



BENTOEL GROUP

INTEGRATING PROCESSES FOR MORE EFFECTIVE DECISION MAKING

QUICK FACTS

Industry

Consumer products

Revenue

IDR 2,996 billion (US\$329 million) in 2006

Employees

19,000

Headquarters

Malang, East Jawa, Indonesia

Web Site

www.bentoel.co.id

SAP® Solutions and Services

SAP® ERP application, including financial management, sales and distribution, materials management, and production planning functionalities; SAP NetWeaver® Business Intelligence component

Implementation Partner

Soltius Infotech

Key Challenges

- Transform siloed, inefficient business operations into unified processes supporting new collaboration and transparency
- Reduce time to summarize and distribute financial data, especially sales reports
- Replace legacy system with integrated solution for more effective decision making
- Create single source of corporate information to support aggressive growth

Implementation Best Practices

- Enlisted support of top management for initiative, minimizing employee resistance
- Formed internal team to investigate business processes and best practices
- Created and deployed best practices consistent with Bentoel business needs
- Reduced existing interface, system, and process redundancies significantly
- Established baseline rule to limit customization

Financial and Strategic Benefits

- Improved sales productivity by automating administrative tasks, which increased revenue
- Enhanced marketing effectiveness and decreased time to market
- Dramatically reduced time to access financial data
- Transformed business culture by increasing corporate collaboration and transparency
- Improved financial control over spending
- Improved asset depreciation, retirement, and monitoring processes
- Increased efficiency of compliance processes
- Streamlined materials management process

Why SAP Was Selected

- Fully integrated solution with robust functionality for all business operations
- Professional, highly experienced personnel from SAP and implementation partner to create confidence in project success
- Long-standing SAP commitment to enterprises in Indonesia
- Enthusiastic SAP drive to understand Bentoel requirements throughout project

Low Total Cost of Ownership

- Payback on SAP® system realized in just 2 years
- Operational costs reduced through replacement of siloed, expensive-to-maintain legacy systems with a single, integrated SAP architecture
- On-target implementation schedule completed in 10 months, delivering benefits quickly

Malang, Indonesia-based Bentoel Group balances state-of-the-art manufacturing with traditional craftsmanship to deliver superior clove and tobacco cigarettes. Yet in the highly competitive Indonesian market, Bentoel needed to integrate processes and improve financial visibility for better decision making. By deploying the SAP® ERP application, Bentoel improved sales productivity, reduced stock, and streamlined financial closing and reporting – achieving system payback within just two years.

Operational Benefits

| Key Performance Indicator | Impact |
|---------------------------|--------|
| Sales productivity | +15% |
| Finished goods stock | -40% |
| Expired stock | -60% |
| Financial close cycle | -50% |
| Sales data reporting time | -90% |



“With SAP, we receive our same-day sales data each evening. With our old system, it took one week to get that data. The benefits delivered by SAP helped us achieve payback in just two years.”

Nicolaas B. Tirtadinata, CEO and President Director, Bentoel Group

www.sap.com/contactsap

Transforming the Business Culture

Bentoel Group's traditional craftsmanship produces highly popular tobacco and clove cigarettes. With 2.5 million retail customers, 70 warehouse locations, and a well-developed distribution network, the company is Indonesia's fourth-largest cigarette manufacturer. Yet legacy business systems and processes threatened the company's competitiveness. A heavily customized, nonintegrated enterprise resource planning (ERP) system restricted timely access to critical business data, and siloed business processes inhibited collaboration and cross-enterprise transparency.

Bentoel wanted to create a single source of business information that would help increase operational efficiency, unify corporate culture, and support aggressive growth in a price-sensitive market. After considering several other providers, the company selected SAP, based on its long-standing commitment to the Indonesian business market and powerful, integrated SAP® ERP application. “The professionalism and early commitment of SAP and the implementation partner Soltius Infotech were key to our selection process,” says K. S. Paul Ong, the company's CIO. “We view the integrated ERP system as the foundation of our transformation.”

Gaining Consensus

Before implementation began, Bentoel business unit leaders and process owners studied and analyzed the company's processes. Together the team determined

which processes to modify so that system customization could be minimized and best practices adopted. Supported by the sponsorship of top management, the implementation proceeded smoothly. The team slashed redundancies in interfaces, systems, and processes, and users willingly adopted the new system.

Faster Data, Better Business Decisions

Bentoel considers its business system to be the most advanced of all Indonesian cigarette manufacturers, one that has transformed the culture of its company. “Before SAP, people were working in silos,” says Nicolaas B. Tirtadinata, CEO and president director. “Now they are forced to collaborate, which has led to increased transparency among the business units and ultimately to faster, more accurate decision making. We call this system-enabled cultural transformation, a change that helps us compete more effectively.”

The SAP system helps Bentoel respond rapidly to changing demand in the highly price-sensitive Indonesian cigarette market. Easy access to sales data provides universal insight into corporate results, replacing intuitive choices with fact-based decisions. Because sales reports are available at the end of each day – instead of once a week – executives can quickly monitor and adjust activities or programs to support Bentoel's business strategy.

“The new system supports effective budget monitoring and control. Marketing

activities are finely tuned based on sales data, enhancing effectiveness. In addition, high-performing sales representatives receive timely recognition of their accomplishments, while low-sellers are pushed to improve performance,” states Sun Alexander Yapeter, chief sales and distribution officer. As a result, Bentoel's sales productivity has risen more than 15%, with a commensurate increase in overall revenues. More accurate data also helped the company reduce finished goods stock from four to five weeks to two to three weeks. Expired stock levels have been reduced by 60%, from 0.5% to 0.1%.

Going forward, Bentoel will continue blending its old-world craftsmanship and traditions with sophisticated new business strategies and systems. The company plans to further refine its processes, using the SAP software already implemented as well as the SAP Business Planning and Consolidation and the SAP Strategy Management applications to improve revenue growth, earnings, gross margins, net profits, and market share. To help its personnel deliver value, the company will soon deploy the SAP ERP Human Capital Management solution to support talent and performance management and training. The company also hopes to enhance plant maintenance and quality control while introducing new cigarette brands to the domestic market.

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