Managing Portfolio Reimaging of Products and Services (using SAP)

Applies to:

SAP ECC / Sales and Distribution

Summary

This whitepaper explains why successful businesses embrace change and re-image their products and services portfolio offered to their customers. It explains the implications such a re-imaging has inside an organization and portrays how such a change can be managed. This whitepaper helps adapting such a change with ease into the SAP based IT framework.

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Created on: 01 October 2010

Author Bio

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Introduction

With the ever changing dynamic and competitive market environment, most global organizations recognize a need to re-organize their product and services portfolios. The aim is to remain competitive, sell more, remain profitable and at the same time by reducing complexities in managing the ever increasing product ranges that suit the needs to the global customers.

Such re-imaging could apply to a wide set of business scenarios, be it an iPod range or a laptop series or a Super Helix lubricant pack or a Multi-Year Airline machinery servicing contract. As innovation brings in more and more new generation products, the customer has more choice, and to make sure the customer remains on the top of everything, businesses need to make efforts in reducing internal complexities in managing such a wide product and service range. The complexities could be to stock the inventory or to establish a universal branding and marketing strategy.

While this scenario applies globally, this whitepaper looks mainly at businesses that operate globally and having global customers as well.

One of the simplest examples could be to look at an organization supplying products and services to shipping companies whose carrier-ships span on international waters often reaching multiple ports for the same products and services. Most often the supplier organization needs to operate locally in several countries, the challenge is to sell the same product with the local brand name to local customers and with a global brand name and terms and conditions to global customers. You now have several country specific offices of the same global organization, talking about the same product with several names. This results in allot of operating cost to the company, be it managing an order taking via centralized customer contact center or marketing the product and simplifying the packaging norms and color codes of products.

For instance, consider a customer who calls from US and needs to buy a lubricant product at a port in the US, and another customer calling from Germany to buy the same product at Hamburg port. In both cases the call is routed across to a central customer center in the east. Most often these customers quote a different name for the same product and the contact center needs to handle them differently. The invoices should reflect the same local name and the legal reporting should contain the same local name. In a typical global organization with a portfolio of about an average of 6000+ products (just lubricant alone) this becomes enormously complex to handle.

This setup brings in a good challenge to globalization of operations of a company.
Therefore, managing the product portfolio and re-image at global level becomes an inherent priority on the Chief operating officers desk.

In general, a simple portfolio re-imaging exercise, at minimum, will definitely bring the below benefits:

1. Delivering a portfolio that will support key brand initiatives.
2. Enabling effective cross-sell and up-sell.
3. Converging the portfolio to unlock Streamline benefits

Finer details and Complexities

Product re-imaging (also called as PRI in occurrences below) can be seen as an Operational efficiency project in the COO area of an organization with an aim to provide the following strategic aims:

- Clear and consistent positioning of a company's top-tier technology
- A simpler and clearer portfolio
- Consistent product family structure and language
- Removal of underperforming and overlapping products

A few KPIs (key performance indicators) could indicate whether certain product line (or services) within your organization is ready for an exercise involving re-imaging.

Firstly, the product line is good yet there are several market difficulties in selling the products. This most likely is a case where branding is not global and everything except the product itself is different. For instance the packaging is different; certain level of sourcing security is not the same, packaging costs are not optimized etc. The below example depicts an old set of inconsistently branded products are re-imaged to a new synchronous set of products.

Old: Inconsistent branding

New: Consistent and alligned Packaging

Secondly, are the top three most profitable countries where your organization operate are complaining about problems in managing large international customer accounts, mainly depicting a failure to talk in the same global language ? Does your organization see cases where customer asks for something and gets something else due to confusion within the organization? Typically this is an operational failure and can make your organization less profitable.

Thirdly, looking at the product portfolio in a more mathematical way, if you see the following analogy to the famous Pareto Distribution Principle its perhaps time to consider product (or services) portfolio reimaging. The trend to look for is the 80-20 trend, where at least 20% of products bring in 80% of revenue and the rest 80% are bringing in just 20% of the total revenue. The 80% of products which bring just 20% of revenues is something not generally sustainable and if this involves significant stocking and inventory maintenance costs, bringing in product re-imaging drives life into the system.

Finally, The overall strategy always must aim to eliminate distorted and silo type product portfolio and instead build fewer and stronger and bigger brands as a part of simplification

Organizational and IT Complexities involved

Once the product type level portfolio is clear it's important to arrange for roll out inside and outside the organization. Several of the organizational elements are impacted in terms of both people and processes and the supporting framework on a synchronized but non-homogenous IT environment.

Several processes and IT scenarios are therefore affected and needs to be addressed

- Product management (labeling) at Supply Plants
- Sales or Production handling - Bills of Materials
- Contracts management – Sales
- Determination of receiving or delivering plant
- Planning and Optimization Demand families and Transportation Lanes management
- Invoice correctness and integrity
- Connecting to the synchronous IT systems across countries and making sure integration occurs with them even with the new portfolio.
- And a several other scenarios...

Being a global change, communications should be rolled out to advice:

- Sales negotiators in the sales office (so they enter right products and withdraw older ones)
- Product maintenance roles so they set the products in the right status
- Planners and optimizers so they plan the transition efficiently
- Customer service centre order takers to advice customers about the right products and
- Billing administrators so the invoicing is right

The Outward Communication to the customer is very important and eventually is the key driving factor for the success of a re-imaging project at an organization.

