



UNITED PIPE & SUPPLY

SAP® SOFTWARE HELPS DRIVE REVENUE AND PROFITABILITY

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Cheryl Summers, Controller,
United Pipe & Supply Co. Inc.

QUICK FACTS

Company

- Name: United Pipe & Supply Co. Inc.
- Location: Portland, Oregon
- Industry: Wholesale distribution
- Products and services: Pipe and drainage, rotors, valves, pumps, and heating, ventilating, and air-conditioning equipment
- Revenue: Over US\$200 million
- Employees: 450
- Web site: www.unitedpipe.com
- Implementation partner: Column5 Consulting LLC

Challenges and Opportunities

- Replace manual, time-consuming processes for planning, budgeting, and reporting
- Gain control over accuracy and reliability of corporate data
- Acquire ability to create reports and generate financial analyses
- Gain insight into – and control over – key performance drivers

Objectives

- Unify and centralize all performance and financial data
- Automate reporting and analysis
- Give managers control over performance drivers down to the branch level

SAP® Solutions and Services

SAP® BusinessObjects™ Planning and Consolidation application

Implementation Highlights

- Focused on financial reporting and budgeting activities
- Completed 3-phase implementation in 6 months

Why SAP

- Single product that offers complete functionality
- Easier to use due to the familiar Microsoft Excel interface, encouraging rapid adoption
- Simplified maintenance and administration

Benefits

- Reliable source of corporate data
- Automated report generation
- Rapid adoption due to the Excel-based interface
- Greater control over performance drivers – which translates into higher employee accountability for performance
- Enhanced collaboration via bottom-up and top-down budgeting processes
- 64% pretax rate of return in the first 9 months – with a 15-month payback period

Existing Environment

- Mincron – IBM AS/400-based software
- Microsoft Excel

United Pipe & Supply Co. Inc. is a fast-growing wholesale distributor of pipe and drainage products, as well as rotors, fittings, valves, pumps, and heating, ventilating, and air-conditioning (HVAC) equipment. Headquartered in Portland, Oregon, the company has over 35 branches throughout the Pacific Northwest. With a new professional management team in place, United Pipe & Supply was poised for the continued fast growth of its divisions focusing on irrigation, pumps, waterworks, HVAC, agriculture, and service.

Recognizing the potential of the business, the new management team wanted to improve United Pipe & Supply's ability to drive revenue and profitability. But this would require better planning, collaboration, and accountability than the company's existing reporting solutions could support. The organization had completely outgrown its manual processes for planning and budgeting, generating reports, and consolidating financials – processes performed almost exclusively with Microsoft Excel. It turned to the SAP® BusinessObjects™ Planning and Consolidation application to unify, standardize, and automate these core business activities to reduce costs and gain the business visibility needed to drive growth.

Growing Pains

Explains Cheryl Summers, controller for United Pipe & Supply, "Using standard Excel spreadsheets for reporting

and budgeting was not meeting the needs of the business. Every time we added a new general ledger account, more than 50 spreadsheets had to be individually updated by hand." Creating reports and financial analyses across branches and divisions was equally challenging. For example, the company couldn't produce something as simple as profit and loss statements for its multibranch business units. "Setting up a reporting system for each new unit required that our accounting team spend an inordinate amount of time putting these two-dimensional spreadsheets in place," adds Summers. "This was time-consuming, expensive, and dysfunctional." Most important, managers lacked the information needed to make sound decisions that would boost profitable revenue.

Of major concern was the fact that the company was losing control over content and could not guarantee the

reliability of corporate data. Again, this was the result of performing the tasks manually. Employees created Excel spreadsheets independently and then manually consolidated them into the master document. Multiple versions of the master document were created, each containing data errors introduced by the different employees performing the work. Management at all levels began to lose faith in the data in the reports as well as in the decisions they made based on it.

