SAP America

Win/Loss Analysis Survey Results

Johnson & Johnson

Survey Type:	Win	**Category:**	Strategic
Survey Status:	Final	**Transfer Date:**	11/29/02
Survey Result:	Win		

Key Business Profile and Logistics

Company:	Johnson & Johnson
Company ID:	30696
Project ID:	610534
Address:	410 George Street
	New Brunswick, NJ 08901
Telephone:	908-524-2992
Annual Revenue:	$33,004 million
Employees:	101,800
Fiscal Year End:	December
Corporate HQ:	New Brunswick, NJ
Website:	www.jnj.com
SIC Code:	2834
Sector:	Manufacturing
Industry:	Pharmaceuticals

Survey Summary

Johnson & Johnson is the world's most comprehensive and broadly based manufacturer of health care products, as well as a provider of related services, for the consumer, pharmaceutical and medical devices and diagnostics markets. Johnson & Johnson has 197 operating companies in 54 countries around the world employing 107,000 employees and selling products in more than 175 countries.

Mr. Chuck Wyckoff, vice president Atlas Project, and Mr. Fernando Lopez, senior programmer/analyst, said that Johnson & Johnson has been standardizing and "aligning IT operations around two vendors, SAP and J.D. Edwards." Mr. Wyckoff explained that SAP is the standard for the company's consumer side of IT operations, and J.D. Edwards is the standard for the manufacturing side. The company did not release a formal RFP. "The functionality of SAP's [CRM] solution, the integration of its manufacturing and financial modules, and the efficiency and speed of its order entry and purchasing software, are very impressive," Mr. Lopez explained.

GOVERNMENT EXHIBIT
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The company has decided to standardize on SAP because it feels that SAP is a market leader. Johnson & Johnson has asked SAP to build a prototype that would demonstrate the integration of order entry functions into manufacturing and billing functions, Mr. Lopez said. "We have a mainframe-based Cobol system that is good, but it cannot do this kind of integration, which we feel is necessary to move manufacturing closer to our consumer operations." Mr. Lopez stated that

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The company will build its CRM system to integrate and help improve its supply chain operations to more efficiently handle requests and other information directly from the thousands of doctors and the "huge [pharmaceutical] retailers" that make up Johnson & Johnson's customer base. "By tying requests directly to inventory and manufacturing, we will be able to respond and deliver products more quickly and efficiently on a global basis," he said. "We'll also be able to do things like consolidated billing and other flexible billing functions. The end result will be a much better experience for our customers."

Mr. Wyckoff said that the SAP implementation team will work with Accenture and Johnson & Johnson's IT people to build the integrated system, which is scheduled to go live sometime in early 2004.

Mr. Lopez said that he gives SAP a score of four-and-a-half out of a possible five for the quality of the company and its products. "You have to know, I never give perfect scores to anything," he added. "This is extremely high praise from me."

Both Mr. Wyckoff and Mr. Lopez indicated that they were extremely impressed with the caliber of SAP's sales lead Mr. John Zgurzynski, and SAP's "technical" lead Mr. Ian Brophy, with regards to your their knowledge, responsiveness, and commitment to the project. Mr. Lopez did say, however, that he feels that SAP's consulting fees are "exorbitant," and about 30 percent higher, on average, than consulting fees at comparable companies.

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Survey Results

Business Needs

Mr. Lopez explained that Johnson & Johnson is moving to integrate and migrate their IT operations closer to their customers to enable closer ties between manufacturing, inventory and customer product requests, resulting in more efficient delivery of products and billing methods. Mr. Lopez indicated that Johnson & Johnson's Cobol-based mainframe system is difficult to program for such a task.

Selected Vendor

Mr. Lopez explained that SAP was chosen for two distinct and primary reasons. The first reason was political, as Johnson & Johnson is officially standardizing on SAP for the consumer side of its IT operations, and J.D. Edwards for its manufacturing side. The second reason was the robustness and quality of the demo prototype that SAP showed to Johnson & Johnson. "The speed and efficiency of SAP's order entry functions is remarkable," Mr. Lopez said.

Competition

Mr. Wyckoff explained that there was no formal competition for the project. "It was essentially SAP's to lose, but they didn't disappoint," he said.

Solution Features and Functionality

Mr. Lopez said that the quality of SAP's "pharmaceutical retail financial modules" was the determining factor in SAP's win.

Demonstration

Mr. Lopez described the demo prototype that SAP built as "wonderful," and "well thought out" for following the kind of "integration of operations" that Johnson & Johnson was looking for.

SAP Sales Personnel Evaluation

Mr. Lopez stated that he was very impressed with the knowledge and commitment shown by SAP's Mr. John Zgurzynski and Mr. Ian Brophy.

Partners

Johnson & Johnson is employing Accenture to work with SAP on the installation. Mr. Wyckoff described Accenture as a good company that "knows their stuff." Accenture has handled systems integration for Johnson & Johnson in the past.

Pricing

Mr. Lopez said that SAP was "responsive" with regards to pricing their system, which consists of a "standard" package including training and maintenance. Mr. Lopez did say, however, that he thought SAP's consulting fees were much too high, about 30 percent higher than those of comparable companies.

Return On Investment/Total Cost of Ownership

Mr. Wyckoff and Mr. Lopez said that their company will work with Accenture to conduct ROI studies of the system after it is installed.

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Implementation

Mr. Lopez said that speed, cost and ease of implementation appear to be strong elements of SAP's offering.

References

Mr. Lopez said that no references were offered by SAP.

Events and Trade Shows

Neither Mr. Wyckoff nor Mr. Lopez remembered seeing SAP at any recent trade shows or events that they attended.

Final Decision and Interviewees' Roles

Mr. Lopez said that although he and his colleagues were following the "alignment" around SAP, the company's "win" was not a sure thing. "They had to perform well and show us why we are focusing important operations around them," he explained, adding that he was a key influencer and decision maker during this process.

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Contact List

Contact:	Mr. Chuck Wyckoff	**Type:**	DECM
Title:	Vice President Atlas Project	**Level:**	2
Address:	Senior Programmer/Analyst New Brunswick, NJ 08901	**Interviewed:**	Yes
Telephone:	904-443-1084	**Interview Date:**	11/21/02

Contact:	Mr. Fernando Lopez	**Type:**	DECM
Title:	Senior Programmer/Analyst	**Level:**	5
Address:	410 George Street New Brunswick, NJ 08901	**Interviewed:**	Yes
Telephone:	904-443-3909	**Interview Date:**	11/15/02

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