Digital Transformation Insights from a Leading Specialty Vehicles Manufacturer
Transforming a Leading Specialty Vehicles Manufacturer

Summary

REV Group, a $2B specialty vehicle manufacturer, used out-of-the-box solutions to transform its core business processes including, most importantly, their manufacturing and supply chain processes. ThoughtFocus assisted REV Group in deploying a greenfield SAP® S/4HANA implementation to support business transformation that resulted in an EBITDA increase of 27%.

Introduction

Up until recently, a company’s commitment to the implementation of a comprehensive suite of software solutions was the result of a deliberate change in how that enterprise did business. Executives would dust off their favorite Peter Drucker manifestos and rearrange entire business units to conform with the impending software implementation.

Enterprise software was rarely a one-size-fits-all product – despite the claims as such – so that the company’s processes and structure dictated what kinds of customizations it required from the technology implementation.

The recent ThoughtFocus implementation of SAP® S/4HANA suite for REV Group demonstrates how digital transformation objectives can be a driver for enterprise-wide software deployment with software playing a leading role. In the case of the REV Group, ThoughtFocus used the new technology and best practices from the SAP® S/4HANA suite to drive smarter processes and disruptive business models.

“Executives at the specialty vehicle company used the out-of-the-box solutions to transform core business processes, including, most importantly, their manufacturing and supply chain processes.”
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ThoughtFocus used a differentiated approach for the SAP® S/4HANA deployment at REV Group.

- The deployment marks the first greenfield implementation of SAP S/4HANA in North America.
- Using ThoughtFocus methodologies, the implementations across traditional manufacturing divisions kept costs low.
- The time it took for ThoughtFocus to deploy the initial phase of the implementation was unprecedented: just two months for an initial parts division and six months from start to finish for two product divisions of the company.
- Organizational Change Management is key for such an accelerated transformation. Instead of taking months to learn the intricacies of a new system, employees of REV Group allowed the system to teach them. The result was that they saved on time and budgets by trusting the system to bring the best of automation technology to their processes.

**Initial Phases: Change Management in a Box**

For Prashanth Sharma, VP for Manufacturing Solutions at ThoughtFocus, the REV Group presented a high-profile opportunity to demonstrate the firm’s familiarity and expertise with SAP solutions and Manufacturing processes on a widespread scale: The deployment happened to represent the first greenfield implementation of SAP S/4HANA in North America.

Although the private equity firm AIP formed REV in 2010 by the merger of multiple vehicle & parts companies, some of which were more than a half-century old, the new entity was feeling growing pains of a distinctly 21st century nature.
Initial Phases: Change Management in a Box

For instance, one of the divisions of REV was an ambulance manufacturer based in California and another, also located in California, made buses. At the outset, these businesses look like very distinct, with different products. But Sharma likes to point out that whether ambulance or bus, the assembly line is dealing with a large chassis, specialty seats, fenders, and bumpers.

Likewise, both divisions had similar quality and service management operations as well as sales departments. All these parts and processes could be combined under a single umbrella for each operation – no matter the vehicle.

What was so cost effective was that SAP S/4HANA allowed for an “out-of-the-box” solution that wasn’t constrained by the sheer size of the company and number of vehicle divisions.

The implementation gave REV Group the opportunity to alter some of the long-standing processes that the various companies had been using before being acquired and merged into one enterprise.

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The Benefits of Transparency

Take purchasing as an example. It didn’t matter if a bus that was being manufactured in California or an ambulance in Florida – they both required parts from Tier 2 vendors (think headlamps or seats). The SAP solution allowed REV to get the best price from a headlamp provider. No longer did the company have to deal with multiple headlamp firms and work out just as many pricing contracts. “Having the data and visibility meant that REV Group could buy all the lights from a vendor where, say, shipping time to California and Florida was not an issue,” says Sharma. “There was an immediate increase in profitability.”
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Other examples were the advantages that came with inventory transparency and control. Every vehicle manufactured by REV Group has a chassis, for example, and all of those chassis come from Original Equipment Manufacturers (OEMs). Not unlike shiny new cars on a showroom floor, they have a shelf life and lose value even if they haven’t been used in an assembly. (Car dealers are always “making way for next year’s models!” in their hyperbolic television commercials.) So the just-in-time inventory processes of SAP S/4HANA made certain the company was buying just enough chassis that it needed for each model year. An effective utilization of the VMS module of SAP enabled REV to manage chassis effectively across organizations and throughout the product lifecycle.

Turning Data Repositories into Business Strategies

ThoughtFocus initially encountered what can happen when a company grows aggressively through mergers and acquisitions: many different technologies and various degrees of IT saturation into overall corporate strategy. Many systems existed more as data repositories than ERPs. The implementation, which included elements of the SAP Vehicle Management System and SAP Variant Configuration, also utilized standard SAP functionality and best practices throughout the end-to-end process.

At first, ThoughtFocus was contracted by REV for two of the initial implementation. After the successful rollout, management decided to work with ThoughtFocus and SAP exclusively for the next deployments across the company.

Assimilation Made Simple

Rev Group’s Chief Executive Officer, Tim Sullivan, says that the ThoughtFocus deployments of SAP S4/HANA are having a big impact on REV group’s business. “We have made rapid progress and gained new capabilities that make REV Group more competitive and profitable,” he says. Indeed, technological upgrades that bring new methodologies to

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“REV Group came into the modern era within this one implementation.” Prashanth Sharma, ThoughtFocus VP of Manufacturing

In REV’s case, the Parts division posted a 27 percent increase in EBITDA and the Champion bus division now has reporting systems on one, centralized platform. The efficiencies were at first unexpected. But today employees have come to expect new manufacturing strategies as a result of the ongoing deployments.

A lot of the methodology that ThoughtFocus brings to an implementation is what gives companies like REV Group the assurance the system will work, according to Sharma. “They know how [a process] is being shifted and moved and they’re comfortable with it,” he says.

“Not to mention,” says Sharma, “that ThoughtFocus really understands SAP S4/HANA.” The company was recently selected to be part of the Lighthouse Reference Partner Program by SAP for its S/4 HANA® Cloud ERP suite. An implementation of the suite that brought together two previously separate divisions in a large manufacturing firm within six months is proof, says Sharma, that an effective deployment is part art and part science. That’s why a transformative manufacturing methodology and technology are all wrapped up into one.