



IBM Hosted Dairy Solution in SAP for Milk Unions

What is Subscription Based Hosting (SbH)

Subscription-based hosting (SbH) is a new delivery option by IBM targeted for the Dairy Industry that has been developed on SAP platform. Rather than licensing a solution up front and managing everything in-house, a customer now pays a subscription for use of a IBM Dairy Solution that is hosted and managed by IBM and pay a quarterly fee on a two, three, or four-year term. Upon term expiration, the customer may choose to renew the subscription or switch to perpetual licensing. The minimum period of contract signing is for Two years

What is included in the IBM Hosted Dairy Offering?

Included:

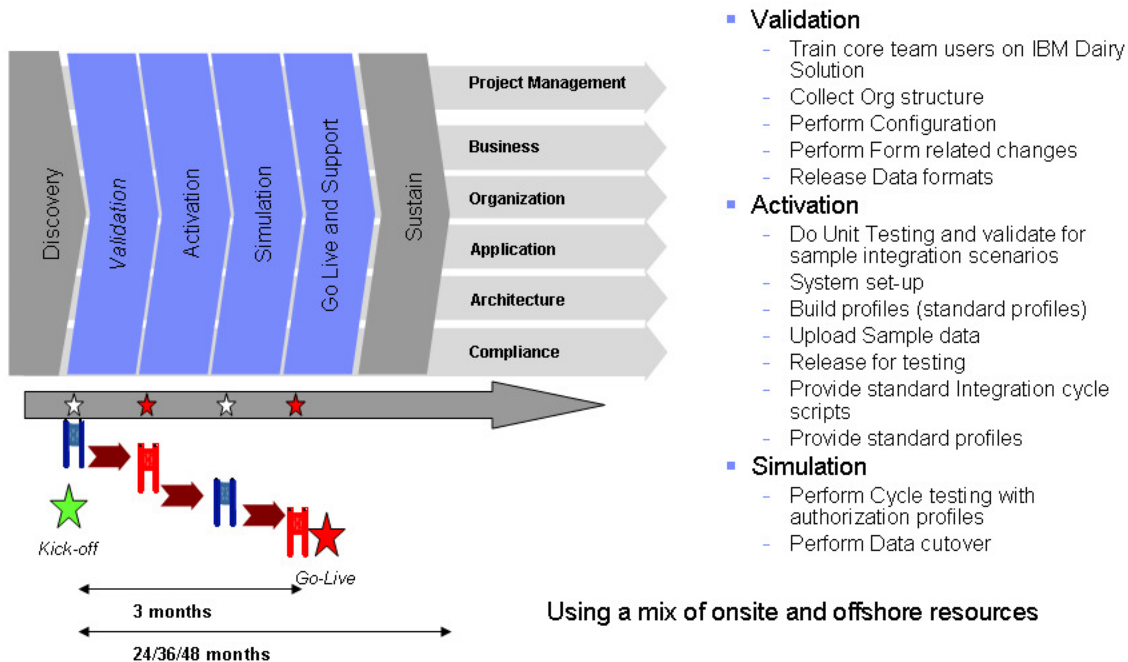
- Pre-configured Dairy solution developed by IBM on SAP ECC6.0 configured for the customer. Customizations will be done (free of charge) for
 - Invoice Layout
 - PO Layout
 - Cheque Printing Layout
 - Any other customizations on account of Functionality enhancement would fall under the purview of Release Management that may be provided on a periodic basis for all customers
- SLO driven Application management services (L1/L2/L3 application support)
 - Level 1 – Deals with incident/problem management (call logging, tracking, update, answering simple user queries, answering “how to” issues).
 - Level 2 – Business process support, functional support, provide diagnosis and problem resolution for incidents caused specifically by breaks in existing functional configuration and/or existing development, and
 - Level 3 – Customization and minor configuration support. This excludes any code change in the product Software code
- Infrastructure management services in terms of Operating system and database management done at SAP certified Data Centre
- SAP Enterprise Support
- Measures adopted to address concerns related to Data Security and Privacy

How will the delivery be done?

Our approach for implementing the IBM Dairy Solution is to utilize IBM's Ascendant® SAP Method. Ascendant is a comprehensive method set and is the solid foundation on which our SAP projects are based. It brings together best practices and project methods from over 50 years of management consulting experience. This tool, developed by hundreds of IBM professionals, allows us to deliver consistent and measurable results – on time, on budget and help manage risks better.

