



SUCCESS STORY: NATIONAL OILWELL VARCO TAPS FIT AS SAP HOSTING PARTNER



Like an experienced captain standing on the rolling deck of a supply ship on its way to restock offshore oil and gas platforms, Houston-based National Oilwell Varco (NOV) must anticipate and react to the unpredictable fluctuations in the oil and gas industry. For more than 140 years, NOV has provided oilfields around the world with everything from spare parts to complete drilling systems, enabling customers to focus on their core business processes.

National Oilwell Varco's three business segments – Distribution Services, Petroleum Services and Supply, and Rig Technology – provide a comprehensive line of major mechanical components and consumables for land and offshore drilling and production operations, as well as supply chain management services. The NOV Distribution Services group maintains more than 150 service centers in 14 countries, providing 24x7 coverage to a majority of the world's production and exploration areas. The group relies on the SAP R/3 enterprise resource planning (ERP) software suite to support its vast global network and track hundreds of thousands of individual items.

Distribution Services recently strengthened its commitment to customer service excellence by migrating its mission-critical SAP ERP system from a legacy hosting vendor to Freudenberg IT (FIT), thereby improving system availability, uptime, and responsiveness. In addition, the move to the FIT hosting service boosted Distribution Services business continuity resilience, saved 27 percent in hosting costs, and positioned the group to adapt more easily to continued rapid growth.

Challenges

- Global operations requiring 24x7 uptime
- Implementation of bar code systems for real-time transaction processing
- Increasing occurrence of unplanned outages with legacy hosting vendor
- Inadequate business continuity readiness
- Growth by acquisitions

Solution

- Partner's commitment to NOV's business.
- Migrate critical SAP ERP system from legacy hosting vendor to FIT hosting
- Certified SAP Global Hosting Partner with 30 years of SAP experience
- DIN ISO 9001 and Sarbanes-Oxley SAS 70 Type II Audit Report compliant hosting services

Results

- 27 % savings over previous provider
- Significantly improved business continuity and disaster recovery preparedness
- Significantly improved response times
- System availability of 100 percent

Growth leads to new challenges

NOV's Distribution Services group first began using SAP in-house in late 1998, but as the company continued its rapid growth through organic expansion and acquisitions, the group realized it might be more cost-effective and secure to turn to an outside hosting vendor. The group first outsourced its SAP hosting in 2001 to a vendor in Dallas.

From 2001 to 2006, Distribution Services annual revenues increased from \$521 million to \$1.37 billion. This rapid growth and expansion placed an increasing strain on the outsourced SAP ERP system.

"At about the three-year mark in the first hosting relationship, we acquired several companies and began to rapidly increase the number of users on our SAP system, worldwide," recalls Kseniya Tarasenko, NOV's Distribution Services Director of Technical Development. "Eventually, the system performance began to deteriorate."

By late 2006, Distribution Services and its 1,500 users around the world were experiencing slower response times in the critical SAP ERP system. In

"After an extensive due diligence period, National Oilwell Varco Distribution selected Freudenberg IT as our Hosting partner based on their proven SAP expertise, strong relationships within SAP and overall flexibility in their approach. Our implementation with FIT has been a huge success and we are confident that this partnership will continue to grow over time."

Noel Connolly, Vice President of Information Services,
Distribution Services National Oilwell Varco, Inc.

"Our previous hosting vendor randomly selected customers for disaster recovery testing," Tarasenko notes, "As far as I know, we were never selected—that's not very reassuring. The business continuity program we had with our legacy hosting service was a type of solution whereby our data would be recovered from tape at a backup data center within 24 to 72 hours. When you are a global corporation that operates 24x7, this scenario is not optimal for business continuity."

many cases, individual transactions took up to two seconds, and users began to complain that the delays were affecting customer service.

When SAP system availability began to decline, the need for change became clear. "Every single document in the sales cycle goes through our SAP system," Tarasenko explains. "As you can imagine, unplanned outages meant loss of revenue." Downtime to its SAP ERP system costs Distribution Services an estimated \$6.2 million per day in lost revenue.

"In addition, system response time is important to our business because many customers walk in the door or call to place an order or check on product availability and order status," she says. "If the system is slow or down, that translates into poor customer service, and that's not acceptable."

Solution search

With the 2006 end date for the hosting contract approaching, the group requested proposals from five hosting vendors and shortlisted to two firms – the legacy hosting vendor and Freudenberg IT – for further consideration.

When asked why they would even consider the legacy hosting vendor, Tarasenko said, "Any change is painful. We were very concerned about the effect moving our critical system to another vendor would have on daily operations of the Information Services Team as well as Distribution Services as a whole. We performed extensive due diligence, including visits to FIT facilities in Germany and North Carolina. Once we came to know the FIT Team and saw the state-of-art data centers they ran, our concerns dissipated. In addition, FIT's pricing was extremely competitive compared to the incumbent and other hosting vendors."

"One of the reasons we selected Freudenberg IT was their personal touch and focus on SAP, compared with others in the market, and we believed we would receive greater attention for that reason," says Tarasenko. She also notes that the FIT service costs them 27 percent less than the previous hosting vendor. "Their creativity and desire to really help us through a difficult migration process validated our choice early on. I don't think we would have received the same service or commitment from other hosting vendors."

Planning for business continuity

NOV was impressed with FIT's disaster recovery capabilities which are engineered into every hosting solution they provide their customers. FIT utilizes two geographically separate data centers to keep NOV's PRD environments physically separate from their DEV/QAS instances which reside in the opposite data center.

As NOV's SAP partner, FIT will rehearse the Distribution Services SAP system disaster recovery procedures several times per year – purposely failing over to the hot backup site and operating the ERP system from the backup site for a period of time, and then failing back over again to the primary site. This high level of business continuity protection is a major step up from the recovery services promised by the legacy hosting service.

Concludes Tarasenko, "Our link with Freudenberg IT is different from a traditional customer/vendor relationship. It is one in which we work together as partners to solve problems and anticipate challenges. There is far more openness and a willingness to be flexible and accommodate the changes that are inevitable for a growing business like ours."

Results

The FIT hosting solution enables NOV Distribution Services to better meet the needs of its customers by providing high availability, fast response, and the capacity and scalability to meet future growth demands. Soon after the new FIT SAP hosting service went live, Distribution Services users around the world sent positive feedback congratulating the Information Services team on the success of the migration as well as the significant improvement in the response times of the FIT-hosted system.

SAP ERP system availability figures have exceeded the 99.9 percent service level agreement. In addition, average response times dropped from a high of up to 2 seconds under the legacy hosting service to an average of just 328 milliseconds. "We heard from our users from Europe, the Middle East, and across North America, and they were thrilled with the system speed."

Planning for the future

The latest development in the NOV-FIT relationship is the implementation of SAP PI 7.0. The new three-system landscape is hosted by FIT. In the next few months, Distribution Services will focus on transitioning its customer and vendor interfaces to SAP PI from legacy middleware. Over the coming year, Distribution Services plans to upgrade from SAP R/3 to mySAP ERP 2005 (ECC 6.0) and will look to FIT for help through that process.

In addition, Tarasenko says the group will consider FIT for other SAP needs, including its Business Intelligence Warehouse.

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