

SAP Solutions for Small Businesses and Midsize Companies

REDUCING COSTS WITH EFFICIENT OPERATIONS

A FAST TRACK TO MORE WORKING CAPITAL

THE BEST-RUN BUSINESSES RUN SAP™



TAKING CONTROL OF YOUR COST STRUCTURE



If only it didn't cost so much money to make money. That's the predicament of many small businesses and midsize companies. Customers keep demanding more for less – and those product and service enhancements cost you more to provide even though you get paid less for them. Larger competitors often have deeper pockets – plus, they enjoy economies of scale that you can't match. Untamed costs can deplete the precious working capital that's critical to your ongoing operations and new expansions.

But there's a bright side: you can get a handle on costs by taking systematic steps to improve operational efficiency. By instituting efficient automated processes throughout your organization, you can reduce waste, unnecessary overtime, and a host of other cost factors. Integrated business software systems put this efficiency overhaul within reach, quickly and affordably.

As you gain more control of the debit ledger, both sides of the balance sheet improve: cutting costs gives you higher gross margins and enables you to boost revenues by offering your customers more competitive pricing and terms. Saving money helps you make more money. Plus, changing red ink to black helps you, your employees, shareholders, and investors sleep easier.

“Among the 698 of firms that we studied over the past seven years, firms that implement ERP systems experience 10% greater labor productivity, 13% higher inventory efficiency, 15% higher asset utilization, and 9% greater payment collection efficiency on average than firms that do not.”

Sinan Aral, Research Affiliate,
MIT Sloan School of Management,
Assistant Professor,
NYU Leonard N. Stern School of Business

WHAT DRIVES UP COSTS?

Some cost drivers (like energy and commodity prices, interest rates, and healthcare) are largely beyond your ability to control. Others, such as labor and materials, can be effectively managed and reduced if you know how to identify and control them. Generally speaking, rising “controllable” costs signal inefficient use, even waste, of resources, including people, capital, and assets. Controllable cost drivers include:

- **Customer “squeezing”** – Why should a customer pay for custom delivery, drop shipping, promotions, merchandizing, and warehousing when your business can be coerced to pay instead? Customers are pushing many costs upstream to producers and distributors, relying on competitive pressure to strengthen their demands. And when customers insist on fixed-bid pricing, the temptation to bid low in order to win a contract may lead to frustration as costs outstrip fees. To identify the true cost of goods and services sold, you must take all these concessions into account. Then, you can analyze whether what you’re doing to win customer satisfaction is really paying off.
- **Unproductive labor and staff** – People are your most valuable – and costly – resource. You’re constantly trying to improve productivity, reduce redundancy, and eliminate unnecessary shifts, positions, and overtime. But you don’t want to jeopardize a stable, experienced, and loyal workforce with across-the-board

“SAP Business One is more than just a cost saver – it’s an absolute essential for doing business.”

Lou Giovannone, Group Controller, Fagerdala USA Inc.



measures. You need a method to analyze and manage how you use your resources and take into account the real costs and value of your staff and positions. You also need efficient, automated processes that reduce manual tasks, optimize scheduling and assignments, and enable your talent to work at a higher level of productivity.

- **Low-yield working capital** – Customers don’t want to tie up their cash flow by buying and holding your products in advance, so you need to carry enough safety stock to meet surges in demand. That leaves you carrying the costs of inventory and compromising your own cash flow. You need

to focus your inventory on key products and narrow safety stock levels, still ensuring you can meet demand.

- **Inefficient use of assets and materials** – How much can you skimp on materials before you undermine the quality of your product? Better to apply efficiencies in materials management and procurement to manage costs. With a haphazard materials management system, you’re scrambling just to locate needed materials rather than negotiating the best prices from reliable suppliers. You need a way to consolidate your buying power and establish a stable network of suppliers.

MAXIMIZE EFFICIENCY TO DRIVE DOWN COSTS

By helping you to control costs – of production, maintenance, administration, and asset utilization – efficient operations improve the cash position and financial stability of your company.

The common thread is the need for a clear understanding of how you can improve your cost structure, and a plan to execute that improvement. Once inefficiencies are identified, you can target improvements, such as:

- Automating processes
- Compressing cycle times
- Eliminating errors in order fulfillment
- Streamlining inventory
- Procuring materials at better prices
- Optimizing staffing and resources
- Controlling credit and debt

Automate Processes, Reduce Labor Costs

People can only be as productive as their working environment allows. An automated system can relieve your staff of routine, error-prone tasks and direct workflow toward greater productivity and higher-value activities. For instance, in a service environment, your resources should be doing just that – providing better client service, not spending time on nonbillable administrative tasks.

