



## ARLA FOODS

# SAP® NEW PRODUCT DEVELOPMENT AND INTRODUCTION FOR CONSUMER PRODUCTS DRIVES INNOVATION

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**Sune Slemming**, Business Process Manager,  
Global IT Unit, Arla Foods amba

### QUICK FACTS

#### Company

- Name: Arla Foods amba
- Location: Århus, Denmark
- Industry: Consumer products
- Products and services: Dairy products
- Revenue: €6.1 billion
- Employees: 17,933
- Web site: [www.arlafoods.com](http://www.arlafoods.com)
- Partner: SAP® Consulting

#### Challenges and Opportunities

- Heterogeneous IT environment and disparate processes for new-product development
- Limited visibility into ongoing innovation projects
- Lack of enterprise-wide access to legacy solution

#### Objectives

- Fuel future growth and increase revenue from new products
- Respond to market trends and changing demand faster by reducing time to market for new products
- Manage individual projects and entire portfolios across the Arla group efficiently
- Deliver 360-degree visibility into activities related to creation and launch of new products
- Select the most promising projects and ensure these are executed effectively

#### SAP Solution and Services

SAP New Product Development and Introduction for Consumer Products package

#### Implementation Highlights

- Functionality tailored to users' specific roles and responsibilities
- Comprehensive overview of all innovation efforts

#### Why SAP

- End-to-end solution for entire product-development process
- Integration with core enterprise resource planning software

#### Benefits

- 35% improvement in time to market
- Significant increase in sales of new products as a percentage of total sales
- Tight integration with financials software for better cost monitoring
- Greatly enhanced visibility into ongoing projects and programs
- More effective assessment and prioritization of new-product development
- Better coordination of market launches with sales teams
- Solid basis for open innovation with external partners

#### Existing Environment

SAP R/3® Enterprise software (functionality now found in the SAP ERP application), plus legacy project management

#### Third-Party Integration

- Database: IBM
- Hardware: IBM
- Operating system: IBM AIX



When Danish dairy giant Arla Foods a.m.b.a. gave its business processes and IT an enterprise-wide makeover, it took a long, hard look at procedures for creating and launching new offerings. After all, in today's consumer-products market, innovative and appealing lines are key to growth. Thanks to the SAP® New Product Development and Introduction for Consumer Products package, Arla now enjoys integrated, end-to-end support across the entire process. The result: faster time to market, significantly increased new-product sales – and a rock-solid foundation for collaboration with external partners.

### A Leading International Player in Dairy Foods

Arla Foods a.m.b.a. is Europe's second-largest dairy group – and a truly global player, with subsidiaries in 19 countries worldwide. Formed in early 2000 following the merger of Danish MD Foods and Swedish Arla, the group's key markets are the United Kingdom, Denmark, and Sweden. Arla Foods employs a workforce of 17,933 and generated revenues of €6.1 billion in 2006.

Over the years, Arla has grown through mergers and acquisitions. But as a result, it found itself saddled with a heterogeneous systems landscape and disparate business processes. So in 2004 the group embarked on the One Arla initiative. The aim: to standardize procedures worldwide and bring the enterprise onto a single IT platform.

“From the outset, we adopted a business-driven approach,” explains Sune Slemming, business process manager at Arla's global IT unit. “In other words, we began by defining our processes and then looked for software that could support them.” The

core element of One Arla is SAP R/3® Enterprise software (functionality now found in the SAP ERP application), which is at the heart of the group's new IT landscape.

### Product Innovation – The Key to Growth

Within the scope of the initiative, Arla's approach to product development and introduction underwent a major face-lift. “Successful new products are the

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growth engine for any company in our industry,” explains Robert Svanberg, innovation director at Arla Foods' Nordic division. “And if you want to stay ahead of the field, you have to get those products to market fast. So it's essential to focus on the right projects – and do these projects right.” To this end, Arla designed a state-of-the-art

innovation process designed to separate the wheat from the chaff and enhance efficiency.

However, it soon became clear that Arla's legacy project-management solution would not be able to support the new process. “Our existing software simply couldn't handle the volumes of information involved,” states Svanberg. “Visibility was limited, and it was difficult to track activities and budgets. What's more, the system was geared to project leaders rather than to their teams and managers. And it couldn't be accessed by certain parts of the group. What we needed was a powerful, Web-based solution that would deliver global access and role-based functionality for all stakeholders.”

### Integrated, End-to-End Support for Product Innovation

After considering software from a number of vendors, Arla opted for a combination of SAP software solutions – now available as SAP New Product

Development and Introduction for Consumer Products. This state-of-the-art package provides comprehensive support for all aspects of product innovation – from identification of opportunities and definition of requirements right through to preparing programs for successful market launches.



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"Many solutions we looked at were great for individual aspects of the innovation process. But only SAP delivered the end-to-end functionality we needed," says Slemming. Moreover, the new package dovetailed neatly with the company's core enterprise resource planning software – ensuring tight integration of vital financial data.

### Tailored to the Real-World Requirements of End Users

Thanks to expert advice and assistance from SAP Consulting, the dairy group now has a made-to-measure solution that enables effective product development and introduction from A to Z.

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Throughout the implementation, Arla stakeholders worked hand in hand with specialists from SAP to ensure the package met the real-world needs of the company and its employees.

"The SAP software is tailored to our end users' very specific requirements," explains Svanberg. "Project leaders, teams, and managers have different screens, delivering functionality in line with their different needs." For example, team leaders can monitor staff performance, innovation coworkers can keep up-to-date with their various tasks, and managers can ensure quality and efficiency across multiple projects via dedicated reports – at the click of a mouse.

### One View of the Truth

"The SAP package gives us a single version of the truth across our entire portfolio," says Slemming. "This means we can make better decisions when it comes to prioritizing projects and allocating resources. And we can better coordinate product launches with our salespeople." Moreover, tight integration with Arla Foods' financials software helps managers keep tabs on costs for individual projects.

In addition, the new solution delivers anytime, anywhere access to all project details via a user-friendly graphical interface. "Our SAP software is fully Web

based via our intranet," says Svanberg. "So no matter where you are in the world, you can quickly and easily call up the information you need."

### Faster Time to Market – Increased Sales of New Products

And the benefits don't stop there. "The new package has also delivered quantifiable improvements," states Svanberg. "In 2006 our time to market was down by 35% against 2005." An impressive achievement – but Arla is not content to rest on its laurels. "By 2008 we intend to get products to market 50% faster than in 2005," Svanberg continues. "And we're confident that our SAP software will enable us to do just that."

And time to market is not the only area in which Arla has notched up tangible results. "In the wake of the SAP implementation, we've seen a significant increase in sales of new products as a percentage of total sales," says Svanberg. "This suggests that our SAP software is helping us select projects that deliver winning products." Here, too, Arla has set a bold target for the future – aiming to achieve a 60% increase against 2005 by 2008.

### Collaboration Across Enterprise Boundaries

Building on this success, Arla now intends to take innovation to the next level by integrating third parties more tightly into the creation of new offerings. "Going forward, we want to take advantage of the SAP package to drive open innovation – enabling cooperation with external partners such as suppliers, retailers, and research institutions," says Svanberg. "Our SAP software provides the global access needed to support efficient collaboration across enterprise boundaries – something that would have been unthinkable with our legacy solution."

Svanberg sums up the success of SAP New Product Development and Introduction for Consumer Products at Arla: "Even the best-designed process won't get you very far if your IT isn't up to scratch. We now have the right approach to innovation – and the right solution to run it. Thanks to our SAP software, we can reap the full benefits of our new-product development and introduction process."

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