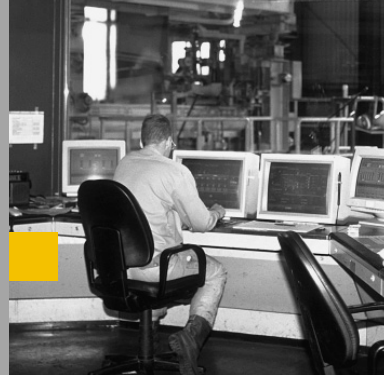


SAP Customer Success Story Mill Products



“With specifications developed to meet our real-world requirements, SAP Railcar Management Component serves our needs very well.”

Lynn Paules, Business Process Analyst, Armstrong World Industries Inc.

AT A GLANCE

Company

- Name: Armstrong World Industries Inc.
- Location: Lancaster, Pennsylvania
- Industry: Mill products
- Products and services: Building products – floors, ceilings, and cabinets
- Revenue: US\$3.6 billion
- Employees: 13,000
- Web site: www.armstrong.com
- Partner: SAP® Custom Development organization

Challenges and Opportunities

- Freight costs that represented a substantial portion of overall costs
- Freight-costing functions that were performed using a cumbersome mix of SAP applications, mainframe applications, and manual operations
- Constant exchange of data between SAP and non-SAP applications, entailing costs and risks

Objective

Implement a single application to manage all outgoing freight-costing activities in a uniform, automated way

SAP Solution and Services

- SAP Railcar Management Component software
- SAP Custom Development services

Implementation Highlights

- Close collaboration on specifications between Armstrong and SAP Custom Development
- All necessary freight-costing and distance-determination functionality developed by SAP Custom Development
- All schedule and budget goals met by implementation team

Why SAP

- Rest of the business run by SAP applications
- Unsurpassed understanding of freight-costing issues displayed by SAP Custom Development

Benefits

- Cost savings in mainframe hardware, software, and support
- Total view of freight costing never before available to decision makers
- Better accuracy of accruals
- Fewer human errors

Existing Environment

Mix of legacy SAP and non-SAP applications

ARMSTRONG

Partnering with SAP® Custom Development to Satisfy Real-World Freight-Costing Needs

Armstrong World Industries Inc., a leading supplier of building materials headquartered in Lancaster, Pennsylvania, partnered with the SAP® Custom Development organization to develop the freight-costing and distance-determination functionality of the SAP Railcar Management Component software. Now, instead of relying on a mixture of SAP and mainframe-based non-SAP applications and manual processes, Armstrong turns to a single, highly integrated application to automate all its freight-costing processes. This cost-saving application gives Armstrong a complete view of freight costs for the first time to optimize freight-related business decisions.

Fighting Inefficiency in Freight-Costing Methodologies

Armstrong's 13,000 employees produce flooring, ceiling products, and cabinets in plants around the world. Since these products are heavy and bulky, shipping costs represent a substantial portion of the company's overall costs. Therefore management pays particular attention to opportunities for minimizing those costs.

Until recently, however, management lacked the information it needed to fully optimize freight costing. Some important freight-costing functionality was missing from the SAP application suite Armstrong used for most of its business operations. Consequently, Armstrong performed freight costing by employing not just SAP software but also a mainframe-based application from another vendor to fill some of the gaps. Using this mixture of applications was inefficient and error prone; furthermore, many operations such as making payments to carriers were still performed

manually. Not only was this process costly and labor-intensive, but decision makers had no way to unify all freight-costing information to improve efficiency.

Partnering with SAP Custom Development for a Single Solution

“We had to find a way to move to a single application for automating all our freight-related processes – one that was capable of providing the comprehensive information our executives needed,” says Lynn Paules, business process analyst at Armstrong. “Since there was no such product on the market, we turned to SAP Custom Development. That way we knew the application would be tightly woven into our overall SAP software environment.”

“SAP Custom Development understood our requirements and fulfilled them. The experts in SAP Custom Development really demonstrated their unique knowledge of freight-costing issues.”

Lynn Paules, Business Process Analyst,
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Armstrong and SAP Custom Development worked closely together to establish specifications for the freight-costing extension of SAP Railcar Management Component and for an important related function, distance determination, which computes shipment distances via an interface to Rand McNally’s MileMaker software.

Once the team was satisfied that all the important bases were covered, SAP Custom Development moved into development mode. On schedule and within budget, SAP Custom Development completed the application and delivered it to Armstrong. “SAP Custom Development understood our requirements and fulfilled them,” says Paules, “The experts in SAP Custom Development really demonstrated their unique knowledge of freight-costing issues.”

Armstrong has put SAP Railcar Management Component into production in its North American and some of its European operations.

Saving Labor with Automatic Freight Accrual Payments

The freight-cost extension of SAP Railcar Management Component equips Armstrong’s planners to minimize freight costs by adopting a choice of strategies for optimizing carrier selection and route determination. For each shipment, it also calculates amounts owed to carriers (freight accruals) and amounts that customers are to be billed. These two figures may differ dramatically because of agreements negotiated among the various parties or for logistical reasons.

Another key function is the automatic generation of payments to carriers. In the past, Armstrong received thousands of invoices a month, manually entered the invoice data, and issued payments – a labor-intensive set of procedures that on the average kept one person busy half of the time at each plant – the equivalent of 10 full-time employees. Now, with automatic freight accrual payments, Armstrong has been able to assign these people to more value-added tasks. Armstrong’s carriers are experiencing similar savings because they no longer have to prepare and mail the invoices.

Equipping Planners with the Information Necessary to Minimize Freight Costs

Since Armstrong no longer relies on the mainframe-based application for most of its freight operations, it has been able to substantially cut the related hardware, software, interfacing, and support costs. “The cost savings are great, and our decision makers now can see all freight-costing information,” says Paules. “With a full view of what we’re spending on freight and just how and where we’re spending it, we’re far better equipped to optimize our expenditures.”

“SAP Railcar Management Component is fast, powerful, and easy to use,” Paules concludes. “With specifications developed to meet our real-world requirements, SAP Railcar Management Component serves our needs very well.”