In addition, consider using a good system to track employee skills and training levels, so the right talent is available when opportunities arise. You can also limit overtime by scheduling employees more efficiently. Embedded controls can alert management to overtime issues that might indicate scheduling problems, so you can correct the problem before the next production or work cycle.

When you have a unified, integrated business system in place, you can promote process excellence, automate routine and administrative tasks, and enable your people to be more efficient and productive.

Streamline Operations, Compress Cycle Time

Time is money. If it takes you a week to fulfill an order when it should take a day, your faster competitors will seize the advantage. Order fulfillment is an example of a key cycle that can be compromised by inefficiencies from many sides – such as order entry, picking and packing, delivery service, and staff training and scheduling. Rather than trying to evaluate and overhaul each step separately, you can quickly achieve superior processes by using a unified business system. You'll bring best practices, speed, accuracy, and efficiency to your core cycles – from sales through product or service delivery to invoicing and cash receipt – in timely fashion.

Eliminate Redundancies and Waste

“Waste” can mean everything from redundant manual processes to manufacturing defects, reworks, and excessive SKUs. Waste can be found not only on the shop floor and in the warehouse and loading dock, but also in administrative, purchasing, and other business activities – how much added revenue did that promotional campaign really generate? Bad debt is a corrosive form of waste.

With a unified view across operations, sales, customers, and financials, you can assess business processes company-wide and identify and prioritize opportunities to reduce waste, redundancies, and costs.

Built-in controls and alerts keep your operations focused on efficiencies. Automated alerts can notify decision makers when costs in a particular area may be trending higher, in time to evaluate options and identify ways to keep costs in line.

Put Cash to Work in High-Value Initiatives

You have limited resources, so you want them earning maximum returns. With the clear information you gain from a comprehensive, integrated business system, you can analyze investment strategies and select the right combination of initiatives that will maximize profitability. Whether you use your cash to expand into new markets, move manufacturing to lower-cost areas, develop new services, or increase product marketing and promotion, you can do so with confidence that you will be applying your resources to yield maximum return.

The results on your bottom line will win the confidence of your shareholders, investors, and board members.

SUMMARY: INVEST IN COST MANAGEMENT



It seems like a paradox: spend to save. But by investing in a unified, integrated business management system, you can institute operational efficiencies that will identify the cash sieves in your organization and help you stop the drain. When you gain control of costs, you raise your gross profit margins and strengthen your competitive position. You boost revenues by offering better prices and terms to your customers. You increase your cash reserves and free up resources to invest in strategic initiatives. You enable your employees and assets to work more productively. As you gain a clearer understanding of all the ways you can improve your cost position and develop a plan to execute those improvements, you build an efficient operation – and your bottom line grows.

The SAP® portfolio of comprehensive, integrated business solutions, designed specifically for small businesses and midsize companies, helps you take control of your cost structure. With

these solutions, you can cut costs to achieve higher gross margins even as you increase revenue by offering your customers more attractive pricing and terms.

SAP Can Help You Cut Costs – Affordably and Easily

SAP® Solutions for Small Businesses and Midsize Companies

When it comes to the widely varying needs of small and midsize businesses, one solution doesn't fit all. SAP offers a portfolio of flexible and affordable business management solutions designed specifically for the fast-changing needs of small businesses and midsize companies.

With SAP® software, you gain a standardized, proven solution platform – enabling you not only to run your entire business efficiently but also to predict the costs and outcome of your IT investment. SAP solutions can be deployed readily and affordably, so businesses focusing on cost containment can quickly improve and realize measurable returns. By integrating and streamlining the entire business operation across sales, customers, financials, and operations, SAP

solutions help drive operational efficiency, enabling you to better control costs.

Cost control is critical to being able to offer competitively priced goods and services. SAP can help you better control both fixed and variable costs by unifying systems, providing built-in controls and alerts, and producing up-to-the-minute, accurate reporting for all parts of your business.

Trusted by more than 25,000 small and midsize customers around the world, SAP brings the industry experience and range of solutions it takes to help companies control costs, increase profits, stay ahead of the competition, and succeed.

For more information, please visit www.sap.com/solutions/sme/index.epx.

“With SAP Business One, we’ve realized a 30% reduction in operating costs, in the area of about a 12% increase in revenues, and our margins are getting better.”

Kellen Watkins, President and CEO, Materials Handling Equipment Corporation

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