

Metals Wholesaler Implements SAP® Business All-in-One to Ensure Profitability, Achieves Rapid ROI

■ Highlights

- No additional headcount needed in spite of 2x increase in revenue
- Business process optimization via excellent planning and organization during implementation phase
- No costly programming, due to user-friendly business processes
- Replacement of three disparate software systems by one integrated, specifically tailored application
- 80% of customizations realized in-house
- Implementation in less than 6 months (could have gone live 2 months earlier, but PBG decided to take extra time to ensure completely smooth transition)

■ Operational Benefits

- Substantial improvements in employee productivity (compound annual growth rate – or CAGR):
 - Order processing department: 6%
 - Shipping department: 6%
 - Finance and bookkeeping: 35%
- Reduction in stock (CAGR): 10%
- Improved annual turnover by better management of pricing: 10%
- Accelerated cash collection cycle (by 8 days)

■ Return on Investment (ROI)

- Return on investment: 100%
- Payback period (static): 23 months
- Net present value (3 years [2005 to 2007] at 10% discount rate): €151,169
- Internal rate of return: 40.6%

■ Customer Profile

| | |
|------------------------|---------------------------------|
| Company Name | Peter Blau GmbH (PBG) |
| Industry | Wholesale distribution (metals) |
| Revenue in 2006 | €8 million |
| Employees | 20 |
| Headquarters | Vienna, Austria |
| Web Site | www.blaumet.at |
| Solution | SAP Business All-in-One |
| Implementation Partner | itelligence |

“I could not imagine we would have achieved such a rapid ROI with the SAP Business All-in-One solution. We focused heavily on tailoring the software to fit our business needs – and we implemented it on time and within budget!”

Paul Blau, Chief Sales and Information Officer, Peter Blau GmbH



Customer Challenges

■ Company Overview

Peter Blau GmbH (PBG), a manufacturer and wholesaler of copper and other metal-based products and semi-finished goods such as brass tubing, was established in 1965 by Karl Blau as a small, family run operation. Since 1980, the company has been managed by the founder's son, Peter Blau, who has helped grow PBG into one of the largest metal wholesale companies in Austria. In spite of its success, PBG still sustains the benefits of a privately owned company – continuity and flexibility. With its comprehensive network of partners, PBG is able to consistently deliver the best products to its customers in the construction, heating and air-conditioning, building services, and sanitary industries.

■ Vision & Strategic Goals

- Ability to maintain the flexibility of a small company while operating as the largest metal wholesale distributor in Austria
- Faster workflow for major business processes – from order management and stock management to invoicing and financial accounting
- Support for the company's business and industry-specific needs with optimally tailored software
- Less dependent on vendor for IT support

■ Challenges and Opportunities

- Replace three legacy systems with an integrated solution
- Improve materials management and planning
- Ensure profitability in spite of fluctuating daily metal prices
- Meet future challenges with confidence
- Introduce tools to support Internet-based business operations

■ Solutions and Services

- SAP Business All-in-One solution
- it.trade and it.metal industry solutions from itelligence AG

■ Implementation Approach and Highlights

- Rapid 6-month implementation (planning, customization, and go-live)

■ Why SAP?

- The best solution versus three other applications evaluated by two independent consultants
- A "future-proof" choice
- Assurance of a fast ROI
- SAP's solid market position



Customer Achievements

■ Quantitative Benefits

Substantial Improvements

With the implementation of SAP Business All-in-One and the it.trade and it.metal partner solutions from itelligence, Peter Blau GmbH (PBG) replaced three nonintegrated legacy systems and achieved substantial improvements company-wide. The software, which was tailored to meet PBG's precise needs, enabled the company to support its growing business without additional headcount, improve pricing and financial accounting processes, and expedite the order life cycle – from order placement to shipment and delivery.

The following table shows the improvements PBG achieved with the SAP Business All-in-One solution:

| Process Area | Key Drivers for Improvement | Performance Improvement |
|-------------------------------|---|---|
| Order management and shipping | <ul style="list-style-type: none"> ■ Elimination of manual work (spreadsheets and faxes) ■ Increase in number of items per order ■ Better and faster decision making, due to increased depth of information/enhanced reporting | 6% reduction in headcount cost |
| Finance / bookkeeping | <ul style="list-style-type: none"> ■ Elimination of three nonintegrated systems ■ Automated invoicing ■ Ability to manage increased business volume with same headcount | 35% increase in productivity |
| Warehousing | <ul style="list-style-type: none"> ■ Improved planning and material forecasting ■ Improved materials management, ensuring products are at the right place at the right time | 10% reduction in stock levels (average) |
| Cash collection | <ul style="list-style-type: none"> ■ Daily dispatch of invoices ■ Improved knowledge about cash flow via readily available, reliable reports | 8 days faster |
| Pricing / risk management | <ul style="list-style-type: none"> ■ Ability to quickly adjust end-user prices according to fluctuations in raw material costs | 10% improvement in annual gross margin |

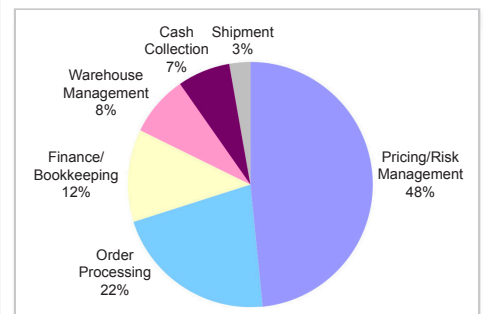
“With the SAP Business All-in-One solution, business information is available in real time. This results in accelerated workflows – from order entry to the delivery of our metal goods.”

