"With SAP solutions, we are able to react much more flexibly to the dynamic changes in the paper market and to plan our production processes in real time."

Bruno Schwelling, CIO, Koehler Paper Group

# AT A GLANCE

## Company
- Name: Koehler Paper Group
- Location: Oberkirch, Germany
- Industry: Mill products
- Products and services: Specialty papers
- Revenue: €600 million
- Employees: 1,400
- Web site: www.koehlerpaper.com
- Partner: SAP® Consulting

## Challenges and Opportunities
- Need for leaner, more flexible processes in production logistics
- Requirement for flow-optimized, make-to-order production with flexible order combinations at different production levels
- Ability to react quickly to changes in demand
- Customer demand for immediate information on product availability and delivery dates and times

## Objectives
- Change from a vertical to a horizontal IT structure
- Optimize planning and control of production processes

## SAP Solutions and Services
- SAP for Mill Products solution portfolio with industry-specific processes
- SAP ERP application
- SAP Supply Chain Management application
- SAP Advanced Planning & Optimization component
- SAP Consulting services

## Implementation Highlight
Gradual implementation of overall project as part of a long-term master plan

## Why SAP
- Long history of cooperation
- Integration expertise
- Security in the future

## Benefits
- Accelerated processing by integrating core processes, from sales order creation to planning, production, and delivery
- Faster reactions to market fluctuations
- Increased efficiency in production planning by integrating external cutting optimization
- Optimized inventory due to transparency for all departments involved

## Existing Environment
SAP software–based solutions

## Third-Party Integration
- Database: Microsoft Windows SQL Server 2005 (64 bit)
- Hardware: HP server
- Operating system: Microsoft Windows Server 2003

# KOEHLER PAPER GROUP

### Implementing a "Fresh Approach" with SAP® Software–Based Production Planning and Integrated Cutting Optimization

With annual sales of 455,000 tons of specialty papers, Koehler Paper Group faced a challenge. Legacy IT systems made up of heterogeneous software and hardware prevented the company from streamlining production processes to meet customer demands.

Part of the solution was replacing the legacy IT landscape of a subsidiary with an integrated SAP® solution. With the SAP Supply Chain Management (SAP SCM) application providing the central production planning functions, a partner software solution integrates cutting optimization for the paper machines.

The company goal of pursuing innovation and excellent performance extends to the general IT strategy, and SAP software offered proven standards for managing production processes. As Koehler CIO Bruno Schwelling says, "It was not a question of adapting the SAP software to suit Koehler, but rather changing Koehler to meet the proven software standards."

**Koehler**
PAPER GROUP

**SAP**

## Koehler's Master Plan

The location of Koehler's headquarters in Oberkirch, Germany – visible from the mighty Rhine, yet just a stone's throw from the tiny Black Forest river, the Rench – reflects what has led the company to become one of the leading manufacturers of specialty papers: a combination of local tradition dating back 200 years and an entrepreneurial spirit that flows well beyond national borders.

Annual revenue of €600 million comes from sales of fine, thermal, carbonless, and decor papers, as well as colored papers and card stock. The company's master plan sets a revenue target for 2008

> **"SAP insider expertise and industry-specific knowledge were decisive factors here."**
>
> **Mario Schnurr, Head of Organization/Logistics, Koehler Paper Group**

of €700 million. SAP solutions, including the SAP for Mill Products solution portfolio, the SAP ERP application, and the SAP Advanced Planning & Optimization (SAP APO) component, all play a significant role in achieving this goal.

## "A Fresh Approach at Koehler"

The master plan, with the slogan "A Fresh Approach at Koehler," aims to make processes quicker and leaner. Koehler is replacing its array of heterogeneous, vertical, stand-alone IT solutions with a horizontal IT environment based largely on SAP applications. The first stages of this multistep plan have already been completed, creating a new dimension of process efficiency. "We are already outstripping our competitors," says Schwelling, who in his role on the board is also responsible for finance, controlling, materials management, purchasing, business requirements analysis, and human resources.

