bos, IT project leader in the demand management project at Borealis.

"We run our S&OP process every month, giving us both a top-down and bottom-up view of the demand planning process," continues Ludo Neyens, business project leader in demand management. "The process has five distinct steps, each executed sequentially, with each stakeholder doing his or her part to evaluate the sales forecast, which we do in SAP APO. We now have a three-year business plan based on one integrated set of data. This set of data is only looked at in

"One of the biggest success factors is our competency with SAP NetWeaver Business Warehouse. SAP APO uses the same data definitions, so we were able to leverage that expertise."

Guido Bos, IT Project Leader in Demand Management Project, Borealis AG

case of changes or conflicts. Changes or conflicts are triggering certain actions in order to redirect our plans when required."

Change Management

To help ensure the adoption of the new planning and order execution process, Borealis launched a massive training program for the company's approximately 90 sales managers as well as support staff – more than 250 people in all. Borealis conducted mobilization and activation workshops to prepare

"We now have a three-year business plan based on one integrated set of data."

Ludo Neyens, Business Project Leader in Demand Management Project, Borealis AG

the organization for change. To emphasize the importance of the project for the organization, a vice president was appointed as the overall project manager under sponsorship of an executive vice president. Not only did this demonstrate the significance of the project, it also ensured top management support. The company considered implementing the new tools in steps, but after evaluating the high level of integration of data, systems, and functions, the decision was made to implement and train in a "big bang." This also meant the first global solution was implemented for Borealis's operations in both North and South America.

Better Planning – Better Performance

Borealis now has the tools in place for enhanced decision making. With SAP APO, Borealis can make better use of its assets by adopting a one-company approach to planning and scheduling. A new planning process enables the company to bring demand and supply figures for the various business units onto one level and allows for various aggregation and disaggregation methods. This means Borealis can integrate and synchronize planning horizons, which reduces planning effort and increases planning accuracy.

Some figures reveal the benefits Borealis has experienced:

- Forecast accuracy on grade level has improved about 18% from 2008 to 2009 when looking one month ahead.
- The bias has improved from -9% in 2008 to only -1% in 2009.
- The planning cycle has been reduced from 22 days to an average of only 13 days.
- Manual interventions have been reduced by 20%, while having room for further improvement.
- Stocks have been reduced by 20%, while sales are up by 5%.
- Customer service has achieved an on-time delivery rate of 97.5% thanks to better provisional outlook

Planning for the Future

Borealis continues to find ways to maximize its SAP investment. The company constantly evaluates its business processes to determine if there are additional ways to capitalize on the advantages of an integrated system. Sales network planning is an area that is being examined further. But for now, Borealis is focused on reaping the full rewards of its SAP APO component: demand planning, production planning, detailed scheduling, and demand control.

"We wanted to make a step change to achieve operational excellence and get control of our processes," explained Mark Schoemans, process development and support leader at Borealis. "SAP Advanced Planning & Optimization helped us achieve our goal."

www.sap.com/contactsap

50 080 525 (10/04)
©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.

THE BEST-RUN BUSINESSES RUN SAP™