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BUSINESS CONNECT CONCLAVE '16

Smart Strategies for Business Cost Optimisation - An Indian Perspective



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Smart Strategies for Business Cost Optimisation - An Indian Perspective



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GROWING RELATIONSHIPS THROUGH DATA

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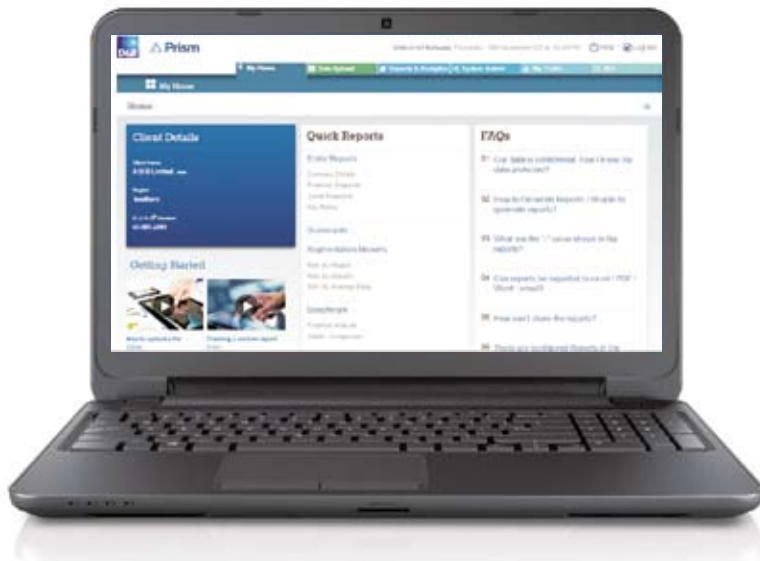


Smart Strategies for Business Cost Optimisation - An Indian Perspective

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Account Manager:

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West: Chinmay Diwadkar on + 91 98675 61067; Email: DiwadkarC@DNB.com

South: Ajith George on + 91 9448451199; Email: GeorgeA@DNB.com

For more information visit our website : <http://www.dnb.co.in/RMSolution.asp>

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GROWING RELATIONSHIPS THROUGH DATA

Foreword



Nigel Pullan
Vice President
Spinnaker Support Ltd
Europe, Middle East,
Africa and Asia

Over recent years, an increasing number of enterprises are taking a closer look at Information and Communication Technology (ICT) spend. It is widely reported that 75-80% of a company's ICT spend goes towards day-to-day operations - maintaining the existing applications and infrastructure. This leaves little budget left for innovation - implementing projects and developing products which makes a company more competitive in their market.

One of the key culprits is the budget line entitled "Software Support and Maintenance".

Although technology models have changed dramatically over the last 25 years, the maintenance model has remained the same - except it has become more expensive!

In the 1980s you would have paid 12% of your license fees in Support & Maintenance, and in return you would receive function and feature-rich updates which dramatically improved the way of doing business through ERP, CRM and Supply Chain products. Now you pay 22% of your license fees and then have to buy the new features and technologies instead of them being delivered as part of your support and maintenance fees.

The introduction of Third- Party Support and Maintenance 10 years ago changed all that. Now, hundreds of companies globally are using the expertise of Spinnaker Support to keep their existing ICT solutions going, and extending the life of their ERP software products for a fraction of the cost (typically 60-70% direct savings on the support and maintenance charges of the software vendor). Then they are diverting the funds they have saved into innovative products and technologies.

This is a trend that is going to continue over the next 10 years. You will see that software providers (e.g. Oracle, SAP) will do what they are good at - developing world class applications for a fair price. And you will

see third-party support and maintenance providers doing what they are good at - keeping those products functioning, ensuring that they are kept up-to-date as far as tax, legal and regulatory issues are concerned, and delivering advice on how to get the most out of what you have bought. Companies have spent a great deal of money buying licenses and implementing software solutions. Now it's time for those companies to get the return on their investment and to spend their money wisely on other more effective technologies.

Enlightened companies are starting to redress the balance. Their aim now is to spend 75% of their IT budget on projects and innovation, with only 25% spent on day-to-day operations and maintenance.

India is well known around the world as a country with excellent ICT skills. Our approach through 2016 is to help Indian companies to change their methodologies, to leverage their ICT capabilities in the most cost-effective manner, and with a number of dedicated partnerships to adopt Smart Strategies for Business Cost Optimisation.



Corporate Publications



Dun & Bradstreet's Economic Analysis Group conducts high-end business research and analysis. Tracking the economic scenario and business landscape closely, it produces value-added publications such as

India's Top 500 Companies, India's Top Banks, India's Top PSU's, India's Leading Equity Broking Houses, India's Leading Infrastructure Companies and many more.

For more details please contact

Regd. Office - ICC Chambers Saki Vihar Road, Powai, Mumbai - 400 072.

CIN: U74140MH1997PTC107813 | Tel: +91 22 6680 1300 | Fax: +91 22 2847 6281 / 82

South: Sandeep Parakkal | Mobile: +91 9980051478 | Email: ParakkalS@mail.dnb.co.in

West: Vini Saluja | Mobile: +91 9833583375 | Email: SalujaV@mail.dnb.co.in

North & East: Nittin Maheshwari | Mobile: +91 9999100164 | Email: NittinM@mail.dnb.co.in

Executive Summary



Naina R Acharya
Deputy Leader - Operations
Economic Analysis Group
Dun & Bradstreet India

The global economy is witnessing rapid changes in the business ecosystem influenced by diverse economies, technology and social changes. Indian enterprises are evolving constantly to adapt to this relentlessly changing economic environment. The uncertain business environment is compelling enterprises to alter their business models and strategies. Accordingly, enterprises are realigning the strategies to maintain the balance between controlling costs and sustainable growth by focusing on cost optimisation.

Keeping in mind the growing importance of business cost optimisation in the current business scenario, Dun & Bradstreet in association with Spinnaker Support has prepared an exclusive report titled '**Smart Strategies for Business Cost Optimisation – An India Perspective**'.

This report brings out the importance of business cost optimisation and explores the possibility of cost optimisation, specifically in terms of support services for ERP systems. Through a section on case studies, the report has attempted to showcase the strategies implemented by enterprises to optimise their business costs through the use of effective ERP systems. The report also features an experts' view section, which encapsulates the growing importance of cost optimisation in the current Indian business scenario.

The report also features an insights section, which involved conducting a study on prominent enterprises having operations in India. This section attempts to capture their perspective on business cost optimisation through the use of information technology

including ERP solutions. Some of the key findings of this study are as follows:

- More than 70% of the respondents across all sectors said that they had been using ERP systems for at least 5 years
- When asked to rate support services for ERP systems on a scale of 1-10 (10 being the highest) in terms of Return on Investment (ROI), about 70% of the respondents gave a rating of 7 and above
- About 28% of the respondents cited cloud technology as their most prominent IT spending area for the next two years, followed by mobile technology (23%) and big data (15%)

This report is intended to serve as a ready reference for enterprises that are looking for smart strategies to optimise their business costs. Dun & Bradstreet's global footprint will ensure that the report is well received across the country. I hope you enjoy reading the report and look forward to receiving your valuable feedback and suggestions.

Sectoral Risk Outlook (SRO)

Understand the
“POTENTIAL”
of sectors with our
SRO reports

Comprehensive
Sectoral Coverage

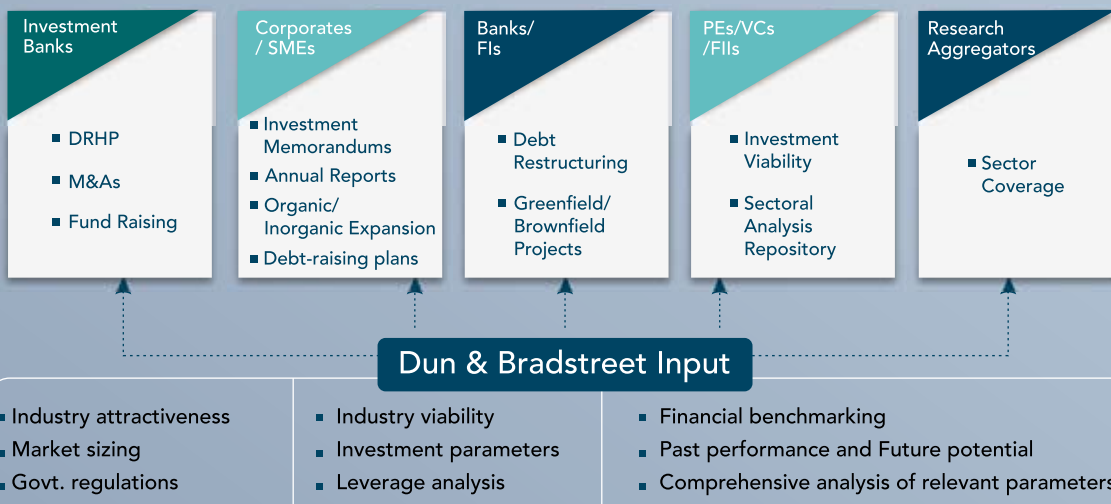
>70 Sectors

>200 Sub-sectors

Sectoral Risk Outlook (SRO) reports enable end-users to understand the performance of sectors under coverage by providing the latest available data along with comprehensive analysis. The report also provides our short to medium term outlook on sectors and factors leading to the outlook.

