



How Schukat electronic Transformed their Business with Analytics and Optimization tools

Georg Schukat, CEO, Schukat electronic

Magnus Meier, SVP Global Wholesale Distribution, SAP

Session ID 82461

About the Speakers

Georg Schukat

- CEO, Schukat electronic
- George is since more than 30 years heading Schukat electronic with his sister and his brother
- Has been in IT for more than 40 years and still believes in progress and innovation hiding behind all the hype

Magnus Meier

- Global VP IBU Wholesale Distribution, SAP
- Magnus has been at SAP for 20 years in consulting, support, sales and solution management roles focused on the wholesale distribution, retail and consumer products industry
- Lived now longer outside of Germany than in his country of birth

Agenda

- Introducing Schukat electronic
- Market Trends and Challenges
- Transforming the Industry Business Model
- From Managing to Preventing Process Exceptions
- Introducing the 'Action Engine'
- Q&A

Key Outcomes/Objectives

1. It takes Effort to Stay ahead of the Competition
2. Optimize and Automate Processes
3. Do it Right – Know your Shortcomings
4. Excite your Customers

Introduction Schukat electronic

- Distribution / Wholesale of Electronic Components
- Family Owned Business
- Founded in 1964
- \$120m Revenue
- 200 Employees



SCHUKAT
electronic



Introduction Schukat electronic

- SAP customer since 2007
- ECC 6 on HANA and EWM for automated warehouse
- BW on HANA since 2013
- Fits perfect since our processes are as complex as large distributors
- SME will benefit from S/4 as well

SCHUKAT
electronic



Schukat electronic SWOT

Strength

- SME
- Family owned, Living Tradition
- High Cashflow, EBIT, ROE
- Workforce
- IT
- Outgrowing the market

Weaknesses

- SME
- Single-digit marketshare
- Partial coverage of market only

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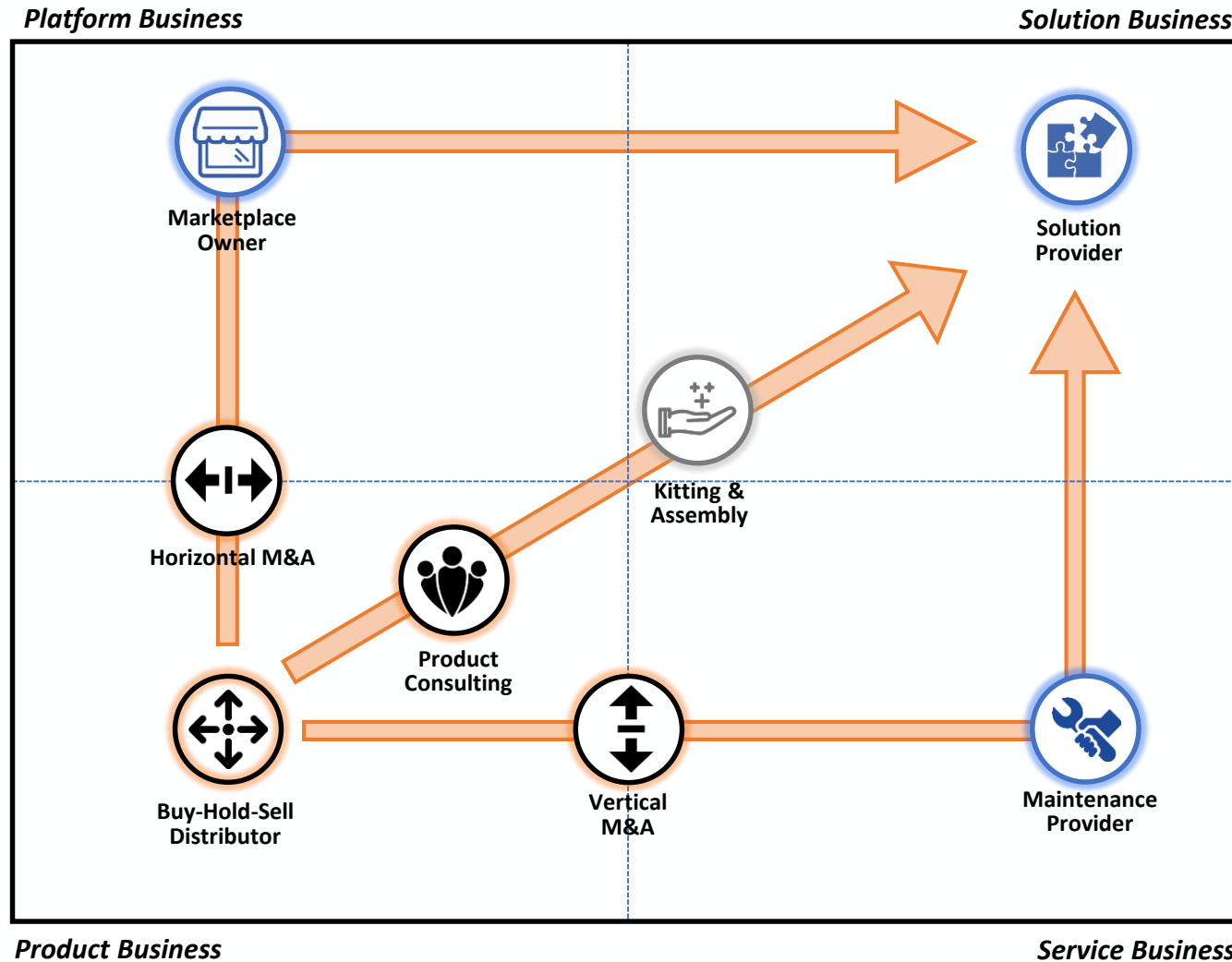
Opportunities

- Widen Scope
- New Technologies
- Performance Excellence
- Added Value

Threats

- Disruption
- New players
- Worldwide market leaders
- Wholesale – for what?

