

The Benefits of Integrating SAP to Mill Information Systems

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Presentation Objectives

- **Sappi Fine Paper – Company Overview**
- **Business goals, objectives and results**
 - Project Overview
 - Material Management
 - Actual Product Costing
 - Process
 - Demand Cycle
 - Execution Cycle
 - Confirmation Cycle
 - Product Costing
 - Business Results
- **Key Learning's**



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Sappi Fine Paper NA – Company Overview

- **Global Manufacturer of Coated Fine Paper: Europe, South Africa, North America and Asia**
- **Worlds leading manufacturer of coated fine paper and chemical cellulose** (dissolving pulp)
- **Fine Paper Divisions:**
 - 4 mills in NA, 8 mills in EU, 3 mills in SA, and 1 starting up in Asia
 - Annual capacity of approximately 4.3 million tons
 - **North American Division:** Head office in Boston, Maine
 - Annual capacity of approximately 1.3 millions tons
 - Paper mills in Maine, Michigan, Minnesota
 - Founded in 1854 as the S.D. Warren Co.
 - Scott Paper in 1970
 - Sappi Fine Paper in 1994
 - Acquired Potlatch MPPD in 2002



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Business Goals / Expectations

- **Mill / Corporate Management:** Granulated raw material cost accounting
 - Ability to view daily costs by grade and basis weight for product and product family at the mill and asset level.
- **Operations Managers:** Provide timely information
 - Better cost and consumption information - daily versus month-end visibility
- **Raw Material Managers:** Provide a raw materials planning tool based on demand
 - Reduce inventory of raw materials
 - Replace legacy and site specific manual systems
- **Vendor Relationships:** Provide better visibility of material requirements to our vendors
 - Use planning information for procurement analysis
- **User Community:** Standardize the business process across the enterprise
 - Procurement, Inventory Management, Material Planning and Master data.



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Business - IT Goals

SRC (Stability + Reliability = Credibility)

- System that is reliable, supportable, configurable and supports universal technology standards
- Leverage current in house systems along with programming and system skill sets
- Minimize number of interfaces
- Minimize points of failure



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Material Planning and Execution Reporting: The *Process*



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Process Cycles & Synchronization

- **Demand Cycle:** Material requirements
 - Based on Block Schedule of orders
- **Execution Cycle:** Data alignment for Process order
 - Begins when the process order is released from Trim optimization for production.
- **Confirmation Cycle:** Process order data rollup
 - Begins when the process order goes into production and ends when it is completed.