The Ascendant method for IBM Dairy solution is based on a common work product approach and pre-configured components. The method approach comprised of the following phases:

Delivery methodology



Why Dairy industry for Hosting Solution?

- Business Processes are very unique but uniform across the country
- Large number of dairies in the range of annual turn-over of INR 50 crore to INR 300 crore range
- Technology adoption is low
- Currently IT enablement is mostly focused on transaction and data capturing in disparate or accounting systems, as a result IT systems do not provide the levers for Productivity Improvement or Improving Margins.
- Challenges in making large IT investment



What pain points will be addressed by this new option?

- Inability or unwillingness to absorb upfront capital expenditures in IT investments
- Limited cash-flow flexibility to support software licenses and hardware acquisition
- Limited IT resources to manage software and IT infrastructure in-house
- Due to retirement of staff and no fresh recruitment, there have been challenges with getting business reports on time

What are the customer benefits of this new option?

- World-class software, no-hassle IT: **Developed on SAP platform, IBM Dairy Solution is proven and tested in the Indian market.** IBM is the leading implementation partner of ERP and SAP across the world; IBM is the leading implementer of SAP in India. This solution is built based on Industry good practices helps mitigate risks associated with implementation of SAP initiative. By having IBM manage the application and IT infrastructure, customers can focus on managing their business without the distraction of IT issues.
- Low cash and capital impact: Allows customers to get started with a much lower up-front cost by eliminating the capital outlay traditionally required for acquiring a software license or IT hardware. It allows customers to pay as they go, and to turn software acquisition into operating expense instead of capital expenditure.
- Fixed, predictable cost: All costs associated with using and managing the SAP software are combined into one simple subscription-based monthly payment, making it far more predictable for customers to manage their ongoing cash flow
- Organization achieves efficiencies and effectiveness by
 - Standardizing processes,
 - Implementing basic automations,
 - Centralizing data, and
 - Generating foundational business intelligence
- **Full Tax break is available**

How will customer data security and privacy be ensured?

Data Security needs to be viewed against the following framework which entails all the stakeholders – Data centre provider; Internet and company’s own policies:

Data Security and Privacy

- **People and Identity**

- Privileged user monitoring, including logging activities, physical monitoring and background checking
- Implement a least privilege model

- **Data and Information**

- Data segregation
- Network Segmentation, VLAN Segregation & Port Protection done
- Data at rest is protected behind a firewall
- Data in transit (while performing backups) is encrypted



- **Network, Server, Endpoint**

- Network Segmentation, VLAN Segregation & Port Protection done
- All servers and network devices are monitored 24*7 for availability and performance of services and protocols on various parameters.

- **Physical Infrastructure**

- Monitoring and control of physical access
- Entry to the data center through Biometric access
- All access card reads are logged automatically.
- Entire facility is monitored using CCTV cameras

- **Governance, Risk Management, Compliance**

- 3rd-party audit (ISO27001, ISO9001)
- Effective incident reporting
- Visibility into change and incident management

Once the customer gets into the IBM network through a secure tunnel, he/she will login to SAP client using his own unique login and password. No data will be visible across clients on account of the inherent SAP architecture and additional security provided thereof by the checks and balances put in place.

How does customer decide on the number of users?

Based on customer’s inputs; future growth plans and IBM’s experience on user sizing a right size on the number of users will be determined. It is recommended that customers start with a lower number of licensed users and increase them overtime to maintain maximum flexibility

How many users can the customer have or add under this new option?

Yes. Minimum number of SAP Professional license is 20 and the maximum number of under this option is 80.



What is the bandwidth requirement that the customer would need to plan for?