Key Benefits

- Understand the **market size** of the sector alongside potential for future growth.
- Analyzing **Government regulations** and their impact on the sector.
- **Foreign trade** growth scenario and reasons for the trend.
- Comprehensive analysis of **demand and supply drivers** likely to impact the sector in the medium term.
- **Macroeconomic scenario** and its impact on the sector.
- Future growth **forecast** and **analyst outlook** on the sector.
- **Financial Analysis** of the industry including margins, profitability, leverage and key ratios.
- **Industry risk score** on a 8 point scale based on validated and authenticated parameters.
- Reports can be **customized** as per regional and product specifications and requirements of the end-user.



For further details please reach us at:

Tel: +91 22 6680 1300 / 322 / 324 / 396 Fax: +91 22 2847 6281 / 82

Email: DNB_India-dbindia@DNB.com

Indian enterprises have evolved greatly in the past decade owing to global competition and changes in the domestic economy. Today businesses are trying to reach new heights that will achieve growth and at the same time serve the objective of long term sustainability. Strategies are now created taking into account all critical and non-core elements of the business ecosystem. Business cost reduction and optimisation have emerged as key areas for companies that can have long term impact on the company's top-line and bottom-line. Businesses that have been able to sustain their success for a long time are the one that have been able to differentiate ably between cost reduction and cost optimisation and subsequently have implemented prudent cost optimisation programs. The strategic impact of cost optimisation programs are well understood by them keeping in mind the implications on productivity, customer dissatisfaction and impact on long term profitability among others. It goes without saying that businesses need cost optimisation framework

that can help companies prioritize their cost, identify cost that can influence revenue or otherwise. Businesses need to strike a right balance between cost optimisation and implementing an effective strategy to invest in future. Achieving this balance requires a framework that can enable organisations to –

1. Examine and identify key costs that drive revenue
2. Recognize cost saving opportunities
3. Aligning initiatives with organisation's overall strategy
4. Categorize and prioritize initiatives
5. Effective implementation of cost optimisation strategy

The three key pillars of cost optimisation strategy are as follows:

1. Cost optimisation by increasing efficiency
2. Aligning all initiatives with its objectives to optimize cost
3. Invest in initiatives which can result into mid-term or long-term cost savings

The report recognizes rapid changes in the business ecosystem which has necessitated a strategic shift in business strategy from cost reduction programs to cost optimisation initiatives. It further analyses benefits and the shortcomings of strategic business cost optimisation initiatives vis-à-vis cost reduction programs and how business cost optimisation nurture business innovations. It further evaluates key strategies and framework that can help organisations in identification and prioritization of business cost optimisation initiatives. The report also gives case studies and viewpoints of experts to enable readers to better understand how these initiatives help organisations in their efforts to ensure sustainable growth. It has taken viewpoints of various stakeholders of the industry to better understand the pulse of people who implements cost optimisation strategy.





**Changing
Landscape:**

**A strategic shift
from cost reduction
measures to
business
cost optimisation**

Changing Landscape: A strategic shift from cost reduction measures to business cost optimisation

At present, the world is witnessing rapid changes in the business ecosystem influenced by diverse economies, technology and social changes. Current global economic slowdown similar to the one we have witnessed in 2008 has given rise to new set of challenges for organisations across the world. Organisations in order to withstand their position of strength in such an uncertain

business environment are revisiting their business models and strategies.

Adapting to this constantly changing environment, organisations are redefining the role of support services which are now considered as an integral part of business transformation. Organisations are scrutinizing their cost structure in detail in the wake of new challenges in

Case Study of Food & Beverage company

Background

The company is a market leading supplier of quality food products, including natural cheese, specialty performance cheese, processed cheese and soy beverages. It offers the fullest range of packaging and process options in the industry.

The Situation

As a food manufacturer, the company needed to meet evolving regulatory and customer requirements for food safety and quality. In addition, the company needed a broad-reaching technology infrastructure with the flexibility to help the company enter new markets, such as consumer packaged goods, all while supporting their lean manufacturing practices. As a private label manufacturer, it constantly battles tight margins, necessitating maximum efficiency, visibility and productivity in its manufacturing operations.

The Solution

To successfully manage these challenges, the company turned to ERP Solutions. They began the implementation of ERP for its manufacturing operations, quality control, supplier management, financials and regulatory management.

Results & Benefits

ERP has allowed the company to remain a competitive option for grocery retailers by creating new efficiencies critical in private label manufacturing. The company has reduced overall costs by 5 percent through increased production throughput, facility consolidation, improved product quality and more robust inventory tracking capabilities.

terms of scarce capital and leverage. Businesses are now increasingly focusing on their profitable businesses and assets, the aspect which may have been overlooked in the times of product expansion or global expansion. However businesses will suffer if they stop investing in new projects, people and support services without thinking about long term bearing on customers, risks and profitability.

Businesses are combating these business uncertainties by taking measures to optimize business cost, increase operational efficiency and create a more agile & flexible business model. Operational cost efficiency is one of the key factors for increasing profitability and business stability. Under pressure to achieve this stability, businesses are shifting away from cost reduction measures to strategic cost optimisation initiatives.

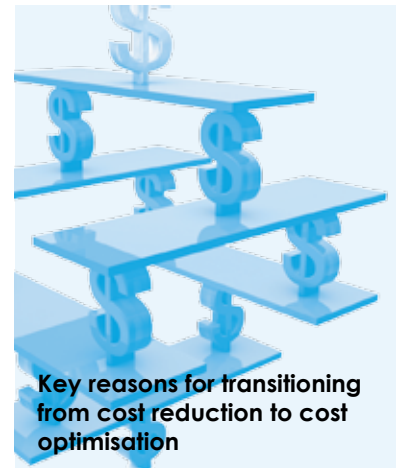
How different is cost optimisation from cost reduction?

Cost reduction initiative focuses solely on trimming down of business expenses with an aim to increase

profitability in the short run. Cost optimisation in many cases has been defined as a key strategy to increase profitability and stakeholder value. In addition, it is believed to release scarce resources that can be reinvested into new strategic initiatives. A cost optimisation approach considers short term and long term impact of every cost reduction initiative in an organisation's strategic goals strategy.

It also includes identifying quick wins in terms of short term cost reduction that are less disruptive to the business. For example, under cost optimisation strategy, business may decide to strategically reinvest funds from one vertical to another in businesses which can lead to greater savings. Another example of business cost optimisation strategy is investment in business automation which can lead to improvement in efficiencies and cost savings in the long run.

It is pertinent to recognize that all cost reduction initiatives involves investment by organisations. This could be in the form of time and resources required for the



Key reasons for transitioning from cost reduction to cost optimisation

- ☐ Unpredictable business environment
- ☐ Short term opportunities not in line with long term direction
- ☐ Rapid business growth opportunities that may require frequent changes in organisation's strategy roadmap

The advantages of cost optimisation initiatives are as follows:



- ☐ Increasing the agility level for responding to the dynamic business environment
- ☐ It can amplify the process improvement ability of the organisation
- ☐ Organisation's agility and the ability to constantly improve its processes contribute to business innovation. Therefore cost optimisation initiatives can improve organisation's ability to innovate and hence grow in the long term.

analysis of its impact. This is true even in the case of the simplest of cost reduction initiative. Organisations often ignore cost when it develops new products or expands to new markets. However, when competition increases, cost becomes one of the most differentiating factors in the market. Organisations can make serious errors in their cost reduction initiatives if these initiatives hamper organisation's agility and ability to innovate. Agility refers to being able to swiftly change its strategy with respect to constantly changing business environment. Ability to innovate emanates from organisation's ability to improve its processes constantly. In such cases, a well thought cost optimisation strategy can prove to be the greatest enabler in overcoming challenges and meeting new opportunities.

How can business cost optimisation nurture business innovations?

Businesses resort to cost reduction measures in response to business pressures. However, these initiatives can go wrong if they are embarked on without keeping the perspective of long term strategic roadmap of the

organisation. It is therefore important for organisations to identify and prioritize their key business requirements. For cost optimisation to succeed, businesses need to identify initiatives that can increase business efficiencies or cost savings without majorly disrupting existing business processes.

Strategic cost optimisation initiatives, specifically IT cost optimisation, requires large amount of investment and therefore they need to be conducted in-line with the roadmap of overall organisation strategy. Strategic IT cost optimisation if implemented can aid businesses to maximize its IT value. These initiatives can improve organisation's agility and ability to innovate which can reap benefits for the organisation in the future. These savings can further be reinvested to support business innovations or other cost optimisation initiatives. In a nutshell, business cost optimisation can position its organisation for sustainable growth.

Cost optimisation is likely to be more financially effective compared to cost reduction initiatives for the

future of any company. This is because cost optimisation considers multiple factors, other than cost reduction, that contribute to the overall value addition for the business. A mere cost reduction can increase cost for the business in future. For example, reducing cost in IT automation can result in less efficiency for the business and can lead to increased business cost going forward. The key point to remember is to focus on the sustainability of any cost reduction. Therefore cost optimisation provides more holistic and professional approach to cost management for any organisation. Also it is important to note that

business cost optimisation is not a one-time activity but requires continuous improvement. Decision makers must balance between achieving saving targets and supporting business innovations.

