



case study

“Think Different”: Apple Americas Transforms Its U.S. Business with SAP R/3 in Just 12 Months

Enterprise resource planning (ERP) systems such as SAP R/3 have earned worldwide renown for their ability to transform business operations through information integration and process streamlining. For multibillion-dollar organizations the size of Apple Americas, a large-scale SAP implementation would typically require two to three years of concentrated effort. But that just wasn't fast enough for Apple. Working with KPMG's Information, Communications & Entertainment practice, “we did it in 12 months,” says Niall O'Connor, vice president of information systems & technology at Apple Americas. “SAP transformed the way our company works; we saw immediate, dramatic new efficiencies from day one.” “Day one,” on January 2, 1999, was indeed a red-letter day. The launch date of the SAP system coincided with two other events: major product launches of the new Macintosh G3 and colored iMac models on Apple's on-line store, Apple.com.

Immediate, significant benefits

After an intense period of preparation for the “go live” date, O'Connor and the KPMG/Apple team were delighted—and relieved—as reports on the new system's performance came rolling in from across Apple, including:

- Manufacturing: “The system conversion to SAP has continued to have zero negative impact on throughput and productivity. To quote Sacramento [a major Apple manufacturing location], ‘We haven't missed a beat.’”
- Web ordering: “Since opening the Web-to-SAP gates yesterday after the product launch, orders have been pouring from the Web into SAP. The new products are being enthusiastically received. Equally important is the fact that the connectivity into SAP via our Web interaction is simply screaming along.”



WE
WERE CONFIDENT THAT
WE COULD EXPECT DRAMATIC
CHANGE LONG TERM, BUT ON
'DAY ONE' OUR COMPANY
BEGAN TO OPERATE MORE
SMOOTHLY.

- Credit card: “In conjunction with order entry and the Web, we have implemented real-time credit card checking. Things are working well—we are definitely getting approvals and settlements and processing away!”
- Performance: “An area we have been watching very closely is overall system performance. Users have been experiencing very quick response to their transactions. All in all, we are very pleased with the overall system performance both from a user experience perspective, and from a technical utilization experience.”

O'Connor summarizes, “The immediate impact of the SAP system has been quite significant, which surprised even us. We were confident that we could expect dramatic change long term, but on ‘day one’ our company began to operate more smoothly. And within three months of going live with SAP, Apple achieved industry-best efficiencies in build-to-replenishment and configure-to-order manufacturing.”

“Thinking different” about SAP

Central to Apple’s success with SAP was the company’s implementation strategy. O’Connor explains: “Most companies think they’ve got to implement SAP in its entirety, or in small phases. For some large companies, these strategies work well, but they

often result in a very long implementation period. At Apple, we determined the ‘sweet spot’ for the scope of our SAP implementation; in the first 12-month period, we focused on those SAP functions that would most significantly benefit our business.”

For Apple Americas, the implementation coincided with the company’s vision for a new business model centered on an integrated supply chain. Working closely with KPMG, Apple implemented Finance, Sales and Distribution, and Manufacturing, deploying leading-edge functionality to realize the new business model:

- Build-to-order and configure-to-order manufacturing capabilities;
- Web-enabled configure-to-order order entry and order status for customers buying directly from Apple at Apple.com;
- Real-time credit card authorization;
- Available-to-promise and rules-based allocations; and
- Integration to Advanced Planning Systems.

Having focused its implementation objectives, the KPMG/Apple team set out in January 1998 to deploy in a still-formidable SAP environment, replacing 16 legacy applications and Apple’s core legacy hardware platform. Over the next 12 months, 80 interfaces would be linked to Apple’s new SAP system, including electronic data interchange (EDI). Two hundred users would participate in data cut-over, and 100 Apple trainers would educate 1,300 users at five sites during intensive 24 x 7 training.

