



## AriZona cuts costs by 50 percent, grows case sales by 14 percent with SAP and IBM

AriZona Beverage Company is a classic success story: two friends start a small drinks delivery company which grows into one of the leading brands in the US. From iced teas and sports drinks to specialist water and energy drinks, behind the story is a great deal of inspiration, and behind that is pure hard work.

The business model includes both a direct sale company, serving the large retail chains, and three distribution companies serving independent stores. Fleets of trucks handle thousands of deliveries daily; efficiency and profitability depend on the company's ability to reconcile the stock ordered by the stores against the drops actually made and the payments received.

Reconciling the figures generated by the complex jigsaw of inventory, truck loading and finance is called route settlement. If route settlement fails, AriZona loses track of which store

bought what, and, crucially, which products are selling well in which locations.

Joe DeBella, Chief Information Officer, comments, "Route settlement would start at the end of the day as trucks returned, and took 12 people from 6pm that evening until 4am the next morning. This was a typical example of our labor-intensive processes that we felt we had to improve."

All of AriZona's core distribution business operations run on SAP software, and the route settlement information was punched in to the general ledger and warehouse management solutions. The SAP landscape ran on multiple Intel-architecture servers, and the comparatively complex web of dependencies combined with limits on processing capacity meant that both reliability and performance were major challenges for AriZona.

### Overview

#### Challenge

**Route-settlement tasks were taking 120 person-hours to complete, and were in danger of running over into the next working day. The existing IT infrastructure was unreliable and lacked scalability.**

#### Solution

**Replaced a sprawling estate of unreliable servers and under-utilized external storage with IBM Power Systems servers running SAP applications on IBM i operating system.**

#### Key benefits

**Stability and performance issues have been eliminated. Route settlement tasks are now completed by five people in five hours, a 79 percent improvement. Inclusion of the SAP Telesales solutions developed by IBM have allowed for an increase in route sales of 14 percent.**

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## **Business Challenge**

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**Route-settlement tasks were taking 120 person-hours to complete, and were in danger of running over into the next working day.**

**The existing IT infrastructure was unreliable and lacked scalability, and in some cases vital reporting tools had to be switched off to allow standard applications to run.**

**AriZona was unable to take full advantage of the insight available from its SAP applications.**

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For example, during certain periods, reporting functionality was disabled to avoid impact on system response times.

“There is good evidence to show that poor system response times impact a company’s economic performance, as users are frustrated by the inability to reach information,” says Joe DeBella. “We needed to be able to run both reporting and operations simultaneously, and minimize the IT management costs for our SAP solutions.”

## **Taking the i road**

To address its system reliability and performance issues, AriZona reviewed its IT infrastructure. Working with IBM, the company sized a direct replacement for its existing 80-core Intel-architecture production landscape, with 10 TB of external storage. The company would also need a further 48 Intel processor cores to provide development, quality assurance and SAP Solution Manager services. Rather than immediately opting for a wholesale refresh of its existing Intel-architecture servers, AriZona decided to consider alternative options. For a number of years, the company had been running other specialist business applications on the IBM i operating system on IBM Power Systems servers. For these

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### **Joe DeBella**

Chief Information Officer  
AriZona Beverage Company

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applications, the company had been achieving near-continuous operations with no unplanned downtime. AriZona therefore examined IBM Power Systems as an alternative strategic path for its SAP applications – not least because of the IBM architecture’s proven scalability. AriZona was planning to deploy the SAP Direct Store Delivery application to help streamline the route-settlement process, making the issue of scalability an important factor in its choice of strategic technology platform.

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“The IBM Power Systems platform enabled us to have a much more compact and cost-effective infrastructure for running our SAP applications.”

**Joe DeBella**

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“It’s true that the initial server acquisition cost comparisons did not appear to favor IBM Power Systems over Intel-architecture servers,” admits Joe DeBella. “But as soon as we looked at the projected total costs, we saw that the IBM Power Systems platform running IBM i would be 40 percent less expensive. IBM i includes both DB2 and the PowerVM virtualization layer at no additional cost, and the tight integration between operating system, database and virtualization layer dramatically cuts infrastructure administration costs.”

“The IBM Power Systems platform enabled us to have a much more compact and cost-effective infrastructure for running our SAP applications.

Allowing for memory, disk, operating system, database and virtualization, compared with the former mix of Intel processor-based hardware the cost per SAP user on IBM Power Systems servers is 40 percent lower, and the cost per dialog step is 40 percent lower.”