The new business model view in Wholesale Distribution



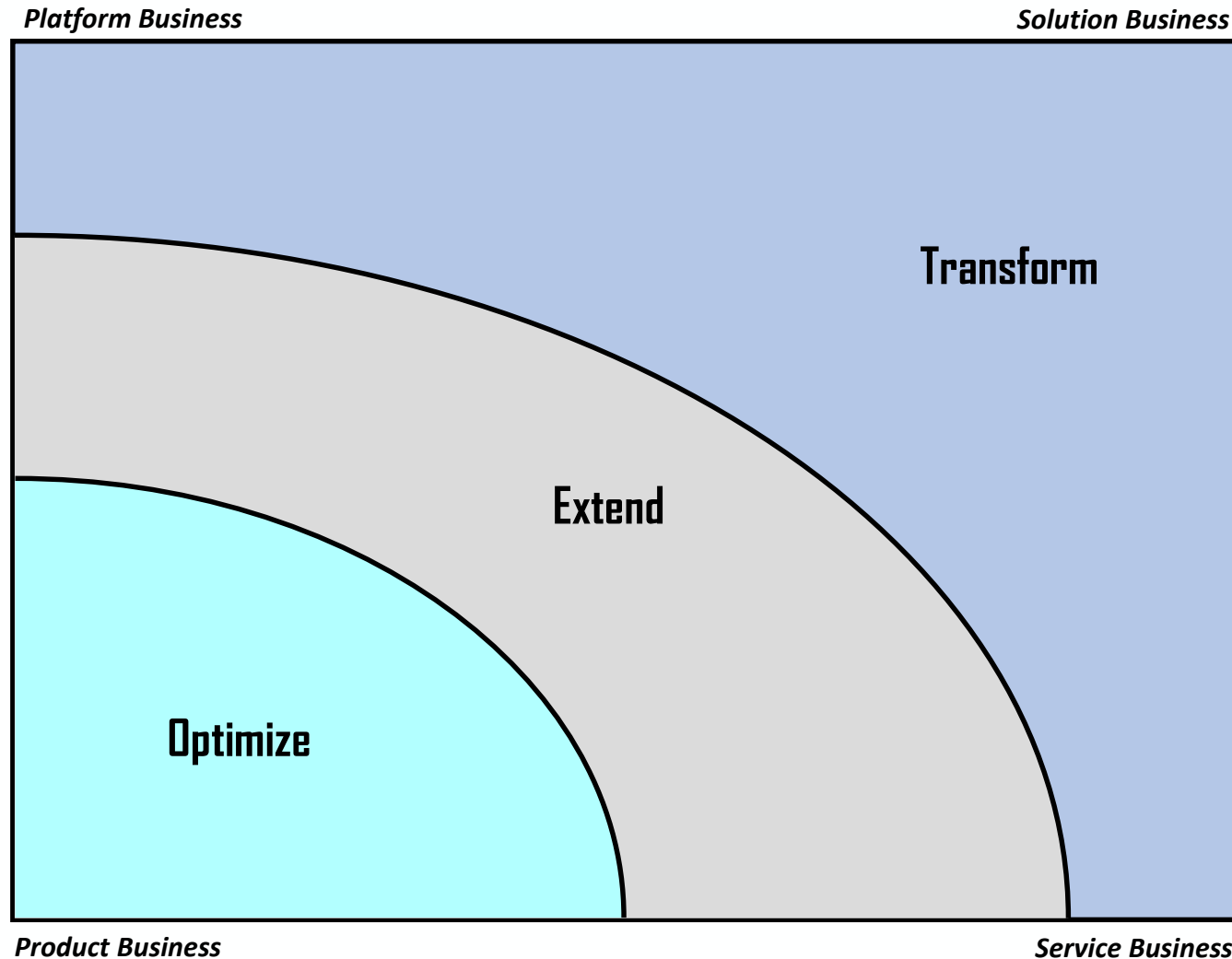
Re-Think

- Sales and Engagement Channels
- Product & Services Portfolio
- Profitability Model
- Delivery Organization and processes

Enabling Technologies

- In-Memory computing
- IoT
- Block Chain
- Big Data
- Machine Learning
- ...

