BUYER CASE STUDY

Buyer Conversations: Coca-Cola Bottling Co. Consolidated's ERP Upgrade Journey – APEJ View

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IDC OPINION

Coca-Cola Bottling Co. Consolidated (CCBCC) is one of those manufacturers that recognizes the importance of technology upgrades and the need to develop an appropriate strategy that aligns with the realities of their IT and business environment. This strategy is vital especially with enterprise resource planning (ERP) upgrades that can be expensive and disruptive. However, we often see companies underestimating the level of effort and the broad impact of an ERP upgrade.

☐ ERP projects are complex and not always successful. Multiple factors need to be assessed before embarking on an ERP project, from selecting the right software for your organizations' needs — since there is no "one size fits all ERP solution" — to obtaining the right level of support from the top management and dealing with change management.

☐ In addition, since ERP implementations tend to be very lengthy and generally go over budget, new ERP-related projects (i.e., upgrades) are generally approached with resistance. However, significant benefits such as improved business processes and reduced operational costs can be achieved by keeping the ERP system current, and in line with the latest industry best practices. On the other hand, while an ERP implementation and its related maintenance (i.e., ERP upgrades) is an important step for any organization, this is not the end of the journey.

☐ CCBCC and organizations facing similar ERP upgrade projects should look beyond the traditional ERP's scope and explore the adjacent areas that can help the organizations derive better performance from their ERP systems, and drive future growth.

IN THIS BUYER CASE STUDY

This IDC study discusses the ERP upgrade journey of CCBCC, the challenges it faced, and the lesson learned. This serves as a guide to improve the process of planning, design, development, and rollout/cutover of the upgrade.

SITUATION OVERVIEW

Organization Overview

Coca-Cola Bottling Co. Consolidated

Coca-Cola Bottling Co. Consolidated (CCBCC) makes, sells, and delivers sparkling and still beverages, primarily products of The Coca-Cola Company (TCCC). CCBCC is the second-largest bottler of Coca-Cola products in the United States, operating in eleven states, primarily in the southeast. Founded in 1902, with headquarters in Charlotte, North Carolina, CCBCC enjoys net sales of more than US$1.4 billion.

In 2008, CCBCC faced a technical upgrade of its ERP system. They were looking for enhanced capabilities for finance, human capital management (HCM), sales, procurement, as well as other enterprise functions that are offered in the new version. Unicode conversion was one of the issues faced together with the need to future-proof the upgrade. At the same time, CCBCC also wanted to improve the performance while driving down hardware and software costs. According to Andrew Juarez, CCBCC's lead systems specialist in information systems and services, the existing database administration had become an increasing demand task. Due to the new database licenses required for the ERP upgrade, CCBCC had decided to evaluate their options. In light of the SAP DB2 licensing agreement with TCCC, CCBCC decided to migrate its database system to DB2. The move has brought about a 40% reduction in database storage space, which helps to decelerate the company's data volume growth. This was translated into a predicted savings of US$750,000 over five years in terms of licensing and maintenance cost.

End Users' IT Priorities

CCBCC is one of those manufacturers that recognizes the importance of upgrades and the need to develop an appropriate strategy that aligns with the realities of their IT and business environment. This strategy is vital especially with ERP upgrades that can be expensive and disruptive. However, we often see companies underestimating the level of effort and the broad impact of an ERP upgrade. In the IT opportunities survey that IDC conducted, the top priorities with IT departments have always been to reduce the cost of IT operations, and the optimization of existing IT infrastructures. In the case of CCBCC, these were the primary drivers for the ERP upgrade. Unsurprisingly, key challenges faced by companies like CCBCC are delivering the required service level as expected by the business, and justifying the required IT budget. But moving forward, we are seeing the growing importance of infrastructural scalability and the integration of disparate applications.

FIGURE 1

IT Priorities for Manufacturers in 2010
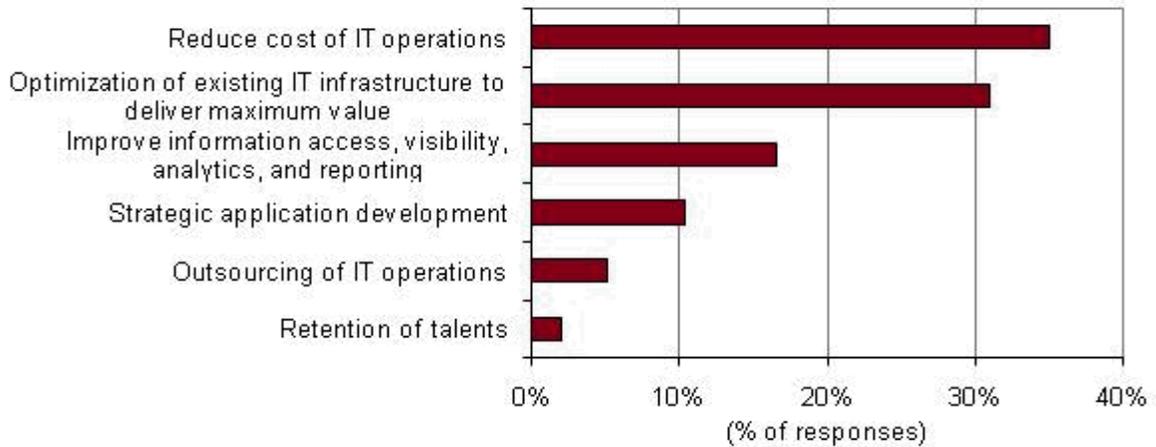
Source: IDC Manufacturing Insights, 2010