Key tests for business cost optimisation strategy to succeed:

- ☐ Identifying and prioritizing key business requirements
- ☐ Aligning organisation's size to suit its key business needs
- ☐ Improving business efficiencies without disrupting business processes
- ☐ Supporting organisation's investment in business innovations or strategic initiatives
- ☐ Ensuring strategic IT cost optimisation to capitalize on the IT value.
- ☐ Improving organisation's ability for better performance
- ☐ Positioning the organisation to maximize its growth opportunities
- ☐ Ensuring that organisation is poised for innovation and sustainable growth







**Framework for
business cost
optimisation smart
strategies**

Framework for business cost optimisation smart strategies

It is not difficult to comprehend that cutting down of expenses will increase profits for the organisation. However, arbitrary cost reduction across the board can negatively impact productivity, customer satisfaction and profitability for the business. Eventually

every decision with respect to an expense necessitates a cost benefit analysis .i.e. to evaluate if value of benefits derived out of that expense is more than the amount spent. However, often enterprises take a myopic view of evaluating cost related decisions than considering

Case Study of an American Rubber & Seal company

Background

The company was founded in 2000 as a distribution house for a series of custom molded shaft seals and O-rings used in building marine engines and other products. It kept in inventory a three-to-four month supply of 150 products and 131,000 parts and used an accounting software for small businesses (QuickBooks) to keep track of orders, invoices and shipments.

The Situation

However, the company couldn't always have exactly the right supply of sought after products in inventory. As long as their inventory was greater than the amount being ordered, they could take orders, print invoices, pick tickets and shipping labels. But once they needed to drop ship the order, the software's (QuickBooks) accounting procedures broke down, unable to distinguish between the firm's inventory and a manufacturer's separate production.

The Solution

When the company staff learned about ERP (NetSuite) it didn't take long to get hooked. Once they switched, they could start doing their own payroll processing, a service that had been costing the young business \$150 a month. And they could more effectively track cash flow.

They set up the Executive Dashboard feature that includes a total for accounts receivable, accounts payable, and forecast for the month. They now get a report on how many days a payment is past due and fax it to the customer.

Results & Benefits

With ERP, the company is avoiding \$30,000 they would have paid for another accounting software. It is saving \$1,800 a year on payroll processing; it can more effectively track cash flow; and with the Executive Dashboard, the company gets a quick snapshot of accounts receivable, accounts payable, and forecast for the month.

a comprehensive view. Cost reduction initiative when considered taking into account organisation's strategy leads to cost optimisation. Cost optimisation strategy involves reconsideration of organisation's expenses in a much wider context of business strategy.

There are three key components of business cost optimisation strategy framework:

1. Comprehensive review of organisation's current businesses and identification of key costs that drives profitability. The strategy involves relooking at all aspects of businesses such as supply chain, product portfolio, marketing, sales, operations, all recurring expenses and identifying potential areas where cost savings can be achieved by gaining efficiencies. Benchmarking these areas against best industry practices gives potential cost saving initiatives for business. Organisations can categorize these initiatives into the ones

which can result into cost savings almost instantly without any substantial investments and the ones which requires substantial investment to gain business efficiencies.

2. Streamlining of business processes in line with the cost saving initiatives. Organisations need to benchmark each initiative with the overall business objective. These are generally the key business objectives that business needs to achieve within the overall strategy to meet its vision. The cost saving initiatives which are not helping organisation in any way to achieve its key objectives should be removed from the strategy. Initiatives which are in line with the overall road map of the businesses are part of cost optimisation strategy.
3. Prioritize cost optimisation initiatives and communicate new strategies. Organisations need to categorize and prioritize these

SMART Strategies

- ☐ Comprehensive review of all businesses
- ☐ Identification of key cost drivers
- ☐ Benchmarking against best industry practices
- ☐ Streamlining cost initiatives in line with overall business goals
- ☐ Categorize and prioritize in line with short term, medium term and long term strategic goals
- ☐ A detailed business case with implementation plan
- ☐ Effective communication and integration of cost optimisation plans with individual business plans



initiatives in line with the short term, medium and long term strategic goals. Business impact of these initiatives on productivity, employees, profitability etc. needs to be understood in detail. Organisations

need to then determine the amount of upfront investment it requires in order to implement its cost optimisation strategies. For instance, it can decide to invest in an automation of its IT infrastructure which can lead to substantial cost

Case Study of a Global Logistics Company

Background

The company is a leading 3PL player, with six affiliated firms in India and overseas. Since they began operations in 1994, they have learnt not only to tackle challenges head-on, but also to use IT to fuel their speedy growth. ERP implementation helped in managing their complex logistics supply chain and improved efficiency.

The Situation

The company handles logistics for the automotive industry which is a complex affair. In a manufacturing facility, over 50,000 parts are required at any point of time, of which about 5000 are fast moving. Stock-outs or delays in transit could lead to disruption of production process at the customer end, leading to heavy penalties for non-compliance. Dealing with multiple suppliers to service a single order for its clients was time-consuming.

The Logistics company needed:

- An integrated and sophisticated ERP system that could offer most of the required modules, directly out-of-the-box, without the need for any modifications
- Scalability and flexibility to cater to future expansion

The Solution: ERP implementation

Implementation includes:

- ERP modules like Transportation Management, Warehousing Operations, Procurement, Sales, Financials and Human Capital Management
- Business intelligence

Phased implementation approach – took a year to bring the business operations into the system. Process reengineering and change management were key factors for successful implementation – these were addressed through comprehensive employee training programs.

savings in future. Cost optimisation strategy once decided needs to be communicated effectively to all the stakeholders impacted by these initiatives to ensure that strategy is implemented successfully.

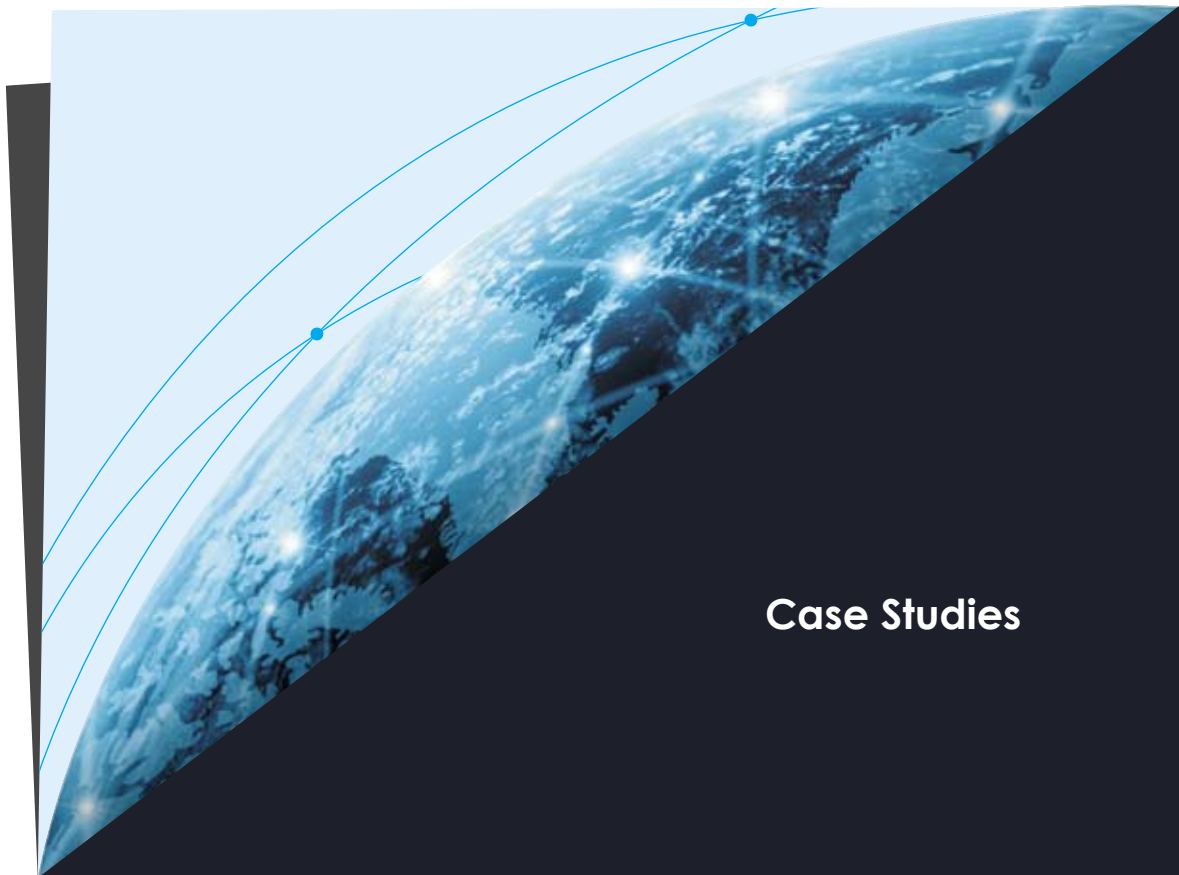
Cost optimisation strategy takes in to account the overall organisation strategy into consideration. The strategy requires all cost saving initiatives to be evaluated keeping in mind its wide-ranging impact across the organisation. This ensures that the strategy does not have any inadvertent negative bearing on any of its business units. A comprehensive business case with detailed implementation plan needs to be prepared. Tax implication of each initiative needs to be considered in the plan. Individual business units drive the implementation of cost optimisation plan by integrating it in their business plans. This ensures the sustainability these initiatives for future growth.