The new business model view in Wholesale Distribution



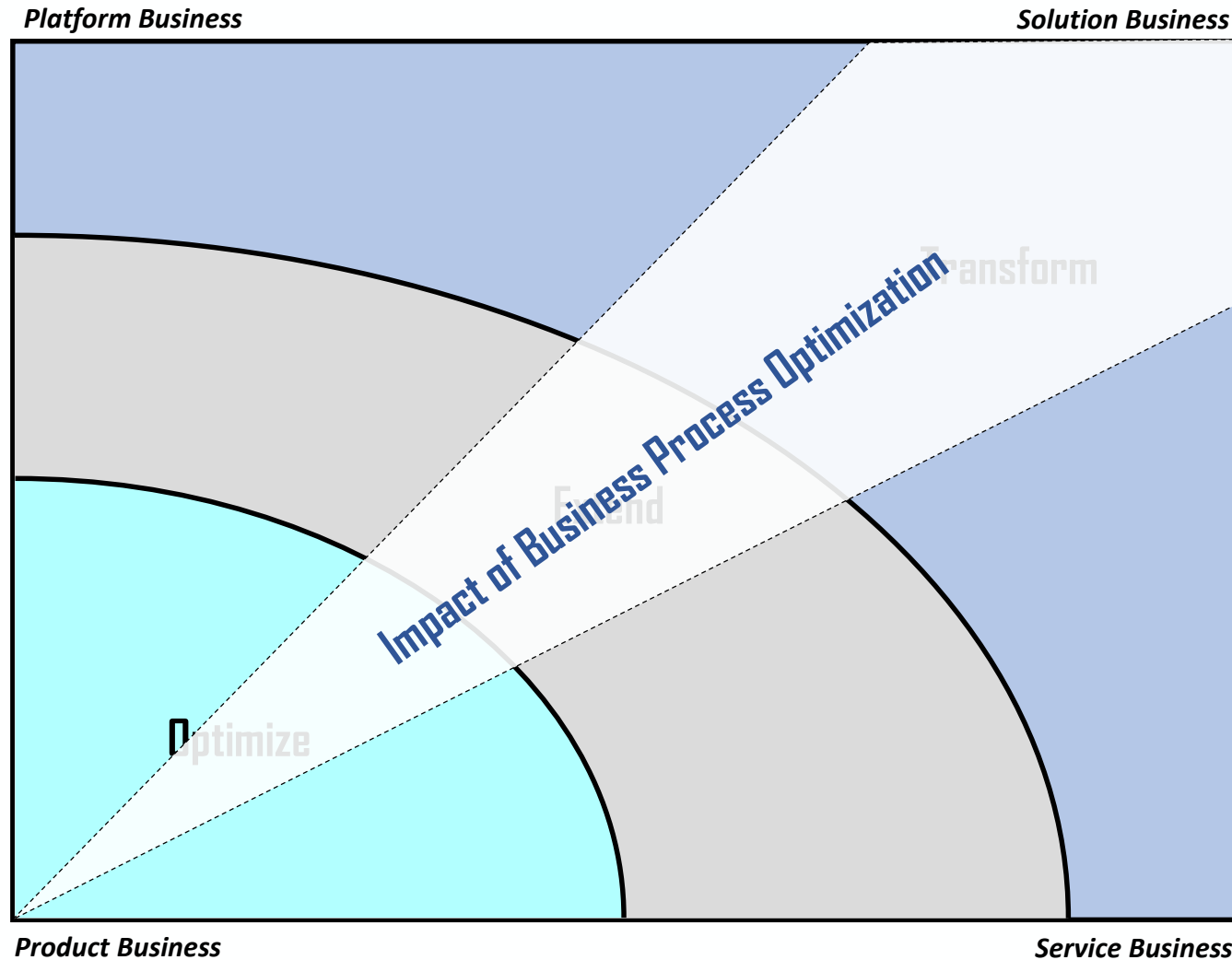
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Re-Think