There were other problems as well. For example, the accounting department used Excel-based financial reports to calculate sales commissions. According to Summers, "Because the sales force was not involved in the preparation of budgets or in the analysis in the past, they felt they didn't really have control over the company's performance and how resulting sales bonuses were calculated." As a result, they didn't hold themselves accountable for meeting sales objectives.

Searching for a Solution

"Clearly our technology had not kept pace with the growth and change of our company. We needed to change," states Summers. Management determined that it needed to invest in a corporate performance management solution. "After an extensive search, we narrowed the field to two products: Hyperion and SAP BusinessObjects



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In addition, SAP BusinessObjects Planning and Consolidation offers all features and functionality in a single

software. The project was completed in six months, and SAP BusinessObjects Planning and Consolidation quickly became an integral part of the organization’s operational strategy and reporting methods. “Its familiar Excel-based format made company-wide adoption far easier than we expected,” comments Summers. “From the very beginning of the rollout, we witnessed significant improvements in the credibility and effectiveness of our financial

- Greater organizational awareness of financial goals – by giving employees insight into revenue and profitability goals and how their actions impact outcomes
- Greater insight into customer-level profitability – by making it easier to align the right products at the right price with the best customers
- Easier what-if modeling – by facilitating alignment between strategic and operational plans and supporting overall business planning

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product. “This would simplify administration and maintenance,” comments Summers. “It was clear that SAP BusinessObjects Planning and Consolidation was designed from the ground up to address the very challenges we faced.”

Gaining Financial and Performance Control

United Pipe & Supply used a phased implementation approach to complete deployment of the financial reporting and budgeting functions of the

reporting processes, employee willingness to be accountable for meeting performance goals, and collaboration among decision makers.”

These benefits were the result of the following:

- Improved budgeting and forecasting processes – by eliminating manual processes and improving business visibility
- Improved communications – by providing users with real-time access to financial and operational information via automated reporting

A Fast Path to Operational Excellence, Collaboration, and Accountability

Most important, the software has helped United Pipe & Supply achieve heightened levels of operational excellence. “When we rolled out the new budget process to the branch managers, we were able to provide actual finance training to them because SAP BusinessObjects Planning and Consolidation was so easy to use,” explains Summers. “As a result, they have become proficient in understanding financial reporting as well as the various elements that enhance performance of our operations. They can now read financial statements, calculate bonuses, and see how their operations integrate with our entire enterprise.”

Leveraging this additional finance training and understanding, managers at all levels now know which performance levers they can actively manage within their budget to impact business

outcomes. "Now that they have greater control over performance, managers have taken more ownership of the numbers," adds Summers. "For example, division-level management can now see across locations and know where and how their strategies are working – or not working. They can respond in real time by making changes that improve our competitiveness and bottom line. And they can see how their day-to-day branch decisions impact our future."

SAP BusinessObjects Planning and Consolidation has helped the company address other challenges. For example, calculating sales commissions and determining ownership is no longer a subjective process. "With SAP BusinessObjects Planning and Consolidation, we've increased the credibility of our calculations," explains Summers. "This has translated into greater buy-in with the sales force – and enabled us to make sales people more accountable for setting and meeting aggressive sales performance goals." In addition, United Pipe & Supply can make more efficient use of supplier-provided marketing co-op dollars. "For the first time, we've been able to budget marketing events

for the entire year down to the division level. Division managers have to justify those expenses through vendor support and the impact on branch-level performance," explains Summers.

A Rapid Return on Investment

Calculating a conservative return on investment after the first nine months, United Pipe & Supply achieved a 64% pretax rate of return, with a payback period of 15 months. In less than one year after implementation, the company is within project budget and has achieved a level of accountability and business insight that it never had before. Adds Summers, "Now there are no curtains to hide behind. The financial status of the organization is completely transparent now – and we're empowered to achieve the next level of business growth. We have better control of our information and can harness it to make good business decisions. Quite simply, SAP BusinessObjects Planning and Consolidation has greatly improved how we manage performance at United Pipe & Supply."



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