Customer can leverage on his current bandwidth provider. Indicative value for bandwidth requirement is as follows

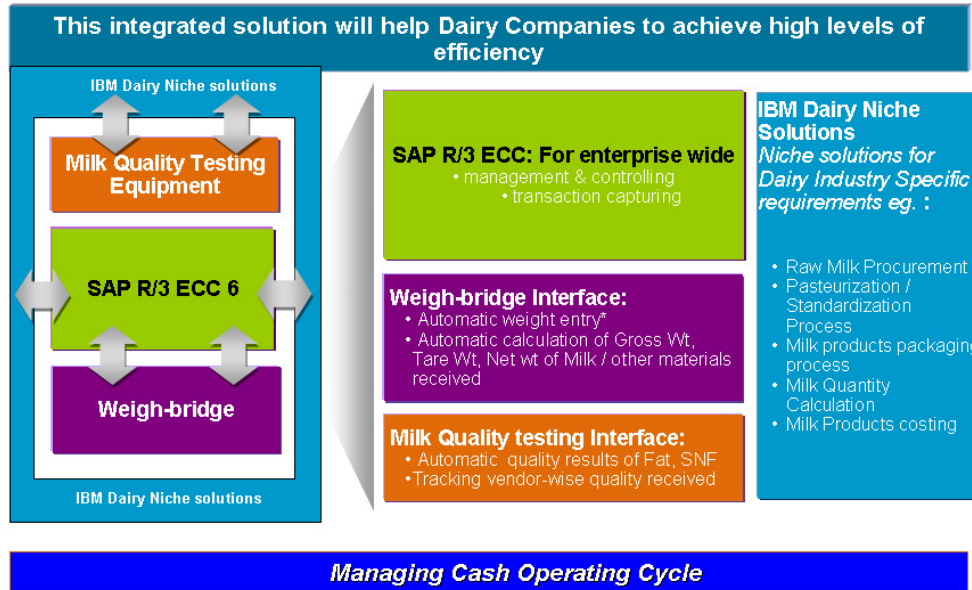
- ~ upto 20 users- 256 KBPS
- ~20 - 30 users - 512 KBPS
- ~30 - 90 users - 2MBPS

What is the PC requirement that the customer would need to have to work on SAP?

Pentium III 450 Mhz processor
At least 128 MB of RAM
3 GB hard disk (with 700 MB free)

What is IBM Dairy Solution?

IBM Dairy Solution



Which Products are addressed as part of IBM Dairy Solution?

- Pouch Milk (DTM, TM, FCM, SM)
- SMP
- Ice-cream
- Ghee
- Butter
- Paneer
- Flavoured Milk Products
- Curd
- Lassi
- Feed Sales

What are the Key Business Processes covered

- Milk Procurement and Processing
- Inventory Management
- Production and Standardization Process
- Sales & Outbound Logistics
- Quality Management
- Financials and Budgeting
- Plant Maintenance
- Asset Tracking



How does IBM Dairy Solution address Industry Pain Points?

Key challenges	Product Features	Benefits
Procurement of Milk from Agent and Payment		
Challenges in meeting seasonal spike in demand	Integrated planning between Sales, Production and Procurement	Provide information to improve Service levels
Gap in synchronizing Real world physical processes to System process	<ol style="list-style-type: none"> 1. User friendly Screens provided to capture Milk Reception with milk quality parameters like Fat and SNF for milk type at Agent level. 2. Facilitate milk capture through Cans / BMC tanker 3. Capture data with regard to Agent / Transporter / Route. 4. Automatic Transporter Liability creation at the time of GR. 	Improved profitability on account of Tracking Quantitative and Qualitative parameters of Milk delivered by Agent / Transporter / Route
Managing the complex logic of payment based on Fat, SNF and quantity of Milk received	Automatic calculation and payment to agents based on actual receipts (Fat, SNF and quantity)	Facilitate remunerative price is given to the agent based on accurate Fat and SNF received Aid in operational efficiency improvement (eliminate manual intervention)
Correlate period based price and payment to Agent	Integrate Price Matrix for receipts and Payments to Agent	Eliminate manual intervention in pricing and Payment processes