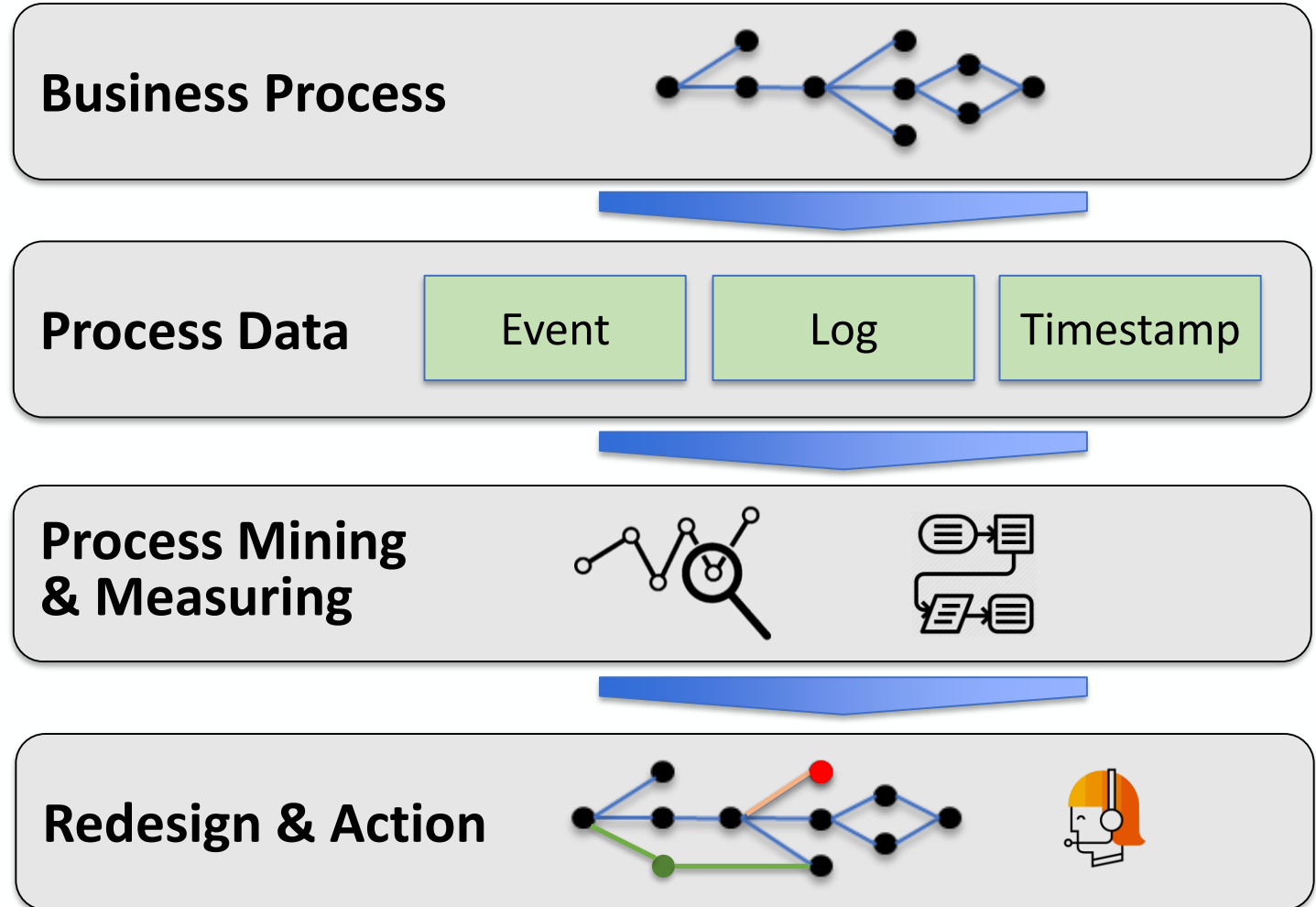
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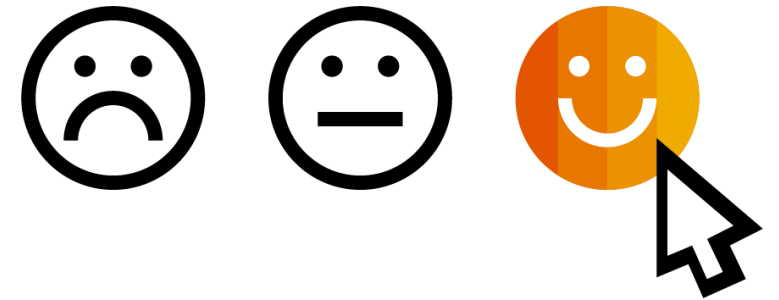
From Managing to Preventing Process Exceptions

- Traditional analytics provides a static view
- Modern business needs more than that!
- Introducing the art of process mining
- From strategic understanding to actionable insight



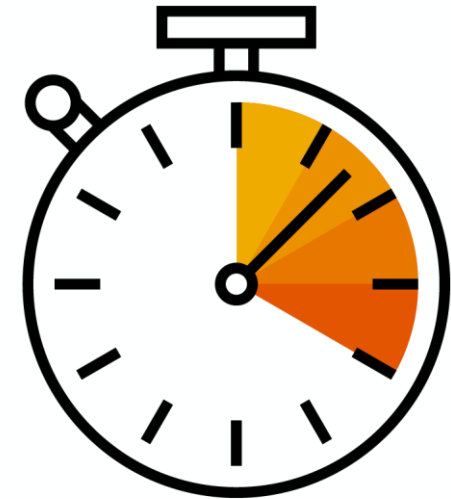
Process Mining @ Schukat electronic

- Prioritize processes that are impacting our customer's experience
- Looking at P2P and O2C processes
- O2C extended to E2E from online order to delivery at customer and beyond



Process Mining – Analyze and Measure

- Analyze what is really going on
- Gain the ability to measure operational business processes
- Measure:
 - Throughput times
 - Case and activity counts
 - Automation rates
 - etc.
- Define relevant process KPIs