AriZona concluded that maintenance and license expenses would be reduced by 50 percent with the IBM Power Systems solution, with three-year savings over the Intel option close to \$100,000. Further, the IBM Express solution for Food and Beverages, which provided the complete hardware, software and services in a single package, greatly simplifies and accelerates the implementation process and helps to cut costs.

**Back to the lab**

AriZona worked with IBM Systems Lab Services to design the new Power Systems landscape, initially based on servers with IBM POWER6 processors. The original implementation of SAP ERP applications and SAP NetWeaver Business Warehouse had been deployed on Microsoft SQL Server running on six virtual Microsoft Windows Servers on VMware ESX Server. This was replaced using an IBM Express solution for Food & Beverages, based on SAP software.



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**Solution**

**Replaced a sprawling estate of unreliable servers and under-utilized external storage with IBM Power Systems servers, and migrated both SAP applications and database to the IBM i operating system with integrated IBM DB2.**

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## Key Solution Components

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### Industry

**Food & Beverage**

### Applications

**IBM® Express® solution for Wholesale Distribution: Food & Beverage based on SAP® ERP software, including financials, controlling, logistics, direct store delivery and SAP BI 7.0.**

### Hardware

**IBM Power® 720 Express servers with IBM POWER7® processors**

### Software

**IBM PowerHA, IBM PowerVM™, IBM i with integrated IBM DB2®, IBM FileNet®, IBM Content Collector for SAP, IBM InfoSphere™ Change Data Capture, IBM WebSphere® Portal**

### Services

**IBM Global Business Services®, IBM Systems Lab Services, IBM Business Partner VSS**

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SAP-certified consultants from IBM Systems Lab Services performed the migration of the SAP production databases from Microsoft SQL Server to IBM DB2 for i. Non-production servers were migrated by an independent consultant in July 2010, migration of production servers started in January 2011 and was completed ten weeks later. The ten-week project included two test runs to ensure that the production environment would run reliably after cutover, in a plan designed by IBM Systems Lab Services to ensure all potential impacts were understood.

Prior to the final migration, AriZona upgraded to IBM i v7.1 and moved to POWER7 processors, a technical upgrade handled by VSS, an IBM Business Partner.

The new SAP architecture at AriZona, which supports 200 users, now needs only its single central instance running on one logical partition (LPAR) on an IBM Power 720 Solution Edition server. This offers processing capacity equivalent to the previous six-server solution.

The Power 720Express includes 9.2 TB of integrated storage, removing the costs of managing an external storage device.

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## Complete solution delivery from IBM Global Business Services

IBM provided AriZona a complete, tailored solution that met their unique requirements. The services included the acquisition of the appropriate SAP licenses and a pre-built industry-specific solution that provided a rapid implementation timescale with a lower configuration effort. To accompany this, IBM Global Business Services coordinated all the infrastructure elements, including system specification and sizing. IBM was also

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able to provide the necessary financing options to suit AriZona’s budget.

“IBM Global Business Services is able to provide a total business solution,” says Joe DeBella. “The IBM Express solution for Food and Beverages will be faster and cheaper to deploy than a standard implementation, offering significant business benefits for AriZona as we continue our SAP rollout to AriZona Beverages USA and our CPG manufacturing entities.”

“Both at a technical and business level, IBM Global Business Services was able to provide the resources in depth that helped ensure that the transition was managed cost-efficiently and in line with our business objectives. IBM helped to build the business case,

implement and configure the solution, and give the operational support that delivers the commercial results for the AriZona distribution companies..

“IBM continues to provide SAP application support as the company rolls out the solution to more divisions. IBM provides value at all levels, from technology through to personal interaction with highly experienced subject matter experts. In the world of IBM i and SAP, we rely on IBM Systems Lab Services to provide a confidence-based approach to help us move forward with our endeavors.”

**Rolling out new services**

AriZona had previously deployed SAP Direct Store Delivery (DSD) to address its route-settlement challenges. Working with IBM, AriZona was able to tailor the application to meet its precise needs. A combination of standardized practices and automation has transformed AriZona’s route-settlement capabilities. Where previously 12 people took 10 hours, with DSD running on IBM Power Systems servers, a team of five people complete the same task in five hours, a 79 percent improvement.

