

## Build it and they will grow



Super Cheap Auto Group CIO Wayne McMahon uses over two decades of IT experience along with leading edge SAP technology to help supercharge the retailer's growth. Freya Purnell reports.

solutions, and feeding into the IT and high tech industries. For instance, we were a supplier to Microsoft of supply chain solutions during a time when the manufacturing moved from predominantly US and Europe into Asia," McMahon says.

This fascination with building systems for high growth companies certainly has been satisfied during his time with the Super Cheap Auto Group.

"I've been very fortunate, I've always worked for companies that are going through massive growth, either organic growth or growth through acquisition, and needing to support the IT requirements of a really challenging situation," McMahon says.

He joined the Super Cheap Auto Group in early 2006. At that time, the company had its main Supercheap Auto brand for automotive parts and accessories, and had just birthed a new brand, BCF-Boating Camping Fishing. The company had been posting growth of 25 per cent year on year, but was ready to take the business to the next level. At the time, the company was running SAP R/3, which was the original version installed in 2002, after then-financial controller Peter Birtles (now managing director of the Super Cheap Auto Group) made the decision to implement SAP, when the company was arguably too small to warrant such a robust ERP system.

"At the time he went out on a limb to implement SAP, but he saw it as being the chief enabler. He knew the company was going to grow phenomenally and he wanted an ERP solution that would support the business not only at that time but all the way through to when it was a billion dollar plus company. So at the time it was quite a brave call, but it was absolutely the right call," McMahon says. "We consider SAP a very, very important partner and a major contributor to our success."

It was also a decision typical of the Super Cheap Auto Group's take on IT and business systems.

"We make multi-million dollar investments. The most important thing to note is that all of our investments, whether they are in IT or in the business, are very much driven by a return on investment, so there is a need whenever we spend capital to have a strong business case that includes a well-documented return on investment which is significantly higher than our cost of funds," McMahon says.

When McMahon came on board, his brief was to ensure the systems provided support for the company's accelerated growth;

Given that Super Cheap Auto Group CIO Wayne McMahon considers himself "a builder rather than a maintainer", he has certainly picked the right jobs at the right time.

Having spent the last 23 years in the IT industry, starting in the data programming department of BHP straight after school, McMahon's career took him to Asia during a period of high growth as the Japanese, Korean and Taiwanese economies began to gain strength, with the focus then switching to China. He spent 10 years working for a large American multinational providing supply chain solutions for the retail, IT and high tech industries, culminating in the role of director information technology, Asia Pacific. He was based in Tokyo for two years, followed by eight years in Singapore, and then spent a year as global CIO for an apparel company based in Hong Kong. This time in Asia gave McMahon significant experience in working with very culturally diverse teams—as well as the satisfaction of being where the action was.

"I was working in a booming Asian economy where emerging markets were coming at us left, right and centre. It was particularly interesting because we were building supply chain



## “Maintaining accurate master data is a major issue for retailers”

to upgrade its SAP R/3 environment, which was approaching the end of its life; to grapple with the challenges around maintaining accurate master data in a company with a huge amount of product and a vast range of SKUs stocked at stores; and to enable business efficiencies through e-commerce and greater reporting capabilities through the Business Warehouse.

With a shared service team of around 30 people based in Lawnton, Queensland, supporting three brands – Supercheap Auto, Boating Camping Fishing and a new bicycle brand, Goldcross – on a common SAP platform, McMahon has achieved all this and more.

One of the major tasks during his time with the company, the upgrade of SAP from R/3 to ECC 6.0, was a very successful project, taking place in under eight months.

“In the end, we brought it in two weeks earlier than we had anticipated and well under budget. We were jumping from version R/3 over ECC 5 straight to ECC 6.0, and that can be very problematic. Often it can be difficult, particularly in a large company that is in a huge growth mode, to get business buy-in around things such as testing and requirements for configuration,” McMahon says.

However, the team put together a “harvest plan” to articulate the benefits and particularly the quick wins that would occur as a result of and directly after the upgrade.

“We got very strong buy-in from the business and we ran through a vendor panel made up of a number of good SAP support partners. We ran a good process, we ran a really good project and we’ve been able to harvest the benefits. We went straight out of the ECC 6.0 upgrade into implementing functionality such as regional ranging and regional pricing.”

Another important part of McMahon’s role has been actively developing Super Cheap Auto Group’s Business Warehouse solution, with an upgrade to BI7.0 now on the drawing board.

“Practical reporting is very important, particularly when the business is making decisions based on return on investment. We need to be able to ensure that we can report that return on investment, and get the right guides to the people who are making the decisions. Ultimately we will consider implementation of Business Objects so we can give people their own data cubes where they will be able to slice and dice their data and get exactly what they need in the most timely fashion.”

The business intelligence capability is not just about reporting, but is also enabling process re-engineering.

“The business is rapidly growing and reinventing itself along the way. There’s a constant need to review and to optimise processes. Coming out of those processes are enhanced or additional reporting needs; they go hand in hand for us,” McMahon says.

The company has also developed extensive e-commerce capabilities, including supplier collaboration, to gain further efficiencies. There has also been significant development around its point of sale functionality.