In a recent study conducted by IDC to assess the current level of application adoption among manufacturers, we saw a high percentage of ERP adoption by companies like CCBCC at 73.2%, with an additional increasing trend of adoption for customer relationship management (CRM) and supply chain management (SCM) solutions. These results clearly show that the ERP market is reaching maturity and most manufacturers have already implemented an ERP system. As a result, the vast majority are typically in this ERP upgrade cycle and exploring effective ways of mitigating the risks associated with such upgrades.

FIGURE 2

Current Level of Application Adoption for Manufacturers

(% of responses)
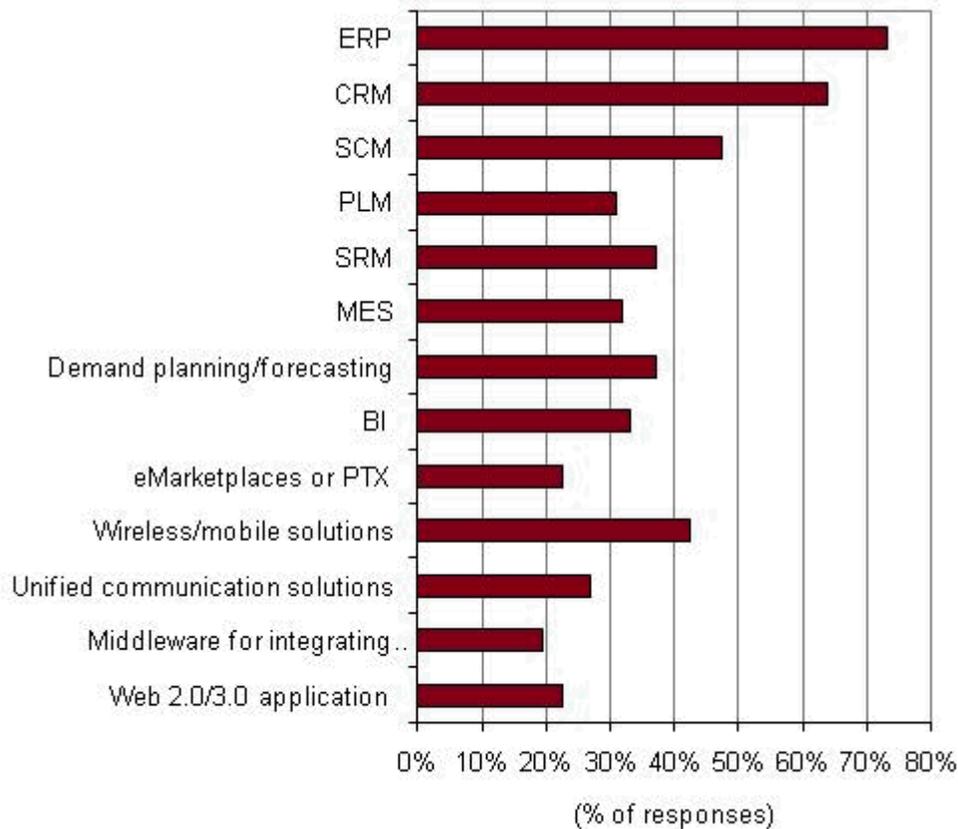
Source: IDC Manufacturing Insights, 2010

Challenges and Solution

CCBCC SAP ERP Upgrade Journey

In 2008, CCBCC faced a technical upgrade of its SAP R/3 enterprise system to SAP ERP 6.0. CCBCC was running SAP R/3 4.7 and conversion to Unicode was required with all new SAP product releases (from SAP Netweaver 7.0 onward). This is also necessary to future-proof for new SAP applications such as the SAP Netweaver Process Integration.

In the context of shrinking IT budget and increasing competition, CCBCC wanted to derive more performance from SAP applications, while trying to drive down hardware and software costs. According to Andrew Juarez, lead basis administrator, and Tom DeJuneas, systems manager, whom we met to be briefed about this project, database administration had become an increasingly demanding task. But more

importantly, upgrading the existing ERP system would have required new database licenses.

In fact, around the time that CCBCC was planning its database upgrade, DeJuneas had learned that TCCC was offering to its entire network of bottlers the option of migrating their existing database to IBM DB2 as part of a SAP DB2 licensing agreement. This was a critical decision factor which played in favor of DB2 migration. As a result, CCBCC decided to migrate its database as part of the ERP technical upgrade and Unicode conversion process.