Process Lifecycle Management @ Schukat electronic

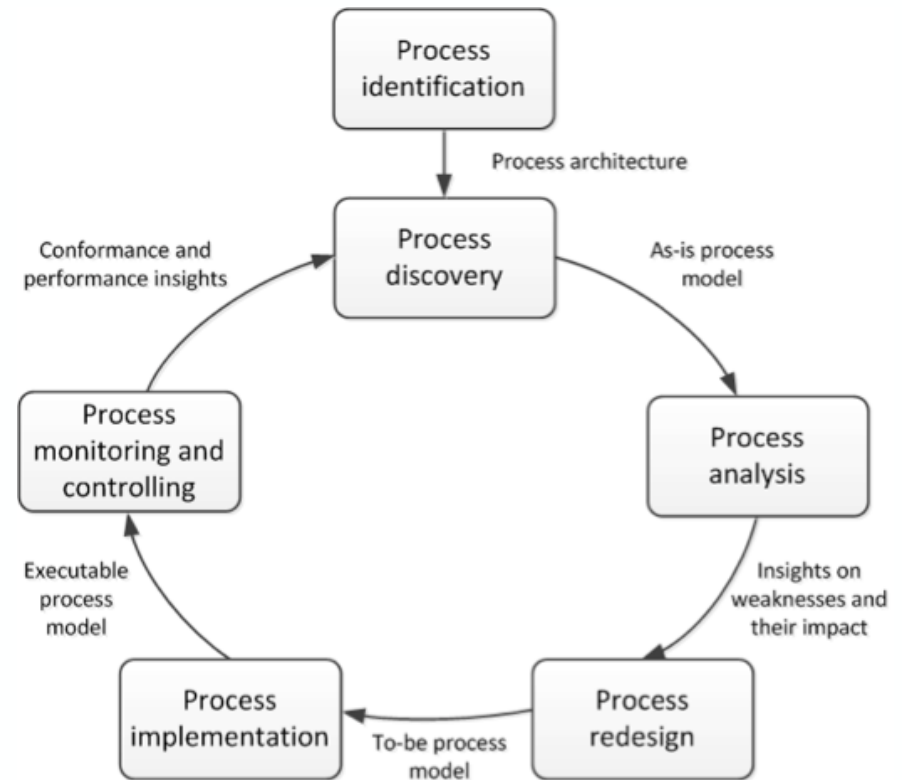
Design First

Not a one-off approach

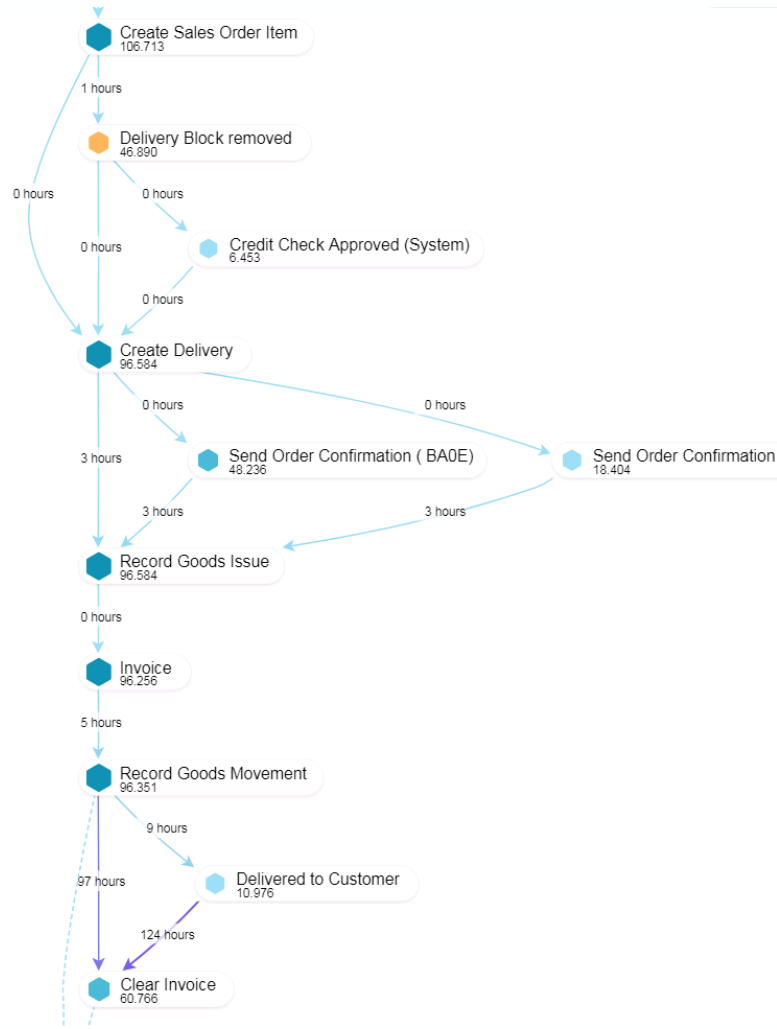
Established Methodology

- Design
- Implement
- Analyze
- Evaluate
- Redesign
- ...

