



## HERO HONDA MOTORS

### mySAP™ CRM HELPS WORLD'S LARGEST TWO-WHEELER MANUFACTURER IMPROVE CUSTOMER SERVICE AND REDUCE COSTS

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Ravi Sud, Senior Vice President and CFO,  
Hero Honda Motors Ltd.

Since the Honda Motor Company of Japan and the Hero Group of India entered a joint venture in 1984, New Delhi-based Hero Honda Motors Ltd. has become the world's largest motorcycle manufacturer. The company serves over 10 million customers through its more than 500 dealers and has a network of 350 component suppliers. With 5,000 employees across India, Hero Honda boasts annual revenues of 60 billion Indian rupees (approximately €1.1 billion).

With an impressive market share of 48%, Hero Honda Motors continues in its determination to deliver high-value, reasonably priced products. Expecting sales of over 2 million motorcycles in the coming year, Hero Honda is always looking for ways to improve interaction with dealers and suppliers while keeping operational costs down. "We wanted to enable our dealers and suppliers to perform online transactions," explains Ravi Sud, senior vice president and CFO of Hero Honda, "but our legacy solution could not support this goal."



**"The market has become very competitive, and if a customer goes to a dealer and that dealer doesn't have the right model and color, the customer can probably get it elsewhere."**

Deepak Mokashi, Head of Sales, Hero Honda Motors Ltd.

Hero Honda looked to the e-commerce functions of the mySAP™ Customer Relationship Management (mySAP CRM) solution and strong self-service features of the mySAP Supplier Relationship Management (mySAP SRM) solution for assistance. Implementing and integrating both solutions helped the company obtain end-to-end process integration, enhancing its order execution efficiency and improving responsiveness to dealers and suppliers.



### Order Entry Process Challenges

Before implementing SAP® solutions, Hero Honda faced challenges in handling its growing market and product mix and the many requests of its broad network of dealers. The company's dealers manually entered orders for motorcycles and spare parts, sending their requirements to the local office. "We used to receive orders from dealers in the form of spreadsheets, e-mails, and phone calls," says Sud. "It took a few days to bring in our customer orders and consolidate them at the zonal office. Then more time was needed to process the orders at headquarters. And without synchronization between customer orders and supplier schedules, the sales order cycle was especially slow and inefficient."

To remain successful in India's highly competitive motorcycle manufacturing sector, Hero Honda saw the need for supply chain and customer service improvements. It hoped for more transparent relationships with dealers and suppliers, reduced transaction time and cost, decreased manual data entry, and accelerated, more accurate order and delivery processes.

### Improved Customer Service, Reduced Costs

Hero Honda realized immediate improvements with the e-commerce functionality of mySAP CRM. Using the customer portal, Hero Honda's dealers place their orders directly into the system once a month. A typical order might be for several hundred motorcycles, as well as spare parts. A monthly order is the basis for production planning, but orders and amendments are processed weekly. On Friday evening the company receives orders and any order changes. These orders are consolidated on Saturday, and by Monday morning, all suppliers receive Hero Honda's delivery schedules directly from its production planning system.

In addition to overall process efficiency, order entry automation helps Hero Honda to be more responsive to its dealers. During their monthly ordering cycle, dealers often need to revise an order already in process. Customers, it seems, have countless options, as Hero Honda produces 150 motorcycle variations and averages about three new

models per year. Because the spectrum of motorcycle models and colors continues to grow, sudden changes in customer demand happen regularly. For instance, customers might start asking dealers for a new color or a different model.

With its formerly manual order-entry process, making frequent changes to orders used to be a complex and error-prone procedure, and even contributed to lost sales. "The market has become very competitive, and if a customer goes to a dealer and that dealer doesn't have the right model and color, the customer can probably get it elsewhere," says Deepak Mokashi, head of sales at Hero Honda.

