SAP Ariba

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Al-Futtaim automotive group

Al-Futtaim Automotive Group: Saving US$16 Million with SAP® Ariba® Solutions

Al-Futtaim Automotive Group saw an opportunity to transform its procurement process into a more strategic function. Representing more than 25 global auto brands in 14 countries, this rapidly growing company sought to automate more of its operations and control spending. Al-Futtaim Automotive Group chose SAP® Ariba® solutions for game-changing e-procurement.

Executive overview

Company
Al-Futtaim Automotive Group

Headquarters
Dubai, United Arab Emirates

Industry
Automotive

Products and Services
Passenger cars, commercial
vehicles, construction
equipment, auto logistics,
used cars, and auto leasing
and rentals

Employees
12,800

Web Site
www.al-futtaimauto.com

BUSINESS TRANSFORMATION

Objectives
- Reduce costs and improve efficiency by establishing a simple, transparent e-procurement solution
- Evolve tactical purchasing functions into a strategic sourcing department
- Improve decision making by enhancing spend visibility organization-wide

Resolution
- Deployment of the SAP® Ariba® Sourcing solution to address the high cost base and renegotiate long-term contracts
- Implementation of the SAP Ariba Buying solution, advanced edition, integrated with the SAP ERP application for an easy and transparent procure-to-pay process
- Hands-on training to encourage supplier participation in Ariba Network
- Organizational change management and user training to optimize the capability of the system

Benefits
- Reduced turnaround time from sourcing to payment by eliminating manual processes
- Negotiated supplier pricing and introduced online bidding
- Increased efficiency by fast-tracking spend through 168 catalogs
- Developed a robust source-to-settle process to monitor supplier performance and enforce contract compliance and invoices against orders

US$16 million
In annual savings

33%
Reduction in average
PO processing time

97%
Of invoices paid without
any manual intervention

"SAP Ariba solutions offer flexibility and ease of use while still supporting robust policies. We were able to emphasize transparency and fairness, which is very much appreciated by our vendors."

Asad Zaidi, Director of Procurement and Performance Improvement, Al-Futtaim Automotive Group

Big efficiency gain thanks to intuitive use and transparency

Established in 2010, Al-Futtaim Automotive Group operates more than 170 showrooms, service centers and warehouses and sells more than 250,000 vehicles annually. It reaches across 14 countries in the Middle East, Africa, and Asia, and its workforce comprises 70 nationalities.

This multibillion-dollar organization needed to reshape its vendor relationships to gain better pricing. Thus, it renegotiated long-term contracts and deployed the SAP® Ariba® Sourcing solution to bring transparency to spending and encourage competitive pricing through online bidding. The result was significant savings.

Focusing on growth, the company wanted to further optimize its procurement operation and sought a solution to simplify procure-to-pay processes by implementing online ordering, automating approvals and payments, and streamlining reporting.

Al-Futtaim Automotive Group selected the advanced edition of the SAP Ariba Buying solution to integrate with its backend SAP ERP application to control maverick buying and leverage central rate contracts. A procurement team that was originally tasked to move transactions along the purchasing process has grown into a strategic sourcing unit that has realized savings of US$16 million to date through SAP Ariba Sourcing.

"Change management was essential. It's key that both internal employees and external suppliers understand the benefits of a closed-loop value chain. They need to know what's in it for them."

Asad Zaidi, Director of Procurement and Performance Improvement, Al-Futtaim Automotive Group

Executive overview

Company objectives

Resolution

Business transformation

Future plans

A good choice for a successful procure-to-pay launch

The selection of SAP Ariba solutions was a fairly easy decision for the group. "I worked with SAP Ariba software earlier in my career, so I know how good it is," says Asad Zaidi, director of procurement and performance improvement at Al-Futtaim Automotive Group. "And just as important, SAP Ariba solutions compared favorably to other solutions in all the ratings by external consultants that I read. An established track record of delivering savings and value to customers was key."

Al-Futtaim Automotive Group wanted to maximize the power of a procure-to-pay (P2P) solution and knew that the advanced edition of SAP Ariba Buying could be integrated with its existing SAP ERP application. The SAP Ariba solution was customized to manage the complex pricing conditions and procurement scenarios for in-scope trade purchases

that Al-Futtaim Automotive Group required. Through detailed spend analysis, the group defined approval limits and clearly outlined processing exceptions.

As a key element in the P2P deployment, Al-Futtaim Automotive Group engaged stakeholders well in advance so they could understand the full solution benefits. These stakeholders included central procurement, finance, senior management, suppliers, and business users.

With a cloud-based P2P solution in place, users now enjoy an intuitive and user-friendly interface. Adding even more value, with visibility among catalogs, POs, and invoicing, the P2P process has become touchless, with nearly all transactions free from reworks and intervention.

"We achieved amazing results because we identified suppliers who accounted for 95% of our spend, trained them to transact online with Ariba Network, and negotiated favorable pricing."

Asad Zaidi, Director of Procurement and Performance Improvement, Al-Futtaim Automotive Group

Boosting usage with easy-to-use features and robust catalogs

Since the advanced edition of SAP Ariba Buying has been deployed at Al-Futtaim Automotive Group, its accounts payable, purchasing, and finance professionals – as well as its suppliers – no longer work as disconnected entities. Now these functions are integrated with exceptional transparency. Transparency has proved to be a critical aspect of awarding contracts, with vendors competing in online auctions. As a result, the company has realized cost savings through more-effective volume sourcing.

With customized catalogs developed by category experts, business users across all regions at Al-Futtaim Automotive Group have adopted this structured and simplified strategy toward procurement. Negotiated pricing has driven significant savings through coordinated spend management.

The ease of approving purchase orders through e-mail and flipping them to create online invoices has been a game changer. These features weaned users off the well-entrenched "as-is" process and accelerated user adoption of the advanced edition of SAP Ariba Buying.

"We implemented state-of-the-art technology to run our online auctions as a first step," explains Zaidi. "This put our transformation program on the right track by delivering quick savings that got the attention of management."

Len Hunt, president of Al-Futtaim Automotive Group, adds, "With online catalogs, electronic invoicing, and mobile PO approval, our P2P solution makes processes simple. Now, our parent company looks to the automotive group as a leader in sourcing initiatives."

62%
Of transactions fast-tracked through catalogs

168
Catalogs uploaded, covering 6,000 line items

400
Auctions run

Driving greater cost savings, improving supplier performance

With procurement experts now serving as strategic business partners, they are currently collaborating with product development to find alternative global suppliers and identify new goods for resale. Looking ahead, Al-Futtaim Automotive Group is actively considering the SAP Ariba Spend Analysis solution to get a consolidated view of its spend and help drive actionable decisions for the managing directors.

The structured procurement approach that Al-Futtaim Automotive Group has developed has not gone unnoticed by its parent company, Al-Futtaim. With the retail and real estate divisions admiring the automotive group's operational advances, and tremendous savings secured since the deployment of SAP Ariba Sourcing and SAP Ariba Buying, advanced edition, all other operations are evaluating these SAP Ariba solutions.

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