Since the requirements for a Unicode conversion are similar to those of a database migration, migration to IBM DB2 was done in conjunction with the Unicode conversion — taking that for both scenarios the conversion required to perform an export and import of the database is done through the SAP R3load. This, according to CCBCC, avoided duplicating project tasks such as backup and testing, which in turn, decreased migration costs.

By using Deep Compression — a dictionary-based approach to replace and index repeating patterns with short symbols, compressing the data to 160 tables — SAP ERP systems storage requirements went down to 3TB from 5TB prior to migration. As a result, no hardware upgrades were required. In addition, the duration of manufacturing runs was also reduced by 65%, from 90 minutes to 30 minutes. According to CCBCC, the project took eight weeks with a total downtime for the production migration of 23 hours. This, in the light of an ERP upgrade, was a great success.

Results

Where the Journey Ends

Most organizations are realizing that the ERP system is not just a key part of their IT strategies but one of their most important and sensitive corporate assets. While ERP systems should have an average lifespan of 15 to 20 years, over that time they will need to be improved and well-maintained in order to guarantee its value, ensure optimal business performance, and serve the changing needs of their business.

What is clear is that organizations need to plan for periodic updates to ensure the reliability of mission-critical applications. It is even more important to look for the upgrade to add new functionalities, improve business processes, and extend the deployment of ERP suites. IT departments should look beyond cost reduction to drive new value for business. CCBCC's upgrade journey is a good example of this. Not only did the company achieve cost savings, it had also made the move to ensure the scalability of its infrastructure. The performance of the manufacturing runs improved by over 65%, and the database migration has set CCBCC in place for the upcoming upgrade to SAP ERP 6.0.

ESSENTIAL GUIDANCE

While ERP system upgrades are challenging, organizations can meet these challenges by planning (i.e., defining an upgrade strategy and roadmap), testing (i.e., perform tests on every system, not only production) and leveraging vendor's partner expertise — since some ERP upgrade projects can be as complex as a full ERP implementation. However, while an ERP implementation and its related maintenance is an important step for any organization, this is not the end of the journey.

Today, rapidly changing market dynamics urge organizations across all industries and regions to shift focus from just driving operational efficiencies through the use of an ERP, to using the system as an enabler for future growth. Once the right technology is in place, organizations should work on driving real value from their systems (e.g., transforming data into business insights), while preparing their corporate culture for future changes in order to remain competitive. Current transition of both China and India from rural economies to manufacturing and service powerhouses has shifted the center of global growth to Asia. This represents a great opportunity for organizations in both the region and other economies, such as the United States and Europe, since increasing commercial opportunities will be derived from the explosion in Asian consumption: from increased government spending on infrastructure, to the rise in consumer spending due to growth in personal income.

In addition, organizations could commercially benefit from providing the right products and services to the massive rural population in the Asian markets (e.g., in India 70% of the population live in villages). While most companies are traditionally skeptical about monetizing this market segment due to the lower purchasing power of these consumers, the rural population market is witnessing increasing income growth that could potentially lead to new business. In order to benefit from this and prepare for the future, organizations should not only place the emphasis on automating business processes or making sure that these processes are performed correctly, but on improving how the business works and reacts to change.

As a result, going forward, CCBCC or organizations facing a similar business and technology situation, should look beyond the traditional ERP's scope (i.e., automate and integrate business processes on an operational or transactional level) and explore the adjacent areas that can drive significant value for business users, for example:

◻ **Social media tools:** Traditional ERP systems help organizations plan and manage the resources required for business operations, but they do not focus on enterprise's relationships (i.e., customers, suppliers, and partners). Integrating social media tools with ERP and CRM systems could help organizations improve collaboration and proactively gain customer insights.

◻ **Business analytics (BA) and analytical appliances:** Organizations should look at BA and corporate performance management (CPM) to improve decision making. Additionally, analytical appliances (e.g., IBM's Netezza, Oracle's Exadata, and SAP's HANA) should be considered for the immediate benefits that

this delivery model brings, including lower cost of ownership, higher performance, and simplicity.

☑ **Mobility:** Organizations could significantly improve their efficiency and maximize the enterprise's full resources by using enterprise mobility solutions.

LEARN MORE

Related Research

☑ *IT Strategy: Asset-Oriented Value Chains 2010–2011*

☑ *IDC Asia/Pacific (Excluding Japan) Enterprise Applications 2011 Top 10 Predictions: The AA Power of Analytics and Socialytics Applications Accelerates the Charge Toward ROI-Led Transformation* (IDC #AP2670103T, February 2011)

☑ *Asia/Pacific Manufacturing 2011 Top 10 Predictions* (IDC #AP9397201T, February 2011)

☑ *SAP's HANA: The In-Memory Bet for the Analytic Appliance War — Asia/Pacific View* (IDC #AP2670101T, January 2011)

☑ *Worldwide Manufacturing 2011 Top 10 Predictions* (IDC #MI226362, December 2010)

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