## As Good as the Best Is Not Good Enough

Schwelling believes the implemented master plan has the power to make the group a serious competitor to the larger companies in the market. "As far as costs are concerned," he says, "as a mid-size company with a completely revamped IT environment, we have the potential not just to compete with the big players in the industry but to be even better." The CIO knows how high he has raised the bar. In the mid-1990s, when the Koehler Paper Group first implemented SAP software, Schwelling was responsible for the general IT strategy. This commitment to the highest standards runs throughout the master plan. The IT team in Oberkirch is dedicated to realizing their CIO's vision: an IT landscape capable of providing information about the revenue that can be achieved in each industry and with each customer, before the delivery truck even leaves company premises.

## High Demand for Production Planning Flexibility

To succeed in the paper industry, companies must be able to plan and control production processes. Supply chain management is critical. Demand fluctuations in the paper market, which are traditionally cyclical, necessitate a high degree of flexibility. In addition, the products are highly customized: customers specify the cut of the format or reel goods when they order. In addition, they expect accurate delivery date information. And on top of customer demands, the industry is also under pressure to increase production lot sizes to optimize the use of paper machines.

At Koehler, a central production-planning solution satisfies these requirements. Using SAP APO functionality, the SAP solution for Koehler also integrates cutting optimization software based on an application from SAP partner Greycon called X-Trim, which makes possible simultaneous reel and format trimming that optimizes cutting results.

## Entire Process Chain Now Integrated

Koehler now uses flow-optimized, make-to-order production with flexible order combinations at different production levels. Automatic finite scheduling and manual planning with a block adjustment option can be performed across all levels. The software supports management of approvals for production, passing orders quickly to the manufacturing execution system. Koehler has developed its own software solution for manufacturing execution, based on the SAP NetWeaver® platform and using SAP functionality.

With SAP ERP, SAP APO, and the manufacturing execution system integrated into production, the new IT landscape covers Koehler's entire process chain, from order creation and the planning and production process to delivery and billing. As soon as sales orders are entered into the system, an online availability check is performed, taking into account the following:

- Safety stock
- Production with finite capacity and block-planned resources
- Stock transfer processes and rework processes
- External tooling

The process flow benefits from the tight integration between the application environments. Standard interfaces integrate the cutting optimization solution with the planning process. The X-Trim application collects the original orders for cutting optimization directly from the SAP environment and transfers results in the form of cutting orders to SAP APO. From SAP APO, the information is transferred as production orders for further processing in SAP ERP.

Wolfgang Schwaab, head of the SAP Customer Competence Center location at Koehler, believes that the SAP software–based solution will enable the company to "completely map its logistics processes and at the same time support modern controlling requirements."

## Increasing Team Spirit

For Schwelling, a modern IT landscape such as the one initiated by the Koehler master plan offers more than a competitive advantage. "Even in difficult times, a modern IT landscape creates a strong feeling of togetherness and increases team spirit," he explains. With this in mind, he always ensures that IT specialists have leading roles in the projects implemented at Koehler. Far from acting as a barrier to external expertise, this approach actively encourages sharing of knowledge and skills. The decision makers at Koehler chose SAP Consulting to help them realize

**"The SAP consultants contributed in a highly skilled and professional way to help us realize this large and complex project successfully."**

Mario Schnurr, Head of Organization/Logistics, Koehler Paper Group

their master plan. "SAP insider expertise and industry-specific knowledge were decisive factors here," explains Mario Schnurr, Koehler project lead and head of organization/logistics. And Koehler had no regrets in its choice of partner; according to Schnurr, "The SAP consultants contributed in a highly skilled and professional way to help us realize this large and complex project successfully."

.

**THE BEST-RUN BUSINESSES RUN SAP™**

50 084 397 (07/06)