Critical success factors at Apple

In articulating the factors essential to Apple's success, O'Connor cites strong executive sponsorship as making a critical strategic contribution. He explains, "Apple is a very entrepreneurial company, which fosters great ideas that turn into breakthrough products like the iMac. But a diversity of opinion isn't always the best thing to bring to an SAP implementation—there needs to be a top-down approach that can border on being dictatorial. The toughest challenge was to get people to think in terms of how R/3 would benefit the entire organization, not just how it would impact their department. "Getting the strong support of Apple executives sent a message across the company: 'Enthusiastic cooperation required,'" O'Connor continues. "Everyone knew that we were executing against an aggressive, firm deadline issued by top management." To help the SAP initiative succeed, O'Connor and key members of the implementation team met with special Executive Sponsorship and Operations Sponsorship committees every few weeks, to update them on progress and leverage their influence, as necessary.

The implementation "dream team"

O'Connor quickly adds that the project could not have achieved its fantastic success without the talents of the 90 individuals who worked on the project, including 35 from KPMG. From the outset, the KPMG/Apple implementation team knew what success required: "Teamwork, determination, and a commitment to make a difference," he says.

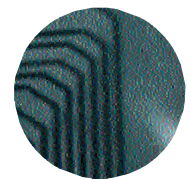
A wide range of business improvements

Since its SAP system went live on January 2, 1999, the company has experienced substantial benefits in many business areas, starting with measurable improvements in manufacturing processes. Cycle times have shrunk by 60 percent in the areas of build-to-order and configure-to-order, and this was achieved while processing more than 6,000 orders a day.

Newfound efficiencies have rippled through to Apple's supply and demand chains. "We have one integrated solution for our complete supply chain, and new Web-based ordering capabilities put us in direct contact with our true customers," O'Connor says. "We now have more knowledge about, awareness of, and interaction with the true customer."

In addition to enabling Apple to keep its finger on the pulse of customer demand, users from across the company are discovering the powerful benefits of access to real-time data. "Today we have instant access to a wide range of data, from manufacturing to financial. Every day we are discovering new ways to take advantage of this. For example, in the past, because we had so many disparate systems, you sometimes would get two different answers to one question, depending on where you looked," he says. Now Apple can look directly into the manufacturing process to check order status, investigate credit issues, and perform countless other activities.

WEB-BASED ORDERING CAPABILITIES PUT US IN DIRECT CONTACT WITH OUR TRUE CUSTOMERS... WE NOW HAVE MORE KNOWLEDGE ABOUT, AWARENESS OF, AND INTERACTION WITH THE TRUE CUSTOMER.





These kinds of improvements, and especially configure-to-order manufacturing, have enabled Apple to enhance relationships with its business partners. “Our channel partners are extremely pleased because now we offer greater predictability in filling orders,” O’Connor says. They can also rely on Apple for better inventory management, reducing the need to carry large amounts of stock.

The new SAP system also enables O’Connor to deploy Apple’s IS resources more effectively. “Having one system on which we can run our business means that when we want to make a change, we only need to change it in one place. The previous environment had 16 systems providing the capabilities that we get from R/3.” As a result, the skill sets of O’Connor’s staff are much more mobile.

The talk of the industry

Just a few months after Apple’s highly successful SAP launch, word of the company’s newfound operating agility has quickly made the rounds in the ultra-competitive computer industry. With a twinkle in his eye, O’Connor says that one of his proudest moments was when, at an industry conference, he was approached by an IS executive of a rival computer manufacturer who said, “Hey, how did Apple implement SAP so quickly and successfully? We’ve been at it for more than two years, and don’t have nearly the results that you do.”

About KPMG

KPMG’s Information, Communications & Entertainment (ICESM) consulting practice is part of KPMG LLP. Serving companies in the communications, content, and high tech industries, KPMG’s ICE practice helps companies build the foundation they need to succeed in today’s global networked economy, from customer management through the supply chain. KPMG LLP is the U.S. member firm of KPMG International. In the U.S., KPMG partners and professionals provide a wide range of accounting, tax, and consulting services. As a provider of information-based services, KPMG delivers understandable business advice—helping clients analyze their businesses with true clarity, raise their level of performance, achieve growth, and enhance shareholder value. KPMG International’s member firms have more than 100,000 professionals, including 6,800 partners, in 160 countries. KPMG’s Consulting practice can be found on the Web at <http://www.kpmg-consulting.com/> or reached through the firm’s site at <http://www.us.kpmg.com>.

For more information on KPMG’s ICE services, call 1-800-863-6310.

