SAP Customer Success Story

" . . . the system has helped us streamline our entire operation . . . letting us be more nimble when it comes to adding services or entering new markets . . . it helps us keep up good relationships with our suppliers, and that's critically important for a company like ours that wants to grow . . . "

Peter Guard, Manager, Supply and Network Delivery, Telecom New Zealand

Telecom

AT A GLANCE

Company Name
Telecom New Zealand
www.telecom.co.nz

Industry
Telecommunications

Key Challenges
- Lack of visibility for spare parts inventories
- High complexities and costs of low-value goods purchasing

Implementation Partner
Intelligroup New Zealand Limited

Solution and Service
mySAP™ Supplier Relationship Management (mySAP SRM)

Existing Environment
SAP® R/3® (now available as mySAP ERP)

Key Benefits
- Elimination of more than NZ$1 million (around US$663,000) of waste through reduced inventory and improved parts reuse
- Savings of NZ$500,000 (around US$332,000) in six months through reduced processing costs and early payment discounts from suppliers
- Ability to sustain good relationships with suppliers by offering excellent service
- Increased competitiveness/support for future growth

Hardware
Sun (E10K)

Operating System
UNIX/Solaris

TELECOM NEW ZEALAND

mySAP™ SUPPLIER RELATIONSHIP MANAGEMENT HELPS NEW ZEALAND'S PHONE COMPANY TRACK SPARES AND RETURNS, IMPLEMENT ONLINE PURCHASING

In 2000, Telecom New Zealand began a major supply-management review and found the company could be saving time and money in its management of spare-parts tracking and low-value goods purchasing. In 2002, Telecom brought in the mySAP™ Supplier Relationship Management (mySAP SRM) solution, and integrated it with its existing SAP® software system. Now the company has complete visibility into its spare-parts network, a fully automated online purchasing system, and a strong foundation for competing – and growing – well into the future.

Telecom is the predominant service provider for business and residential customers in New Zealand, and owns AAPT, Australia's third-largest telecom carrier. It offers data, mobile, and fixed-line communications services. With more than 7,700 employees, the company had net earnings of more than NZ$750 million (more than US$497 million) in 2003.

SAP®

DEPENDING ON "LOCAL KNOWLEDGE"

Telecom New Zealand supports its customers through a parts-supply network that includes the central warehouse, six regional warehouses, and 120 service depots. One of several outsourced contractors provides support services, but all spare parts – from telephone handsets to printed circuit boards – must be ordered through Telecom. Also, all returned parts go back to Telecom New Zealand for repair, refurbishment, or replacement. Before 2002, this network was operating at less than full efficiency – and it was costing Telecom money.

"We didn't have company-wide visibility into our spares tracking," says Peter Guard, Telecom New Zealand's manager for supply and network delivery. "Instead, we relied on people in our various depots to track the purchases and returns of spare parts through Excel spreadsheets and, basically, through their own local knowledge.

"We were able to service our customers well enough. That wasn't the problem. We couldn't tell where all our parts were going, and we didn't know if we were getting all the returns we should have been getting. We were stocking too much inventory, wasting too much time on phone calls, and spending money on spare parts that we didn't need."

REWORKING INVOICES

Telecom New Zealand was also spending more money than it needed to process invoices for its office supplies and other low-level purchases. The company didn't have an integrated purchasing system, so it was using multiple suppliers for sometimes overlapping commodities.

"The system was more complex than it needed to be," says Guard. "Not only were we paying too much for some supplies, but it was costing us to rework incorrect invoices and to process our purchase orders." For instance, Guard estimates that it cost the company NZ$62.00 (more than US$41.00) for each purchase order (PO) it created. Now, with the online system in place, it costs Telecom a tenth of that.

AUTOMATING SUPPLIES AND PURCHASING

Beginning in mid-2002, Telecom replaced its existing purchasing systems with mySAP SRM. With the help of its IT partner, Intelligroup, Telecom New Zealand integrated the solution with its core SAP software system. In five months, the initial phase went live, with the company's support outsourcers, spare-parts system, and online catalog – serving seven indirect vendors – in place.