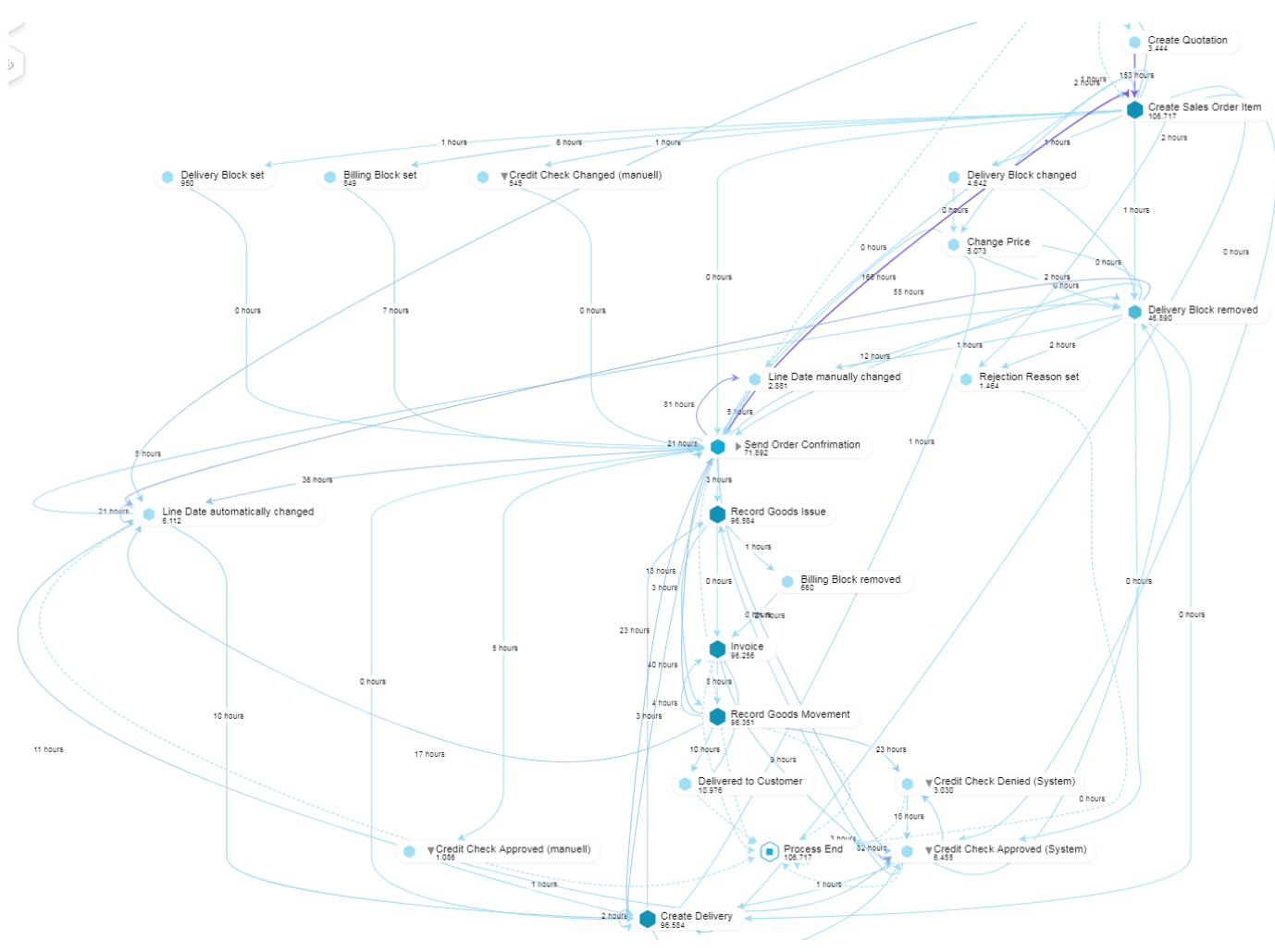
Analytics First



Understanding existing complexity?