Cost optimisation strategy is not a one-time activity

and it requires a constant review and calibration by management to ensure it meets its objective of continuous process improvement and innovation at organisation level.







Case Studies

Case Study



D+M Group saves millions in it spend through third-party support

Challenge

D+M Group is a global company dedicated to enhancing life through inspired sound solutions delivered anytime, anywhere. With a strong belief that "Performance is everything", D+M is focused on innovation to meet the needs of customers in an increasingly digital world. Serving the consumer, professional and automotive markets, D+M Group brands include, Boston Acoustics®, Calrec Audio, Denon®, Denon DJ, Denon Professional, Marantz®, Marantz Professional, and Premium Sound Solutions. D+M Group has approximately 2,000 employees worldwide, with products and services marketed in more than 45 countries. D+M Group is running SAP ECC6 in multiple sites across the globe. Their system has moderate customization and is stable. They knew that the maintenance fees paid to SAP at their overseas locations were excessively high. However, making a strategic change affecting the maintenance of their critical ERP system would not be an easy decision

Approach

D+M Group knew that the value of the support services received from their software vendor in no way matched the costs that had been expended. With no immediate upgrade plans, D+M Group began to consider alternative SAP support options. Key to their decision-making process was the need to support their Japan operation which had primarily non-English speaking support staff. Additionally, they had to contend with supporting local tax and regulatory requirements and deliver 24x7x365 support. With these requirements and more in mind, they began looking at third-party maintenance for SAP ECC6.

Solution

Spinnaker Support was selected as the partner of choice. "We looked at all of our alternatives, including other third-party ERP maintenance providers, and Spinnaker Support was the only organisation prepared to handle our requirements in Asia," commented Scott Strickland, Chief Information Officer of D+M. The Spinnaker Support software

maintenance and support model is highly proactive and delivers software bugs fixes quickly and efficiently, continuously monitoring and applying necessary tax and regulatory updates, and report a monthly on service status. As part of the on-boarding process, Spinnaker Support obtains as much knowledge as possible about a customer's ERP environment. This ensures that they are able to act accordingly and provide the best third-party maintenance possible

Results

In addition to high quality maintenance services, one of the key benefits offered in a move to third-party support is cost savings. Over the course of five years, D+M Group is expected to save approximately \$3.75M. "The ability to redeploy some of the ERP budget to other projects without putting the health of my systems at risk is a huge win for our organisation," Strickland also stated. Since joining the Spinnaker Support family of clients, D+M has had nothing but praises for the Spinnaker Support team and their services for

SAP ECC6. During a recent exchange regarding a tax and regulatory review, D+M commented, "Thank you for providing these updates – this is something we never got before and is greatly appreciated."

Following D+M Group engaging Spinnaker Support for SAP third-party support, the company signed an agreement for Spinnaker Support's JD Edwards managed services for their World A9.1 application to cover internal managed services as well as ad hoc support. D+M then further expanded the partnership by moving their JD Edwards World A9.1 software maintenance to Spinnaker Support. "We feel confident that we have the right partner to ensure the stability of our SAP and JD Edwards environments" commented Christoph Hesterbrink, Vice President, Global IS Applications and Business Systems for D+M Group.



customer



Macmillian Cancer Support: United Kingdom

"Charities are run like all good organisations except, every pound you spend must be spent wisely as all savings could be used for vital research or other key efficiency projects. Having a world class support team behind you, giving you piece of mind that your ERP solution will run smoothly and at half of what you paid previously, made the decision to switch to Spinnaker Support very easy. It's good to know you have an expert assigned just for you, when you need them, what more could you ask for" **David Paris, Business Systems Operations Manager, Macmillan Cancer Support**

Partner Communications Compant Ltd: Israel

"We conducted a six month evaluation of the two leading third-party support vendors, where they both supported our range of our Oracle software products; Oracle Database, E-Business Suite, and Siebel. It became very clear that Spinnaker Support was the best choice for us, providing exceptional levels of local support and working in partnership with us as a true extension of our

own internal support team. Spinnaker Supports gives us great confidence that they always do things the right way and display in-depth knowledge of all Oracle products and how they work within our environment." **Raz Bartov, acting CIO of Partner Communications Company Ltd**

IXYS UK Westcode Ltd.

"I have dealt with many support companies during my 30 years in IT, including some of the largest support providers around, and Spinnaker is the best I have ever worked with. Their willingness to go the extra mile and their knowledge of the applications is second to none", says **Phil Hawkins, IXYS UK Westcode Ltd., Information Services Manager**. "Spinnaker is an uncomplicated company to deal with in a complicated market and since we signed our initial agreement we have never had the need to escalate any calls."





Star Business Solution

Market Leader in SAP consulting

A premier technology solution provider. Preferred partner for leading edge SAP software that transform businesses.

Trusted Advisor to some of world's most respected brands. A team of SAP Professionals having rich consulting and business mapping experience. 10+ years of consulting experience.

Successful track record of working with domestic and international clients offering industry specific solution. Proven track record of client satisfaction and on time project completion.

Working with Trusted Partners all over the World

Partnered and delivered the SAP projects successfully for 20+ elite customers from all over the world in the last 10 years of its inception.

Spinnaker Support & Star Business Solution

Star Business Solution is the authorized Business partner of Spinnaker Support in India. Working with Spinnaker Support, Star Business will lead all business across Indian.

Delivery Model



- | | | | |
|---|---|--|---|
| <ul style="list-style-type: none">• Business Process Modelling• Conducting workshops• Mapping SAP Best Practice• Documentation & Review• Sign off | <ul style="list-style-type: none">▪ Fit-Gap Analysis▪ Standard Configuration▪ Functional/Technical Specification▪ Testing-Unit, SIT, UAT▪ Bug Fixing▪ Functional/Interface/Testing signoff | <ul style="list-style-type: none">▪ Setting Back Job▪ Master Data Upload▪ Transport Request Management - Technical/Functional▪ Smoke Testing▪ Final Handover to the Business | <ul style="list-style-type: none">▪ Handling Minor Changes-Master Data, Configuration, Technical Development▪ Process Change Management▪ Raising and Tracking Incidents▪ Knowledge Transfer▪ Hand Over to Production Support team |
|---|---|--|---|

Brief

A leading Apparel Retail was facing some issues with POS system. Daily sales were posted from store POS system. This process used to consume huge time. POSDM was not in place.

Challenges

- The Client needed timely sales Update from stores.
- Performance Improvement so that other LE processes are not hampered
- Merchandisers, sales team, LE team to get accurate reports by early morning
- Inventory position to be clarified by EOD.

Solution

- Since POSDM was not implemented sales was posted at the end of the day.
- Sales posting used to come in big files thus hampering performance of SAP system.
- These huge files were broken into number of small files.
- Additional configuration settings related to number range were done.

- Few notes were implemented.

Result

- Sales posting speed was improved by more than 100%.
- Due to which there was a considerable improvement in SAP performance.
- Other LE process could be executed.
- Merchandise, Sales & LE team could get accurate reports by early morning
- This improves decision making & sales at stored.
- Management could get exact reports & was happy.
- Inventory position could be understood by EOD.



Brief

A Leading Super Market Retailer used to create contracts in a bespoke development. This contract has final price in it. This price was supposed to be copied in final PO.

Challenges

- Integrated processes.
- Streamlined operations.
- Transparency in process.
- There were many contracts with same supplier for same article.
- Client wanted to pick-up cheapest price contract & pricing in PO.
- PO's were created through allocation and contract was required to be determined automatically.
- This contract number was to be copied on PO.
- PO was to be priced according to the rates in contract.

Solution

- Implemented a state-of-art IT solution to support growth and accommodate industry specific needs.
- Bespoke development was achieved in SAP standard allocation table.

- Accurate contract was determined during executing allocation table.
- This contract number was copied into PO.
- PO was priced according to the prices captured in contract.
- Entire process was automated by scheduling background jobs.

Result

- Process was seamless and transparent.
- This reduced clumsy manual work.
- Reduced errors due to manual intervention.
- Considerably reduced manpower.
- Accurate reports which simplified decision making.
- Merchandiser could get complete trial of contract number.
- Contract number was captured in Allocation table.
- PO was priced accurately according to prices maintained in contract.
- Improved contract management & accurate pricing was achieved.



Case Study

Premier well-being firm streamlines processes through ERP system

Background

One of the largest premier health and well-being companies is headquartered in Southern California, US, and has retail sales of over US\$1.3 billion.

The Situation

The company had periodic new product releases and there was a need for an efficient tool to predict demand for new products. It also wanted to provide a single platform for supply chain planning across product categories, and enable system-driven accounting and booking from sub-ledgers to general ledger globally. They partnered with a leading Indian IT company for implementing an ERP system which would help them improve their efficiency.

