



# SAP S/4HANA Value Starter Engagement

## Point of View: Example Customer

PUBLIC

# SAP S/4HANA Value Starter

## What is this document?



An **Outside-In Analysis** of Your Strategic Priorities  
(impacted by Internal and External Factors)



**A Point of View** of how SAP can help you achieve your Strategic Priorities and how some of your other peers are making their MOVE



**Delivered as part of** the SAP S/4HANA Value Starter Engagement as a starting point to define a **Benefits Assessment & Next Steps** aligned with your Priorities



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2

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**Industry situation, trends and challenges**

**Strategic Priorities, Impact Areas and Value Drivers**

**References, Proof Points and further information**



# Capitalizing on Trends for Value Creation in the Building Products Industry



## Key Challenges within your industry

### Demanding customers

- Socially connected customers
- Omni-channel business
- Segmentation & brand management

### Changing playing field

- Competition coming in from industries as varied as retail and high tech
- Diversified products
- Smart homes

### Global operations

- Increasing global activities
- Complex supply chain
- Volatile raw material prices



## Key Trends within your industry

### Smart factories & distribution networks

- Providing vital information across the network and enabling better collaboration
- Improving real-time analysis

### Value-added services and new business model

- Digitalization or interconnection of products and services
- Outcome-based services can both increase customer satisfaction and revenue

### Operating for purpose

- Products that are designed and built with sustainability topics in mind
- Leads to purchase decisions
- Leads to employee engagement



## Key Value Creation Levers within your industry

### Listen, sell, plan and source

- 360-degree view of customer
- Procurement with machine matching
- Planning and scheduling with collaborative planning

### Produce safely and sustainably

- Energy management with optimized energy mix and use
- Quality: meeting expectations at lowest cost. Work safety in tracking environment and warning workers

### Deliver, track and trace

- Maintenance through optimized asset performance
- Service with optimized asset performance



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**Industry situation, trends and challenges**

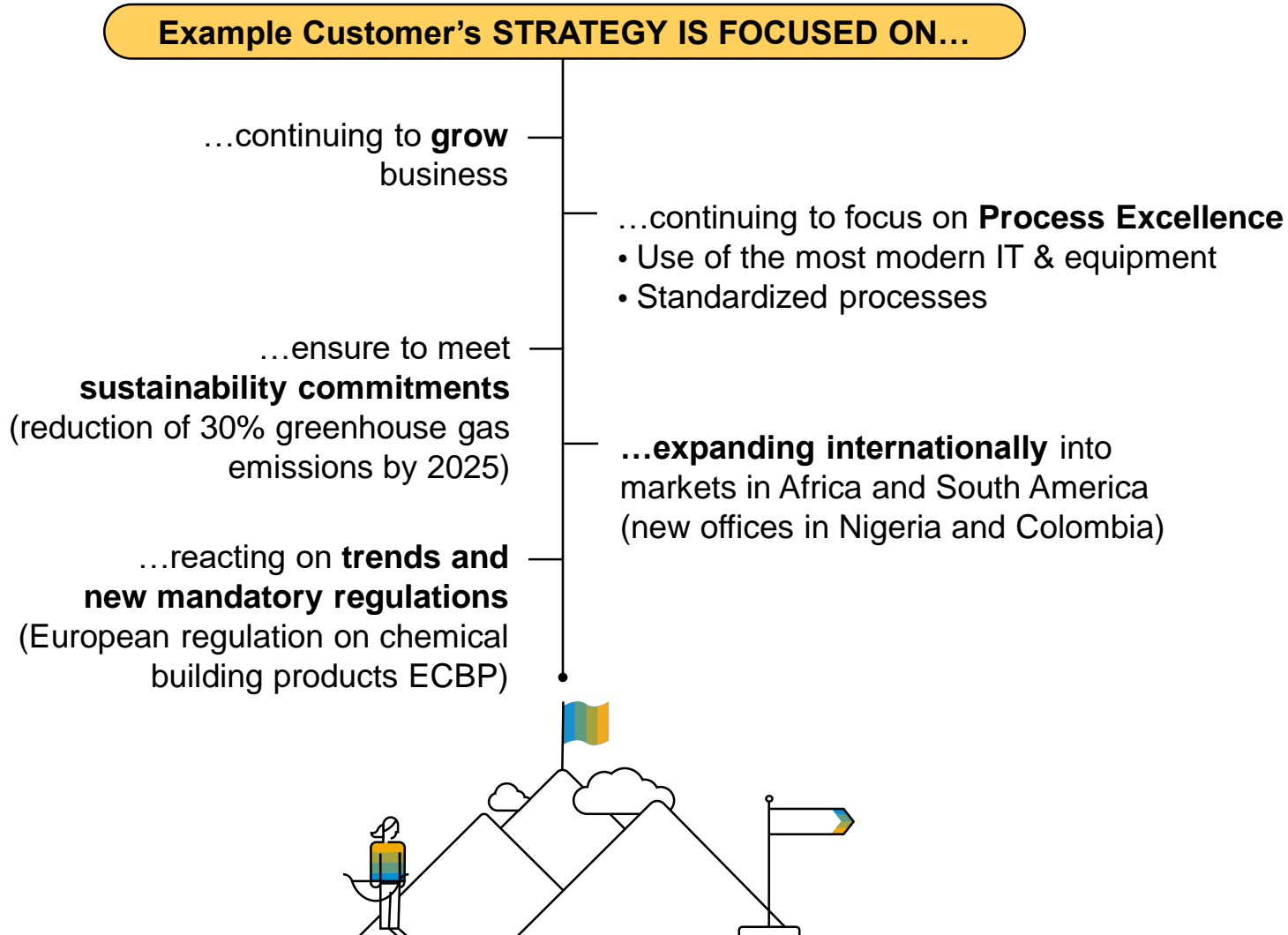
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**Strategic Priorities, Impact Areas and Value Drivers**