Key challenges	Product Features	Benefits
Production and Standardization		
Production planning for various products considering the Raw Material Availability	<p>Online availability of Production Plan and Material Requirement Plan</p> <p>RM - FAT Requirement planning based on Finished goods requirement is available on a real time basis</p>	Provide real time visibility to facilitate planner to maximize on asset Utilization
Production Planning based on a non-standardized raw material	<ol style="list-style-type: none"> 1. Suggesting right Silo / Tank with quantity for the end milk-product FAT content to be achieved to improve operational efficiency 2. Dynamic Recipe Formulation before Production Execution (FIFO) 	<p>Maximize utilization of RM available using Dynamic Recipe Formulation</p> <p>Minimize costs and time resulting on account of Trial and Error for arriving at the Target Formulation hence increasing productivity</p>
Addressing growing food-safety concerns from consumers	Track back source of quality defect based on customer complaint (Production process, supplier)	<p>Professionally managing a possible product recall</p> <p>Minimize risk of non-compliance with food & beverage regulations</p> <p>Effective batch-specific returns processing</p>
Gap in synchronizing Real world physical processes to System process (eg: Sample check takes time, while the RM moves into Silo or tanks)	Data entry at source as and when the activity occurs	<p>Accurate Inventory reporting of physical material movement</p> <p>Improved operational efficiencies translating to reduction in month end processing (at shift level, daily level, monthly level)</p>
<p>Fat accounting and effective tracking of fat lost in the production process – variance in fat & S&F</p> <p>Inability to simulate impact of price and cost revisions on profitability</p>	Inventory accounting of FAT content across all milk products and process. For every process information available on FAT input, FAT output & FAT loss, FAT – Recycle	Increase profitability by improved visibility to raw material utilization and losses



Key challenges	Product Features	Benefits
Budgeting and Financials		
<p>1. Challenges at arriving at accurate milk valuation</p> <p>2. Batch wise cost analysis</p> <p>3. Product wise profitability analysis</p>	<p>Fat and SNF based Inventory valuation considering all the costs incurred in milk procurement (Transporter, Freight, Other costs)</p> <p>Tightly integrated with Milk Procurement, Purchase, Sales and production process.</p> <p>Uses production bill of material to arrival at target cost</p> <p>Profitability analysis is available at Product wise / Customer wise / segment wise</p>	<p>1. Eliminate Manual intervention in Inventory valuation and aid in accurate calculation of COGM and COGS</p> <p>2. Reduce period end processing on account of valuation related challenges</p> <p>Target/Standard Cost based on BOM/Routing, helping shop floor control to monitor quantity variances</p> <p>Facilitate in deciding Product profitability at various dimensions</p> <p>Online profitability analysis.</p>
<p>Meeting local legal and fiscal requirements</p> <p>Improving administrative activities efficiency</p> <p>Maintaining focus on most profitable customers and brands</p>	<p>Indian Taxation like VAT, TDS, Service Tax, Excise duty, e-filing is available</p> <p>Sub-ledgers are fully integrated with Main Ledger and real-time information for receivable and payables is available</p> <p>Better manage Fixed assets, calculate depreciation (as per IT act and as per Company Act) as required</p> <p>Upload facility available for posting salary vouchers</p> <p>Provide data and information for decision making to transporters</p> <p>Provides Multi branch and multi currency accounting.</p>	<p>Improve efficiency in accounting activities due to a seamless process integration</p> <p>Report with accuracy, adequacy, and timeliness</p>



Key challenges	Product Features	Benefits
Sales Cycle		
<p>Managing variable pricing conditions - Support complex pricing rules that have an ability to work backwards from MRP (maximum retail price)</p> <p>Meeting customers' requests for improved services</p>	<p>Sales processes enabled for different types of customer groups - distributors/ Institutional/Modern Trade/Parlors.</p> <p>Pricing models worked out based on backward pricing from MRP. Multiple levels of discounts / Statutory taxes/ Surcharges / freight / payment terms is available</p> <p>Incentive calculation done based on volume / value basis for each transaction without manual intervention</p> <p>Management of Transporter routes</p> <p>Detailed visibility on receivables</p>	<p>1. Automatic pricing eliminates manual intervention and reduces invoicing errors</p> <p>2. Information available on a real time basis of Agent commission accrued for a period</p>
<p>Lack of tracking of crates sent to Agents</p>	<p>Access to information which will help provide availability of crate at Customer/Vendor Locations.</p> <p>System enables visibility of crate volume at customer level.</p>	<p>Crate management process is fine tuned thus help release of funds locked with Customers</p>



What are the key benefits of the IBM Dairy Solution

IBM Dairy Solution will provide the following benefits

- Improved visibility to Manage their Cash Operating Cycle
- Streamline operations by cutting costs and eliminating inefficiencies
- Drive efficiency through general operations
- Understand customer profitability
- Collaborate with suppliers and customers

For more questions, please feel free to reach out to

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