

# Enhancing SAP's Product Innovation Platform

## *CIMdata Commentary*

### *Key takeaways:*

- *SAP PLM has evolved into a capable solution to support lifecycle strategies for all but the most complex products from ideation through life*
- *SAP is expanding their "single source of truth" to include electrical/electronic components, requirements, and software assets*
- *SAP offers both discrete and formulation PLM on the same platform and several customers are leveraging their solution to address this type of product the complexity of products that combine these aspects*

SAP management, partners, and customers were out in force at the SAP Insider Event at the Mandalay Bay Hotel and Convention Center in Las Vegas on March 20-23, 2016. This Wellesley Information Services (WIS) event had tracks covering Manufacturing, Logistics, Supply Chain Management (SCM), Procurement, PLM, and the Internet of Things (IoT).

The Keynote Address entitled "Surviving and Thriving in a Digital Economy" featured two SAP executives, Dr. Volker Hildebrand, Global Vice President, Customer Engagement & Commerce, and Mr. Hans Thalbauer, Senior Vice President, Extended Supply Chain. Dr. Hildebrand's remarks focused on Hybris, a 2013 SAP acquisition now rebranded SAP Hybris Customer Engagement Solutions. SAP positions these offerings to support commerce, marketing, service, and sales. Dr. Hildebrand showed examples of how SAP Hybris can touch customers before they buy, blending commerce with online communities, collaborative ratings, and search delivered at the point of purchase. The solutions also include Configure, Price, Quote (CPQ) capabilities that are essential for profitability in today's markets of one. An interesting capability shown was the Visual Instance planner that leverages SAP Visual Enterprise (VE, nee Right Hemisphere). It is good to see SAP fully embracing 3D information and product master data across their various solutions.

Mr. Thalbauer focused on digital transformation and supporting their customers' journeys to this new business reality.<sup>1</sup> The customer is at the center, supported by consistent, omnichannel messages. Today's customers want individualized products (the market of one), and these products must be reliably and profitably brought to market while meeting ever-changing compliancy standards. Profitably delivering these products to market requires having value chains that leverage the sharing economy more than ever with many different types of partners connected across the product lifecycle.

To cover the front end of innovation for today's value chains, SAP introduced SAP Innovation Management, their cloud-based ideation and planning solution. According to Mr. Thalbauer, over 150 companies are in production on this solution since its launch three years ago. Supporting the ideation process is essential to satisfying markets of one, and Mr. Thalbauer claimed SAP has expanded their Product Innovation Platform (PIP) definition to better support product variants, costs of variants, all directly connected with sales, service, and manufacturing using the SAP portfolio.

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<sup>1</sup> A recent CIMdata commentary on SAP and digital transformation provides more information: "Digitizing the Extended Supply Chain: Update from the SAP eSCM Analyst Event," <http://www.cimdata.com/en/resources/complimentary-reports-research/commentaries/item/5107-digitizing-the-extended-supply-chain-update-from-the-sap-escm-analyst-event-commentary>.

For CIMdata, the highlight of the event was a presentation by Mr. Jeff Donegue of BUNN ([www.bunn.com](http://www.bunn.com)), ubiquitous in U.S. offices with their Bunn-O-Matic coffee machines. Like many other companies, BUNN had been running their business on spreadsheets, home grown legacy code, and tribal knowledge that helped glue together more than 12 data siloes for managing product data. In 2009, BUNN made a corporate commitment to SAP—selected because BUNN saw SAP as a scalable solution from a market leader that included PLM capabilities. BUNN started with SAP ECC 6.0, Enhancement Pack 5 in 2010, implementing Production Planning (PP), Material Management (MM), Sales and Distribution (SD), Warehouse Management (WM), and Financial Accounting/Controlling Modules (FICO) at 6 US plants and 2 UK warehouses. To support the PLM implementation, BUNN vetted systems integrators to find the right partner with the right skills and experience.

BUNN started with SAP Document Management System (DMS) for simple document change and VE in 2013. In 2015, they expanded their implementation to include project management, retiring their legacy tool, and set up 120+ projects, including resource allocation and time tracking. BUNN is currently working on expanding DMS to support engineering change, and claims to process about 2,000 engineering change requests per year, requiring 20 unique workflows. At the same time, BUNN is also expanding their workflow coverage and adding portfolio management, which will include project resource management, cost management, and reporting.

Based on their presentation, BUNN loves acronyms, including SSOT—Single Source of Truth—which they claim holds all their information, maintained and controlled in a single location for ready access. This is one of the most expansive SAP PLM implementations CIMdata has seen, and Mr. Donegue reported some excellent results, including:

- Reduced ECRs in queue by 50% from 500 to 250
- Reduced minor customer request turnaround time by 71%
- Repurposed 20,000 hours annually
- Information can be production-ready 32 days faster per customer order
- Reduced months from equipment setup in SAP to first sale by 71%

Other benefits estimated by Mr. Donegue totaled thousands of hours of savings, including 5,000 hours per year in data searching time that can now be used for productive work.

