



VERTELLUS SPECIALTIES

SAP BUSINESS TRANSFORMATION STUDY

AT A GLANCE

Industry	Chemicals
Revenue	US\$450 million
Employees	767
Location	Indianapolis, Indiana
Web Site	www.vertellus.com
SAP® Solution & Services	SAP® ERP application
Implementation Partner	Hitachi Consulting

Vertellus Specialties Inc. is a leading provider of specialty chemicals for the agriculture, nutrition, pharmaceutical and medical, personal care, plastics, coatings, and industrial markets – products that enhance the physical properties of manufactured goods. Vertellus was formed in July 2006 through the merger of Reilly Industries and Rutherford Chemicals.

Key Challenges

- Achieve synergies between the 2 entities that combined to form Vertellus
- Roll out systems and processes to enable operation as a single business entity with new organization and market-oriented structure
- Reduce costs by consolidating business units
- Position Vertellus to take advantage of recent and future developments from SAP and its partners

Why SAP Was Selected

- Tightly integrated, robust, full-featured, best-in-class business software
- Better tools to support the merger of companies and their data
- Shorter implementation cycle and adoption rate
- Ability to rapidly support dynamic changes in Vertellus's business model and to reflect those changes in all historical transactions immediately

Implementation Best Practices

- Selected synergistic partner, Hitachi Consulting
- Performed technical upgrade followed by consolidation
- Accelerated implementation by using ASAP methodology
- Engaged the business throughout the project
- Recorded training sessions for reuse
- Cross-pollinated skills and employed shadow training

Low Total Cost of Ownership

- Upgraded from 10-year-old software in 16 weeks
- Finished on time and within budget
- Reduced ongoing IT operational expenses by US\$800,000 annually through termination of software and lease agreements
- Reduced IT staff while number of users grew by 50%

Financial and Strategic Benefits

- Achieved savings of more than US\$14 million annually through 200 synergy projects and business entity consolidations
- Performed first consolidation within weeks of merger, saving US\$4 million annually
- Targeted additional US\$10 million annual savings
- Established foundation for optimizing global work processes

Operational Benefits

- Developed self-sufficiency for future projects
- Improved efficiency throughout the organization
- Gained ability to optimize operational resources globally
- Attained visibility into information needed to optimize plant operations
- Realigned corporate data to match organizational and commercial needs



“Within nine weeks of our merger, we performed a consolidation that’s saving us US\$4 million annually. That never would have been possible without a unified and upgraded SAP platform.”

Michael Boster, Vice President and Chief Information Officer
Vertellus Specialties Inc.

“There are a whole host of ways to improve the business with SAP software. With our global implementation now complete, we’re finally positioned to take full advantage of these opportunities.”

Michael Boster, Vice President and Chief Information Officer
Vertellus Specialties Inc.

Two Companies Consolidate on a Single IT Infrastructure

Vertellus Specialties Inc. became the chemicals industry leader it is today through the July 2006 merger of Reilly Industries and Rutherford Chemicals. As the merger was taking shape, management identified opportunities to save millions of dollars annually by consolidating operations between the two companies. No consolidations were possible, however, until both were using the same business software, and therefore one of Vertellus’s foremost priorities was to align the two firms’ IT infrastructures. But alignment would not be easy: Reilly ran its business with a 10-year-old version of SAP® software that was no longer supported, and Rutherford used business software from another vendor that was also 10 years old and unsupported.

“One approach we could have taken was to implement the other vendor’s software at Reilly, but we quickly rejected that notion because SAP applications are much more robust, full-featured, and tightly integrated with one another,” says Michael Boster, vice president and chief information officer. “Besides, SAP has superior tools for integrating data from varied applications, which meant we could begin reaping the benefits of a common platform much sooner. Finally, Vertellus needed to shift from a product to a market orientation, and SAP software is better equipped to perform the necessary data realignment.”

Tight Upgrade and Conversion Calendar Saves Millions Within Weeks of Merger

Reilly took the first step by upgrading to the SAP ERP application. With Hitachi Consulting as its partner, Reilly formed a very ambitious schedule for the upgrade – just 16 weeks – but succeeded despite the enormity of the 10-year leap in software versions. Hitachi Consulting even found time to perform extensive knowledge transfer to make Vertellus self-sufficient with SAP software.

Barely a week after the upgrade was complete, the merger was announced and Vertellus came into being. The first order of business was to convert the old Rutherford company to SAP ERP, which the internal staff accomplished with coaching from Hitachi Consulting. Just nine weeks later the team completed the conversion for a division of Rutherford, which management immediately combined with a Reilly division to save US\$4 million annually. Since then Vertellus has continued to roll old Rutherford divisions into the SAP fold, culminating with the European division in May 2007. All told, the firm is realizing more than US\$14 million annually by downsizing operations, merging plants, sharing loads, and operating more efficiently, on top of US\$800,000 in direct annual savings from decommissioning Rutherford’s legacy system.

Synergies Save Tens of Millions More Annually

The future holds even bigger returns for Vertellus, which has launched almost 200 projects that will take further advantage of synergies to deliver another US\$10 million in expected yearly savings. Furthermore, the IT infrastructure is now poised for ready implementation of new SAP software functionality that will bring even more benefits. By implementing the SAP NetWeaver® Business Intelligence component and using it to analyze plant operations, Vertellus expects to recoup as much as US\$4 million per year in maintenance spend. Exploiting the third-party logistics functionality of SAP ERP will save another US\$1 million annually. In these and many other ways, Vertellus is poised to take advantage of the single, modern business platform it now enjoys with SAP software.