ARÇELIK EMBRACES INTERNET TECHNOLOGY AS A KEY WEAPON IN ITS DRIVE TO BECOME A GLOBAL FORCE

EXECUTIVE SUMMARY

As a substantial subsidiary of the giant conglomerate, Koç Holding, Arçelik is Turkey's leading white goods manufacturer with a market share of more than 50 per cent. Its goal is to maintain – or even improve on – this position while at the same time pursuing aggressive expansion plans overseas.

Faced with increasing competition in its home market and from major global brands in the export arena, Arçelik is embracing change so that it can respond quickly to market requirements for new products, better value and enhanced customer service. Included in the change programme is the use of e-business.

Cisco aided Arçelik's e-transformation by supplying the underlying networking technology that supports Arçelik's key business applications. It also provided invaluable guidance to increase the appliance maker's awareness of the business opportunities of web enablement.

Arçelik is using the Internet to create a virtual networked organisation where information and knowledge can flow not only internally but also externally to business partners such as sales outlets and service centres. Savings of millions of euros are being achieved along with increased customer satisfaction and better quality products.

STRATEGIC INTENT

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Ahmet Ceylan
Information Systems Director and e-Transformation Co-ordinator
Arçelik

Market leader

Arçelik is one of Europe's top ten white goods manufacturers with sales of €1.57 billion in 2002. Founded in Turkey in 1955, it has become domestic market leader and has its sights set on becoming one of Europe's top five white goods producers, and eventually a global force.

To achieve this goal, Arçelik has recently made some significant acquisitions. It already has seven plants in Turkey and one each in Tunisia, Germany and Romania manufacturing a variety of home appliances such as refrigerators, washing machines, dishwashers and vacuum cleaners, as well as spare parts. Further expansion is planned through organic growth and additional acquisitions.

The company is confident in its ability to sustain profitable sales growth, which stems from its willingness to embrace change in pursuit of continuous improvement. Arçelik has spent the past few years making itself lean and flexible and ensuring that knowledge is shared freely inside the organisation and, where appropriate, with external partners.

Early e-business adopter

Arçelik's e-transformation started three years ago and has been aided by Cisco Systems, which has supplied not only the underlying networking technology but also has increased the appliance maker's awareness of the business opportunities offered by web enablement.

"Cisco has, of course, advised us on networking technology. But, with its worldwide business experience, Cisco has also been able to widen our horizons. It is an e-business partner as well as a supplier," says Ahmet Ceylan, Arçelik's Information Systems Director and e-Transformation Co-ordinator.

The two companies became partners after Cisco's Internet Business Solutions Group (IBSG) signed a 'trusted Internet adviser' agreement with Arçelik's parent company Koç Holding Group. Turkey's largest private conglomerate with a turnover of €9.8 billion, Koç Holding is Arçelik's majority stakeholder. It decided that Arçelik should be among the first of its subsidiaries to take advantage of a group-wide e-business transformation programme.

Prioritising e-business projects

Arçelik executives were present at the initial formal meeting between Cisco IBSG and Koç Holding, held at Cisco's Executive Briefing Centre in California in February 2001. Here they were able to appreciate more fully the role of the Internet in today's global marketplace. Four subsequent meetings at other Cisco worldwide briefing centres further enhanced the executives' understanding of e-business and how it is being used by global companies.

Cisco also introduced Arçelik to its Net Readiness survey, an analytical tool developed by Cisco that helps companies understand their ability to succeed in the Internet economy. It explores the four key dimensions of leadership, governance, competencies and technology. To date, more than 500 top Arçelik managers have been through the survey.

An e-Business Compliant Network (ECN) analysis of Arçelik's networks was conducted by Cisco in co-operation with KoçSistem, Koç Holding's systems integration arm. This audit determined the readiness of Arçelik's current network infrastructure to support the company's strategic e-business goals and applications. It also helped Arçelik to prioritise its e-business projects, among the most important of which are:

- an e-dealer network
- after-sales service network
- wireless networks
- e-procurement.

Networked dealerships

Of greatest appeal to Arçelik is the concept of a virtual networked organisation where all supply chain partners are connected over an extranet and have access to certain levels of information and value added content.

Now all of Arçelik's 3,000 authorised dealers selling products in Turkey (under Arçelik and Beko brands) can dial up twice a day to Arçelik's intranet to place orders for products and check product specifications and prices. The orders are collated and provide manufacturing plants with reliable and timely information on which to base their forecasts, manufacturing plans, inventory turns, warehousing costs, and so on.

By the end of 2003, Arçelik will have the top 30 per cent of its dealers online. The rest will follow in phases with the aim of reaching more that 3,000 dealers by June 2004. This programme, which Arçelik calls e-bayii (or e-dealer), is seen as a great leap forward in the Turkish marketplace. Ahmet Ceylan explains: "With e-bayii, we expect Arçelik's inventory levels to be reduced substantially and it will also be possible for us to identify, react to, and exploit market trends much sooner."

