



OBJECTIVE

FROM SALES TO PROFITABILITY

WORLD-WIDE CHALLENGE

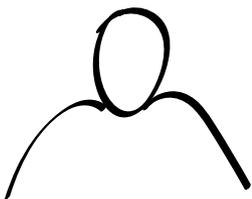
A leading distributor of industrial and hydraulic supplies, sold to a variety of industries, knows its profitability is very dependent on an efficient supply chain that gets shipments to customers accurately and quickly, while also optimizing its own inventory levels.

The 6,000 person company has over 400 distribution centers that operate as separate profit centers, and each one must carefully manage inventory, gross margin, shipping, billing, collections, and order processing.

OPERATING EFFICIENCY IS KEY

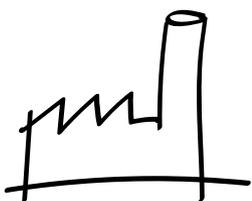
Knowing that distribution operating efficiency was essential in an ever increasing competitive market, the leadership team embarked on a major, multi-million dollar SAP implementation throughout 2013 and 2014 that would significantly improve each distribution center's systems capabilities.

This enhanced IT system would ultimately place the key information in the hands of distribution center managers needing to optimize inventory levels, ship orders faster, invoice more accurately, improve gross margin, and accelerate collections.



SOLUTION

CUSTOM BASED ON CELEMI
APPLES & ORANGES™



INDUSTRY

MANUFACTURING

A SYSTEM NOT ENOUGH

Despite the improved IT systems via SAP, the leadership team soon realized that new systems alone would not be enough. Several distribution centers lagged behind others in on-time delivery, billing accuracy, inventory controls, gross margin, and collections.

Given this data, it became obvious that local distribution management needed additional business skills and insight in order to maximize the SAP system's ROI.

The problem, however, was that many of the local distribution center managers lacked basic business acumen. In other words, without increased business acumen skills among distribution center management, the SAP implementation would never be fully leveraged, and thus cause disappointment among customers and investors.

Therefore, the company turned to Celemi for help.

SEE THE WORKINGS OF BUSINESS

Given the challenges, the objective was to design and install an engaging learning solution specifically for distribution center management that would address the following:

- How improvements in supply chain efficiency, billing, inventory management, and collections impacted their own distribution center's profitability
- How each distribution center must operate as a business
- How to use SAP metrics to

make better decisions and increase profitability

- The relationship between distribution center operating efficiency, corporate earnings, and shareholder value
- The concept of working capital and cash flow optimization

Under the direction of the Senior Vice President of Operations, a project team was assembled that consisted of representatives from supply chain, SAP experts, finance, local distribution center management, and the Celemi design team.

It was essential that the custom simulation be highly engaging, serve as a capstone experience for distribution center managers receiving SAP training, and focus on the business and decision making implications of SAP reporting and measures.

HOW TO MAKE HIGHER PROFITS FROM SALES

The theme of "From Sales to Profitability" was adopted as the simulation title because it needed to demonstrate the linkage between sales and what is required to make higher profits from those sales.

Ultimately, a competitive simulation was designed and installed that required teams of participants to make decision based on supply chain, inventory, billing and collections challenges they face regularly.

Teams would then track the

profitability impact of their decisions directly on the simulation board, but also learn the impact of the best decisions among the options.

Additional exercises were included that demonstrated how common inventory and supply chain measures can be used to prioritize activities and make better business decisions.

There were also activities that demonstrated how better decisions improve cash flow and enhance gross margin.

CONNECTING THE DOTS

As a result of the simulation, participants were now able to see the "big picture" and implications of their decisions. This new insight now allows them to consider the impact of any distribution center decision on their own P&L (profit and loss statement).

Moreover, SAP metrics and reports are now viewed as key tools to make better decisions, and not merely data for administrative purposes.

The interactive and competitive nature of the custom solution increased engagement and learning retention.

Key to the success of the project was a high degree of collaboration among the Celemi design team and key stakeholders within the client, as well as a focus on simplicity of design to help others understand the complexity of their own operating environment.