The Solution

The approach to implement the software reduced process complexities and achieved process efficiencies. This resulted in better supply chain planning, which in turn reduced stock-outs and improved inventory turns.

Results & Benefits

ERP also enabled system-driven accounting globally by setting up a multi-organisation environment with each country having its own charts of accounts. Overall, it streamlined the manufacturing, distribution, procurement, and financial accounting processes for the company.

Case Study

The Situation

A leading Energy Drink brand, going through a rapid growth path, found its existing systems obsolete to meet the growing business needs. Primary challenge areas identified were:

- Management of rapidly growing stocks and inventory
- Planning and managing production matched to demand and supply
- Reporting needs for financial decision making

The Solution

The company was looking for a cost effective, easy to maintain solution, without getting into the hassles of computer maintenance. Their vendor offered a particular ERP solution, which was completely web-hosted and was a proven system for the manufacturing industry, with specific modules matching their needs. It offered automation for inventory management, production lines and real-time financial reporting with no on-site maintenance, allowing the company to concentrate on its core business instead of adding overhead for computer system maintenance.

Results & Benefits

Automation modules for inventory ensured timely controls on products going out of stock; combined with order management automation, this allowed full control on production as per the demand. Also, reporting based on accounting entries ensured timely decision making based on real time data. Web hosted solution ensured no in-house computer hardware purchase, resulting in low cost solution within expected budget and offsite computer hosting ensured significantly low costs limited to annual maintenance charges.

Webhosted ERP solution helps leading energy drink brand implement ERP without additional overheads

Case Study

High quality precision machine shop tracks jobs and processes via ERP system

Background

A high quality precision machine shop initially opened for business in August of 1993. They began by producing small, high tolerance medical parts and continue that tradition of quality as they branch into additional industrial and commercial fields.

The Situation & the Solution

Before ERP, the company was having trouble accurately estimating time and costs for jobs with many customers requiring material certifications. It was clear that this process could be easily streamlined and ERP software could be used to attach the certifications to the jobs electronically. It became easier to track jobs throughout the design and manufacturing process. Seamless transition between estimating, data entry, tracking and quality control made ERP the perfect choice.

Results & Benefits

"We have been using the ERP system for about a year now and it has made our life much easier. The ease of having a system where an order is entered and

everything is figured out for us, including scheduling, was worth the investment in the system alone. The data entry in the shop has given us much more accurate times and costs on each job." said their Senior Manager.

Case Study

Background

The company is one of the world's leading organisations of independently owned and managed accounting and consulting firms, with over 2,500 partners across 100 countries. As you might imagine, professional accounting firms such as these are very discriminating when it comes to selecting their own internal accounting applications.

The Situation & the Solution

"We standardized our operations on ERP back in 1999," recalls the Senior Manager of MIS. "It is a strong, secure application and a very good fit for us." The company's Canadian operation is comprised of several business units, each made up of one or more office locations. Until 2005, each of the firm's business units ran a separate instance of ERP software, sending summarized data to the company's headquarters in Toronto.

Results & Benefits

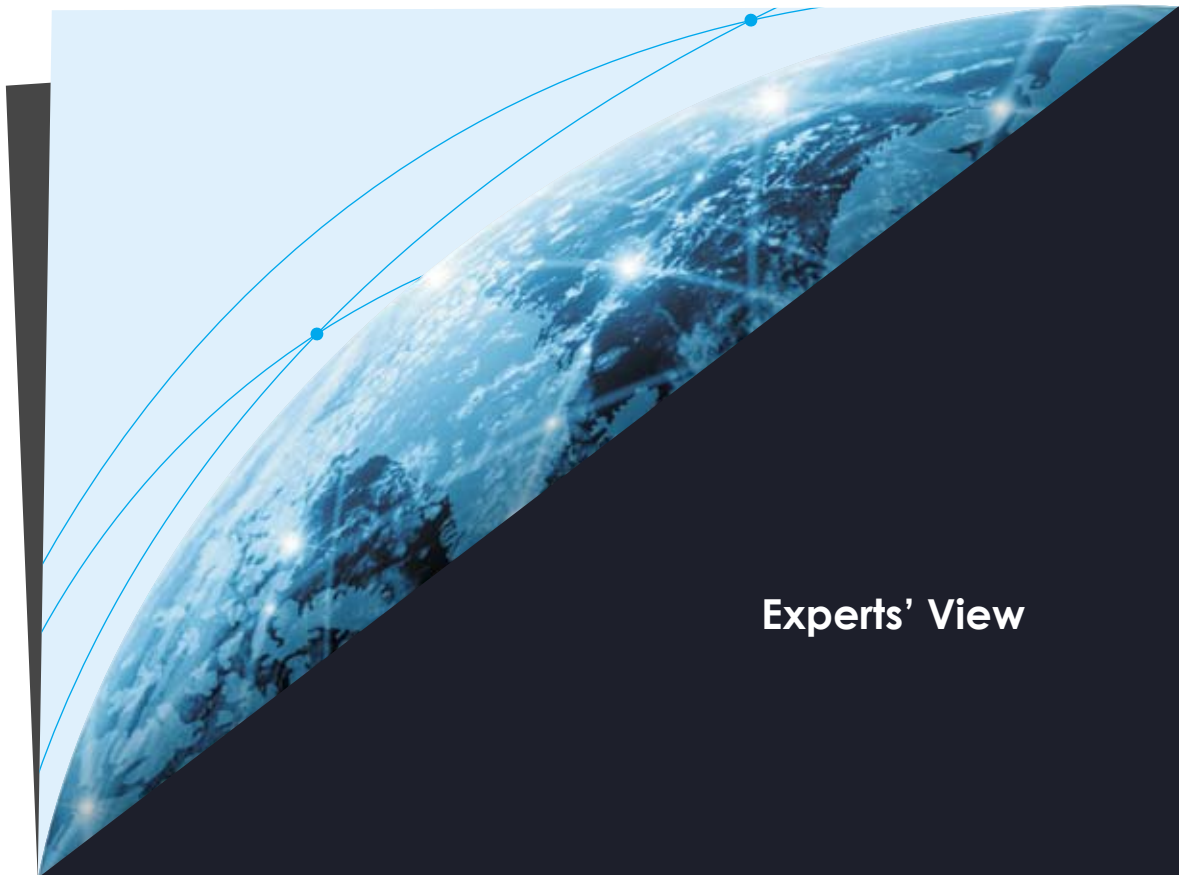
Access to timely business intelligence data is vital for any successful enterprise. For the company, ERP Insight is the tool that delivers its

intelligence data. The reports can be deployed over the web to key personnel or sent as a Microsoft Excel® file that they can review on demand. Before ERP, each business unit filled out spreadsheets, and we keyed them in at our corporate office. Then updated reports were compiled and distributed manually. What took hours previously now takes three minutes to update and compile.

A globally leading audit, tax and advisory firm trusts ERP system for internal accounting







Experts' View



S P Arya
Managing Partner
BizTech Advisors

Q In view of the constantly challenging business environment, do you see the benefits of adopting business cost optimisation strategies instead of cost reduction programs? Kindly describe the benefits and the shortcomings of strategic business cost optimisation initiatives vis-à-vis cost reduction programs

A Revenue – expenses = net income is not rocket science and is a case of cost reduction, but it may end up in disaster if it is done without a long term goal and a strategy in mind. Organisations need to consider these two major factors along with cost reduction plans in order to incorporate cost optimisation in businesses. While a simple cost reduction plan is merely a step to cut cost, cost optimisation is a strategy to take a series of steps with long term goals for continuous savings, even when you grow. The following are the four essential success factors:

- i. Build process efficiencies: Identify areas where efficiency can be gained in order to reduce expense. Certain changes

can result in savings almost immediately with little or no initial cash investment. For example, implementing a class CRM solution with a smooth workflow to free up HR in a particular area.

- ii. Keep the alignment intact: Closely monitor every initiative you take across the organisation and identify which objectives (associated with its vision) are supported by the initiatives. Any initiative, that does not support a business objective leading to the organisational vision/goal, should be left out.
- iii. Investment with long term savings plan: Identify initiatives where cost savings can be realized in the mid-term or long-term and then determine the immediate investment needed for the same. Very often, an investment on the front end, especially in Information

Technology, can result in positive ROI relatively quickly. E.g. By moving a company's IT infrastructure onto a private/public/hybrid cloud may bring cost to run a data center, down significantly.

- iv. The Technology: In today's world, introduction of the most suitable technology to accomplish a process, or a part of it, is an integral part of the thought process behind any cost optimisation initiative. It is the technology that helps in almost all cost optimisation strategies, be it an enterprise application, mobility solution or process automation; nothing can be achieved without its use.

Q How can these strategies and frameworks support organisations in their growth plans today and for the future?

- A When any initiative which has the aforesaid ingredients and a long

term view, is taken, it impacts the overall business as it serves as a catalyst for growth. E.g. When an online business grows at fast pace, it cannot survive for long if it is not supported by an equally responsive supply chain and a highly automated warehouse management system.