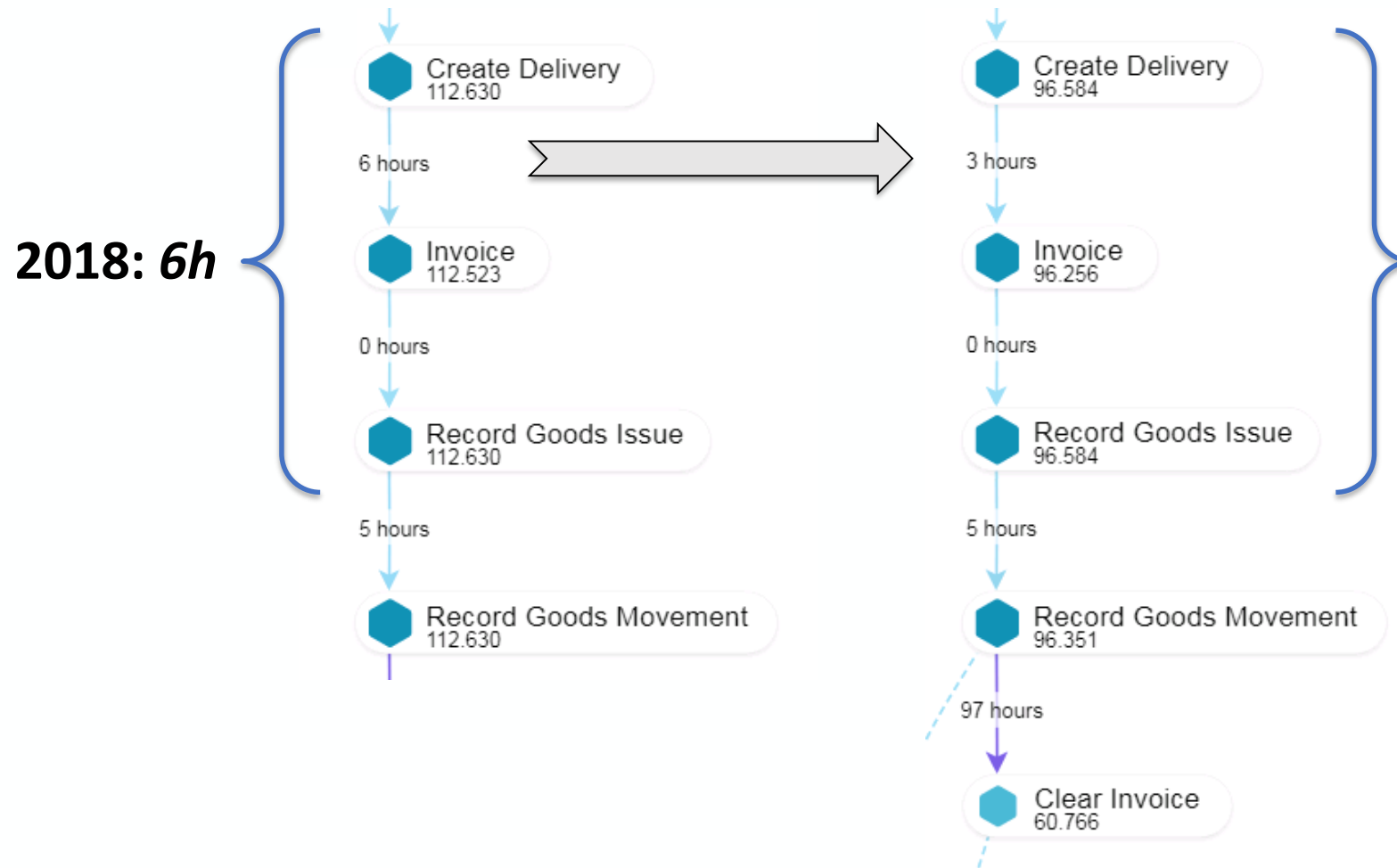


Standard O2C Processing



„Nearly“ Full Picture

Process Example: Warehouse Throughput Improvement



2019: 3h

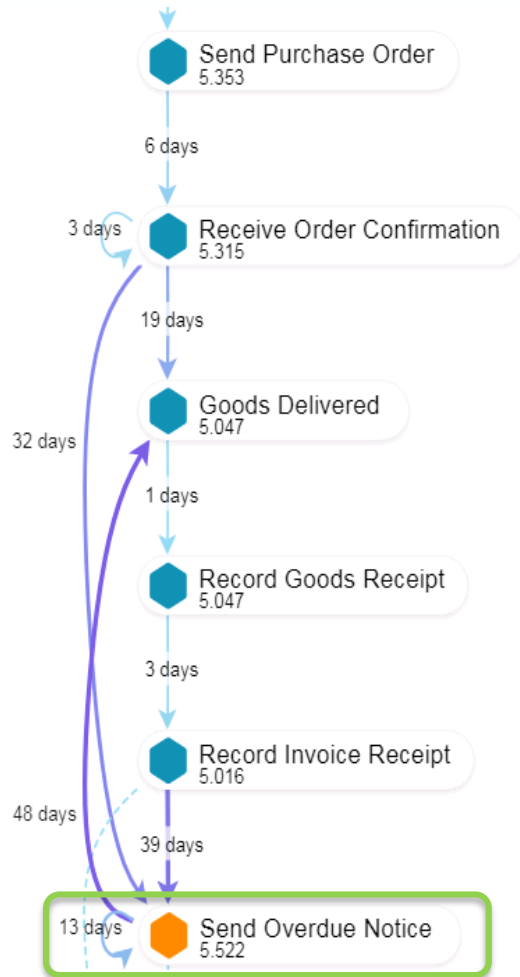
Business Benefits:

- Enable same day shipping of late orders
- Extend order taking window
- Increase customer retention
- But:



Process Design

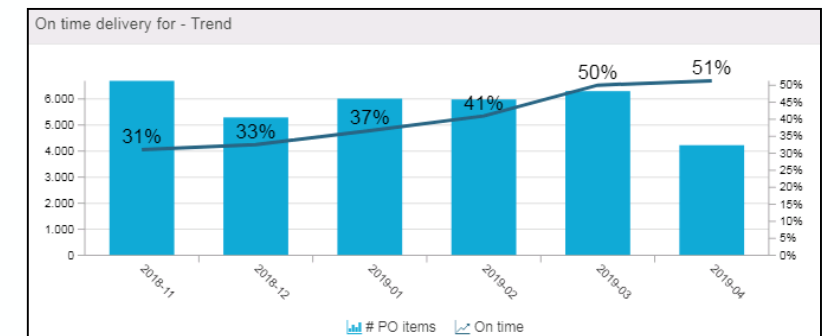
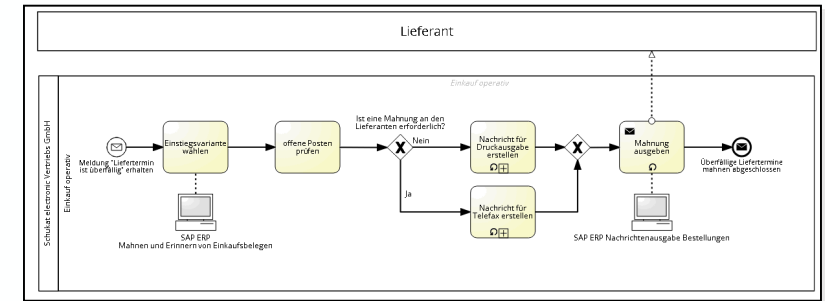
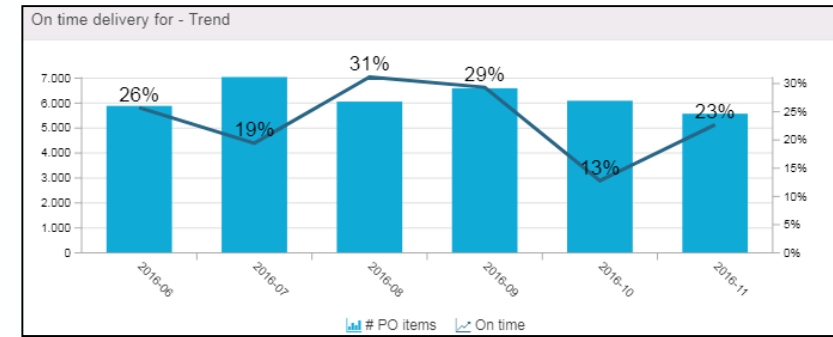
2019 Overdue Notices