- **Stricter Launch:**
  - The selling organization would ideally communicate to its customers that the product naming and the way products are packaged might change will start the new product naming at a certain date going forward.
  - The upside is that it's easy to implement, the downside being customers have no choice but to adapt and this might be a bit challenging.
    For this reason a more popular variant below is generally rolled out.
- **Softer launch:**
  - Customer has the choice to still follow the older naming convention while internally in the selling organization a new naming convention is followed.
  - Upside, you keep the customer happy and nothing changes for them

Depending on the organizational priorities, a decision can be made among one of the above.
There can be several cases of exception and country specific decisions made at a global IT template.
For instance local laws apply on several countries and ports and therefore it might be important to make a decision to treat a sale as local or international based on the country local laws.

Aligning IT for the big change!

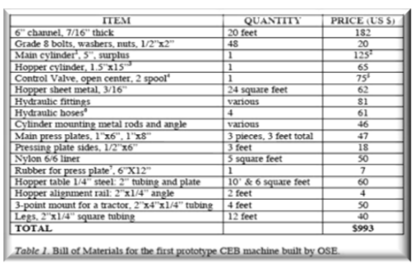
Let's consider a simplest Order to Cash scenario

Given below is a simple depiction on where PRI impact on an organization whose IT framework is on SAP. Order processing and invoicing are depicted as key places where Product Re-Imaging plays a key role.

For cases where hard launch has been agreed the contracts need to be modified so that the customer sales are seamless and with the new product lines, although the prices may remain constant or variable.


Contract

Invoice



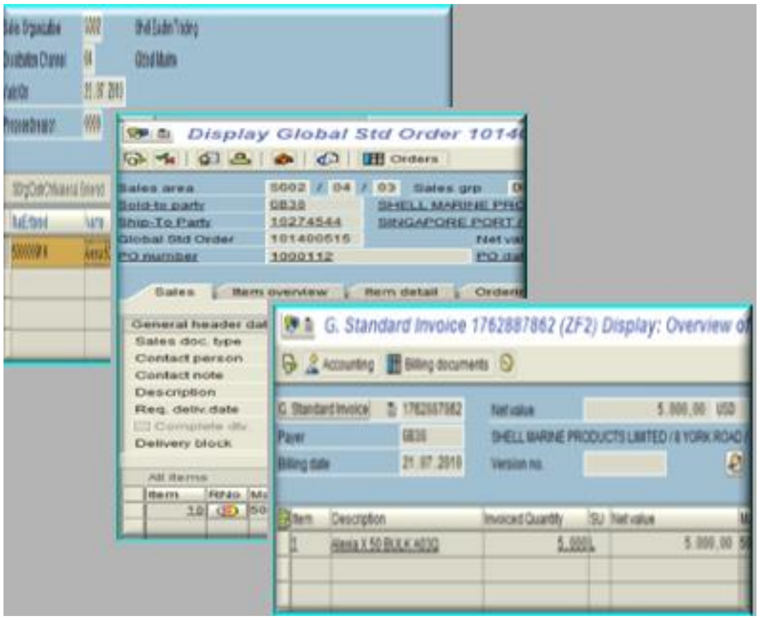
ITEM	QUANTITY	PRICE (US $)
6" channel, 7/16" thick	20 feet	182
Grade 8 bolts, washers, nuts, 1/2"x2"	48	20
Main cylinder[2], 5", surplus	1	125[2]
Hopper cylinder, 1.5"x15"[3]	1	65
Control Valve, open center, 2 spool[4]	1	75[5]
Hopper sheet metal, 3/16"	24 square feet	62
Hydraulic fittings	various	81
Hydraulic hoses[6]	4	61
Cylinder mounting metal rods and angle	various	46
Main press plates, 1"x6", 1"x8"	3 pieces, 3 feet total	47
Pressing plate sides, 1/2"x6"	3 feet	18
Nylon 6/6 liner	5 square feet	50
Rubber for press plate[7], 6"X12"	1	7
Hopper table 1/4" steel: 2" tubing and plate	10' & 6 square feet	60
Hopper alignment rail: 2"x1/4" angle	2 feet	4
3-point mount for a tractor, 2"x4"x1/4" tubing	4 feet	50
Legs, 2"x1/4" square tubing	12 feet	40
TOTAL		$993

Table 1. Bill of Materials for the first prototype CEB machine built by OSE.

Bill of Material


Connected systems

SAP provides necessary tools and methods to manage the product portfolio re-imaging.
For instance, for businesses which like to provide customers with a flexibility of retaining the older naming convention material determination records can be established. These time-bound SAP condition records make sure as soon as order is taken, materials are switched to a new material (which is internal to the organization business). Externally still allowing customer to place and talk in the older naming conventions. SAP provides full integration in material determination functionality and choices to switch on a dialog based product substitution or purely automatic ones.



Integration from external systems and to external systems is available via SAP idocs mechanism. Necessary configuration needs to be done and the Idocs can bring in the vital information as pre and post substituted material codes onto the idoc segments which can then be undestood by the receiving and sending systems. Other forms of outputs are also possible so a seamless integration is achieved.

Cross integration into various discrete IT systems is a huge change and needs to be tested carefully.

Summary

Organizations attempting a large scale product portfolio reimaging can face several challenges and complexities yet very profitable if done in the right way. Since customers are directly influenced, a carefull communication framework needs to be in place else its quite easy to end up with unhappy customers receiving something else than what they expected. Similarly timely training and knowhow is required to be imparted to the internal staff and production hubs so they are aware and able to handle customer requests correctly and with mininal operations problems.

SAP provides full flexibility and integrated support in managing such a portfolio reorganization efficiently.

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