



# DITAN DISTRIBUTION

## SAP BUSINESS TRANSFORMATION STUDY

### AT A GLANCE

<b>Industry</b>	Logistics service providers
<b>Revenue</b>	>US\$75 million
<b>Employees</b>	241 full-time and up to 800 part-time
<b>Headquarters</b>	Sayreville, New Jersey
<b>Web Site</b>	www.ditan.com
<b>Solutions &amp; Services</b>	GEMS mService, a qualified SAP® All-in-One partner solution; SAP NetWeaver™ Portal component
<b>Implementation Partner</b>	Global Enterprise Management Solutions (GEMS) Inc.

A leader in retail distribution services, Ditan Distribution LLC (a CINRAM Company) distributes 43% of all of the video games sold in video stores and outlets across North America. This innovative company specializes in direct-to-store distribution of time-sensitive products, and Ditan’s customers include its entire supply chain – from manufacturers and publishers to major retail chains and distributors. For them, Ditan reduces inventories, cuts transportation costs, speeds deliveries, and improves customer service.

#### Key Challenges

- Enable a world-class, enterprise-level backbone to support growth and competitive differentiation
- Implement scalable, flexible software to manage geometric growth and high transaction volume
- Replace confederated legacy applications with a single solution to enable direct data access
- Forge tighter links with suppliers, manufacturers, retailers, and distributors

#### Why SAP Was Selected

- Support for high transaction volume and throughput
- Foundation for Ditan’s current and future growth needs
- “Bulletproof” security and transaction logging
- Strong software and implementation partners like GEMS
- Specific applications for logistics service providers
- Well-developed user community to share best practices
- Built-in best practices support of SAP® software
- Robust reporting and data extraction functionality

#### Implementation Best Practices

- Utilized GEMS and SAP structured best practices to speed the implementation
- Expedited installation with SAP guidelines
- Conducted significant advance planning for data cleansing, conversion, and testing
- Achieved full staff participation in implementation

#### Low Total Cost of Ownership

- Very short implementation time frame of 3 months
- Lower support costs of IT infrastructure
- No need to support “single-function” applications
- Low-cost integration to automated warehouse equipment
- Lower training costs across applications and facilities
- Wider pool of available programming and IT talent

#### Financial and Strategic Benefits

- Significant savings for Ditan’s customers – millions of dollars in some cases
- Expanded opportunities – with scalable SAP solutions supporting innovative distribution processes
- Consistent measurements – real-time delivery of key performance indicator data across facilities
- Improved visibility – “glass-pipe” supply chain visibility that speeds deliveries and customer service
- Enhanced analytics – a “single version of the truth”

#### Operational Benefits

Key Performance Indicator	Impact*
Order volume	+950%
Transaction volume	+900%
Cost of fulfillment per unit	-50%
Cost to ship	-20%
Payback (months)	18 months

\* Within 4 years





**“The ROI on warehouse automation assets has dramatically accelerated through ease of implementation and deployment of SAP solutions. SAP’s ability to streamline processes and promote operational efficiencies has generated an ROI in excess of 300% since initial implementation, with an initial 100% payback of our SAP investment in under 18 months.”**

Doug Greenstein, Chief Financial Officer, Ditan Distribution LLC

**“We have developed a ‘glass-pipe’ supply chain to give customers clear supply-chain visibility from initial purchase order to actual delivery to final sell-through at the individual store level.”**

Matt Scanlan, Chief Operating Officer and Executive Vice President, Ditan Distribution LLC

### **Ditan Shows How to Play the Game**

When you are in the business of distributing time-sensitive products, like video games, movies, music, toys, gift cards, and books, speed and accuracy are the name of the game. These products literally fly off the shelves. One company, Ditan Distribution LLC, a CINRAM retail distribution company headquartered in Sayreville, New Jersey, reset the bar on speed of delivery and volume transactions management.

Ditan distributes nearly half of the video games sold in North America. It is a master at providing direct-to-store distribution of time-sensitive products, typically those with short life cycles and highly volatile demand. “This is an industry driven by new-product launches,” says Matt Scanlan, chief operating officer and executive vice president at Ditan. “When a game or an entertainment software product release comes out, 40% of sales occur in the first three days after it hits the shelf.”

In 2003, Ditan could see geometric growth coming for its company, if it could support such growth. It needed to create competitive differentiation by forging tighter links with its suppliers, manufacturers, retailers, and distributors. To achieve this, Ditan would have to replace multiple single-function applications with an integrated enterprise-class software solution.

### **Ditan Deals Its Hand to SAP and GEMS**

Ditan required an enterprise solution capable of reducing the time to get a product from the vendor to the retailer’s shelf – from the average 12 to 15 days down to same-day order shipment and next-day delivery. This would dramatically increase inventory turns for Ditan’s entire supply chain, including manufacturers, publishers, and major retail chains and distributors.

To meet these requirements, Ditan selected mService, a qualified SAP® All-in-One partner solution from Global Enterprise

Management Solutions (GEMS) Inc. These solutions were implemented in just over three months using the SAP® Best Practices for Logistics Service Providers offering.

For Ditan, these solutions provided the high transaction volume and throughput support it required. They offered “bulletproof” security and a transaction-logging environment, industry-specific applications, “glass-pipe” supply-chain visibility, and built-in support for best practices.

### **Ditan Plays to Win Business Benefits**

SAP solutions enhance Ditan’s point-of-origin shipping capabilities and retail compliance expertise, enabling the company to reduce inventory, cut transportation costs, speed delivery, and improve customer service for Ditan customers. These customers have on-demand access to the status of product shipments and real-time visibility to the entire order life cycle, as well as point-of-sale feedback to improve replenishment programs.

Sometimes games turn into reality, and so has the geometric growth Ditan foresaw. Tremendous market growth has led to operational benefits such as increased order volume (+950%), increased transaction volume (+900%), and decreased cost of fulfillment (-50%) – all achieved within four years of implementation. Increased visibility into the distribution supply chain has decreased Ditan’s reaction time to customers’ needs and demands. “The flexibility and scalability of SAP allows us to rapidly configure a custom solution for the most complex of custom client requirements. SAP allows us to quickly build and deploy a customized logistics, fulfillment and order flow process solution with full analytical reporting,” says Parmesh Bachina, chief information officer at Ditan. This is important, because Ditan’s ability to grow depends on its ability to react in real time to changes in its fast-moving supply chain. It allows this industry giant to scale as its markets grow and its customers continue to demand world-class supply-chain excellence.