

R/3 SYSTEM

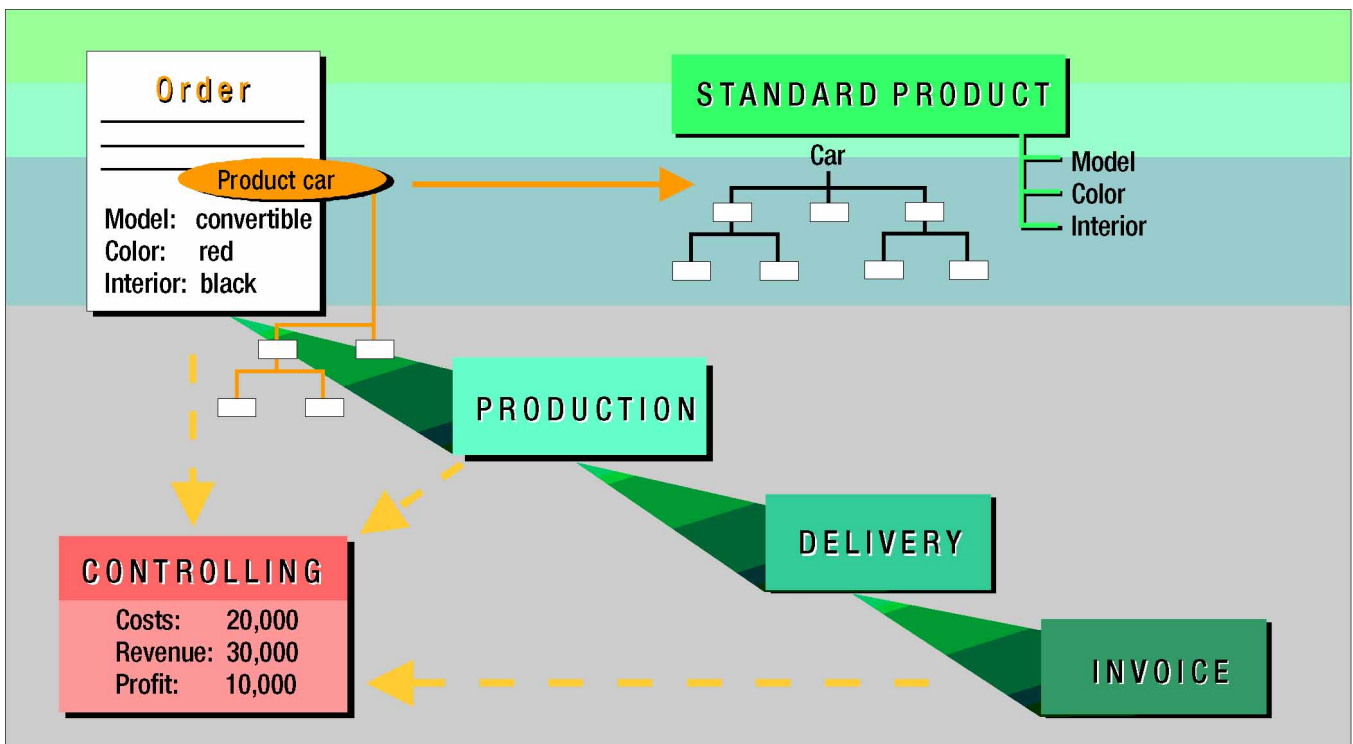
IN FOCUS...

VARIANT MANAGEMENT

SATISFY CUSTOMERS' DESIRES WHILE BOOSTING PROFITS

In today's customer-driven marketplace, many manufacturers offer different versions of standard products. Whether these are automobile, furniture or hardware suppliers, they must all fight a relentless battle for market share. Companies gain a competitive edge by responding flexibly to customers' wishes and quickly filling their orders. If this holds true of your business, then you know how sales, purchasing and production must team up to process every single order. It's vital to deliver with minimum costs.