Enabling card payments

To further help its authorised dealers make use of the IP infrastructure, Arçelik has created a software-driven point-of-sale (POS) device to handle customers' credit card payments, specifically Turkey's instalment card, which is a credit card that allows people to pay for goods over a period. Previously different POS devices were required for credit and instalment cards. Now the new device directs transactions to Arçelik, and Arçelik transfers them to the relevant banks using its TCP/IP infrastructure.

"Using this device, bank charges will be greatly reduced for dealers," says Ahmet Ceylan. "We estimate that if 10 per cent of card transactions go through the new POS system, the total saving will be about €2 million a year spread across all dealers."

RESULTS

More accurate quotes

As well as giving authorised dealers access to its intranet, Arçelik is also allowing its 900 authorised after-sales service centres to link to the network via the Web. This allows them to access and download technical documents about Arçelik's products and check the price of spare parts, as well as order them. In this way, the service centres can provide customers with a more accurate quote for servicing or repairing their product, along with greatly enhanced customer service.

For each job they book, the service centres are also able to record and send details of the problem directly to Arçelik. This information is made available to the manufacturing plants, which can take immediate action if appropriate. In the longer term, product design can be altered to incorporate findings from the improved information flow.

96 per cent customer satisfaction

Arçelik also has a call centre that end consumers can call with product problems, handling about 60,000 calls per month. Currently the 35 call centre agents at Arçelik's Istanbul headquarters and the 14 agents throughout the rest of Turkey are being equipped with IP telephones. They are able to assign jobs to one of the service centres via the Web over the converged network provided by Koç.net.

"We call back customers within 24 hours and arrange to send a service technician to solve their problem," says Atilla Ilbas, Arçelik's Customer Service Director. "Speed of response is extremely important when you are dealing with customer problems."

Such careful customer service helps differentiate Arçelik in the domestic market, and is one of the main reasons behind its high market share. "Our market share in Turkey is more than 50 per cent and it is not decreasing even though there are an increasing number of brands available," says Ilbas.

Every year, Arçelik employs a third party to conduct a customer satisfaction survey among 40,000 people who have bought its products. In the latest survey, the customer satisfaction rating for product servicing reached 96 per cent. A few years ago it was less than 85 per cent.

e-procurement advantages

Only a year ago, Arçelik purchased its indirect materials manually from more than 1,500 suppliers. It was clearly an inefficient system that failed to secure the level of purchasing power appropriate for a company of Arçelik's size.

Arçelik has now e-enabled this process using MySAP Enterprise Buyer from SAP. As a result, Arçelik has been able to negotiate lower prices for the products it buys. It is estimated that about 80 per cent of goods now come from only 250 companies.

Arçelik says that its indirect spend has been reduced by up to €4 million per annum for a system investment of €350,000. It has also been able to reduce resources and costs around the procurement process. "Before the e-procurement system was installed, processing each invoice cost us about €10," explains Zulfikar Bekar, Arçelik's Director of Purchasing. "We now spend about €5 per invoice. We estimate the total saving as €320,000 per annum in processing costs."

TECHNOLOGY BLUEPRINT

> "IF OUR EMPLOYEES CAN FIND AN INTERNET CONNECTION, THEY CAN CONNECT TO OUR NETWORK AND ENTER THEIR VIRTUAL OFFICE FROM ANYWHERE IN THE WORLD."
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> Ahmet Ceylan
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Networked community

The e-dealer project is making use of the company's MPLS IP VPN WAN to link various partners to Arçelik's SAP ERP system (which is hosted by KoçSistem). So far, partners who are part of this networked community include dealers, suppliers and after-sales service centres. Koç.net – part of Koç Holding and Turkey's leading managed services provider – manages the network. The WAN hardware was supplied by Cisco.

The next phase of the programme is to get dealers online in real time. Both Cisco and Koç.net are working on this project. With Broadband ADSL services expensive in Turkey (compared with the rest of Europe and the US) Koc.net and Cisco are now working to consider deployment of alternate technology solutions such as Frame Relay and GPRS.

Wireless productivity boost

Improving the productivity of its individual employees – as well as streamlining key business processes – is key, especially when they are working away from their desks, at another site or travelling. Achieving this additional productivity has long been an Arçelik goal. The company was an early adopter of wireless local area networks, which have now been installed at all of its major sites in Turkey. The networks are managed by Koç.net and use Cisco's Access Server Portware technology to allow employees to access Arçelik's intranet from their laptop computers whichever of Arçelik's company premises they are working in

Similarly, to give employees who are travelling access to Arçelik's intranet from their laptops, the company is using Cisco's Secure VPN Client. This software product provides VPN capability to a laptop computer and allows secure communication over the Internet. "If our employees can find an Internet connection, they can connect to our network and enter their virtual office from anywhere in the world," concludes Ahmet Ceylan.

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