Deloitte.

SAP Service Parts Management

Distribution Center
in the Middle East region

Deloitte implements SAP Service Parts Management to improve parts' visibility and support a globally integrated network

Introduction

Achieving a world-class supply chain requires a flexible, customer-centric network that delivers the highest value with the greatest velocity at a low cost. Deloitte has helped many clients in their efforts to organize and manage their supply chain to optimize profit, cost, efficiency, flexibility, reliability and customer satisfaction.

In this paper we will focus on how Deloitte accompanied one of our clients with their spare parts distribution network transformation program. This program encompasses initiatives that focus on network optimization, process standardization and the implementation of one common global software solution for the management of their service parts.

Implementation

Together with Deloitte, the client team implemented the SAP Service Parts Management (SPM) solution to replace multiple legacy systems and not only drive common processes, but also improve parts' visibility and support a globally integrated network. Deloitte assisted them with the opening of a new distribution center in the Middle East region and the integration of this facility in their existing logistics network, which was facilitated by the implementation of SAP SPM.

SAP SPM was developed as a cross-component solution for supporting and managing a companies' whole service parts network. It encompasses the entire range of service parts management activities, including planning, execution, fulfillment, collaboration, and analytics. SAP SPM helps to link the entire service value chain for better visibility, coordination, collaboration, and control of the service parts network.

Distribution Center Middle East

With the start-up of a new distribution center in the Middle East and the linked SAP SPM go-live, this is the 7th distribution center in the companies' network that runs on SAP Extended Warehouse Management (EWM), the warehouse module of SPM. Six distribution centers and two inbound packaging centers in the United States are also running on SAP EWM, which makes this the first SAP EWM implementation outside of the United States for the client. Furthermore it is the first time the Customer Relationship Management (CRM) and Global Trade Services (GTS) functionality in SPM has been implemented integrated with EWM, supporting pricing, invoicing, claims, returns and customs processes making this the first SAP SPM implementation worldwide.

SAP Service Parts Management Overview

- Extended Warehouse Management
- Customer Relationship Management
- Service Parts Planning
- Global Trade Services

Warehouse characteristics

- Located in Middle East
- 40.000m² Storage Space
- 110 Workers, 2 shifts
- 18 countries in the Middle East and Africa are served from the warehouse

Local Blueprint and Implementation Strategy

A global template approach was used to align the common processes and to drive for quick, repeatable project implementations and rollouts. Therefore the "80% global - 20% local" rule was applied. This allows for the global template processes to be validated, and where needed adapted, against local needs. Starting from this global template strategy, the first step was to compare the local requirements with the global template. For the Middle East warehouse the main localization needs were caused by the local legal requirements and the warehouse location in a free trade zone. As this was the first implementation where SAP EWM would be integrated with SAP CRM, SAP GTS and SAP ECC , particular attention was put to all integration points to ensure appropriate end-to-end processes.