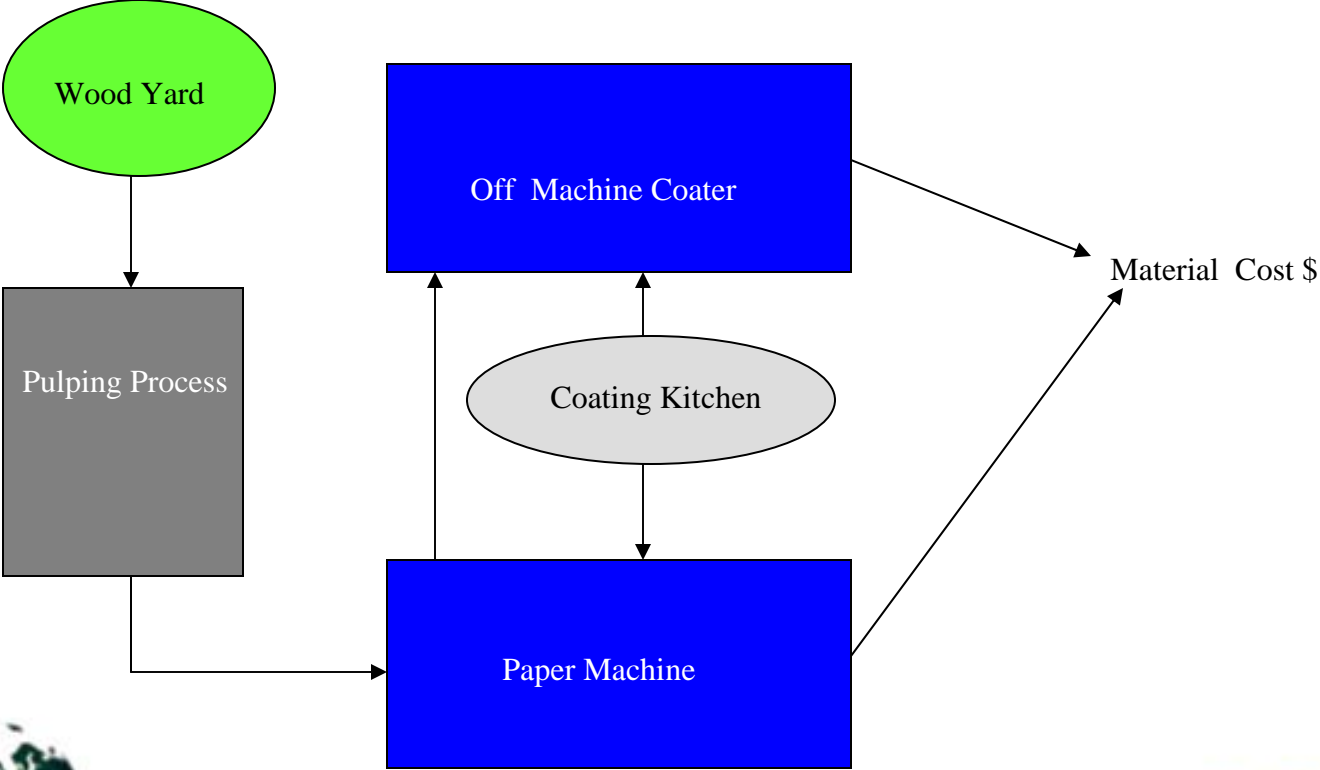


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Real-Time Costing; *Process focus*