Q Kindly describe importance of an ERP system for businesses in general? Kindly specify the level of ERP coverage with respect to various functions such as finance, HR, payroll etc. in your organisation.

- A The term ERP has the word enterprise in it and hence, it means to cover the entire business process in an organisation. Having an ERP system in place means ensuring a smooth flow of information across the organisation through integrated processes, with a single truth, a high accuracy rate and a fast pace. The direct impact is seen almost in all functions. Some of the impact points are:



- Though production was increased to two folds, the manpower remained the same for the next 4 four years.
- Monthly profitability was achieved on the 5th of every month.
- Yearly accounts were closed much earlier than in the past.
- Customer interaction became more effective with their data accessible almost instantly and anywhere. Sales team was able to provide more accurate pricing to the customer.
- Employee satisfaction rose with ESS system working to serve them through Kiosks. Timely appraisals were the key highlight.
- Quick analysis of product issues and taking action promptly to improve the quality and the demand with respect to competitors.
- Lower inventory levels.
- Product traceability brought higher level of satisfaction among customers.
- Time saving in sales planning, production planning and material planning cycles.

- BI software provided more comprehensive and quicker analysis of data, thereby setting the base for a faster decision making process.

The above points are just tip of the iceberg with respect to the benefits we observe with ERP systems and advanced modules.

Q How can third party ERP solution providers help businesses to achieve their goal of cost optimisation?

- A A third party ERP solution has numerous advantages and the biggest one is that it has thousands of years' of experience and the best business practices built into it. These ERP solutions, when accompanied with automation tools like MES, RFID/Barcode, IOTs, make the business better, more agile and competitive. Organisations must focus on their core competencies in their respective trade rather develop in house ERP and then, later, struggle in running the same as well as the business.

Implementing a cost optimisation strategy is not a one-time initiative. Successful organisations view cost optimisation as a continuous improvement exercise that results in a healthy balance of cost savings and innovation to help the business achieve extraordinary results.

Q Kindly describe the importance of 'out of the box' (customized) implementation of ERP systems in organisations. Kindly describe 'ERP +' strategies for your organisation.

A An out of box ERP implementation, which is called a vanilla implementation, cannot be a customized one. Yes any implementation requires some level of customization which must be kept to a minimum else a highly customized ERP implementation would face multiple issues later such as:

- It will need thorough documentation of customized processes and the customized training.

- Can't be maintained by an internal team.
- Future upgrades will be difficult and will require more time and cost.
- Well my ERP+ strategies would be in the area of Mobility, SCM and improvised Business Analytics and use of more automation and IoTs wherever possible. And of course, all this has to be built around a secured IT Infrastructure. I would also, seriously consider putting whatever on the cloud and doing so wherever it is possible, under the circumstances around. As far as smart strategies for adoption of ERP are concerned, I would like to describe it in one sentence: *"The most suitable ERP/ Software solution is one which is convenient and within my budget, thereby giving me the best value for money and time invested"*.





Rajesh Kutnikar
Chief Executive Officer
ITChamps Software Pvt Ltd

Q In view of the constantly challenging business environment, do you see the benefits of adopting business cost optimisation strategies instead of cost reduction programs? Kindly describe the benefits and the shortcomings of strategic business cost optimisation initiatives vis-à-vis cost reduction programs.

A India is one of those markets where customers have always been cost conscious. If there had been an option for cost reduction, more often than not, it would have already been exercised. So, most costs that we would be talking about are those, which are inevitable for businesses in today's challenging environment. This being the case, pretty much the only option is to go with smart strategies for business cost optimisation.

Q What are the key strategies and frameworks that businesses can adopt to identify and prioritize business cost optimisation initiatives?

A There are several innovative ways in which businesses are optimizing their costs to endure the

overall challenges. For instance, if you consider IT investments, customers are moving more towards cloud based technologies. This ensures that they can operationalize the capital expenditure and pay for as much as they use. Also, worries about maintenance of expensive hardware, support infrastructure, IT service staff, etc. can be optimized with subscription-based models.

Q How can these strategies and frameworks support organisations in their growth plans today and for the future?

A As mentioned earlier, with the subscription-based services, there is no need to worry about the hardware and platforms becoming outdated, as it becomes the service provider's responsibility to keep everything updated. Further, since the commitments to the providers is only about 3 years on an average, during every renewal of the contract, there is an opportunity to choose the latest and greatest of what is available. This ensures that the infrastructure is always current, if not future ready.

Q Kindly describe importance of an ERP system for businesses in general? Kindly specify the level of ERP coverage with respect to various functions such as finance, HR, payroll etc. in your organisation.

A In earlier days, the customers had more time on their hands and had the patience to wait for their vendors to come back with information related to the availability of materials, products or services and when they can be delivered. Now, with the various factors like competition and alternatives available from domestic and foreign markets, customers are becoming more demanding and require information and solutions in real-time. This has transformed organisations into adapting integrated software or ERP systems that can provide information to vendors and customers alike at real-time and more accurately. Businesses are now very clearly able to distinguish between their core competence

and support systems like finance, human resource management, etc. The only way, a business can keep pace with the rapidly changing environment is to have standardized systems and operating procedures that are less and less person dependent. Adapting ERP systems also brings in critical value additions such as accountability of people and their time, traceability of raw materials, work in progress items as well as goods movements. It also ensures statutory compliances, which businesses cannot afford to overlook in the long run.

Q How can third party ERP solution providers help businesses to achieve their goal of cost optimisation?

A All popular ERP systems bring in the industry best practices that they recommend to customers. If you take SAP for instance, there are over 25 industry solutions that give the best practices that



have been formulated with experience and expertise gathered from over 250,000 customers across the globe. With proper adaption of these best practices, several processes can be reengineered and optimized to save time, which in turn saves costs. Several benefits like shorter order fulfillment cycles, reduced pilferages, increased efficiencies in operations, etc. help in achieving the cost optimisation goals.

Q Kindly describe the importance of 'out of the box' (customized) implementation of ERP systems in organisations. Kindly describe 'ERP +' strategies for your organisation.

A In over a decade of SAP (ERP) implementations across the globe, we at ITChamps Software Private Limited have developed the best practices and business configuration sets that help in rapid deployment and adaption by customers. We have maintained 100% success rate on implementations, which is largely due to our improvised implementation

methodology called IFS (ITChamps FastTrack Solution) Methodology. With this, we have been able to cut down the implementation time in half to about 8 to 12 weeks. The highlight of this methodology is the emphasis on three tracks – business process configuration, training and documentation and the testing track right from the kick-off stage. We have the end users involved from the early stages to ensure better adaption and more robust testing at later stages in the implementation projects. We also attach more importance to business process cycles like procure-to-pay, order-to-cash, hire-to-pay, etc. rather than the conventional module-based approach followed by most system integrators.

We have specific solutions for industries belong to:

1. Discrete manufacturing (covering both made to order and made to stock scenarios),
2. Industrial Machinery and Components

3. Professional Services;
and
4. Trading Goods

We offer solutions out of the box for all the above industries ensuring rapid time to value (8 to 12 weeks) and on a completely outsourced model – including SAP licenses, AMC payable to SAP, Hosting of servers and Application Maintenance Support that is SLA based. All this at a very affordable monthly fee based on the number of users. The fees paid is entirely tax deductible since it gets treated as an operational expense.





Sugata Sircar
CFO
Schneider Electric India

Q In view of the constantly challenging business environment, do you see the benefits of adopting business cost optimisation strategies instead of cost reduction programs? Kindly describe the benefits and the shortcomings of strategic business cost optimisation initiatives vis-à-vis cost reduction programs.

A The approach of business cost optimisation is to assess value maximization opportunities. To grow business profitably, investments in capital and operating resources are assessed and the one which yields enduring value over a long term is chosen. Hence the cost optimisation approach should be adopted; cost reduction may be a short term result.

Q What are the key strategies and frameworks that businesses can adopt to identify and prioritize business cost optimisation initiatives?

A Start with identifying strategic drivers for each business. Determine the milestones to achieve them and the

activities to achieve the milestones. Evaluate how the activities can be optimized, so that it leads to cost optimisation.

Evaluation of alternative ways of achieving the same strategic drivers is critical to value maximization. This will involve assessment of market practices, resourcing, tools for measurement and monitoring, communication in digitized form, etc.

Q How can these strategies and frameworks support organisations in their growth plans today and for the future?

A The best solutions are those, which will bring speed, strong measurability and monitoring mechanism, automated and error free working, flexibility and quick correction. Hence this will optimize resources, give the business the advantage of speed and quick course correction, to achieve its objectives.

Q Kindly describe importance of an ERP system for businesses in general? Kindly specify the level of ERP coverage with respect to various functions such as finance, HR, payroll etc. in your organisation.

A ERP systems are well established and their importance is well known. We have ERP systems operating in all our functions.

Q How can third party ERP solution providers help businesses to achieve their goal of cost optimisation?

A Third party ERP solution can only provide the desired results if the processes in the business are standardized and whenever there are deviations, the third party is equipped to understand and service the same. If this is made possible, it can significantly reduce the cost of implementation and maintenance of an ERP system.



