

SAP Business One Equips Viper Motorcycle Company for Easy Riding Along Steep Growth Path

■ Highlights

- SAP Business One implemented in less than 60 days
- Triple the shipment of bikes with only double the workforce
- Improve inventory management by using RFID tags
- Gain visibility of all key business processes

■ Benefits

- Substantial improvements in employee productivity (CAGR):
 - Purchasing department: +12%
 - Production department: +27%
- Reduction in stock holding (CAGR): -18%
- Reduction in stock wastage (CAGR): -12%
- Improved procurement margins (CAGR): +17%

■ Return on Investment (ROI)

- Return on investment (static, net cash flow over investment): 60%
- Payback period (static): 22 months
- Net present value (3 years (2005–2007) at 10% discount rate): US \$179,950
- Internal rate of return: 51%

■ Customer Profile

Name	Viper Motorcycle Company
Location	Minneapolis, Minnesota
Industry	Automotive
Products and services	High-end cruiser motorcycles
Revenue in 2006	US \$60 million
Employees	21
Web Site	www.vipermotorcycle.com
Solution and Services	SAP Business One
Implementation Partner	businessfirst

“Not only does the investment in SAP Business One support our enormous growth, it has also delivered a fast payback of less than two years due to substantial productivity improvements and savings in working capital.”

Garry Lowenthal, CFO, Viper Motorcycle Company

Customer Challenges

■ Company Overview

Founded in 2003, Viper Motorcycle Company develops, produces and markets a line of high-end custom, factory-built, V-Twin super cruiser motorcycles and related aftermarket products to give affluent motorcycle enthusiasts a well-designed bike that turns heads. Viper motorcycles are distributed and sold under the Viper brand name through a U.S.-wide independent dealer network.

■ Vision & Strategic Goals

- Increase number of produced and shipped bikes from 350 to 2,000 units per year within a 5-year time frame
- Expand the dealer network from 25 to 100 dealers over a 2-year time frame
- Maintain the flexibility of a small company while professionally managing a complex supply chain like a large manufacturer
- Expand the aftermarket business by providing dealers with easy insight into Viper's processes for ordering motorcycles, spare parts, and accessories

■ Challenges and Opportunities

- Replace spreadsheets and an off-the-shelf accounting package not suitable for end-to-end financial controls
- Support a constantly growing business with an increasingly complex network of customers and suppliers and an expanding portfolio of products
- Support the key business processes with an automated workflow, linking order processing, manufacturing, procurement, and financial accounting
- Maintain full visibility over a complex supply chain
- Implement Sarbanes-Oxley compliant systems and procedures
- Build a scalable, but cost-effective IT system supporting the planned business growth

■ Solutions and Services

- SAP Business One application

■ Implementation Approach and Highlights

- Installation of SAP Business One for financials, sales, purchasing, and production in less than 60 days
- Simple and fast set up by utilizing predefined implementation paths
- First production planning run performed in the implementation phase
- Implementation cost – including training – 37% below budget



Customer Achievements

■ Why SAP?

- Business software able to support Viper's fast growth
- Solution capable of handling a complex business model
- Solution includes powerful reporting tools
- Ensures compliance with Sarbanes-Oxley Section 404
- Provides functionality of a full-size enterprise resource planning system for a mid-sized company budget

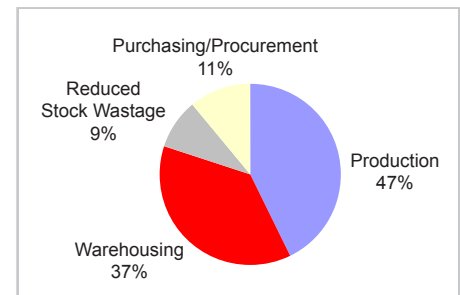
■ Quantitative Benefits

Significant Performance Improvements

To be a candidate for strong growth in the high-end luxury motorcycle market, Viper had to provide a basis to support a rapid growth in shipments. To do that and to prepare for an IPO, the start-up company's management decided in 2004 to gear up its IT architecture: Viper needed a business software system that would help it ramp up to achieve efficiency in all its business processes, make better planning decisions, and enable Sarbanes-Oxley compliance.

SAP Business One application functionality for financials, sales, purchasing, and production not only supported Viper's strategic goals, but also led to measurable performance improvements across all key business processes. For the business processes listed below, Viper assessed overall performance improvement due solely to SAP Business One. The following values reflect year-over-year performance improvements.

Share of Benefits



Process Area	Key Drivers for Improvement	Performance Improvement
Purchasing/Procurement	<ul style="list-style-type: none"> ■ Reduced error rates in procuring Viper parts and raw material due to improved communication between production and purchasing departments ■ Correct and automated purchase orders reduce manual re-work and ensure in-time delivery of parts to production ■ Obtain better pricing from suppliers: Automatic alert capabilities allow to maintain cost thresholds when sourcing parts 	<p>Productivity improvement of 12% annually</p> <p>Procurement margins improved by 17% annually</p>
Production	<ul style="list-style-type: none"> ■ Closed-loop material tracking by utilizing RFID technology allows to reduce time and materials in the assembly of bikes ■ In time availability of correct parts at the manufacturing facility reduces time needed for gathering the parts ■ Improved production planning allows better resource utilization 	<p>Increased output per worker by 27% year over year</p>
Warehousing	<ul style="list-style-type: none"> ■ Improved information flow between procurement and operations allows to reduce minimum inventory levels ■ Up-to-date information from tracking materials in the production process of parts in stock allows to increase inventory turns 	<p>Reduction of average inventory levels by 18%</p>



Customer Achievements

■ Quantitative Benefits (continued)

Increased Labor Productivity in Procurement and Production

With the help of SAP Business One, Viper was able to increase the number of assembled and delivered bikes by about 50% – from 350 bikes in 2005 to more than 500 bikes in 2006 – without increasing the workforce in either production or procurement. Instead of passing paperwork between the departments, the communication between production and procurement occurred in real time through automatically generated restocking and purchasing orders, which ensured on-time availability of parts on the shop floor and eliminated time previously spent searching for missing parts.

