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How SAP Sees RFID and Agents

At its annual Sapphire user conference, held in Orlando, Fl., last week, Bob Betts, SAP's senior VP for global supply chain, spoke to a small group of journalists about the new smart agent technology the company is developing for Procter & Gamble and an unnamed retailer. Here are excerpts of his remarks.

On why this technology is needed: “What we realized is that as good as our technology and our execution system is, it isn’t good enough. There are gaps that show up, and not in the usual way. We would go into the offices of our customers, and would see reps on the phone constantly. We’d see faxes and e-mail back and forth. What’s going on?

We sat with people and observed what was happening. We talked to them. And when you netted it out, it turns out that an execution plan is useful up to the minute you execute. As soon as you execute it, the plans become useless. Trucks are late. Machines run more slowly than anticipated. Goods don’t arrive from suppliers. All of these things compromise your plan.

What we realized is, companies could plan well using our software. And they could execute well on the plan. But you have to have the ability to understand what’s going on around you and react to it. Are the trucks late? Is there a spike in demand? Systems need to be able to understand the world and respond to what’s going on.

On SAP’s “adaptive supply chain networks” strategy: When a truck is late, you have to have the ability to adapt without impacting global activity. That is the trick. If you can do that, you can respond to events locally at lower cost than if you have to do it at the global level and redo your entire execution plan.

How do we do this? Well, you have to know where you are going to get there. Adaptive networks are the end goal. But you can’t just plug it in and say, Okay I’m ready to go. It’s not instant grits. You have to work your way there. How do you do that. You have to have visibility. You have to be integrated across platforms and partners. That a big step. Instead of trying to take it all at once, we expect companies to do it little by little.

You might collaborate with three or four business partners at

first. And you should collaborate around four concepts: what do I have, where is it, how is it committed against order and what do I want to do with it in the future. Having visibility into those four things is huge.

You start with two or three partners at first. When you've got visibility into those four things, then the community gets larger, and you increase your visibility. The greater your visibility, the more you can collaborate and the more you collaborate the better you can adapt to changing situations.

On what it means to be adaptive: Being adaptive means having good reflexes. Having good reflexes prevents you from making mistakes. You do the simple things first, like avoid stock outs. As companies move to the higher end, they will be able to adapt and add a new partner that has a product you want to sell to our customers. You'll be able to add them to the network within 24 hours. It also means you'll be able to drop them just as fast. They are going to have to provide great service and great products or they will be gone. Okay service and products are not going to be good enough. To do the adaptive networks, there is planning and coordination with your partners. And you have to execute with a passion.

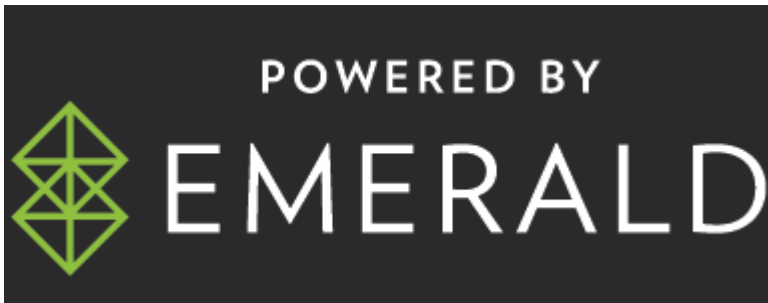
On the benefits of adaptive technology: SAP's basic premise is that this technology creates time compression. Time compression improves product quality, reduces costs from inventory reductions, and creates greater topside opportunity because you can do dynamic promotions. You can engage in more aggressive campaigns with CPG [consumer packaged goods] partners because you can respond quickly to the changes in demand you create.



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