The mySAP CRM solution helps smooth out the order-update process for Hero Honda. "For order revisions, we can get the change in on Friday and be pretty sure that the entire shipment will go out, as scheduled, the following week," says Sud. "Our dealers, and their customers, appreciate this level of responsiveness, and we can better meet the demands of our constantly changing and evolving market. Where we used to lose sales due to our inability to meet changing customer demands, we are now able to answer the competition."



**"Outstanding payments have been drastically reduced due to the self-service functionality of mySAP CRM."**

Surendra Chabra, General Manager, Finance,  
Hero Honda Motors Ltd.

With a fully automated ordering process, Hero Honda saves approximately three days over the time it used to take to complete this process. This means an inventory savings of about 10% for the company, which translates into substantial cost savings. And the company sees other financial benefits from the process automation enabled through mySAP CRM. "Our sale of spare parts has clearly gone up because the order processing cycle is more efficient," says Sud.

### **Reduced Cash Cycle Through Real-Time Information**

Thanks to mySAP CRM, Hero Honda also sees improvements in the total cash cycle with dealers. Because dealers can access real-time order and account information around the clock, dealers no longer phone headquarters to obtain such information. "Dealers have at their fingertips up-to-date information on the status of their orders, about their accounts, regarding their payments and any due dates," explains Sud. "And with improved visibility into their accounts, dealers are better equipped to pay on time." Combined with cash-discount incentives to make timely payments, Hero Honda now benefits from cash cycle improvements. "Outstanding payments have been drastically reduced due to the self-service functionality of mySAP CRM," says Surendra Chabra, general manager of finance. "Now the cash comes in to Hero Honda much earlier in the sales order cycle."

To keep dealers informed about cash incentives or other sales information such as new pricing schemes and promotions, Hero Honda utilizes the mySAP CRM customer portal. Before implementing their dealer Web site, Hero Honda distributed company announcements through individual e-mails to each dealer. Today the company simply posts sales information on a single page on the customer portal, which dealers can access at their convenience.

### **End-to-End Process Integration**

With dealer and supplier information and processes fully synchronized, Hero Honda is enjoying distinct business improvements throughout the supply chain. For example, the system's end-to-end integration maximizes order accuracy – a benefit for dealers, suppliers, and especially the end customer. The mySAP SRM self-service feature enables suppliers to check their orders on the portal and know that the portal's information is both accurate and up-to-the-minute. Since the advance shipping notification created by the supplier is derived from the purchase order, the chance of a delivery mismatch, according to Sud, is minimal. "With mySAP SRM, we've greatly reduced the chances of mismatched orders."

### **Employee Satisfaction, Elevated Value**

The implementation of mySAP CRM has resulted not only in improvements to Hero Honda's relationship with its customers and business partners, but has positively impacted its employees at headquarters as well. Previously, Hero Honda's marketing and sales departments were inundated with orders and inquiries from dealers. "Our marketing and salespeople spent a great deal of time collecting orders and passing them down to the factory," says Sud. "And without visibility into current information, dealers regularly phoned into headquarters about the status of their orders and accounts. The day-to-day demands on our personnel were enormous."



**"Their jobs are less stressful and more enjoyable now. And from an organizational standpoint, our staff can participate in more value-added activities for us."**

Ajay Dixit, General Manager, Service and Spare Parts,  
Hero Honda Motors Ltd.

With the powerful self-service features of mySAP CRM, dealers have around-the-clock access to real-time information about their orders. Additionally, Hero Honda employees have become more effective in their customer support roles. "With the help of mySAP CRM, the role of employees has been enriched," says Ajay Dixit, general manager of service and spare parts. "Because customer inquiries via e-mails and phone calls have been greatly reduced, employees can now focus on real customer service and improving processes at the dealer's end. They can visit the dealers and talk with the customers. Their jobs are less stressful and more enjoyable now. And from an organizational standpoint, our staff can participate in more value-added activities for us."