Process areas

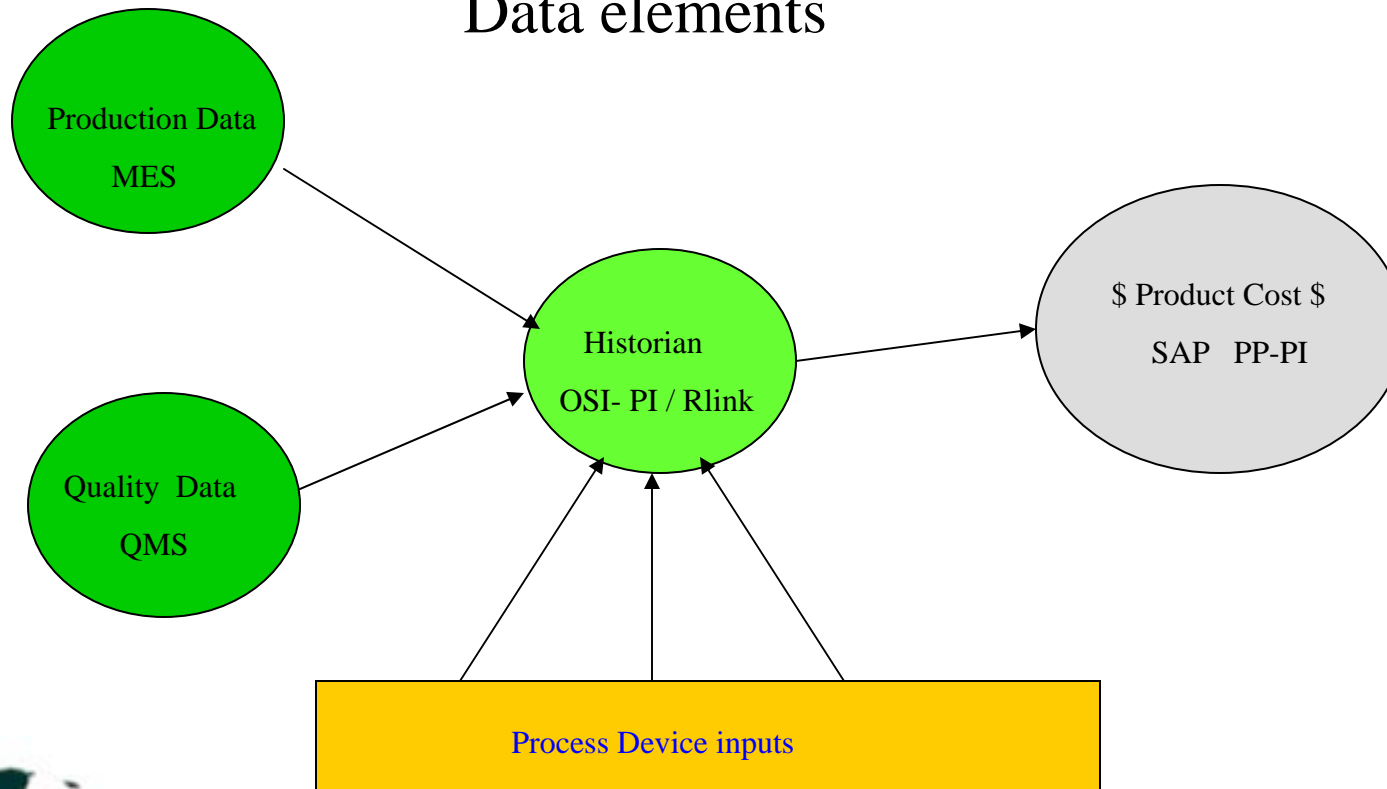


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Real-Time Costing; *Data Flow*

Data elements



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Reporting Demonstration – Consumption

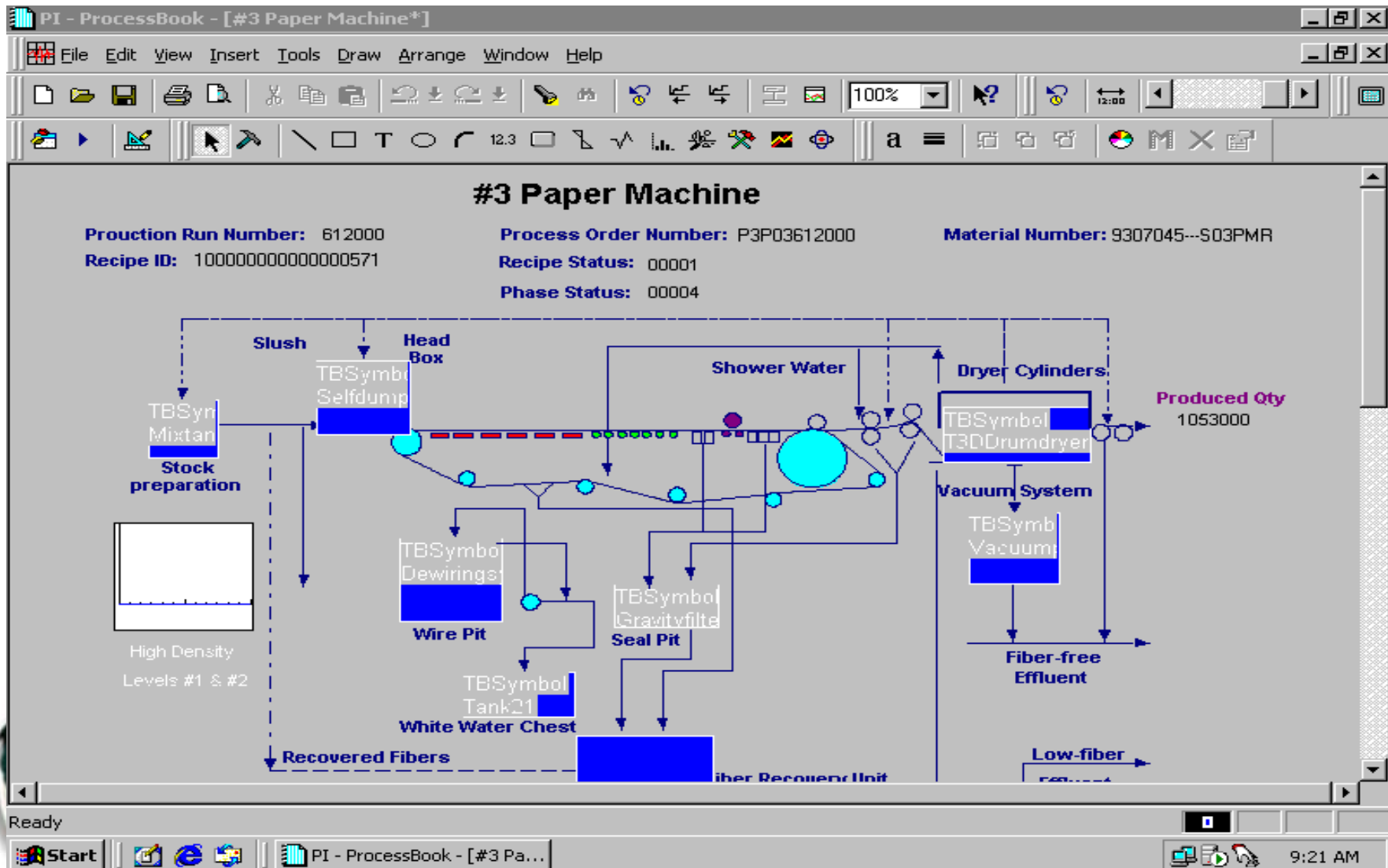
Order	P3P03609000									
Order Type	PI02 External C									
Plant										
Material										
Planned quantity		TONUS ton								
Actual quantity		TONUS ton								
Target cost version										
Period										
Cost ele...	Cost element (Text)	Origin	Σ Total tgt costs	Σ Ttl actual csts	Σ Tgt/actual var.	Σ Target qty	Σ Total act.qty	Σ T/A qnty var.	Unit	
	Consumed - Variable		254.48	2,114.49	1,860.01	0.893	7.330	6.437		
	Consumed - Variable		379.48	35.54	415.02	1.339	0.123	1.462		
	Consumed - Variable		125.01	0.00	125.01	0.446	0	0.446		
	Consumed - Variable		758.97	2,078.95	1,319.98	2.678	7.207	4.529		
	Consumed - Variable		30,041.76	18,777.20	11,264.56	189.296	107.723	81.573		
	Consumed - Variable		7,652.19	15,920.08	8,267.89	48.217	90.527	42.310		
	Consumed - Variable		0.00	1,667.33	1,667.33	0	9.481	9.481		
	Consumed - Variable		37,693.95	36,364.61	1,329.34	237.513	207.731	29.782		
			29,282.79	16,641.82	12,640.97	58.485	34.007	24.478		
			29,282.79	16,641.82	12,640.97	58.485	34.007	24.478		
	Basepaper Fillers		2,852.83	2,396.60	456.23	18.538	15.005	3.533		
	Basepaper Fillers		2,852.83	2,396.60	456.23	18.538	15.005	3.533		
	BasepaperAdditiv		263.41	0.00	263.41	0.167	0	0.167		
	BasepaperAdditiv		263.41	0.00	263.41	0.167	0	0.167		
	BasepaperAdditiv		1,258.99	1,271.62	12.63	1,535.794	1,550.767	14.973		