During the conference, CIMdata had time to sit down with Mr. Garrett Miller, Global VP of Solution Management, LoB PLM, and Mr. Thomas Ohnemus, Global VP of Solution Marketing for Extended Supply Chain, to get an update on SAP PLM. During the conference sessions, several presenters highlighted the capabilities, benefits, and deployments of SAP's Engineering Control Center (ECTR) standard user interface for mechanical computer-aided design (MCAD) to the SAP PLM customer base. Last year, SAP also introduced its first electrical computer-aided design (ECAD) integration based on ECTR for EPLAN, a German solution provider. Based on our discussions, SAP will soon release four more ECTR-based electronic design automation (EDA) integrations for tools from Cadence, Mentor Graphics, Zuken, and Altium, EDA market leaders highlighted in CIMdata's PLM Market Analysis Report (MAR) series. A Synopsys integration is a service offering today, but will be productized in the future. If other integrations are required, SAP will rely on their PLM Alliance partners, a federation of companies who develop SAP's tool integrations to develop them.



Figure 1—SAP PLM Solutions for R&D and Engineering  
(Courtesy of SAP)

Looking forward, SAP is working to enhance a Requirements Management (RM) solution from Sybase, an important step to connecting front-end innovation to systems engineering. SAP is working to move their on-premise RM solution to the cloud, and expects a product to be in the market in the next year. The other missing “truth” is software, and SAP is talking with a number of leading firms to determine the right path forward. Figure 1 highlights how SAP plans to provide a more complete single source of truth. CIMdata is excited by their progress in the last few years, a period during which SAP picked up the pace of innovation over earlier years.

In our consulting with industrial companies, CIMdata often works with clients who have requirements for both discrete and formulated product PLM. Several of the major PLM solution providers offer solutions for both disciplines (or use domains), but SAP’s mechanical and formulation offerings are on the same platform<sup>2</sup>. Several years ago, SAP moved from their initial offering, SAP Recipe Management, a document management-based solution, to SAP Recipe Development (RD), which is indeed more of a development tool. Based on comments from SAP and their partners, SAP RD is getting some traction. During a session held by Mr. Dan Bender, the Chief Solution Owner for SAP’s PLM Solutions for the Process Industry, he stated that SAP is currently working with several large companies that have both discrete and formulation requirements, most notably Nestlé (around their Nespresso products). This combined use case is important and CIMdata is happy to see SAP enhancing their single platform advantage by working with leading-edge customers.

Another important problem for industrial clients is compliance. Selling product variants in many geographic markets and industries brings with it a myriad of standards and compliance regimes that must be managed. To help customers address this complexity, SAP is offering their SAP Cloud for Product Stewardship, a cloud-based compliance solution. Their offering supports common requirements like WEEE, RoHS, and conflict minerals, with up-to-date compliance information on 75+ global and regional standards as part of the subscription fee. Using this technology, SAP is promoting their SAP Product Stewardship Network, where over 4,000 companies store their compliance information to be shared, or held private<sup>3</sup>. The solution is Fiori-based, a tile-based interface that SAP is introducing across their portfolio that is particularly well-suited to mobile use cases. CIMdata believes that creating such a

<sup>2</sup> Dassault Systèmes also moved their EIngenuity assets for formulation to ENOVIA several years ago.

<sup>3</sup> <http://www.sap.com/pc/tech/cloud/software/product-stewardship-network/overview/index.html>

compliance-related network is an interesting approach, and could help lubricate value chains if enough companies join in.

In conclusion, SAP has made great strides in broadening their PLM portfolio. Their PLM development roadmap milestones have been achieved more quickly in the last few years, yielding a capable solution for all but the most complex product development environments. CIMdata often consults with industrial firms about PLM strategy development and solution selection. Many of these firms use SAP solutions within their businesses. If they do, we typically suggest they include SAP on their short list for PLM. Until the last few years, there would be some caveats about which industries and types of products were best suited for SAP PLM. Given SAP's enhancements and their PLM roadmap in the short and medium terms, these caveats will continue to decrease. What will be interesting is how the corporate move to S/4HANA, cloud, and Fiori-based user engagement affects the SAP PLM portfolio, only parts of which are available today on the new platform. If the recent past, and the discussions at SAP Insider are any indication, this move will be swift.

### **About CIMdata**

CIMdata, an independent worldwide firm, provides strategic management consulting to maximize an enterprise's ability to design and deliver innovative products and services through the application of Product Lifecycle Management (PLM). CIMdata provides world-class knowledge, expertise, and best-practice methods on PLM. CIMdata also offers research, subscription services, publications, and education through international conferences. To learn more about CIMdata's services, visit our website at <http://www.CIMdata.com> or contact CIMdata at: 3909 Research Park Drive, Ann Arbor, MI 48108, USA. Tel: +1 734.668.9922. Fax: +1 734.668.1957; or at Oogststraat 20, 6004 CV Weert, The Netherlands. Tel: +31 (0) 495.533.666.