



BAJAJ AUTO

SIMPLIFYING SPARE PARTS PLANNING AND DISTRIBUTION

QUICK FACTS

Industry

Automotive

Revenue

Rs 90.49 billion (US\$1.93 billion)

Employees

More than 2,500

Headquarters

Pune, India

Web Site

www.bajajauto.com

SAP® Solutions and Services

SAP® ERP application, SAP Service Parts Planning for Automotive package

Implementation Partner

Hewlett-Packard India Sales Pvt. Ltd.

Bajaj Auto Ltd., the flagship company of India's Bajaj Group, is the world's fourth largest manufacturer of two- and three-wheeler vehicles. Its manual process for planning and distributing spare parts was inefficient and could not handle growing complexities. After implementing SAP® software, Baja Auto's planning and distribution process became more streamlined, leading to improved spare parts availability and greater customer satisfaction.

Key Challenges

- Improve spare parts availability
- Improve customer service level
- Reduce high levels of spare parts inventory
- Improve safety stock calculations
- Eliminate manual planning process
- Improve ability to handle increasingly complex spare parts planning and distribution

Implementation Best Practices

- Used proven methodology to define project road map
- Limited initial pilot project to a few items
- Applied learning from pilot implementation to subsequent phases
- Ensured tight collaboration among corporate IT, operations, and marketing
- Performed in-depth gap analysis with SAP ERP based on mapping solution

Financial and Strategic Benefits

- Achieved payback on investment
- Gained higher share of spare parts market
- Improved spare parts inventory management
- Achieved greater customer satisfaction through improved parts availability
- Eliminated cumbersome manual planning process
- Gained higher vendor engagement level
- Gained access to timely and accurate prepacking data
- Improved ability to react to changes in demand throughout the supply chain

Why SAP Was Selected

- Ability to meet core business needs
- Ability to handle both distribution and inventory management
- Ease of integration with existing SAP® ERP application
- Configurable and reliable solution
- Best fit based on evaluation criteria
- Successful demonstration of solution concept

Low Total Cost of Ownership

- Tightly managed, well-defined project scope
- On-time, within-budget implementation
- Simplification of existing IT landscape
- Minimal support infrastructure required
- No dedicated maintenance support staff required

Operational Benefits

Key Performance Indicator	Impact
Spare parts availability	+35% to 40%
Forecasting accuracy in domestic market	+40%
Productivity of production planning controllers	+80%
Service level to export market	+45% to 70%
Inventory obsolescence rate	Greatly reduced



“The SAP software has helped us cope with complex planning and distribution for domestic and export markets. It has also helped us increase sales and reduce the stress associated with manual methods.”

Rajib Kumar Jena, Senior Manager, Management Information Services, Bajaj Auto Ltd.

www.sap.com/contactsap

Managing Complexity in Spare Parts Planning

Bajaj Auto Ltd. is India's largest manufacturer of two- and three-wheeler vehicles. Spare parts distribution, critical to the servicing of the vehicles, is handled through a network of 400 dealers and 15 distributors. Spare parts are distributed from four warehouses that are strategically located across the country.

The process that Bajaj Auto was using to manage the supply of spare parts across the distribution network was inefficient, did not produce accurate results, and was unsuitable for the increasing complexities of distribution. To keep track of its safety stock, amounting to over 14,000 different items, the company was using a cumbersome manual process that was neither timely nor accurate. And lack of visibility of order status resulted in inventory problems at sales outlets because needed items didn't always get priority during packing and shipping.

This combination of problems affected service level in the marketplace, leading to customer dissatisfaction. At the same time, high inventory levels at the warehouses meant increased amounts of nonmoving stock, which had an impact on the dealers' working capital.

Seeking to address these issues, Bajaj Auto learned about the SAP® Service Parts Planning for Automotive package during an automotive symposium. The company evaluated the package and found that it met its core business needs better than solutions from other vendors. Bajaj Auto was already using

the SAP ERP application, so the ease of integration and data transfer also worked in favor of SAP.

Ensuring a Smooth Migration

As one of the first clients in the Asia Pacific region to implement SAP Service Parts Planning for Automotive, Bajaj Auto opted for a pilot implementation involving a few items. It then used what it learned in the pilot for subsequent phases of the implementation. Other steps taken to ensure a smooth implementation included clearly defining the project road map and arranging close collaboration between the company's IT, operations, and marketing divisions. SAP consultants helped the company integrate the new package with the existing SAP ERP application.

Transforming the Business

For Bajaj Auto, spare parts planning has become simpler and the company's ability to react to changes in demand throughout the supply chain has improved. The SAP software generates an accurate deployment schedule, which has led to overall improvement in service in both domestic and export markets. Managers have access to order status because prepacking reports, giving dispatch priority status, are available every morning. Production planning controllers, freed from their manual tasks, have improved their productivity by almost 80%. And with significant improvements in spare parts availability, overall customer satisfaction levels have gone up.

Bajaj Auto acknowledges that SAP Service Parts Planning for Automotive was one of the causes in increasing

spare parts sales by ensuring better planning and material availability. Higher material availability helped in better servicing demand, thereby indirectly reposing faith on dealers and distributors to come back with higher orders. While the overall inventory level has gone up, inventory management has improved, and nonmoving stock levels have been reduced.

Looking Forward

Bajaj Auto has achieved the payback on its investment. Moreover, it has gained an understanding of how to dovetail spare parts planning with the introduction of new products. Given the benefits that Bajaj Auto has experienced, it is now considering additional SAP applications to improve its warehouse management. It hopes that these efforts will generate even more efficiencies in its operations and support future growth.

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