Paul Blau, Chief Sales and Information Officer, Peter Blau GmbH

Optimized Order Management and Shipment Processes

With the SAP Business All-in-One solution, users can easily access information in real time instead of having to deal with spreadsheets and faxes. Materials management and sales and distribution processes are now integrated in one system, ensuring faster workflow. Employees can use the software to automatically generate orders, ensuring order accuracy and faster deliveries. PBG was also able to increase its volume of orders and shipments without having to hire more employees – representing a 6% increase in productivity.

Share of Benefits





Customer Achievements

■ Quantitative Benefits (continued)

Elimination of Redundant Work in Finance and Bookkeeping

Prior to the SAP installation, the finance department had been using three different applications. Now, with all information residing in one system, PBG can avoid redundant efforts, thereby streamlining related processes. And, by having online access to information – from order placement to shipment – and tools to automatically generate invoices, the same number of finance employees can manage a growing workload.

Efficient Warehouse Management

Tight integration between order processing and warehouse operations enabled PBG to manage materials and fulfill customer requirements more effectively. Online access to warehouse and stock information today helps PBG employees accurately allocate materials for customer orders. This helps PBG increase its cash flow, even as the price of raw materials increases.

Improved Cash Collection

With the SAP Business All-in-One solution in place, PBG can easily access consolidated information regarding customer orders, inventory items, and shipments, enabling it to generate and dispatch invoices on a daily basis. In fact, PBG reduced the cash collection cycle from 30 to 22 days (within two years after the implementation), freeing up more than €20,000 annually.

Improved Price Management

In the metals industry, prices for raw materials can fluctuate dramatically, which affects the purchase price of end products. By having online access to raw material costs and stock values on a daily basis, PBG can now quickly adapt its prices, ensuring profitability.

■ Qualitative Benefits

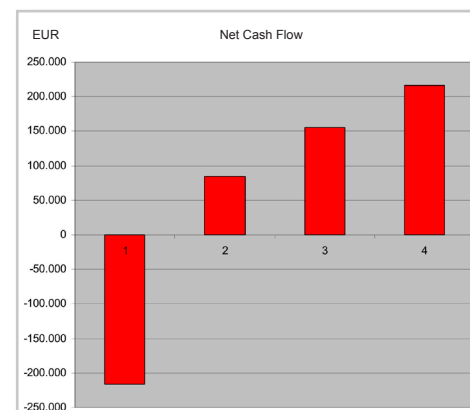
Beyond the monetary benefits described above, PBG achieved the following qualitative benefits with the SAP Business All-in-One solution:

- Support for industry-specific business processes like management of metal filings and wholesale distribution of recycled products
- Online access to all workflow information, accelerating the order life cycle (from order placement to delivery)
- Competitive differentiation, due to fast and flexible responses to customer queries and needs and faster delivery times
- Improved management of waste (metal filings), with up to 70% less waste per customer

“We have now a system in place that supports all our current business needs, and we are prepared for future challenges – such as setting up a Web shop to get even closer to our customers.”

Paul Blau, Chief Sales and Information Officer, Peter Blau GmbH

Net Cash Flow from SAP Investment





Customer Achievements

■ Conclusion

Although its initial investment in the SAP Business All-in-One solution and the it.trade and it.metal software was more than €200,000 (including customizations, hardware, training, internal IT personnel costs, external consulting costs), PBG achieved a return on its investment in less than two years. The company is convinced that it will save even more money and increase productivity as it expands its use of the SAP software.

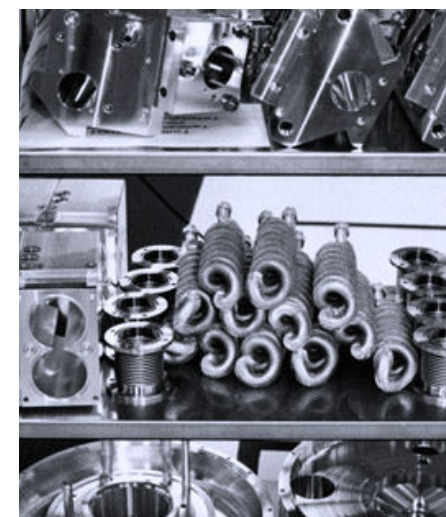
Today, PBG operates more effectively with the same headcount and has the support it needs for further growth. And with streamlined processes and faster delivery times, it can ensure customer satisfaction and keep its competitive edge.

■ Next Steps

- Introduce controlling and cash management functionality
- Implement a Web shop so customers can place and track orders online
- Continuously develop enhancements with intelligence

■ Lessons Learned

- Consider in-house-specific workflows and processes and ensure they can be supported by the software
- Adopt a step-by-step implementation approach to ensure the highest level of user acceptance
- Establish multi-tier requirements planning for implementation to avoid excessive user demand, which could potentially disrupt the project



About the GP&S Value Analysis

This study represents the investigation into the costs and business values of an SAP Business All-in-One investment. Research and value analysis were conducted by Gerlach, Porst & Steiner (GP&S), an independent global consulting and services provider for business growth. The analysis is based on telephone interviews with representatives of Peter Blau GmbH and documents provided in the course of the study. Information contained in this publication has been obtained from sources considered reliable, but is not warranted by GP&S.

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