And you need comprehensive support for this. SAP®'s Variant Management software is the answer. In a way you never would have thought possible, it lets you optimize interplay of the various business processes involved. Communication is instantaneous and constant. What your customers want goes right into production. The system eliminates errors at the earliest possible stage of the sales cycle. You keep track of the costs for each order, and see right away how much profit you are making. All this translates into substantial savings for your organization.



Many people and departments are involved in handling variants in the R/3 System.



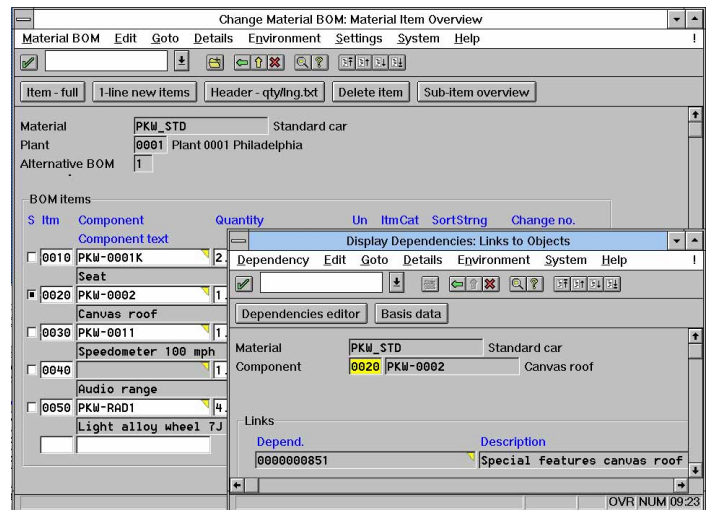
MEET ALL PRODUCT SPECIFICATION NEEDS

Those working in sales and production often don't see eye to eye on how to describe products. Designers and production planners need a detailed parts list and a work plan for each product variant, but sales staff deal with customers on the basis of simplified, straight forward product descriptions. They require flexible on-demand catalogs that allow them to present the full range of possibilities.

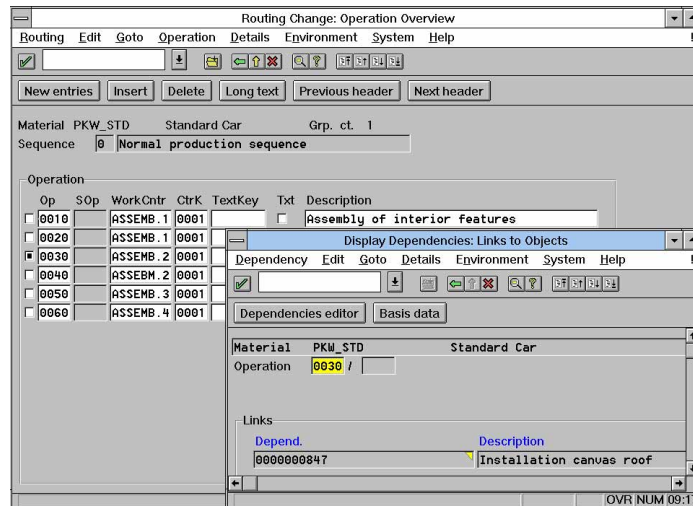
KEEP ALL YOUR VARIANTS UNDER CONTROL

The key to designing and manufacturing product variants is efficient management of a large number of similar final products, all of which are derived from a shared set of parts and work routines. But the usual routine is like this: whenever a designer puts together the specs for another variant of a standard product, he makes a complete new parts list. This unnecessarily increases the volumes of data that have to be stored and administered.

Without this overhead, your efficiency would soar. The R/3 System vastly simplifies maintenance of parts lists and work plans: you only need to keep a single master parts list for each configurable final product. All possible variants are modeled as needed. And you structure your work plans in the same way: instead of a separate plan



Parts list components - based on customer's choices.



