

SAP Customer Success Story Engineering, Construction, and Operations



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Enrique De Francisco, Financial Manager, Alfagres S.A.

AT A GLANCE

Company

- Name: Alfagres S.A.
- Location: Bogotá, Colombia
- Industry: Engineering, construction, and operations
- Products and services: Building materials
- Revenue: US\$150 million
- Employees: 2,300
- Web site: www.alfagres.com
- Implementation partner: SAP® Consulting

Challenges and Opportunities

- Lack of integrated information across the business made it difficult to manage a rapidly growing global business
- Manual processes slowed decision making, which hurt competitiveness
- Inventories were high; stock-outs were common, and production could not keep up with demand

Objectives

- Establish integrated, company-wide information system to support decision making
- Provide automated systems to reduce labor and improve the timeliness of information
- Adopt best practices to optimize value received from SAP software
- Improve company responsiveness to changing market conditions

SAP and Partner Solutions and Services

- SAP ERP application
- SAP Advanced Planning & Optimization component
- Business information warehousing functionality in SAP NetWeaver® platform
- SAP Customer Relationship Management application
- SAP Solution Manager application management solution
- SAP Consulting services, SAP Project Management services, and SAP Education organization
- RWD Info Pak

Implementation Highlights

- Implementation completed in just over 7 months
- Excellent teamwork between SAP Consulting and Alfagres

Why SAP

- SAP provided the best software functionality, integration, and support.
- SAP Consulting took responsibility for the success of the project.
- SAP Consulting offered unmatched software expertise and prior experience in similar industries.

Benefits

- Reduced cost of goods sold by 5% with tighter production controls
- Reduced slow-moving items in inventory by 25%, freeing capital for strategic uses
- Reduced raw material waste by 5%, improving company profitability
- Reduced labor and time necessary to consolidate information across functions
- Improved ability to control gross margins by product, leading to greater profitability for company
- Improved efficiency and employee productivity by adopting best practices supported by SAP

Existing Environment

Disparate internally developed applications and manual processes

Third-Party Integration

- Database: IBM DB2
- Hardware: IBM System p
- Operating system: IBM AIX

ALFAGRES

Global Building Material Supplier Boosts Competitiveness with SAP® Solutions

Thanks to a burgeoning global economy, building materials are in high demand. Alfagres S.A., a leading international supplier of quarry tiles, ceramic tiles, tumbled marble, and carpet, is prospering and expects to exceed 40% in new business growth. Headquartered in Bogotá, Colombia, the company has grown more than 20% annually over the last five years.

To sustain this growth, Alfagres wanted to streamline operations and establish a global supply chain to improve its competitiveness. But accomplishing this meant the company had to overhaul its IT infrastructure. Alfagres selected SAP® solutions, implemented by SAP Consulting, to ease the transition and realize greater business value.

Growth Plan Demands Better Processes, Information, and Control

Historically, Alfagres made little use of IT across company operations. An in-store point-of-sale system was running several internally developed applications, but production and inventory management were entirely manual. As a result, many transactional processes were slow and labor-intensive.

“Our salespeople sold customers what they wanted, without visibility into inventory, production schedules, and costs,” says Doris Ladino, project director at Alfagres, “As a result, we had no real control over margins, and we frequently ran out of popular items. A large percentage of our inventory comprised slow-moving items, which hurt sales. Forecasting was difficult, and we could not respond quickly to changing customer demands.”

Modernizing the IT environment would enable Alfagres to better control operations and supplies, and ultimately meet new growth requirements. “Our five-year plan requires that management has rapid access to accurate information so we can efficiently coordinate suppliers around the world to meet customer demands. An integrated information system spanning all aspects of our business is essential for our growth,” says Enrique De Francisco, financial manager for Alfagres.

SAP Software and Consulting Expertise Selected

Alfagres evaluated proposals from several leading software vendors, seeking the best functionality, integration, and support. “SAP offered all that we required in a seamless integration solution across company functions,” explains De Francisco.

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Enrique De Francisco, Financial Manager, Alfagres S.A.

Alfagres also wanted a vendor that would bring proven best practices to the project and take responsibility for the success of the deployment. “We selected SAP Consulting to lead the project implementation because of its extensive product knowledge and prior experience with other companies in similar industries,” De Francisco adds.

SAP Consultants Deliver on Time, Within Budget

SAP Consulting assisted Alfagres in implementing a full complement of SAP solutions, including the SAP ERP application, the SAP Advanced Planning & Optimization component, the business information warehousing functionality in the SAP NetWeaver® platform, and the SAP Customer Relationship Management application. “SAP Consulting provided a very knowledgeable project team and quickly gained our trust. Their experience was impressive, and they took care to closely align with our objectives,” says De Francisco.

Because this extensive and critical project would automate the company’s systems and processes, SAP Consulting employed the SAP Project Management services to create detailed project plans, implementation strategies, and a blueprint for meeting requirements. “Before the project started, we identified 4,200 functions that would be affected by the SAP solutions. The SAP consultants had no problem dealing with the scope of the project. As per the project management methodology, we have started using a better organized set of procedures that will also help us beyond this implementation, enabling the execution of all types of future projects,” explains De Francisco.

The implementation was successfully deployed across all parts of the company – with no major disruptions to operations. The SAP Education organization conducted training for Alfagres staff using RWD Info Pak training software, designed to reduce ramp-up costs and accelerate productivity associated with user learning. Additionally, SAP-supported best practices for project management were introduced to Alfagres to help lower implementation and operational costs and risks.

“The entire seven-month implementation was a pleasure. SAP Consulting delivered the project on time and within budget. The deployment methodology was excellent, and the implementation met all our objectives,” says De Francisco.

Best Practices Adopted for Competitive Advantage

To maximize the benefits of the SAP software and establish a competitive advantage, Alfagres management aligned business processes with the best practices supported by SAP solutions. The best practices instituted at Alfagres included preconfigured settings and automation to run integrated processes at optimal levels with little effort.

Says Ladino, “We are currently working in a more integrated fashion using SAP-supported best practices to establish documentation standards, risk control, and other process improve-

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ment methodology. We learned a lot about how to better control and monitor business activities such as product sample supplies, and replacement and discontinued reporting, which ultimately improve customer service and minimize product waste.”

Benefits Apparent After Just Six Months

According to De Francisco, the company is now starting to quantify the benefits from the SAP solutions. So far, the most significant improvements have come from tighter production controls. “Now that we have up-to-date, integrated information,” he explains, “our people can manage costs more closely. Better control over purchases has already cut raw material waste from 9% to 4% and has reduced the number of inconsistencies with inventory, contributing to lower product costs. Analysis based on information from our SAP software has helped us reduce overall production costs by 5%.”

Alfagres now produces items based on sales forecasts, which will help reduce stock-outs. De Francisco says, “SAP solutions have already helped cut stock of slow-moving items by 25%, and they will definitely help us lower inventory levels by reducing the time it takes to replenish items.”

The value of the SAP solutions at Alfagres will only increase in the coming years. De Francisco concludes, “We are adding new functionality to the solutions every month, and SAP Consulting continues to be our partner, helping us obtain the maximum value from the software.”

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