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Teck Cominco cuts costs and refines operational efficiency with SAP on Linux and IBM

Teck Cominco is a world-leading mining, smelting and refining group. Products include semi-processed ores (known as 'concentrates'), metals such as copper, gold, molybdenum, silver and zinc, and metallurgical coals. Headquartered in Vancouver, Canada, Teck Cominco employs more than 6,700 people, with revenue of $3.4 billion in 2004.

The sales and marketing division of Teck Cominco, based in Toronto, has used SAP software since 1995, deploying Sales and Distribution, Materials Management, and Finance and Controlling components.

Mike Zeleniak, Information Systems Manager, explains the reason for seeking to refresh this solution architecture: "The infrastructure for the SAP software had served us well, but was becoming less reliable as business demands grew. Linked to this, annual maintenance costs were rising. The business drivers for change were to gain new SAP functionality, enhanced reliability and reduced costs.

"Prices for concentrates and metals are set by the markets, which makes Teck Cominco a very cost-sensitive business. We are therefore constantly looking for ways to cut costs, raise efficiency and improve reliability."

Prospecting for gold

The existing SAP solutions ran on proprietary UNIX systems. Drawing on in-house experience of the Linux® operating system, Mike Zeleniak reviewed customer case study examples proving that Linux is a strong workhorse for mission-critical applications at very low total costs of ownership.

Convinced, he made the strategic decision for Red Hat Linux to run the SAP R/3 4.6B software, and subsequently migrated to new IBM hardware and DB2 Universal Database solution. After a brief period of stability testing, the system was then upgraded to SAP R/3 Enterprise.

"We took the opportunity to consider our hardware, database and storage options, looking for the most cost-effective combination. To this end, we selected IBM @server xSeries servers, IBM DB2 Universal Database, IBM TotalStorage DS4300, and IBM TotalStorage LTO2 tape drives for backup and archive."

Teck Cominco is taking advantage of advanced functionality of IBM DB2

Overview

■ The Challenge

Increase reliability and performance of core SAP software solutions; Control annual maintenance costs; Introduce new SAP functionality and improve business reporting capabilities

■ The Solution

Industry: Industrial Products
Application: SAP R/3 Enterprise, SAP for Mining Industry Solution
Hardware: IBM @server® xSeries™, IBM TotalStorage® DS4300, IBM TotalStorage® LTO2 tape drives
Software: Red Hat Linux, IBM DB2® Universal Database

■ The Benefits

Dramatic performance improvements – some reporting accelerated from 6 hours to 20 minutes; Improved performance enables users to take full advantage of SAP functionality; Enhanced reliability, significant savings in annual maintenance costs; Improved ability to analyze customer profitability and account activity;

IBM | SAP

Universal Database, and Mike Zeleniak says "With the tight integration of DB2 with SAP, such as the DB2 Cockpit, database administration can easily be carried out within SAP."

Extensive reserves

SAP requires all system migrations to be carried out by certified SAP migration consultants, and Mike Zeleniak reports that a key decision point for choosing IBM was the strength of resources available.

"IBM put together a proposal that was very cost-competitive in terms of consulting, implementation and software, and basically made us an offer we could not refuse for DB2."

Teck Cominco implemented a typical SAP landscape, with three IBM @server xSeries servers, running production, quality assurance and test SAP software environments.

"After we implemented the IBM and SAP solution, users found the system more responsive. The additional power meant that they were able to exploit new features of the SAP solution that they had formerly ignored, because the reports had taken too long to execute."

"The new IBM solution is extremely powerful, and very much faster than our previous solution," reports Mike Zeleniak. "For example, a month-end report that formerly took six hours to complete now takes less than 20 minutes. So the business gets the information it needs for decision-making at high speed."

Mining for customers

Teck Cominco is using its new-found processing power to mine its customer data more effectively, analyzing profitability and account activity. The SAP solution is used to generate detailed reports on transactions,

providing accurate management information for better decision-making. "The IBM and SAP solution has exceeded expectations on the performance side. Teck Cominco's maintenance costs are greatly reduced now we have moved to Linux and DB2, saving the organization tens of thousands of dollars a year," says Mike Zeleniak.

Digging deeper

With a successful upgrade to SAP R/3 Enterprise under their belts, Mike Zeleniak and the team are now looking at the SAP for Mining Industry Solution. "As flexible as SAP software is, it cannot handle the complex pricing involved in concentrate sales and bulk material handling. The answer will be to implement SAP for Mining, which is specifically designed for the demands of our industry, and which we can integrate directly with the transactions held in DB2."

Concentrates pricing is based in part on chemical composition, with penalties and payables depending on contaminants or precious metals. Historic, current and future market prices are then used in various weightings to determine actual billing, some of which may be retrospectively adjusted should market rates change.

"Right now, pricing is handled by a home-grown system, which will be replaced by SAP for Mining. We are confident that with the outstanding IBM solution, the company is ready for this next evolution."

The right combination for business

In an intensely competitive industry, Mike Zeleniak is clear that the SAP, Linux, DB2 and IBM combination is a winner. "In my view, SAP solutions are the best systems to manage our metal and concentrates sales business. The core systems flexibility and the ability to manage complex pricing give us the reporting and management control we need.

"The experience of our engagement with IBM has been extremely positive, and we were very impressed by the very high-level management commitment to our project. This helped to ensure a very smooth implementation," concludes Mike Zeleniak.

> *"The combination of SAP functionality with the robustness of IBM DB2 and the cost-effectiveness of Linux makes for an excellent solution."*
>
> Mike Zeleniak, Information System Manager
> Teck Cominco

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