

## Plastipak standardizes on SAP and IBM to help achieve growth goals.

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### Overview

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#### ■ Challenge

*Plastipak competes for international contracts to supply containers and packaging. Following fivefold growth inside ten years, Plastipak's business expenses were rising. Without a global view of its manufacturing operations, the company found it hard to standardize its processes and reduce costs—key stages in its expansion program.*

#### ■ Why Become an On Demand Business?

*Plastipak needed a scalable IT infrastructure to deliver better access to information throughout the business, support growth and control costs.*

#### » On Demand Business defined

An enterprise whose business processes—integrated end-to-end across the company and with key partners, suppliers and customers—can respond with speed to any customer demand, market opportunity or external threat.



#### ■ Solution

*Plastipak built a resilient supply chain management solution based on mySAP Business Suite, working with Sirius, an IBM Premier Business Partner, and IBM Global Financing. A single IBM @server® iSeries™ system provides a scalable, flexible platform for SAP software, enabling a central view of all manufacturing operations.*

#### ■ Key Benefits

*Warehouse efficiency has improved by around 14 percent, pick order times have decreased by about 32 percent, and staffing costs have declined by some 8 percent. Total annual savings of approximately \$17 million have been achieved, and sales days outstanding have been reduced by 14 percent.*

Plastipak Holdings, Inc., based in Plymouth, MI, manufactures more than 8 billion plastic containers a year. Around half of its output is for the beverages industry, with the remainder split between consumer cleaning, foods and agricultural/industrial applications. With operations in the Americas and Europe generating revenues of more than \$1 billion, Plastipak continues to grow rapidly—expanding fivefold in just ten years.

The company's ambition is to beat the industry average growth figures, which means accelerating international operations to find new markets, and a relentless downward drive on

## Supporting business growth through On Demand Business

### On Demand Business Benefits

- Eight percent decline in staffing costs
- 14 percent improvement in warehouse efficiency
- 32 percent improvement in order fulfillment time
- Sales days outstanding reduced by 14 percent
- Anticipated two-year return on investment
- Finished goods inventory turns increased by 17 percent, raw materials by 13 percent
- About \$17 million in annual savings

*“Rather than over-invest in capacity, with the iSeries we are able to match our IT investment and capabilities more closely to the needs of the business.”*

—Dave Daugherty, Chief Information Officer, Plastipak

costs. Its existing management information systems, reliable and effective for many years, were not capable of adapting to the changing requirements.

Dave Daugherty, Chief Information Officer, explains, “We were not able to deliver key business information to executives, and unable to support business growth easily and cost-effectively. There was little or no information sharing between manufacturing locations, with non-standard processes and consequent loss of economies of scale. Plastipak wanted a system that would produce better information more rapidly throughout the whole business. The new system needed to be highly scalable as we entered new markets and started new operations, yet carry no complexity or cost penalties.”

### How to implement a strategy

Plastipak selected mySAP ERP and mySAP Supply Chain Management solutions as the best way to meet its enterprise information needs—moving to mySAP Business Suite. Dave Daugherty reports: “This was an easy sell to the board, as SAP software addressed all our essential management requirements. The next big question was: how do we deliver it in a cost-effective, scalable manner?”

Dave Daugherty examined both IBM **@server** iSeries and Intel®-architecture servers as possible alternatives. Essential issues were the ability to scale to support rapid growth, the reliability required to provide continuous operations, and the capacity to handle rapid change in workload.

To meet this combination of needs, Plastipak selected an IBM **@server** iSeries model 570 server to run its mySAP Business Suite, with IBM DB2® Universal Database™ for iSeries.

Dave Daugherty comments, “Our estimates were that a consolidated server running mySAP Business Suite would enable us to reduce headcount by 40. At an average salary of \$50,000 a year, this staff saving alone would produce a return on investment in around two years.”

The implementation cycles in a large company with ten overseas operations were an important factor, and Plastipak wanted to keep complexity to a minimum. Says Dave Daugherty, “We did not feel that Intel-based servers would be able to offer Plastipak the scalability and flexibility needed to support growth and change. In our opinion, the iSeries servers offered a more reliable, stable and resilient platform.

“We estimate that downtime costs Plastipak more than \$100,000 an hour. With operations in nine time zones, every minute is a key time of day for someone. That’s why the reliability of the iSeries is a key benefit for our business.”

### **A stellar partnership**

Sirius, an IBM Premier Business Partner, worked with Plastipak on both system design and configuration to create the infrastructure for the new mySAP Business Suite solution. Says Dave Daugherty, “Sirius has close links to both IBM and SAP, so we can easily access all the expertise we need.”

Plastipak acquired the iSeries server using IBM Global Financing to create a package that suited its budgeting needs, arranged through Sirius.

### **Achieving business benefits**

The new iSeries solution has allowed Plastipak to roll out a new mySAP Business Suite software implementation to each of its operational locations on a monthly basis. The central server provides all the SAP software functionality to around 4,000 users, of which approximately 700 are concurrent, accessing about 1TB of data.

“From an operational perspective, we are much more efficient now that we are using SAP software. Plastipak has very high stock movements, and a key performance indicator is the number of fulfilled orders to customers; we are now averaging 99.2 percent first-time perfect order fulfillment.

“With mySAP Business Suite, when a customer order comes in, we are able to check if we have the products in stock or not, definitively. This knowledge gives us the ability to respond faster to customer requests, and investigate more rapidly where we are unable to fulfill orders,” explains Dave Daugherty.

Over the period of deploying SAP software, Plastipak estimates order-assembly-to-vehicle load times have been cut by 14 percent, pick order times have declined by 32 percent, and staffing costs have been cut by 8 percent. Annual cost savings have totaled around \$17 million a year, and sales days outstanding has been reduced by 14 percent. Finished goods inventory turns have increased by 17 percent and raw materials turns have risen by 13 percent.

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## **Key Components**

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### *Software*

- IBM DB2 Universal Database for iSeries
- mySAP Business Suite

### *Servers*

- IBM @server iSeries 570

### *Services*

- IBM Global Financing

### *Business Partner*

- Sirius
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### **Taking advantage of technology**

To manage its rapid growth, Plastipak takes advantage of the Capacity Upgrade on Demand feature of the iSeries system, whereby additional processors can be activated immediately should workload rise. With a single instance of mySAP Business Suite supporting all geographies, this flexibility allows Plastipak to be confident that even large or sudden peaks in workload can be managed.

“Capacity Upgrade on Demand saves considerable dollars,” remarks Dave Daugherty. “Rather than over-invest in capacity, with the iSeries we are able to match our IT investment and capabilities more closely to the needs of the business. The autonomic management capabilities of the iSeries allow us to run at relatively low processing capacity that is dynamically allocated to the application areas that most need the resources, saving cost and administrative overheads.”

### **Bringing the customer closer**

Plastipak provides both customer and vendor access to business data, such as inventory status, order progress, production, delivery schedules and invoicing and payment.

Daugherty continues, “Customers and vendors use a Web portal to access selected subsets of the same live data on the iSeries that management uses to run the business. Internally, the Vice President of Production can see what is happening as of this minute, and generate manufacturing and financial data during the month. The ability to share this kind of data makes Plastipak more responsive as a business, and better able to meet our customers’ needs.”

### **For more information**

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