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OSI Process book display



Results: Business goals met!

- **Operational Cost**
 - Ability to view and compare actual quantities and cost of raw materials used versus multiple targets (budget and current) on a daily basis versus once per month.
 - Ability to summarize cost results by product, product family, asset and mill on daily basis.
- **MRP for raw materials (Material Requirements Planning)**
 - Better results with reduced effort
 - Better visibility of inventory position and requirements
 - Automated versus manual calculations
 - SAP is the data master; single point of maintenance
- **Better information for our vendors**
 - Requirements are based on actual demand
 - A standard tool to be used in procurement analysis
- **Processes are standardized**
 - Support structure is optimized
 - Fully automated process
 - Leveraged existing systems, technology and in-house skill sets
- **Project was completed with minimum resources**
 - 4 Business Resources and 4 IT Resources



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Additional benefits

- Continued nurturing of a “collaborative” environment with EU colleagues; a must for Globalization
- Increased visibility of calibration and reliability of flow meters
- Increased accuracy in standard recipes and target costs.
- Enhances continuous cost reduction effort to increase mill profitability
- Increased awareness of how production decisions impact the cost of products made.



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Key Learning's

- Insure the mill cross functional team is involved and engaged at all levels of the site implementation. This is a culture change!
 - Teams need to adopt a “change agent” mentality; enable & encourage change
- SAP PP/PI & OSI Rlink functionality is well suited for the real-time process environment of a pulp and paper company.
- Utilize standard SAP & Rlink functionality as much as possible including the standard integration tools for communicating to external systems.
- Minimize support needs by minimizing custom development.
- Bringing together continuous and batch data is a challenge!
- The success of the project is directly proportional to the amount of time spent getting accurate process control information and insuring SAP master data is correct!
 - Validate, validate, validate all data!



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Project Status

- Fully implemented at 3 sites
 - Approximately 6 months per site; build and implement.
- Last NA site scheduled for January 2006 implementation
- Intend to expand to full product cost tracking including production activity costs and downstream waste impacts
- Future implementation in EU
- Continuous process improvement
 - Post Implementation Audit
 - Customer satisfaction level
 - What did we miss and folks have a “work around”?



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Summary:

- With this data available to “Operators” in “real time”, it allows each and every one of our employees to help make our Mill better today and continuously improve!



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