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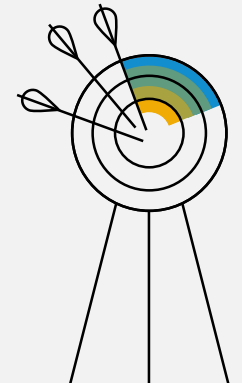
**References, Proof Points and further information**

# Strategic Priorities for Example Customer



While doing so, **Example Customer** needs to focus on...

- ...accelerated revenue growth (~5% increase in main business, and ~20% in emerging markets)
- ...cost control & margin improvement (Decrease costs for raw materials and logistics with improved Sourcing)
- ...improve operational efficiency




# SAP's View on some of Example Customer's Strategic Priorities



Source: Annual Report & Other publicly available information

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# Multiple Value Drivers improved In Building Products by SAP solutions

VALUE LEVERS	REVENUE GROWTH	PROFABILITY	ASSET EFFICIENCY	STRATEGIC
Impact Areas	Sales volume, New business models M&A	COGS, SG&A, Pre-tax margin	Fixed assets (PP&E), Working capital	Agility, Experience, Risk, Insights
Primary Value Drivers	<ul style="list-style-type: none"> <li>• Reduce time to market for new products</li> <li>• Increase revenue from new products / services</li> <li>• Reduce un-planned downtime or outages</li> </ul>	<ul style="list-style-type: none"> <li>• Reduce finance cost</li> <li>• Reduce total manufacturing cost</li> <li>• Reduce service and support cost</li> <li>• Improve procurement FTE productivity</li> <li>• Reduce sales cost</li> </ul>	<ul style="list-style-type: none"> <li>• Reduce days in inventory</li> <li>• Reduce days sales outstanding</li> </ul>	<ul style="list-style-type: none"> <li>• Improve on-time delivery performance</li> <li>• Improve customer satisfaction</li> <li>• Increase employee engagement</li> </ul>
Other Key Value Drivers	<ul style="list-style-type: none"> <li>• Reduce revenue loss due to stock-outs</li> <li>• Increase revenue from cross-sell/up-sell</li> <li>• Reduce customer churn</li> </ul>	<ul style="list-style-type: none"> <li>• Optimize research and development expense</li> <li>• Reduce inventory carrying cost</li> <li>• Reduce turnover</li> <li>• Improve accounts payable FTE productivity</li> </ul>	<ul style="list-style-type: none"> <li>• Improve days payable outstanding</li> </ul>	<ul style="list-style-type: none"> <li>• Support mergers &amp; acquisitions</li> <li>• Improve overall equipment effectiveness</li> <li>• Increase sales forecast accuracy</li> <li>• Increase financial forecast accuracy</li> </ul>
 Example Customer's Strategic Priorities	<b>01 – Continue to grow company's main business and in emerging markets</b>  <b>04 – Expand internationally</b>	<b>02 – Focus on process excellence</b>	<b>02 – Focus on process excellence</b>	<b>03 – Ensure to meet sustainability commitments</b>  <b>05 – React on trends and new mandatory regulations</b>



# SAP Business Capabilities can enable Example Customer's Strategic Priorities & Supporting Processes

[Click here for the Building Products Shareholder Value Map](#)

## Strategic Priorities ...

05 – React on trends and new mandatory regulations

03 – Ensure to meet sustainability commitments

04 – Expand internationally

02 – Focus on process excellence

01 – Continue to grow company's main business and in emerging markets

## ... are enabled by SAP Business Capabilities ...

- Portfolio and Project Management
- Product Development
- Commercial Project Management

- Buy and deliver direct goods
- Central Procurement
- Procurement Analytics
- Supplier & Risk Management

- Plant and Asset Operations Excellence
- Quality Management
- Industrial Insights
- Environment, Health and Safety
- Manufacturing Execution
- Manufacturing Networks

