

## SAP Customer Success Story Pharmaceuticals and Chemicals



### AT A GLANCE

#### Summary

Comprising some 350 companies on 5 continents, the Leverkusen, Germany-headquartered Bayer Group is a truly global enterprise. The SAP® GRC Global Trade Services application provides the group with a standardized solution for effective management of customs processes and regulatory compliance at companies around the world.

#### Web Site

[www.bayer.com](http://www.bayer.com)

#### Key Challenges

- Avoid delays to cross-border shipments
- Generate and manage official customs documents
- Support product classification and duty calculation
- Automate and accelerate sanctioned party list (SPL) screening, embargo checks, and management of export and import licenses

#### Project Objectives

- Enable electronic communications with European customs authorities
- Streamline key processes in customs management and regulatory compliance
- Harmonize heterogeneous IT landscape

#### Solution and Services

SAP GRC Global Trade Services

#### Why SAP Solution

- Ability to meet customer's current and future requirements
- Long and successful track record of collaboration with SAP

#### Implementation Highlights

- Smooth, timely migration of export and import processes to compliance functionality in SAP GRC Global Trade Services
- Introduction of a single, central global trade solution for Bayer companies worldwide

#### Key Benefits

- Expedited customs clearance, thanks to efficient electronic communications with authorities
- Support for extremely high volumes of customs documentation
- Effective, automated SPL screening, embargo checks, and license management
- Estimated 30% to 40% reduction in application maintenance costs through system consolidation
- Less hardware required, thanks to more effective logging of processes for regulatory compliance

#### Implementation Partner

Bayer Business Services GmbH  
[www.bayerbbs.com](http://www.bayerbbs.com)

#### Existing Environment

SAP R/3® Enterprise software, functionality now found in the SAP ERP application

#### Database

Oracle

#### Hardware

IBM

#### Operating System

AIX

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Uwe Lehr, Head of the Legal Service Team for Procure, Bayer Business Services GmbH

## BAYER

### Global Player Uses SAP® GRC Global Trade Services Application to Streamline Customs Processes and Regulatory Compliance

“SAP GRC Global Trade Services provides us with a single, central platform for customs and trade compliance management throughout the group, enabling us to implement standardized processes worldwide,” says Eduardo Rodriguez-Val, head of the customs and excise department at Bayer Business Services GmbH. Having adequate IT support is critical for the Leverkusen, Germany-headquartered Bayer Group, which is a truly global enterprise, with some 350 companies on five continents. Bayer's core operations are handled by Bayer HealthCare, Bayer CropScience, and Bayer MaterialsScience – each dedicated to research-driven innovation and growth in its chosen field.

For a global player like the €30 billion Bayer Group, which employs a total workforce of around 113,000, cross-border business is key to success. To meet customers' need for rapid delivery, the group has to ensure goods clear customs without unnecessary delays. This calls for effective generation and management of many different official documents, correct classification of a wide variety of products, and fast, accurate calculation of applicable duties. Moreover, electronic communications with the authorities are now a must if enterprises wish to take advantage of simplified customs procedures within the European Union.

#### Playing by the Rules

Another key issue is regulatory compliance. Particularly in the wake of 9/11, exports and imports are subject to more stringent scrutiny than ever before. The penalties for dealing with the

wrong people or countries can be severe – and negative publicity is not just unpleasant, it is also costly. Therefore, for many of Bayer's products, all incoming and outgoing transactions have to be carefully screened to ensure business partners are not on sanctioned party lists (SPLs), and that there are no embargoes on regions for which shipments are destined. Moreover, where import or export licenses are required for specific types of products, Bayer has to ensure that these are allocated quickly and efficiently.

### **Streamline – Automate – Consolidate**

To expedite customs clearance and checks for regulatory compliance, Bayer decided to implement a state-of-the-art solution that would accelerate and automate these all-important processes. Moreover, the software had to support consolidation of the heterogeneous IT landscape used to handle global trade processes.

“Initially, our focus was firmly on customs,” explains Uwe Lehr, head of the legal service team at Bayer Business Services. “We needed a solution that would enable electronic communications

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**Martina Ufermann, Head of Transport Solutions and Application Services, Bayer Business Services GmbH**

with the European Union's New Computerized Transit System (NCTS). This was simply not possible with our legacy software. And we faced a strict deadline – from April 1, 2004, all companies wishing to benefit from simplified customs procedures had to be able to hook up to NCTS.”