Vinod Kumar Nittoor
Chief Executive Officer
Mesprosoft PVT Ltd

Q In view of the constantly challenging business environment, do you see the benefits of adopting business cost optimisation strategies instead of cost reduction programs? Kindly describe the benefits and the shortcomings of strategic business cost optimisation initiatives vis-à-vis cost reduction programs.

A Both might be needed depending upon the situation, but cost reduction often ends up counterproductive, whereas cost optimisation has tremendous benefits and also makes the team feels some ownership and motivates people to contribute. Also essential services are not a hit as it is based on eliminating excess or fine-tuning the processes and products.

Q What are the key strategies and frameworks that businesses can adopt to identify and prioritize business cost optimisation initiatives?

A a. Look at the spend patterns and identify the potential firsts – a single answer doesn't fit all problems.

- b. Use of cutting edge technology is a must as cost optimisation and compliance should go hand in hand or else the business will face detrimental compliance cost.
- c. Technologies that improve bottom lines without increasing sales through supply chain automation is one area we are promoting
- d. IOT with increase of manpower and material efficiencies are also in demand from our customers.
- e. To know is first step to act – analysis in all business process activities will provide a better focus area.

Q How can these strategies and frameworks support organisations in their growth plans today and for the future?

A a. Today we are all talking about global economies – the “Chalta Hai” attitude of yesterday has left us.

b. To contain growth while maintaining growth velocity you need to have a strong framework which absorbs sudden demands and has flexibility. We cannot afford to have a big back office - now the strategy is for one person to take ownership of all sub activities. What I mean is that companies are changing their practices and technology is a great leverage to have. However, it has become very difficult to plan for the future when the key is to be efficient today and plan to be that way in the near future. So the answer is that we cannot survive without cost optimisation to stay in the race.

Q Kindly describe importance of an ERP system for businesses in general? Kindly specify the level of ERP coverage with respect to various functions such as finance, HR, payroll etc. in your organisation.

A ERP is the nervous system of any organisation , we have full coverage of ERP in our core processes – the difficulty still is that many of the processes are still in different systems for example HR portal and CRM are separate,

Q How can third party ERP solution providers help businesses to achieve their goal of cost optimisation?

A It is not simply the ERP, most companies have one ERP or other by now. The most basic ERP works as a recorder or an extended ledger and if it is completely integrated with the process you can optimize the cost on data entry and eliminate redundant work. Further optimisation needs additional processes to be built in the existing



ERP. We have proven this by delivering the same to some of our customers. Basically, the more paperless you are, the more integrated you are and a thirdparty ERP, if chosen and implemented well, delivers excellent results.

and cost savings, are quite good. Managing organisational change is the biggest challenge here and with seasoned change managers this can be achieved.

Q Kindly describe the importance of 'out of the box' (customized) implementation of ERP systems in organisations. Kindly describe 'ERP +' strategies for your organisation.

A Out of the Box implementation can be based on the best practices in the industry and can cover generic processes which can be adopted by all and then can be specialized by the industry Vertical. Having been a specialist in these types of installations since 2003, I can say, that if it is well planned and executed, it can cater to more than 80-85 percent of the client's needs and the benefits, in terms of process improvement



2017

2018

2019

Change Dec

6.1	19.7	23.4
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Swapan Gayen
Chief Information Officer
Bharat Seats Ltd

Q In view of the constantly challenging business environment, do you see the benefits of adopting business cost optimisation strategies instead of cost reduction programs? Kindly describe the benefits and the shortcomings of strategic business cost optimisation initiatives vis-à-vis cost reduction programs.

A Well, in today's turbulent economic climate, it is critical to formulate and drive for continuous improvement in each & every value chain point to deliver sustainable business advantages. Business focused strategic cost optimisation is not a onetime initiative; rather it is a continuous journey. Cost reduction programs seem focused on short term outcomes. Being a business focused CIO, I think, we need to concentrate on strategies to seek and maintain a balance between meeting saving targets as well as innovative top-to-bottom process revitalization in order to gain competitive advantages.

Q What are the key strategies and frameworks that businesses can adopt to identify and prioritize business cost optimisation initiatives?

A In transforming a next generation enterprise, especially for manufacturing organisation, I think, it is evident to have integrated digitized smart organisation where 4P's (People, Processes, products and Policies) are connected and responsive through digitization.

To me, there are generally five broad areas to adopt tactical & innovative methods for cost optimisation- labor, materials, design, process and overhead and overall framework. This can be achieved if businesses do the following:

1. Develop & implement responsive supply chain collaboration – improving supply chain finance
2. Lean process to digitally revitalized – remove waste & increase efficiencies

3. Develop agile IT operating model which is more responsive, approachable to business
4. Investment to optimize cost – optimizing unit cost of production and COGS.
5. Invest to generate more value stream.

Q How can these strategies and frameworks support organisations in their growth plans today and for the future?

A These strategies and framework should enable the organisation to look at the complete visibility of overall business operations and bottlenecks to improve and hence revitalizing the more accurate realistic strategies towards sustainable profitable business growth.

Q Kindly describe importance of an ERP system for businesses in general? Kindly specify the level of ERP coverage with respect to various functions such as finance, HR, payroll etc. in your organisation.

A In an volatile economy, optimum resource utilization is of paramount important while integrating the enterprise, maximizing IT investment, leveraging enterprise systems and maintaining agile IT operations help in driving down the cost & complexity. ERP is a vital and effective operational platform which helps in the achievement of overall business objectives.

In our organisation, we have been continuously seeking an efficient way to revitalize and automate various process like Accounts payable, Supply chain collaboration, inventory optimisation, digital transformation of human



capital management etc. so as to add more value to top line & bottom line growth and free up time & money to spend on high-return strategic efforts.

Q How can third party ERP solution providers help businesses to achieve their goal of cost optimisation?

A Third party ERP is an integrated solution where almost all process are standardized and it enables the enterprise to visualize ,control and optimize the cost of business operation. Business Analytics provides information which helps to find effective long-term strategies for business growth.

Q Kindly describe the importance of 'out of the box' (customized) implementation of ERP systems in organisations. Kindly describe 'ERP +' strategies for your organisation.

A I think, 'out of the box' ERP implementation is ideally effective where processes are mostly standardized and requires less

customization. It lowers up-front costs and ensures faster deployment. In today's business environment, especially in manufacturing segments, where processes are highly customized, ERP solutions might face a significant challenge to align with all business stakeholders.

In our organisation we are adopting a balanced strategy where standardization & customization are getting done where it adds more value for sustainable business advantages.





Sachin Lokhande
Chief Information Officer
Pay Point India Network Pvt. Ltd

Q In view of the constantly challenging business environment, do you see the benefits of adopting business cost optimisation strategies instead of cost reduction programs? Kindly describe the benefits and the shortcomings of strategic business cost optimisation initiatives vis-à-vis cost reduction programs.

- A
- o Unpredictable business requirements and IT demands (e.g., fluctuating economic, sector and industry conditions).
 - o Potential business exit/divestiture.
 - o Short-term opportunities or projects that are inconsistent with the long-term business direction.

Q What are the key strategies and frameworks that businesses can adopt to identify and prioritize business cost optimisation initiatives?

- A
- Reduce: Cut costs and prioritize spend. Companies tend to prioritize cost optimisation initiatives

by simply considering short-term cash savings. While cash savings are important, prioritizing cost optimisation initiatives with only short-term goals in mind can cause unanticipated problems.

- Optimize: Remove waste and increase efficiency. Cost-cutting can have unforeseen negative consequences. The focus should be on eliminating excess waste while increasing the efficiency of current systems.
- Rationalize: Seek business relevance, flexibility and agility. It is imperative to focus on business goals and ensure that IT initiatives are aligned with business objectives and priorities.
- Transform: Invest more to optimize more. As economic conditions improve, companies can focus their cost optimisation efforts on implementing long-term business and IT process

improvements, enabling business growth and innovation, and repositioning the business to sustain a competitive advantage.

Q How can these strategies and frameworks support organisations in their growth plans today and for the future?

- A • Recognizing that cost optimisation teams usually operate on tight timeframes, we have created a framework for prioritizing cost optimisation techniques by considering not only the potential benefits in terms of savings, but also the time requirements, degree of organisational and technical risks, impact on customers, and investment required. CIOs can weigh the future strategic value, risks and benefits of cost optimisation initiatives. In assessing options, decision-makers should also take into account:

- Time to complete the initiative.
- Tactical and organisational risk.
- Upfront cash investments required to achieve downstream savings.

Q Kindly describe importance of an ERP system for businesses in general? Kindly specify the level of ERP coverage with respect to various functions such as finance, HR, payroll etc. in your organisation.

- A ERP's best hope for demonstrating value is as a sort of battering ram for improving the way your company takes a customer order and processes it into an invoice and revenue—otherwise known as the order fulfilment process. That is why ERP is often referred to as back-office software. It doesn't handle the up-front selling process (although most ERP vendors have developed CRM software or acquired pure-play CRM providers that can do this); rather, ERP takes a customer order and provides a software road map for



automating the different steps along the path to fulfilling it.

- o Enhance productivity, flexibility and customer responsiveness
- o Eliminate costs and inefficiencies
- o Data consistency
- o Extend your business using the Internet

Q How can third party ERP solution providers help businesses to achieve their goal of cost optimisation?