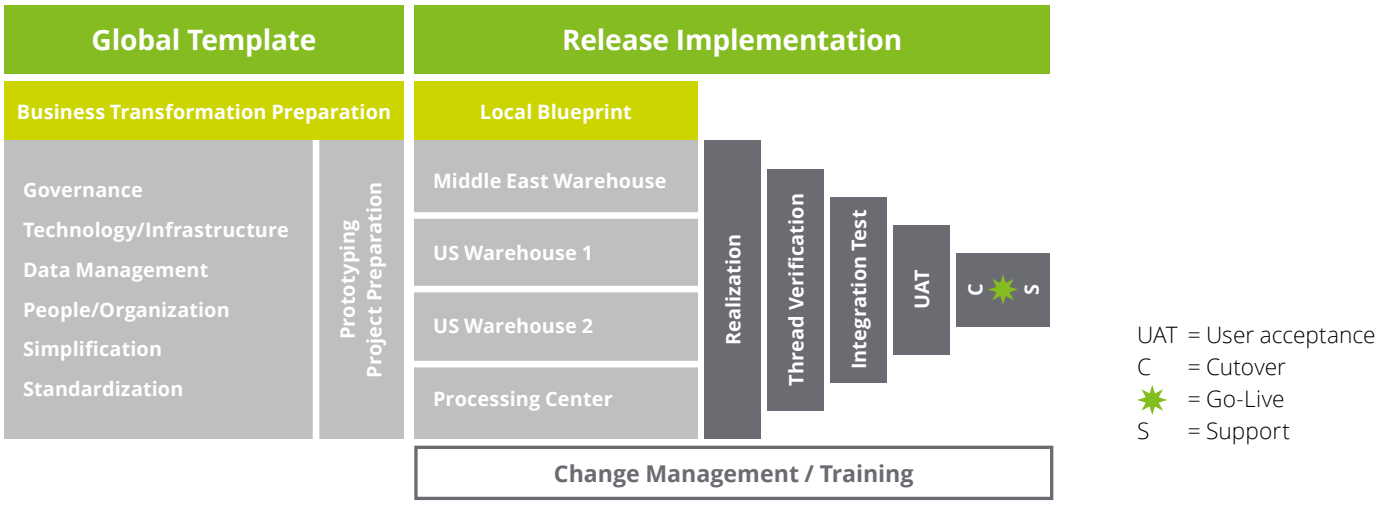
As an implementation strategy it was decided to group 4 implementations into 1 release: besides the warehouse in the Middle East, 2 new warehouses were added to the Logistics network in the United States and also an Inbound Processing Center had to be converted to the SPM system. It was the first time the client used a release strategy, which consolidated the system development process into one work stream to drive efficiency.

Thanks to process standardization and the use of the global template strategy the incremental work to include an additional facility in a release is far less than duplicating the number of implementations.
The driver for this release strategy was to accelerate multiple concurrent facility implementations.
It also enables to leverage resources during testing cycles & alleviates some environment bottlenecks.
The main risk is that slippage on any single thread impacts the entire release. It is therefore important to manage to key interim milestones with gate reviews & go/no-go decisions.