### **SAP® GRC Global Trade Services – A Complete Answer to Bayer's Needs**

Bayer opted for the SAP® GRC Global Trade Services application. Powered by the SAP NetWeaver® technology platform, this flexible, state-of-the-art solution delivers end-to-end support for all aspects of international trade. SAP GRC Global Trade Services empowers companies to take full control of their global trade processes.

“SAP GRC Global Trade Services delivers precisely the capabilities we require,” says Lehr. “What's more, it integrates seamlessly with our other solutions, enabling us to make the most of our existing IT. SAP GRC Global Trade Services is also a sound strategic investment, since it offers all the functionality needed to replace our legacy systems.” Another strong argument in favor of the application was the long and successful track record of collaboration between Bayer and SAP – which included a strategic project, initiated in 1999, to jointly develop a solution for export and import control and trade preference management.

In light of the many tangible benefits of SAP GRC Global Trade Services, Bayer decided to implement the application's functionality for both compliance and customs management – for fast, accurate SPL screening and embargo checks.

### **Successful Implementation of a Truly Global Solution**

The functionality for compliance and customs management was implemented in Germany by Bayer Business Services. The project to implement customs management got rolling after the first of the year, with the new NCTS functionality going live on April 1, 2004 – right on schedule. In a subsequent step, completed in early October 2004, Bayer Business Services introduced additional functionality for transferring products into free circulation within Germany and for calculating the corresponding duties.

Introducing compliance management posed a slightly tougher challenge. “As we were replacing an existing export- and import-management system, we had to ensure a smooth transition,” explains Tanja Schumacher, head of the compliance project at Bayer Business Services. Working hand in hand with SAP, Bayer’s experts quickly and effectively migrated from the legacy solution to SAP GRC Global Trade Services – with the new application coming online in November 2004.

A total of 15 production sites in eight European countries are now reaping the benefits of the new software. And with seven SAP enterprise resource planning systems at Bayer companies worldwide linked to the SAP GRC Global Trade Services application in Germany, the group has a truly global solution.

### **Many Benefits**

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Rodriguez-Val. Communications with NCTS are now fully automated, accelerating processes and significantly reducing time-consuming, error-prone manual data entry. And once documents have been approved by the authorities, they can be printed out where they are needed – for example, at the loading bay.

The SAP application handles around 10,000 NCTS transactions annually, with some 40,000 notifications passing between the company and the authorities every year. And turnaround time has far exceeded expectations: when Bayer sends documents to customs for approval, it takes only three to seven minutes for them to be returned.

### **Minimized Risk of Regulatory Noncompliance and Reduced Maintenance Costs**

By introducing SAP functionality for compliance management, Bayer has automated SPL screening, embargo checks, and control of import and export licenses – minimizing manual effort, ensuring compliance with strict rules, and reducing the risk of fines or other penalties.

The volume of data involved is staggering. “We screen a total of 300,000 business partners,” states Schumacher. “And we have to process some 500 changes and new entries to the sanctioned party lists on a daily basis. All in all, the system handles some 1.5 million documents annually.”

All-important export and import licenses are now maintained and managed in the system. The SAP functionality for compliance management automatically identifies products for which a license is required, performs the appropriate allocation, and adjusts license quantities or values accordingly. If no license is available, the software blocks the transaction and alerts users.

Bayer is also seeing considerable savings from system consolidation. “We estimate a 30% to 40% reduction in our application maintenance costs,” says Martina Ufermann, head of transport solutions and application services at Bayer Business Services. “And thanks to more effective logging of processes for regulatory compliance, we now require 80% less storage capacity – allowing us to cut down on hardware.”

### **All Good Things Come in Threes**

Bayer Business Services now intends to implement the trade preference processing elements of the SAP functionality for risk management in 2006. In the future, the group may establish additional SAP GRC Global Trade Services installations in Asia and the NAFTA region. What's more, Bayer Business Services is looking to enhance its portfolio by leveraging the SAP software to provide global trade services for external customers.

### **About Bayer Business Services**

Bayer Business Services is the Bayer Group's IT-based competence center providing business, administrative, and scientific services. Its offering ranges from technical consultancy to the performance of entire business processes in the areas of accounting, procurement, human resources, logistics, IT operations, scientific services, and pensions. Bayer Business Services also has subsidiaries that provide travel and media services.

Of the approximately 3,200 employees, about 1,150 work for the subsidiaries. In fiscal 2004 Bayer Business Services had sales of €700 million, including business with customers outside of the Bayer Group.