Today, SAP software for enterprise resource planning (mySAP ERP, formerly available as SAP R/3®) runs Telecom's core business processes, including financials, approvals, purchase orders, sales orders, spares and inventory materials, human resources, and invoices and reporting. mySAP SRM supports shopping carts, advanced approval rules and process workflow, goods receipting, and status reporting. The SRM system is also integrated with the company's business partners, and provides system-to-system translation and other support services.

For the spares-tracking application, mySAP SRM now takes requests from service outsourcers, applies priorities, sets up the online inventory approval process, and then hands them off to the enterprise-resource-planning software, which creates the sales order and updates stock balances.

For indirect procurement, mySAP SRM follows a similar process, taking orders through its intranet catalog, creating a shopping cart, and building an appropriate approval process, then handing the order data off to the company's core SAP software system, which creates the PO. One difference is that subsequent delivery tracking and invoice processing are handled by mySAP SRM, whereas in the spare-parts application, the SAP software for ERP handles delivery and tracking.

SYSTEM BENEFITS

The new purchasing platform at Telecom New Zealand contains numerous features that make life easier for company managers, according to Guard.

"A great deal of flexibility is built into this system," he says. "For instance, if suppliers update their own product files, that information automatically goes right into our ERP and mySAP SRM systems.

And our management interface lets our managers drill down quickly into any of our 150,000 spares to investigate availability, location, and so on – all at a glance."

SAVING COSTS, MATCHING POs

Telecom is now able to account for its inventory of spares and returned parts from a central location. Guard estimates this has saved more than a million New Zealand dollars (around US$663,000) in reduced inventory and improved parts reuse. Also, Guard says, Telecom can now be more proactive about its spares placement and usage.

"In some cases, we can now forecast our need for spares," he says. "For instance, say there's an incident in a customer's office building that causes them to lose their equipment. We'd be able to estimate what new equipment they might need, and get it heading in their direction even before they ask for it."

Telecom New Zealand is saving on purchasing costs, as well. The company has achieved a 100% match between POs and invoices, and is now taking extra supplier discounts because of faster invoice payment.

"We've seen a 75% reduction in paperwork duplication costs," says Guard. "And we're getting 1% to 2% early-payment discounts. The result is that in the first 6 months of our current fiscal year, we estimate we saved NZ$500,000 [around US$332,000] in purchasing process costs."

GROWING ITS SYSTEM, AND ITS MARKETS

Telecom is now rolling out its solution to cover the company's purchasing of network equipment and network construction equipment.

> **" . . . our management interface lets our managers drill down quickly into any of our 150,000 spares to investigate availability, location, and so on – all at a glance."**
>
> Peter Guard, Manager, Supply and Network Delivery, Telecom New Zealand

Telecom and Intelligroup are also expanding the scope of the system to cover more Telecom New Zealand users, and to deliver more advanced analytics for parts forecasting and other applications. According to Guard, the company also plans to implement the SAP NetWeaver™ platform, including its SAP Business Intelligence (SAP BI) and SAP Enterprise Portal (SAP EP) components, sometime in the future.

"SAP BI will help us make the system even more intelligent, and SAP EP will make it easier for our users and our suppliers to communicate effectively," he says.

The company is also extending the system's spares-tracking reach to cover customer-premises equipment (CPE), some of which may be owned by the customer, rather than by Telecom New Zealand.

"This gives the customer an added benefit, by our helping with CPE management," says Guard.

In fact, gaining customers and maintaining good supplier relationships are significant higher-level benefits for Telecom New Zealand.

The spares-tracking/procurement system also produces several important competitive advantages, according to Guard.

"First, the system has helped us streamline our entire operation, working out from our inventory management," he says. "This ripples throughout the organization, letting us be more nimble when it comes to adding services or entering new markets.

Second, it helps us keep up good relationships with our suppliers, and that's critically important for a company like ours that wants to grow, and also maintain loyalty through excellence of service to existing customers."

SIMPLIFYING THE BUSINESS

Perhaps most important, the spares-tracking/procurement system has enabled Telecom New Zealand to streamline and simplify its key business processes, and that's a valuable strategic benefit for a company that supports millions of customers on a daily – even on a minute-to-minute – basis.

"After all, telephone and other communications are critical to today's businesses and households," says Guard. "And support and spare parts are critical to the reliability, performance, and scalability of those communications."

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