“With DSD, inventory, payment and cash are matched straight into our warehouse, financial and ordering systems,” says Joe DeBella. “As an

**Business Benefits**

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- **Stability and performance issues have been eliminated, and the SAP on IBM Power Systems solution has both the scalability and capacity to run SAP production and reporting applications simultaneously.**
  - **Route settlement tasks that formerly occupied 12 people for ten hours are now completed by five people in five hours, a 79 percent improvement.**
  - **Inclusion of the SAP Telesales solutions developed by IBM have allowed for an increase in route sales of 14 percent.**
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“When it comes to a new product launch, we can use the data generated by accurate route settlement to predict sales volumes route by route and fine-tune our price and discount offers.”

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example of the difference this makes, imagine that we take ten cases to a store which then accepts only eight with two returns. With DSD, we are able to account for the actual delivery made and the payment that applies, and update the core financial and inventory systems accordingly.”

“The data generated by accurate route settlement allows AriZona to base its sales analysis on facts. For example, accurate route settlement ensures that we know how many cases of tea, energy , and water are selling in each district. When it comes to a new product launch, we can use that data to predict sales volumes route by route and fine-tune our price and discount offers," says Joe DeBella.

AriZona is always looking to take advantage of SAP application functionality, and with the IBM Power Systems servers it has the capacity to manage additional workload. For example, a challenge for AriZona is to serve more than 24,000 customers effectively with a team of just 120 sales people. If a customer takes some but not all of the ready to drink range, it can be profitable for both AriZona and the store to ensure that the full range is stocked, provided the fact can be highlighted and the store owner offered the opportunity.

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With the introduction of SAP applications on iPads, with SAP licensing from IBM and integration with IBM WebSphere Portal, this has been a massive success in driving salesforce productivity and reducing the ongoing costs of the order to cash process.

“IBM Global Business Services team built a telesales cockpit based on SAP data that shows us order histories, associated product promotions and allows us to make outbound calls," says Joe DeBella.

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“We are now using SAP NetWeaver BW intelligence as a competitive weapon.

The system automatically allocates resources between the competing applications to ensure reliable, timely execution, and the Power Systems servers have provided a massive improvement in reliability.”

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“Click-and-call technology makes the telesales team very productive, and we continue to schedule regular personal customer visits linked to the same marketing efforts. Telesales orders placed today are completed within the SAP workflow, and goods are on the trucks tomorrow, with associated delivery and payment information.”

**Competitive weaponry**

With the new IBM server infrastructure in place, AriZona now runs its financial and business intelligence reporting using SAP NetWeaver Business Warehouse (BW) with no impact on production workload.

The company produces month-end profit-and-loss reports, as well as weekly reports showing the net price achieved per case for each product line. This net-price figure is derived from consolidated route settlement data, which allows for promotional offers (such as three-for-the-price-of-two and similar deals), returns, damage loss and associated factors.

“We are now using SAP NetWeaver BW intelligence as a competitive weapon,” says Joe DeBella. “In the past, we found that reports like this would sometimes simply quit unexpectedly. With the IBM solution, the system automatically allocates resources between the competing applications to ensure reliable, timely execution, and the Power Systems servers have provided a massive improvement in reliability.”

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“The case-net report gives AriZona direct insight into how each product is performing, and we can look at the historical sales curve by volume and the net price to understand and predict sales, then plan production volumes to meet demand.”

**Joe DeBella**

Chief Information Officer  
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Using SAP NetWeaver BW, AriZona analyzes sales by ZIP code, store size and type, including a multitude of factors designed to find out how it can better serve customers with a tailored product range.

For example, certain wealthier neighborhoods will tend to buy Rescue Water and CocoZona, while others will buy more tea. Knowing a district’s profile helps AriZona to launch new products more effectively, targeting sales at areas that are likely to respond well to specific

brands, which maximizes volumes and maintains net case prices.

“Telesales automation and insight into territories have helped AriZona to drive case sales without increasing operational costs,” says Joe DeBella. “Staff released from route settlement are now happily winning business, and we have seen a 14 percent increase in case sales following the SAP solution deployment.”

**Direct route to success**

AriZona will be implementing a similar SAP ERP application environment for the direct sales side of business, on a second IBM POWER7 processor-based server, using the IBM i QuickInstall for SAP process to build the landscape. The two Power Systems servers will act as a disaster recovery option for each other, managed by IBM PowerHA. AriZona is planning further SAP application deployments, including alcohol license control, and making some self-service ordering features available to store owners using SAP NetWeaver Portal.

Joe DeBella concludes, “AriZona competes against some of the world’s heavyweight beverage corporations, and SAP applications on IBM Power Systems servers help make it possible to win. The costs are lower, the reliability is there, and the information we produce gives us direct competitive advantage.”