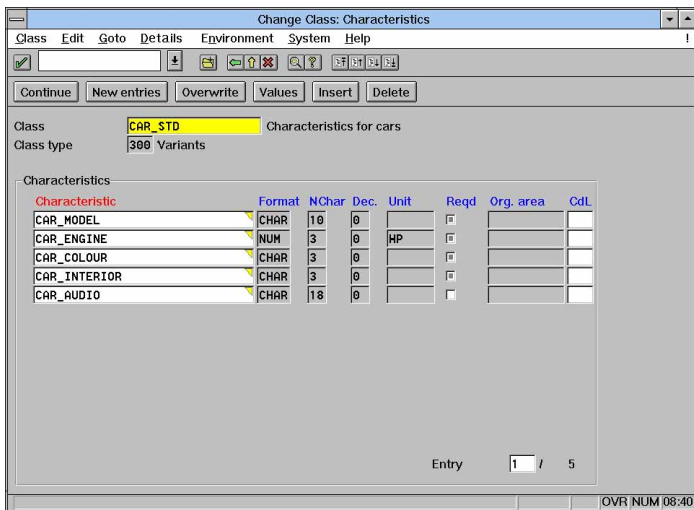
Work steps - dependent on the selected variant.

for every variant, you just build one set of all possible work routines, and select as required.

INCREASE SALES EFFICIENCY

Your sales staff have quite different needs. They ask: "What's the best way to offer our products to customers?" The variants must be easy for customers to understand and order. Handing customers a long list of article numbers won't work, nor can they be expected to write down a lengthy description of what they want.

SAP Variant Management empowers you to meet this challenge, too. Like in a catalog, the product you want to configure is described using certain criteria that are stored in the R/3 System as characteristics of a standard product. A car has the characteristics



At a glance: all characteristics of a standard product.

“model”, “color” and “interior features”. You offer the customer various choices for each. For instance, your customer could order an airbag or an on-board computer as interior features. It doesn't stop there: you can offer products to your customers in a wide variety of languages, like English, French or Spanish.

SMOOTH THE PATH FROM PRODUCT DESCRIPTION TO ARTICLE NUMBERS

If you want to streamline processing of customer inquiries and orders, you've got to make all involved business processes - from sales to production and on to controlling - as efficient as possible. The key to this is integration. What does this entail? For example, when a product engineer defines a variant, the attributes of a standard product as selected by a customer must be translated into the corresponding parts list and work plan for production. This is the only way to ensure quick, full customer satisfaction. Impossible-to-produce variants are ruled out from the start.

With SAP Variant Management you have the right tools in your hands. You define logical relationships that automatically assign certain other features, depending on a customer's choices. In our example, the software can be customized to automatically select the feature “cruise control” when a customer chooses a model with an engine of 60 HP or more.

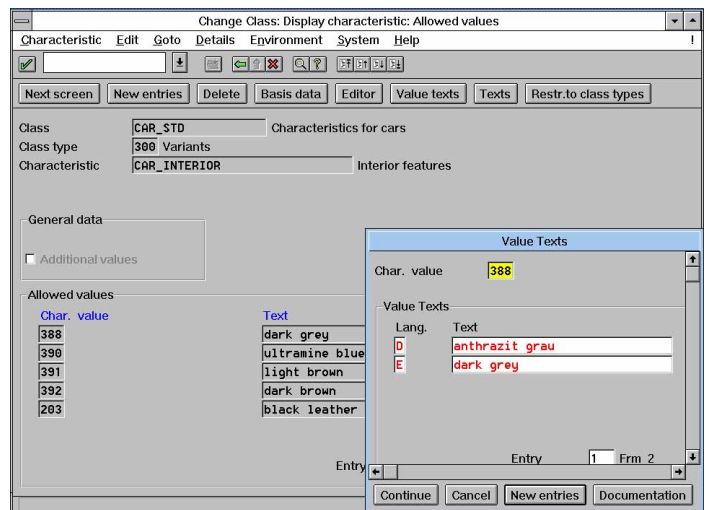
Another possibility is to offer choices based on previously made selections. For example: when a customer chooses a model with 50 HP, cruise control is offered as an option. By combining such conditions, you achieve dynamic translation of customer wishes into order-specific parts lists and work plans.

