



## ELECTRO SCIENTIFIC INDUSTRIES INC.

### SAP BUSINESS TRANSFORMATION STUDY

#### AT A GLANCE

<b>Industry</b>	Industrial machinery and components
<b>Revenue</b>	US\$207 million (2006 annual)
<b>Employees</b>	600
<b>Location</b>	Portland, Oregon
<b>Web Site</b>	www.esi.com
<b>SAP® Solution &amp; Services</b>	SAP® ERP application with variant configurator
<b>Implementation Partner</b>	BearingPoint Inc.

Electro Scientific Industries Inc. (ESI) designs, manufactures, and sells sophisticated capital equipment and OEM vision products to companies around the world in the semiconductor and capacitor industries. Established in 1944, Oregon-based ESI is the second oldest high-tech firm in Portland's Silicon Forest. Though a midsize business, with 600 employees and revenue of US\$207 million, ESI's reach is global, with offices located throughout the world, including Japan, China, Korea, and the United Kingdom.

#### Key Challenges

- Over 50 unconsolidated legacy production systems that impeded business operations
- Disparate, outdated, and often unsupported systems that hampered a world-class business operating environment
- Inability to access real-time business information
- Failure to meet customer service requirements
- Increased IT operating costs due to inflexible systems
- Lack of system support for compliance requirements

#### Why SAP Was Selected

- Vendor of choice for majority of ESI's peers
- Expertise in manufacturing industry
- Breadth and depth of solutions
- Core business in software and the opportunity to benefit from SAP's annual US\$1.2 billion investment in R & D
- Implementation partner's SAP experience within the industry

#### Implementation Best Practices

- Senior management involvement
- Minimal customization
- Experienced systems integrator
- High-performance, low-cost hardware\*

#### Low Total Cost of Ownership

- Replaced 40 out of 55 legacy systems and consolidated them under a single SAP® ERP application
- Saved US\$190,000 in annual support and maintenance costs from systems consolidation

#### Financial and Strategic Benefits

- Superior data integrity with one version of the truth
- Greater ability to manage global business
- Consolidated platform for forecasting and planning
- Faster, more concise reporting and automated forecasting
- More profitable service contracts and proactive maintenance agreements due to enhanced data accuracy
- Centralized, more efficient materials procurement
- Improved product costing and fixed asset management
- Enhanced compliance and controls

#### Operational Benefits

- Increased productivity with 2 direct procurement buyers reallocated to other activities
- Reduced cost per PO
- Increased service revenues
- Improved service profitability
- 5% reduction in service revenue leakage

\* Intel® Xeon® processor MP, Dell PowerEdge 6850 server, Microsoft Windows 2003, Microsoft SQL Server 2000, and Dell/EMC CX300 storage area network (SAN).





**“We are now doing a far better and more detailed 360-degree analysis of subsidiary business, which we couldn’t do before. For example, the sales controller can see what expenses the organization is incurring.”**

Krys Keene, Senior SEC Accountant, Electro Scientific Industries Inc.

**“We now have robust, quality systems that provide world-wide consolidated information on a standardized platform. These systems will support current and future business growth and are well positioned strategically to provide additional capabilities to the business moving forward.”**

Lance Litmer, Information Systems Manager, Electro Scientific Industries Inc.

### **To Compete Successfully, ESI Eliminates Dozens of Disparate Systems**

Electro Scientific Industries Inc. (ESI) has grown through a series of acquisitions. Such growth can result in a hodgepodge of disparate third-party and homegrown systems and solutions that make business operations difficult, and this was the case with ESI.

January 2005 found ESI trying to operate and compete without a unified source of information, a situation compounded by market forces, including shrinking margins, increasing competition, and rising customer expectations of service. In response, ESI decided to consolidate and transform its worldwide supply chain systems and contract manufacturing processes.

ESI’s transformation required a single system operating in real time worldwide. However, ESI had anything but one system; its disparate systems made information needed by the company and its customers unavailable. Lack of timely information made it difficult for executives and managers to see where the company was headed.

### **ESI Chooses SAP “Footprint in Manufacturing”**

ESI determined that an integrated enterprise resource planning solution had to provide a single source for critical, real-time financial and operational data. In addition, it had to enable the company to meet customer demands and to operate more efficiently. In evaluating software vendors, ESI focused on its market, its peers, and its supply chain. It found that the majority of other companies in its industry were already using or considering solutions from SAP. In addition to SAP’s industry-specific knowledge, ESI recognized SAP’s dominant footprint in its ecosystem. SAP’s prominence in the manufacturing and semiconductor industries, the ability of its software to consolidate multiple systems, and its simple licensing program were key factors in its decision.

With BearingPoint as its system integrator, the implementation was rapid: blueprint to go-live took less than nine months. ESI replaced 40 of its 55 legacy systems and consolidated them under one application: the SAP® ERP application. ESI sales, service, manufacturing, materials management, procurement, and finance employees are using one system to run their operations throughout the world – from the United States and the United Kingdom to Japan, China, Korea, Singapore, and Taiwan.

### **A Single Version of the Truth for Everyone – in Real Time**

Greater data integrity has given ESI a powerful, new ability to manage and control its business – both locally and globally. By consolidating its systems, ESI is saving about US\$190,000 a year in IT maintenance costs. A consolidated solution for forecasting and planning produces faster, automated, and more concise reports. It reduces paperwork and ensures that sales, manufacturing, and finance are on the same page. ESI’s service organization has visibility into the information needed to build more profitable contracts and increase proactive maintenance relationships. Materials procurement is centralized, more efficient, and more controlled. Integrated, detailed, and timely data has improved product costing and fixed asset management, and has increased feedback and analysis on product quality.

However, ESI is not resting in its quest for worldwide transformation. It is in the process of implementing the SAP xApp™ Mobile Asset Management composite application for field engineers. Plans also include adding applications for business intelligence, supplier relationship management, customer relationship management, and project data management.