

Cathay Pacific soars to new heights with SAP S/4HANA

Capgemini's ADMnext helps Cathay Pacific reduce costs and improve strategic sourcing, supplier negotiation, and decision-making with a comprehensive transformation

Modernizing processes with customized solutions

Cathay Pacific Airways is a Hong Kong-based flight carrier and one of the world's leading passenger and cargo services providers. With routes spanning 190 countries (including remote areas like Alaska with its codeshare partners), the company runs a tight ship. However, with rising fuel prices, market uncertainty, stiff competition, higher operation costs, redundancies, and European Commission anti-trust decisions, the organization was looking to get the maximum return from every dollar invested and innovate wherever possible. Two areas that were ripe for innovation were the company's finance and procurement functions, which were still largely manual.

To attain a real competitive advantage, Cathay Pacific wanted to modernize these functions by replacing its legacy systems with more advanced SAP technologies. These technologies would give the company a better view of its operational costs and would also support strategic sourcing, better supplier negotiation, and extensive business analytics for improved decision-making. And to deliver on these objectives, Cathay Pacific was looking for a partner that could not only help modernize these functions, but also support its business growth agenda over the next ten years and beyond.

Overview

Client: Cathay Pacific Airways

Region: Hong Kong

Industry: Transportation & Distribution

Client Challenge: Cathay Pacific wanted to modernize its existing finance and procurement functions and support its business growth agenda over the next ten years and beyond

Solution: Working with Capgemini, Cathay Pacific transformed its finance function by replacing legacy systems with a comprehensive SAP S/4HANA platform

Benefits:

- Slashed operational costs through a rework of finance and procurement processes
- Increased profitability with driver-based planning and budgeting
- Improved operational efficiency with route profitability reporting
- Reduced procurement complexities across engineering, fuel, catering, and other categories



Taking SAP transformation to new heights with Capgemini and Horizon

To solve these issues, the company turned to Capgemini – and launched a collaborative project dubbed Horizon8. Since implementation of this project, incident counts were reduced from 1,000 a month to 200.

To expand upon this success with the Horizon8 project, the delivery team began utilizing everything that Capgemini has to offer and worked with Cathay Pacific to completely revamp existing finance and procurement functions globally. This resulted in the implementation of a large suite of SAP modules across three tracks:

- Flight-to-Settle,
- Finance-to-Manage,
- Budget-to-Monitor.

Flight-to-Settle incorporates a new SAP Flight Order application that helps Cathay Pacific with cost collection and flight profitability analysis. Finance-to-Manage covers payment processing, the general ledger, project systems, and asset management. Meanwhile Budget-to-Monitor enables driver-based planning and budgeting, as well as allocation of indirect operating costs.

This suite of integrated solutions will help Cathay Pacific to drive transparent information, automate transaction processing, and provide real-time information for better decision-making. Matching the figures with SAP S/4HANA, Cathay Pacific will get a better view of its direct and indirect expenditures, helping it to reduce its operational costs. The company can also manage the differences in procurement across direct operating costs and various categories of indirect costs. In addition to these four tracks, Cathay Pacific has begun working with the Capgemini ADMnext delivery team to upgrade from S4/HANA 1511 to S4/HANA 1809, along with migrating its SAP infrastructure to Microsoft Azure public cloud platform.

Flight order solutions to meet business demands

Cathay Pacific was also confronted with performance issues in the form of 24-hour wait times for invoices and heavy invoices containing over 4,000 items. To solve this, the company was looking for detailed analysis of flight profitability and route planning, so the project team began building a program that would do just this – splitting up invoices with over 1,000 items. This program also enabled the collection of costs per flight for invoice processing and analysis. This essentially resolved invoice processing performance issues, as revenue contribution and analysis can now be done by route, region, business line, aircraft type, and flight class.



Automated monitoring to reduce integration failures

Cathay Pacific was using more than 100 interfaces with more than 45 legacy systems – all managed by different vendors – and this was resulting in multiple failures. To solve these issues, the Capgemini team automated monitoring alerts with the SOLMAN program, which eased the management of a very complex integrated environment. The SOLMAN program automatically sends an email to the L1 team that provides a notification that IDOC has failed, along with classifying the severity of the failure.

This program delivered a 30% reduction in tickets, which was achieved by consistently improving the interface systems and monitoring through better flight order validations, and Financial Transaction Management (FTM) and Purchase to Pay (PTP) interfaces. Relevant errors are now directly archived, and efficiency has been radically increased with 15% of “how to” incidents being shifted to properly trained SMEs.

Overall, the collaborative approach employed by Cathay Pacific and Capgemini in the migration to SAP S/4HANA brought the following key benefits:

- Slashed operational costs through a rework of finance and procurement processes
- Increased profitability with driver-based planning and budgeting
- Improved operational efficiency with route profitability reporting
- Reduced procurement complexities across engineering, fuel, catering, and other categories
- IDoc issues substantially reduced through automated monitoring and improved design by SOLMAN
- Delivered consistent performance in AMS Vendor feedback score for AMS services provided
- Identification of potential design improvement and automation cases with Auto Synthesis and Smart Analytics.

Blue skies ahead with Capgemini

Following the success of this partnership, Cathay Pacific and Capgemini have renewed the SAP contract for three more years. Additionally, in 2020, the organization leveraged Capgemini’s Rightshore® model to guarantee zero service disruptions during these chaotic times, along with the successful SAP 1809 upgrade and a migration of the complete SAP landscape to Azure.

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