CONFIGURE ORDERS WITH A CLICK OF THE MOUSE

Give your sales reps everything they need to enter customer orders easily and efficiently. The R/3 System guides them through the entire configuration process. You specify how to display the individual characteristics and values. With R/3 you have the flexibility for it.

The R/3's intelligent list facility guarantees that you get the right amount of information on the screen. Not information overload. You simply point and click with the mouse to configure the product.

Instead of having a sales engineer check every single configuration to see if it is practicable, let the R/3 System do this time-consuming task. The first characteristics selected directly influence which values the



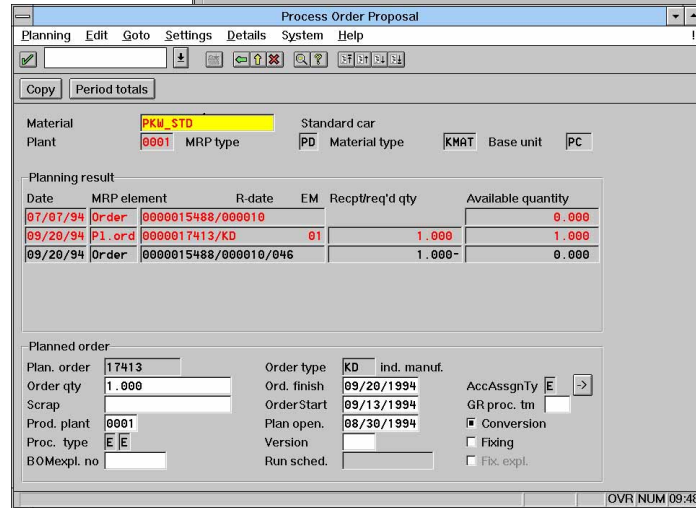
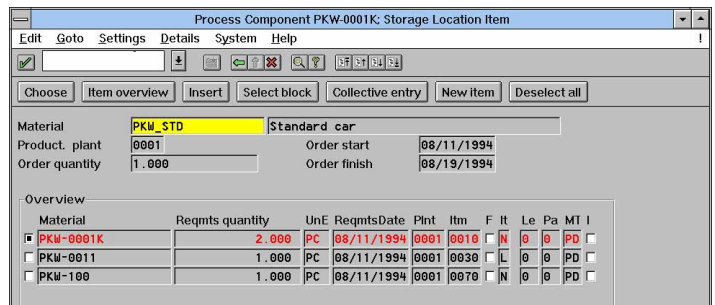
Stored selection values - in multiple languages, of course.

system offers for the next choice, and so on. Of course, not every configuration follows the prescribed sequence. Sometimes individual values change. The system alerts your staff right away to impossible variants so they can take corrective action.