Before

P2P New Business Process Model

After



Discovery: Future of Work

Design Thinking Workshop:

- Participants: High Potentials and business practitioners
- Objective:
 - Automate routine work and repetitive tasks
 - Improve customer experience
- Outcome ideas:
 - Proactively identify and minimize procurement related customer service level impacts
 - Assist the Supply Chain Manager with a Portal for critical cases
 - Integrate internal and external Tracing and Monitoring for additional insight
- Improvement Enablers:
 - Process adjustments
 - Process Mining enhancements. From strategic to operational tool.
 - Inclusion of technical / EDI information into business processes



Enhancing Process Mining: Action Engine

- Translating strategic insight into actionable items
- More than looking at what has happened in the past
- More than assume automated / new designed processes are flawlessly addressing all issues
- Act on issues before they hit the customer

**We already know what is going on.
We just have to take initiative and act on it!**

E2E Monitoring

Common Practice:

- Standard reports
- Continuous monitoring by Staff?
- Many systems to monitor!

vs. Best Practice

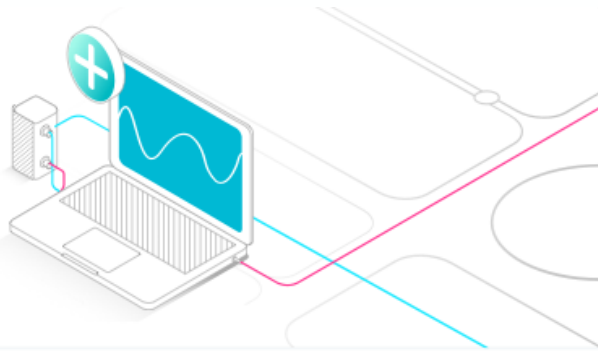
- Overcome reporting siloes
- Identify additional sources of information
- Create a **Single Point of Truth**
- Define key figures that trigger action



Triggering Action

- Detect process states which need attention
- Do so (near) real time
- Do not make the decision process a Black Box for employees
- Inform user or auto trigger action when tool outcome is validated
- Start workflows within and across systems
- Auto detect when issues are resolved

Sample signals from Action Engine



Hello,

We detected 7 new Signal(s). To view all of your Signals, please open Action Engine.

[Open Action Engine](#)

Subject	New Signals	Open Signals
<u>PurchaseReq not yet processed</u>	1	4
<u>Supplier confirms order (w/o delivery date)</u>	5	34
<u>Validation: Supplier confirms with delay in delivery date</u>	1	77

Signals defined

- P2P:
 - Purchase Requests open
 - Order not transmitted
 - Order confirmation missing
 - Late delivery
 - EDI processing
 - etc.
- O2C:
 - Delivery blocks
 - In time shipment of express orders
 - Shipping of back orders
 - etc.
- Many more to come, depending on data available
- For all processes touching the Digital core, signals can be defined

Assessing Supplier Reliability

← Overdue Purchase Orders (Notification sent) Status ▾

Description

The supplier has been sent 2 notifications. The document number is 4500087196.

Status *Creation Date* *Last Updated*

Open 03/29/19, 01:06 03/31/19, 20:37

Document number	No. of line items	Notifications	Material Group
4500087196	2	2	NFI

Actions

[Validate Purchase Order](#)

[Trigger Delivery Delay Notification](#)

Assignee

[Assign To Me](#) [Assign To User](#)

Details

Order Number	Line item	Material	Quantity	UoM	Supplier ID	Days since last notification was sent
4500087196	00007	LZ10BF-100	60.000	ST	0000432240	13
4500087196	00003	HF3205SMD100-PB	20.000	ST	0000432240	13

Lessons Learned

- Develop a Process Lifecycle practice
- Work on continuous improvements: Process Mining → Process Design → Process Support → Process Optimization → Process Automation
- Adaption approach based on sub-segment, business environment, company culture and process area
- Focus on translating Insight into Action
- Define KPIs for new Processes for measuring success (mine early)
- It is important to continuously reinvent yourself

Co-Innovation is a key success factor



- SME companies have very limited resources
- Co-innovation is an option to leverage the capabilities of our partners
- Engage proactively with SAP and solution partners
- Win - Win

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Presentation Materials

Access the slides from 2019 ASUG Annual Conference here:

<http://info.asug.com/2019-ac-slides>

Q&A

For questions after this session, contact us at
georg.schukat@schukat.com and
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Action Engine: Idea to Solution

- Breakdown into manageable sub-projects
- Survey available data
- Assess available Enablers
- Extend Process Mining?
- Co-Innovation!

Action Engine Project

- Detect process states which need attention
- Do so (near) real time
- Inform user or auto trigger action
- Start workflows within and across systems
- Auto detect when issue resolved

Kurze Story was die Capabilities sind von dem neuen Tool

Realized Benefits

Discussion: Black Box vs. RPA