- A
- Higher quality and more responsive service
 - Less disruption in business continuity caused by ERP replacement
 - Desired functionality often already exists in current ERP system
 - On average third-party support costs are less than the vendors
 - Third-party support can extend the life of your current ERP software

Q Kindly describe the importance of 'out of the box' (customized) implementation of ERP systems in organisations. Kindly describe 'ERP +' strategies for your organisation.

- A
1. Complete visibility into all the important processes, across various departments of an organisation (especially for senior management personnel).
 2. Automatic and coherent workflow from one department/ function to another, to ensure a smooth transition and quicker completion of processes. This also ensures that all the inter-departmental activities are properly tracked and none of them is 'missed out'.
 3. A unified and single reporting system to analyze the statistics/ status etc. in real-time, across all functions/ departments.

Trade Pattern - Year overview





Sunil Soni
Chief Information Officer
Ester Industries Limited

Q. In view of the constantly challenging business environment, do you see the benefits of adopting business cost optimisation strategies instead of cost reduction programs? Kindly describe the benefits and the shortcomings of strategic business cost optimisation initiatives vis-à-vis cost reduction programs.

A Amidst business uncertainty and increasing pressure to optimize IT spend, CIOs are looking beyond pure cost reduction initiatives and embracing strategic IT cost optimisation programs to enable faster growth. Strategic cost optimisation techniques help enterprises strike a balance between reducing IT spend and increasing investment in IT improvement initiatives that will enable innovation.

Decision-makers have often resorted to drastic cost-cutting measures in the face of business pressures to reduce IT spend. These short-term cost-cutting initiatives are usually introduced and implemented in siloes without the context of the overall business strategy. In the longer

run, these initiatives lead to higher IT costs and, in some cases, have to be abandoned altogether.

A more forward-looking strategic cost optimisation program focused on organisational health requires upfront investments conducted within the context of the business and IT strategy. Together with this long-term perspective on improving business efficiencies and in turn reducing costs, businesses should also have a view of short-term reductions that are less disruptive to the business and easily achievable. As time progresses, organisations begin to not only realize the cost-saving benefits of these strategic investments and reductions, but also the benefits of improved business resiliency, responsiveness and innovation. The eventual IT spend reductions can then either be accounted for as savings or can be reinvested in subsequent optimisation initiatives.

Short-sighted cost cutting initiatives can often result in more rigid processes

that restrict growth in the face of unpredictable business requirements and IT demands. These short-term opportunities are often inconsistent with the long-term business direction and make it difficult for businesses to scale as the market changes. Longer-term strategic cost optimisation strategies on the other hand provide the operational and financial flexibility delivering a sustainable business advantage.

A successful cost optimisation strategy allows CIOs to prepare for growth by maintaining an effective balance between meeting savings targets and supporting necessary innovation and process improvements that future-proof the business. IT cost optimisation strategies allow businesses to:

- Gain efficiencies without damaging the business in the process
- Maintain focus on key priorities while ensuring alignment with business requirements

- Enable availability of funding for strategic initiatives while maximizing IT value
- Improve overall performance for sustainable growth

Q What are the key strategies and frameworks that businesses can adopt to identify and prioritize business cost optimisation initiatives?

A A comprehensive cost optimisation strategy can be built around the four pillars of reduction, optimisation, rationalization and transformation. Reduction and optimisation should collectively focus on prioritizing business spend, removing waste and increasing efficiencies. Rationalization requires that any reduction and optimisation be based on business relevance and be implemented with the purpose of improving flexibility and agility. It's important here to come up with success metrics that will help you measure your



organisation's business innovation. These metrics could be anything from improved speed-to-market, better quality, addition of customers, reduced transaction time for consumers to better integration of IT assets and effective fulfilment of functional needs, among others. The final pillar – transformation – requires businesses to continue to make strategic investments to improve efficiencies and enable innovation resulting in sustainable business growth.

The broad considerations for effective IT cost optimisation planning include an alignment of IT investments with business objectives, the identification of opportunities for increased utilization of IT resources and assets, and the realization of benefits. Other factors to be evaluated include time requirements, degree of organisational and technical risks, impact on customers, and investment required.

Q How can these strategies and frameworks support organisations in their growth plans today and for the future?

A Business uncertainty will continue to impact IT organisations so cost saving solutions need to be agile enough to successfully evolve with changing business goals and customer priorities. Businesses today need solutions that will continue to help them innovate in order to outperform the competition in the face of intense cost pressures. These challenges are best overcome by striking a balance between cost reduction initiatives together with investments that will allow more efficient processes, greater quality service, stronger business functions, upskilling and, most importantly, increased customer satisfaction. Cost optimisation is not a one-time strategic IT initiative. It is a business strategy that continuously evolves as enterprises try to get more and more out of their IT resources to efficiently and successfully respond to

fluctuations in business conditions.

Q Kindly describe importance of an ERP system for businesses in general? How can third party ERP solution providers help businesses to achieve their goal of cost optimisation?

A ERP solutions help standardize and speed up processes across business units allowing enterprises to work as a seamless, cohesive unit. They help minimize redundancies and allow various functions to effectively communicate with each other for better real-time process optimisation. This results in reductions in running costs through better, more efficient utilization of resources. Third party solution providers bring with them expertise and end-to-end solutions customized to the needs of your enterprise. It is critical to work with a partner who understands your business and can successfully implement solutions that will add the most value.







Insights

More than 70% of the respondents across all sectors said that they had been using ERP systems for at least 5 years

When asked to rate support services for ERP systems on a scale of 1-10 (10 being the highest) in terms of Return on Investment (ROI), about 70% of the respondents gave a rating of 7 and above

Dun & Bradstreet conducted a study of industry experts in Delhi. Experts from varied manufacturing and service sectors such as textiles, chemicals, pharmaceuticals, computer & electronics, food & beverages, IT, engineering, logistics, equipment and machinery, among others, were a part of this study. The study was aimed at capturing the perspective of professionals on how the judicious use of information technology through ERP solution can help organisations in their respective business cost optimisation strategies. The study was targeted at organisations that use ERP systems predominantly, and more than 60% of the respondents had an annual turnover of more than ₹ 1,000 crore.

Following are some of the key findings of the study:-

- When asked about the duration for which their organisation had been using ERP solutions, more than 70% of the respondents across all sectors said that they had been using ERP for at least 5 years. About 42% said that they had

been using ERP solutions for 5-10 years.

- o More than 78% of the respondents from the manufacturing sector have been using ERP solutions for at least 5 years (52.2% for 5-10 years). On the other hand, a lower 62% of the respondents from the service sector have been using ERP systems for at least 5 years (34% for 5-10 years), while 38% have been using it for merely 1-5 years. Accordingly, the study shows that enterprises from the service sector have adopted ERP solutions more recently as compared to manufacturing enterprises. This could be due to the evolution of service organisations which necessitated the need to efficiently integrate front office and back office operations, and thereby increased the need for effective ERP solutions.
- Approximately 70% of the respondents across sectors use SAP as an

ERP system, while the remaining 30% use Oracle. The preference for SAP as an ERP system can be seen more in the manufacturing sector, with as many as 82.6% of respondents from manufacturing enterprises using SAP

- Respondents were asked to rate (on a scale of 1-10 with 10 being the greater rating) returns on their investment (ROI) in support services for ERP systems. Overall, 70% of companies gave a rating of 7 and above for the same.
 - Approximately 39% of the respondents gave a rating of 8 for their ROI on cost incurred on support services.
 - This was followed by ratings of 6 and 7, with were selected by 18% each. About 14% of the respondents rated ROI on support services as high as 9.
- Respondents were asked what other aspects of their business they would consider spending on in case they were able to save more than 50% on their SAP and Oracle support costs. Overall,

26% of the respondents mentioned IT projects as the area where they would spend their cost savings on. About 21% of the respondents cited support services and business analytics, while another 19% stated new applications as the area of their possible investment.

- Approximately 58% of the respondents expressed interest in third party support services for their ERP systems
- Cloud (28%) and Mobile (23%) and technology are the most prominent IT areas where the respondents are planning to invest over the next two years. About 15% of the respondents have cited Big Data as the area where their business would like to invest in the next 2 years.
- Skills and resources (24%), technological challenges (19%), funding (17%) and management sponsorship/ understanding/ relationships (17%) were the major barriers to success as cited by the respondents

Cloud (28% of respondents) and Mobile (23%) technology, and Big Data (15%) are the most prominent IT areas where the respondents are planning to invest over the next two years



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Spinnaker Support is now the fastest growing global provider of third-party support, managed services, and consulting for Oracle and SAP enterprise software and database applications. According to our more than 500 clients, spanning 77 countries, we consistently deliver a higher caliber of service for a fraction of what they've previously paid to the ERP vendors. Spinnaker Support is headquartered in Denver, Colorado with regional operations centers located in London, Mumbai, Singapore, and Tel Aviv. We support more than 4,000 instances of Oracle E-Business Suite, JD Edwards, Siebel, Oracle Database, and SAP for enterprises of all sizes and industry segments.

Spinnaker Support provides third-party support, managed services, and consulting for SAP, Oracle E-Business Suite, Oracle Database, Siebel CRM, and JD Edwards software applications.



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