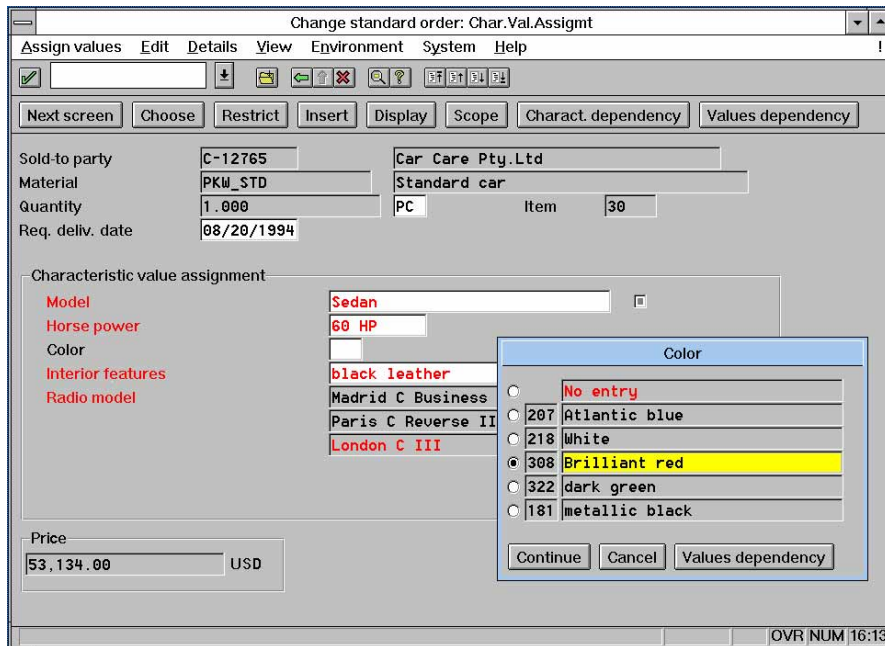
R/3 automates workflows. If a customer requests a popular product version, simply offer him a preconfigured stock variant. R/3 checks to see if and when it is available, then automatically suggests the earliest possible delivery date. Besides scheduling delivery, it calculates the sales price, even taking into account predefined surcharges and deductions. At the same time, detailed data on costs and earnings are relayed to your controlling department.

It is completely up to you whether you send your customer confirmation of the order by letter, fax or EDI, a feature

widely used in SAP sales and distribution processing. SAP supports all of these workflow options.



Material requirements planning as seen by your MRP controller.



Order entry from the viewpoint of your sales staff.

STREAMLINE MATERIAL REQUIREMENTS PLANNING

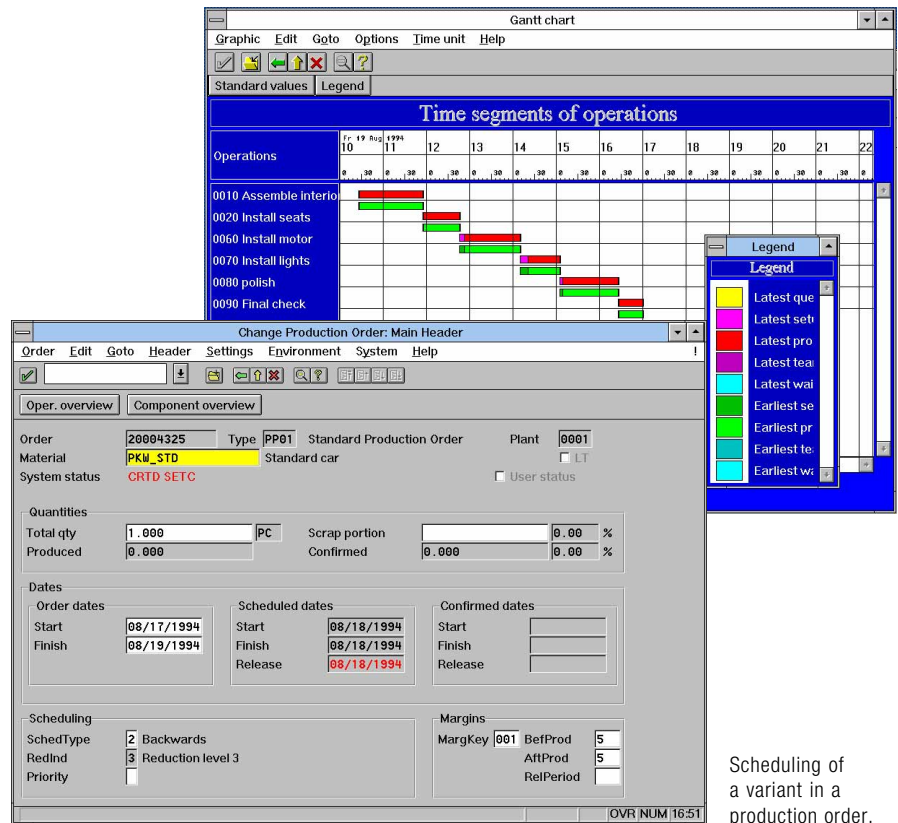
The customer order automatically appears in the material requirements list. With the R/3 System there are no more delays. You plan variants flexibly, either individually or in larger lots. The required materials for the components of each variant are ascertained, and the system also schedules production and final assembly.