Reduced Stock Holding and Minimized Stock Wastage Means Savings in Working Capital

SAP Business One constantly monitors the stock levels for each part by utilizing radio frequency identification (RFID) tags deployed by Viper in the production facility. The solution provides Viper with detailed information at any time on parts in stock and automatically triggers the purchasing process when the number of parts reaches a minimum stock level. This enables Viper to substantially reduce its stock holding for assembly parts, resulting in capital savings of over US \$250,000 over a three-year time period.

Living up to its value proposition of offering every customer a highly personalized motorcycle means Viper has to handle a large variety of parts. What's more, over 80% of a Viper motorcycle is created with parts custom manufactured by Viper for Viper. The supportive functionality in SAP Business One saw to it that the advantage Viper provides its customers did not turn into a financial liability for Viper. Closely tying together purchase orders, production process and parts in stock enabled the close monitoring and forecasting required to keep stock at optimum levels. This minimized waste from wrong or out-dated parts.

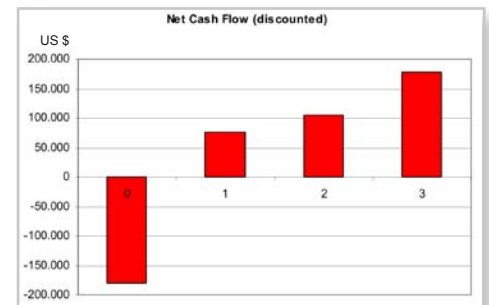
Fast Payback and Solid Return on Investment

Due to its ease of use which in turn keeps training efforts low, SAP Business One was rapidly embraced by Viper's users. The information flow across Viper's supply chain improved noticeably and quickly yielded measurable benefits. The investment in the SAP software was paid back after 22 months and Viper could log an internal rate of return (IRR) of 51% over a three-year period.

“SAP Business One improved our workflows significantly by aligning the production and purchasing departments. This enables us to better plan our production with just-in-time provisioning of parts and subassemblies.”

Garry Lowenthal, CFO, Viper Motorcycle Company

Net Cash Flow from SAP Investment



Customer Achievements

■ Qualitative Benefits

In addition to the above quantifiable returns on its investment Viper has been able to achieve multiple qualitative benefits from SAP Business One:

- Improved reporting functionality provides Viper with a detailed and always up-to-date understanding of the cost structures for each individual bike manufactured and shipped, thus supporting better, timely, informed decision making
- A productivity improvement of 14% in closing books was achieved through reports that are generated automatically and accounting that has been streamlined through automated workflow of data, which reduced error-prone manual paper-work
- Viper greatly benefited from the industry best practice templates that came with SAP Business One to streamline its business processes
- Having well-defined and well-documented business processes enabled Viper to achieve compliance with Sarbanes-Oxley requirements

■ Conclusion

The implementation of SAP Business One was a prerequisite for Viper to gear up for strong growth. Although Viper is still a small business, its processes are as complex as those of big manufacturing companies. SAP Business One provides Viper with the best practices of large enterprises and full business visibility, enabling Viper to stay ahead of its competition. Substantial and persistent productivity improvements in major business processes and strong savings in cost of capital allowed Viper to achieve a fast payback on its investment in the SAP solution.

SAP Business One is also helping Viper keep up the high standard of its customer service. Customer service reps have online access to detailed order and invoice status as well as pricing information for each customer, enabling Viper to respond quickly – and personally – to customer's service calls. Their data is always current because it is automatically updated in real time, rather than in daily or weekly cycles

■ Next Steps

- Implementation of e-commerce functionality connecting dealers and partners
- Introduction of credit card payment to support internet sales

■ Lessons Learned

- Plan ample time for implementation to allow you to fully profit from the process improvements SAP Business One delivers
- Utilize the ready-made templates provided by SAP Business One to promote learning by doing and provide users with "early wins" when using the new solution, thus smoothing the phasing-in of new functionality into the business processes
- Make use of "eagles" among the new SAP software users – users who are open, willing to learn, and encourage and support others in becoming adept in using the new software

"Although we are still a small company, our business processes are as complex as those of large manufacturers. The reporting functionality of SAP Business One provides us with full visibility of our process landscape at any time. And above all, it allows us to comply with Sarbanes-Oxley Section 404."

Garry Lowenthal, CFO, Viper Motorcycle Company

About the GP&S Value Analysis

This study represents the investigation into the costs and business values of an investment in an SAP Business One solution. Research and value analysis were conducted by Gerlach, Porst & Steiner (GP&S), an independent global consulting and services provider for business growth. The analysis is based on telephone interviews with representatives of Viper Motorcycles and documents provided in the course of the investigation. Information contained in this publication has been obtained from sources considered reliable, but is not warranted by GP&S.

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