### **Implementation Support from SAP Consulting**

Working together, Hero Honda and SAP Consulting services accomplished the initial rollout of mySAP CRM and mySAP SRM in only three months. In February 2004, Hero Honda began the pilot test, and in June of that year, it went live.

The initial mySAP CRM implementation involved 50 dealers in Hero Honda's large dealer network of 550. For the rollout of its supplier portal, Hero Honda chose 15 of its top 125 strategic suppliers. SAP Consulting provided support throughout the process in the form of expertise from both the Asia-Pacific region and SAP headquarters in Walldorf, Germany. Working together with Hero Honda, they were able to implement some of the newest features in both mySAP CRM and mySAP SRM, streamlining several of Hero Honda's most complex processes.

"Implementing the latest mySAP CRM and mySAP SRM capabilities in such a tight time frame was an ambitious goal," says Sud. "With the help of SAP Consulting, we completed our project successfully and on schedule."

#### Looking Ahead

Hero Honda continues to expand the implementation of mySAP CRM and mySAP SRM to its strategic partners. Currently, close to 100 of Hero Honda's top 125 suppliers are covered, and the company expects the balance of these suppliers to be up and running with mySAP SRM by early 2006. To date, Hero Honda has rolled out mySAP CRM to 180 of its 550 dealers, training dealers through nationwide Hero Honda marketing offices. Hero Honda hopes to be transacting with all 550 dealers via the mySAP CRM customer portal by 2007.

Building on the successful implementation and benefits of the mySAP CRM and mySAP SRM solutions, Hero Honda is planning to add more SAP functionality in the future. In the next stage, Hero Honda wants to expand the company's end-to-end connection with dealers and suppliers to a truly collaborative environment for all partners. "We're looking ahead to complete supply chain optimization," says Sud. "We continue to be pleased with SAP solutions, and we are able to consistently rely on SAP Consulting. We've realized marked business improvements by elevating our level of service to dealers and suppliers, and will look to SAP to help us continue to provide supply chain and customer service efficiencies throughout Hero Honda Motors."

#### AT A GLANCE

##### Summary

Hero Honda Motors Ltd., India's leading motorcycle manufacturer and the world's largest producer of two-wheelers, has annual revenues of 60 billion Indian rupees (approximately €1.1 billion) and 5,000 employees. To be more responsive to the demands of the market, Hero Honda implemented the mySAP™ Customer Relationship Management (mySAP CRM) solution.

##### Web Site

[www.herohonda.com](http://www.herohonda.com)

##### Key Challenge

Manage nationwide customer and subcontractor database in a single system

##### Project Objectives

- Enable proprietary dealer portal to provide transactions
- Better manage dealer inquiries to marketing and sales staff
- Improve efficiency of manual order entry by customers

##### Solutions and Services

- mySAP CRM
- mySAP Supplier Relationship Management (mySAP SRM) solution
- Project management, knowledge transfer, and remote consulting provided by SAP® Consulting services

##### Why SAP Solutions

Ability to integrate the new dealer and supplier portals with the existing mySAP ERP solution

##### Implementation Highlights

- 3-month initial rollout covered 50 dealers, now covering 180 of 550 dealers.
- Initial rollout also covered 15 of the top 125 strategic suppliers; nearly 100 suppliers have since been covered.
- Implementation included training Hero Honda suppliers and dealers.

##### Key Benefits

- Improved responsiveness to market demands
- Faster, more efficient order processing, cutting 3 days off previous manual order processing times
- Inventory planning improved, reducing inventory carrying cost by 10%
- Fewer lost sales from improved level of service to dealers
- Improved accuracy of deliveries from 98% to 100%
- Increased spare parts sales through improved order processing
- Outstanding payments greatly reduced through self-service efficiencies

##### Implementation Partner

SAP Consulting

##### Existing Environment

mySAP ERP

##### Database

Oracle

##### Hardware

IBM

##### Operating System

AIX