The key to success is supply chain management. If you have to procure materials before manufacturing a variant, the R/3 System immediately notifies your purchaser. R/3 earmarks materials already on hand in the warehouse for the order. This considerably eases your MRP controller's workload. Simply turn over the time-consuming routine tasks to the SAP software, thus speeding up both planning and production!

ORGANIZE PRODUCTION MORE EFFICIENTLY

The last thing you need are surprises. Each variant is assigned a production date. In good time, the R/3 System lets your production planner know the required quantities of materials. When the scheduled date arrives, previously reserved quantities are used.

The work plan is also drawn up. Down to the last details, the configured variant determines the exact sequence of work steps and even which CAD-design and machines are used.



Scheduling of a variant in a production order.

R/3 also strives to ensure even capacity utilization. Plus, continuous quality checks accompany the production process, thus keeping your standards high. All production and final assembly costs, including wages, machines and materials, are saved separately for each customer order so that you can monitor them at any time.

ACHIVE GREATER CUSTOMER SATISFACTION

Your shipping department gets word as soon as the product is ready. The system makes sure that the delivered configuration matches what the customer has ordered. Your warehouse manager is helped to locate it in the warehouse. Mistakes are ruled out. If required, the items are also packaged.

As you wish, you can have the delivery documents dispatched either right away or at a stipulated later time. The R/3 System also tells your invoicing department what is ready for billing. There, invoices are drawn up - individually for each order or collectively, to suit the customer.

VARIANT MANAGEMENT

Because all of the involved business processes dovetail so perfectly, SAP's process-driven solution eliminates sources of error and dramatically reduces your staff's workload. After invoicing, your financial accounting department is filled in on all relevant aspects - online and on time.

MONITOR PROFITS ON EVERY ORDER

R/3 stands for complete business integration. You see earnings and outstanding invoices using the financial module. You use the controlling module to tabulate the results. R/3 even interfaces with a growing number of desktop products such as MS-Excel and MS-Access. You continuously monitor all costs incurred while handling a customer order the way you want. Keep track not only of production-related costs, but also of what you're spending on sales

promotion, freight, etc. After invoicing a customer order, you compare costs against earnings. At a glance, you see how large your profit is. Different types of analysis are available, e.g. for

ascertaining profitability. Unprofitable variants are easily identified and taken out of your list of offerings.

Why not seize this opportunity to achieve seamless integration and optimize workflows across sales, production, purchasing, financial and management accounting? Let R/3 be your business process solution. Benefit from the functionality and user-friendliness of SAP Variant Management and its powerful integration in the world's leading client/server business applications.

Have we succeeded in getting your interest? Call us or drop us a line today!

Cost elements	Planned	Actual	Uar(abs)	Uar(%)
400000 Raw Material		1,000.00-	1,000.00	100.00
420000 Salaries		7,743.50-	7,743.50	100.00
× Costs		8,743.50-	8,743.50	100.00
808000 Revenue from Sales		26,567.00	26,567.00-	100.00
× Revenue		26,567.00	26,567.00-	100.00
×× Profit		17,823.50	17,823.50-	100.00

Monitor your profits for each customer order!

Item	Material	Delivery quantity	UoM	Description
5	PKW_STD	1.000	PC	Standard car

Display - Overview: Display Charact. Values	
Model	Sedan
Horse power	60 HP
Color	White
Interior features	black leather
Radio model	London C III

Delivery from the viewpoint of your shipping staff.