



IBM Application Services Support Scandinavian Tobacco Group

Overview

The need

Scandinavian Tobacco Group A/S (STG) divested its cigarette and snus operations in 2008. As part of this divestment, the entire IT department of STG headquarters – except the Senior Vice President, IT, Knud Erik Foged – was taken over by the new owner. STG had only 6 months to separate the IT departments and be ready with a new IT solution. In the process, IBM assisted STG in selecting an ERP system, and the implementation of Microsoft Dynamics AX® 2009 was initiated. Following implementation, STG sought a partner to manage the application.

The solution

STG had already been working with IBM on operation and maintenance of their servers. STG and IBM extended that relationship with IBM providing application management services for STG's new ERP platform, Microsoft Dynamics AX 2009. The agreement was subsequently further extended to include Microsoft Dynamics CRM and STG's intranet based on Microsoft SharePoint. IBM was responsible for analysis, design and development of the STG intranet. ERP implementation was conducted in conjunction with an external vendor.

The benefits

STG has achieved significant benefits from IBM managing both the servers and ERP system. The agreement is also structured as a partnership that supports STG's growth. By drawing on IBM's global resource pool, STG is able to reduce its operating costs by shifting routine tasks to less expensive locations. They are also benefiting from improved productivity as the internal resources are now focused on more advanced development



IBM provides Consulting, Application Management Services for Microsoft Dynamics applications, and STG intranet support.

Scandinavian Tobacco Group

STG is one of Denmark's largest international companies. In 2008, STG had just divested its cigarette and snus operations, and as part of this restructuring Knud Erik Foged, Senior Vice President, IT, lost most of his colleagues in the IT department to the new owner of the divested unit. STG urgently needed an On Demand hosting solution to support its new Microsoft Dynamics ERP solution. IBM had been working closely with STG since the mid-1990s managing the operation and maintenance of its servers, so it was quite natural for Knud Erik Foged to ask IBM to host the new ERP system.

"Sometimes it makes sense to split your IT services between several vendors. But in this case IBM was already managing the operation and maintenance of our servers. If a different vendor were brought in to host the ERP system, problems could easily arise because of the many gray areas in defining responsibilities and allocation of tasks. We have always had a good relationship with IBM and we could see the advantages if IBM would be delivering this service also," explains Knud Erik Foged.

The IBM solution

STG asked IBM to provide application management services for its new ERP platform, Microsoft Dynamics AX 2009. STG and IBM entered a partnership agreement covering system maintenance, development and updates. "I always believed we shared a good relationship, but now we have defined the specifics in a contract and thus have formalized our partnership," explains Knud Erik Foged. An interesting part of this partnership agreement was related to consulting services from IBM. "We have an agreement on a number of IBM consulting hours per month. If we spend fewer hours a month, we can use those hours in other areas or use them at a later time, which means that we achieve greater flexibility and utilization of resources," says Knud Erik Foged. The agreement was subsequently extended to include Microsoft Dynamics CRM and services related to STG's intranet based on Microsoft SharePoint. IBM was responsible for analysis, design and development of the STG intranet.

“There is mutual respect, trust and a great understanding of the business. We have built our collaboration around these values. Together we are so much stronger.”

Knud Erik Foged, Senior Vice President-IT, STG

STG uses IBM's global network

One of the ways in which IBM is helping STG to reduce costs is by letting IBM locations in other parts of the world take care of some of tasks, where it is more economical to deliver those services. “It’s no secret that Danish consulting hours are significantly more expensive than in other parts of the world, and we want to exploit that difference. For me it is all about quality. As long as the quality of the service is the same, the location from where the service is delivered from is not a matter of concern. The more tasks we can outsource, the greater the savings,” says Knud Erik Foged.

Every month, IBM and STG calculate the number of hours used, and any unused hours are used in other areas or saved for later. “Now we’ve only been up and running for four months, but the intention is to outsource the routine takes, while using internal resources for the more challenging tasks. It makes perfect sense, and we will, in consultation with IBM, try to find as many tasks as possible to outsource,” said Knud Erik Foged.

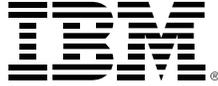
Knud Erik Foged is happy that operations are running smoothly and is looking forward to optimizing his savings further.

“We see that IBM is a leader in the outsourcing area. Several other companies have since followed our example and are asking for a similar service,” says Knud Erik Foged.

Knud Erik Foged appreciates the business relationship with IBM “There is mutual respect, trust and a great understanding of the business. We have built our collaboration around these values. Together we are so much stronger.” signs off Knud Erik Foged.

About Scandinavian Tobacco Group

Scandinavian Tobacco Group A/S is the world’s largest manufacturer of pipe tobacco and the second largest manufacturer of cigars. The company has approx. 9,700 employees in 20 countries, 17 factories in eight countries, sales organizations in 15 countries, and its products are sold in more than 100 countries.



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