And just one of the developments that has garnered interest from other SAP users is the implementation of the SAP Master Data Management (MDM) solution, including an interface directly to GS1 Net. This enables the company to take master data directly from its suppliers.

“Maintaining accurate master data is a major issue for retailers, particularly as our stores stock literally hundreds of thousands of products, and accuracy can be a challenge,” McMahon says.

“For instance, if your master data states that a product is a certain size or volume but in fact you’ve understated it by 50 per cent, that would cause huge problems in shipping, warehousing and stocking that product. When you go to store these products within your distribution centre, you will have dramatically underestimated the space required. And that goes all the way to the store set-ups where fixtures will have been built expecting products

to be a certain size. Even decisions about freighting and shipping costs are impacted.”

He says even from a marketing perspective, the suppliers know best what their products’ features and benefits are, and the retailer needs to be able to capture those details for marketing and correctly labelling a product.

While the project is only at the pilot stage, McMahon hopes that over the next three years, a large percentage of their master data will be shared directly with the suppliers.

However the project hasn’t been without its challenges to date – the GS1 Net connectivity aspect of the MDM implementation presented difficulties for the Super Cheap Auto team.

“We really were out there very much on the leading edge, almost the bleeding edge in fact – there’s parts of the interface we developed internally so in some ways we were ahead of SAP on that one,” McMahon says.

Importantly, the IT team has supported the growth of the company over the last three years while it doubled its revenue. In the immediate future, the new Goldcross acquisition will be migrated from its legacy ERP solution over to SAP.

In such a fast-growing business, it is essential to keep ahead of technological developments. Members of McMahon’s team are involved in the SAUG, while McMahon himself is hooked into a community of CIOs in Brisbane, across Australia and globally. This provides an opportunity for the CIOs to share information on challenges, technology and suppliers. He also maintains a connection with SAP to stay abreast of where it is going with its application development and the road map.

“We have a lot of interest in functionality that’s coming down the line. For instance, we’re keeping our eye on SAP Point of Sale as our current point of sale is internally developed. We’re also keeping our eye on the new Forecasting and Replenishment functionality that will be >>



delivered over the next two years. We are looking to do a lot more around integrated online sales and so there's elements of the CRM modules which will be of future interest to us, particularly around the fully integrated shopping cart functionality. Because we work so closely with trading partners, we are interested in supplier relationship management and on the reporting side, further development of BW and the integration of Business Objects."

He will also be keeping an eye on how products are being integrated into

Netweaver and developed along service-oriented architecture principles.

While the technical aspects of making these systems fit the business' requirements are reasonably straightforward, given the right architecture and solutions, the real challenge for CIOs is in making the benefits quantifiable and proving the investment will pay off.

"When it comes to building a strong business case and identifying KPIs that are truly measurable rather than just warm and fuzzy, that can be a challenge in itself – not only to identify those KPIs and decide how they are measured, but also making yourself accountable to them. So if I say there will be that benefit, we can measure that benefit, and I'm personally accountable and my group is accountable."

To develop its business cases, McMahon draws on the expertise of his "great internal resources", his SAP reseller partners Extend Technologies and CIBER Novasoft, as well as SAP.

"Particularly in this current economic climate, the cost of capital in recent years has gone up considerably, and boards are

very wary and need solid justification for spending large sums of money," McMahon says. "So there is increasing pressure to put those business cases together and ensure they are monitored. I'm part of the group's executive leadership team, so purely from a business perspective, I fully believe in the process and that there should be solid returns on everything we do."

In terms of trends in the ERP space over the next two to three years, McMahon believes that this financial pressure will compel CIOs to drive more value out of their ERP.

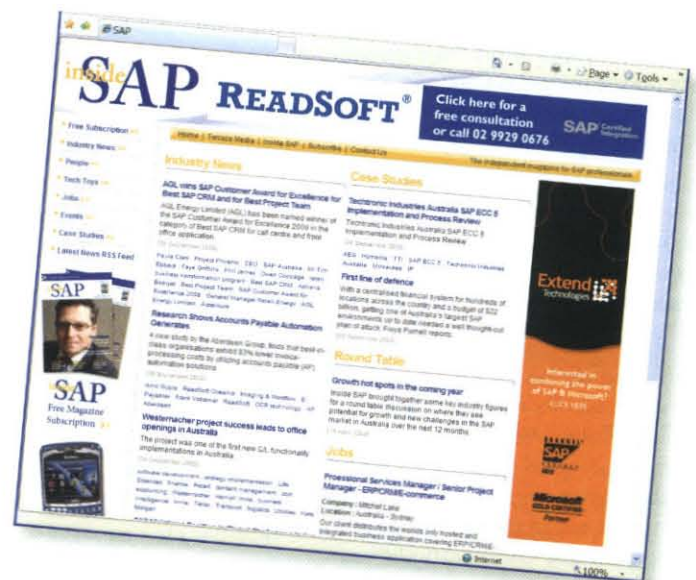
"As the cost of supporting and maintaining the product goes up, then we need to work with the business and gain even more value out of it, and as we're paying more for our integrated suite, we need to drive more value out of the integration," McMahon says.

There is more growth ahead for the Super Cheap Auto Group – McMahon says it will be a billion dollar company by 2010, making it a very significant retail player in Australia. And if McMahon's track record is anything to go by, he will be enjoying the ride.

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