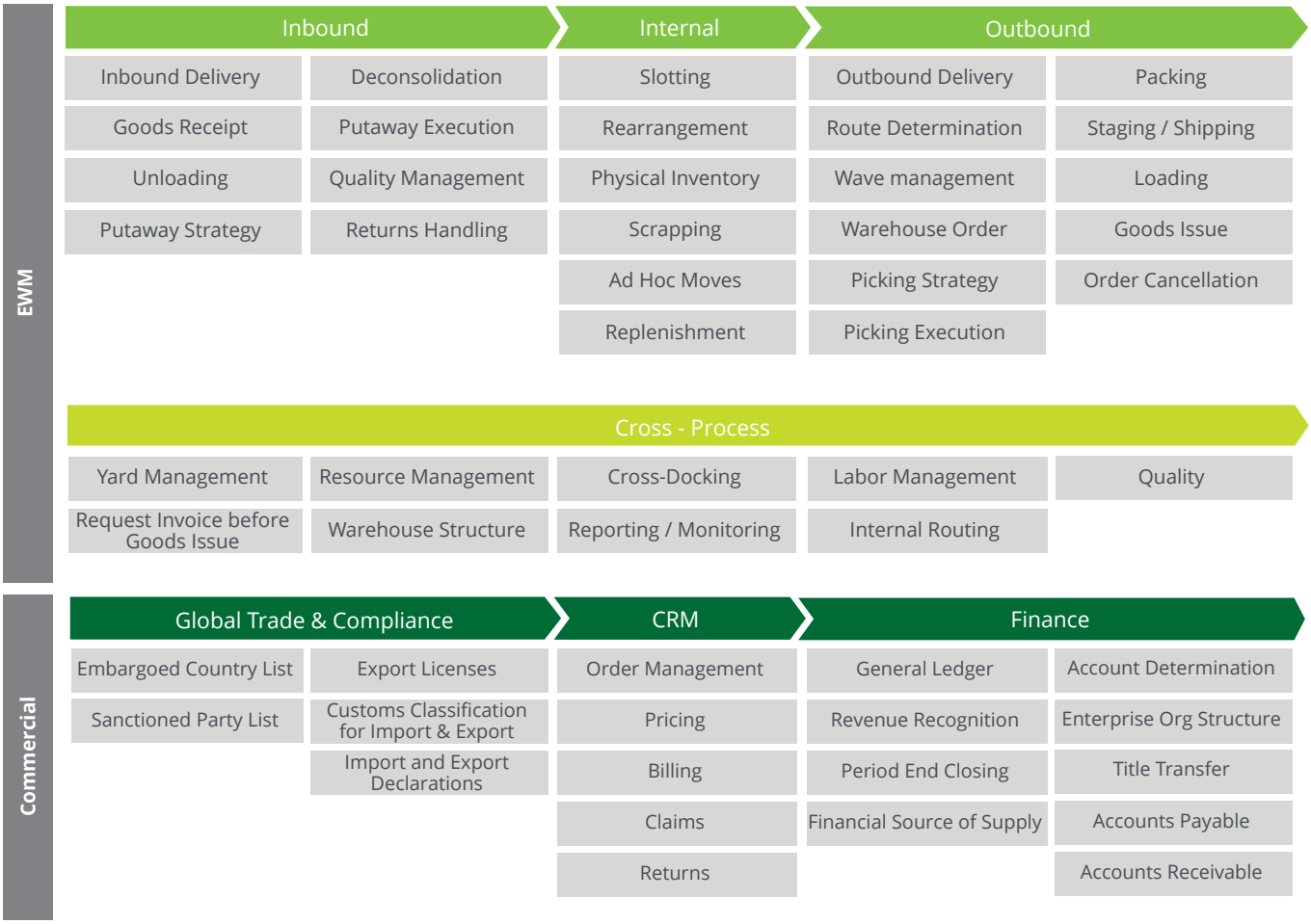
With 4 warehouses and multiple modules being implemented at the same time, the work was split over several global teams. Every team had one focus-area but intensive communication and collaboration between the different teams ensured the standard processes were adhered to and all teams were aligned. For the Middle East warehouse a split was made by functional area: Customer Relationship Management, Warehouse Processing, Finance and Global Trade & Compliance.

An overview of the implementation scope by process area is shown on the next page.

Release strategy



UAT = User acceptance
C = Cutover
= Go-Live
S = Support


EWM
Inbound
Internal
Outbound
Inbound Delivery
Deconsolidation
Goods Receipt
Putaway Execution
Unloading
Quality Management
Putaway Strategy
Returns Handling
Slotting
Rearrangement
Physical Inventory
Scrapping
Ad Hoc Moves
Replenishment
Outbound Delivery
Packing
Route Determination
Staging / Shipping
Wave management
Loading
Warehouse Order
Goods Issue
Picking Strategy
Order Cancellation
Picking Execution
Cross - Process
Yard Management
Resource Management
Cross-Docking
Labor Management
Quality
Request Invoice before Goods Issue
Warehouse Structure
Reporting / Monitoring
Internal Routing
Commercial
Global Trade & Compliance
CRM
Finance
Embargoed Country List
Export Licenses
Sanctioned Party List
Customs Classification for Import & Export
Import and Export Declarations
Order Management
Pricing
Billing
Claims
Returns
General Ledger
Revenue Recognition
Period End Closing
Financial Source of Supply
Account Determination
Enterprise Org Structure
Title Transfer
Accounts Payable
Accounts Receivable

Phased Go-live

Because the warehouse in the Middle East was newly built, it was an obvious decision to split the go-live in two main phases. First the inbound processes went live to stock-up the warehouse. During this stock-up period, also outbound-pilots were run to all the dealers in scope. These pilots were small-volume shipments to validate the outbound processes and the integration of the systems at the dealer's side.

For the outbound go-live a phased approach was chosen. Every 2 weeks one extra dealer family was "re-phased" and started ordering at the new warehouse. This way the warehouse personnel had the opportunity to learn the processes, while they moved on the learning curve in accordance with the volume increase. Furthermore this phased dealer go-live also reduced the impact of the issues: it allowed the operations to identify the issues while working with low volumes so that the project team could fix them before the next launch.

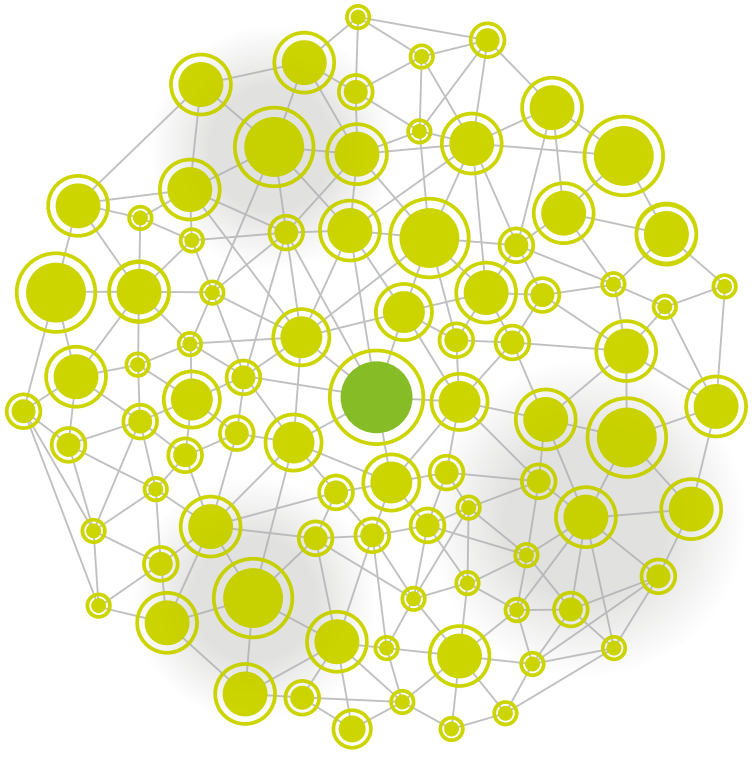
Benefits of the global SAP SPM implementations for the client

The global SPM program drives and facilitates the use of global standard processes; it improves parts visibility and supports a globally integrated network.
Having 1 global software solution for all supply chain activities allows them to reduce development costs, implementation costs and ongoing support costs. The SAP SPM solution guarantees standard integration of CRM, EWM, Finance & GTS and thus reduces the number of interfaces with other IT systems. With the use of the global template strategy they are able to shorten the duration of each implementation.
Thanks to the start-up of the Middle East warehouse and the implementation of SAP SPM, the lead time to the local dealers is drastically improved.

Deloitte consultants bring added-value to your project

Deloitte is an internationally focused company and we work across the globe. Thanks to our global network, Deloitte has local expertise and we can onboard new team members on projects anywhere in the world in a short timeframe.

Our expertise and experience from other projects allows us to provide you with an external and objective view on your business processes. Deloitte has the experience to add value both on the business process definition and operational execution. With specialists in business operations, SAP functional and technical consultants as well as developers, we are able to deliver a well balanced team.



Contacts

For more information, please contact us.

Steven Moors
Partner
Tel: + 32 2 749 56 98
Email: stmoors@deloitte.com

Eric Desomer
EMEA Lead Manufacturing
Tel: + 32 2 749 56 91
Email: edesomer@deloitte.com

Stijn Van Hoof
Director
Tel: + 32 2 749 59 36
Email: svanhoof@deloitte.com

Sacha Van Hoever
Specialist Leader Warehouse Management
Tel: + 32 2 749 57 46
Email: svanhoever@deloitte.com

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