- Order Promising
- Product Compliance
- Warehouse Management

- Quote to Cash
- Sales Force Support
- Order and Contract Management

## ... by driving maturity across best practices across Core LoBs & E2E processes

R&D

Procurement

Manufacturing




Supply Chain

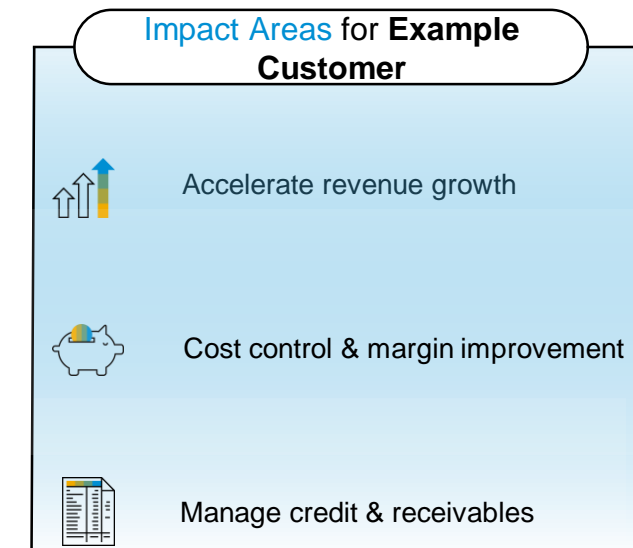
Sales & Marketing

CORE FINANCE

HR

# Benchmarking indicates significant Value Potential

KEY PERFORMANCE INDICATORS	BOTTOM QUARTILE	Example Customer	TOP QUARTILE
Revenue growth (in %)	Peer company 1	-9.9  -9.7 5.8	Peer company 2
Operating margin (in %)	Example customer	0.6 6.8	Peer company 3
Cost of goods/services sold (% revenue)	Peer company 4	84.1 67.1	Example customer
SG&A expense (% of revenue)	Peer company 2	15.0  8.4 5.4	Peer company 3
Days in inventory	Peer company 4	68.3  51.6 48.1	Peer company 1






Financial numbers of Example customer are based on Group/Parent level information

Directional overview based on Peer set: Peer company 1, Peer company 2, Peer company 3, Peer company 4

Source: S&P Global Market Intelligence. Data is normalized by S&P for comparative purposes and might not exactly match the financial filings of the companies.

# SAP S/4HANA can play an important role in helping Example Customer improve Opportunity & Strategic Areas and transform its business

	Finance	Sourcing & Procurement	Sales	Supply Chain	Manufacturing	Asset Management
<b>Accelerate revenue growth</b> 	<b>Reduce G/L Effort and Financial Closing Time:</b> by enabling automated, highly efficient closing tasks supported by single source of truth	<b>Reduce revenue loss due to stock-outs:</b> by searching inventory using rich, descriptive item descriptions, multiple images, videos, and stock levels by location	<b>Improve customer satisfaction:</b> by generating clear, easy-to-understand invoices for all services on a single bill  <b>Increase revenue from cross-sell/up-sell:</b> by recommending contextual offers that are more likely to be accepted by customers		<b>Reduce manufacturing cycle time</b> by seamlessly integrating quality monitoring and tracking in the manufacturing cycle	<b>Reduce unplanned downtimes or outages:</b> Leverage preventive or condition based maintenance strategies to keep assets in a high performance status
<b>Cost control &amp; margin improvement</b> 	<b>Reduce finance cost</b> by providing a holistic view of the drivers of cost and the causes of underperformance	<b>Reduce inventory carrying cost:</b> by optimizing inventory using prediction about purchase order item delivery date	<b>Reduce service and support cost:</b> by automatically recording costs incurred as a result of providing services, which are then rolled up to profitability analysis  <b>Reduce Sales Cost:</b> by promoting trusted customer and partner relationships	<b>Improve demand forecast accuracy:</b> by leveraging sophisticated forecasting algorithms that take into account seasonality, trend, and all known demand-influencing factors  <b>Improve supply chain FTE productivity:</b> by establishing effective collaboration with internal and external partners	<b>Reduce total manufacturing cost:</b> by embedding quality engineering in the product design process	<b>Reduce fixed asset service and maintenance costs:</b> Enable streamlined work order planning and execution, while including effective safety measures
<b>Manage credit &amp; receivables</b> 	<b>Reduce days sales outstanding:</b> by taking a strategy-based approach to prioritizing customers for collections activities	<b>Improve days payable outstanding:</b> by enabling effective liquidity planning by updating cash management records with invoice data	<b>Reduce accounts receivables management cost:</b> by consolidating invoices and billing items from multiple lines of billing	<b>Reduce days in inventory:</b> by analyzing inventory coverage and ensuring inventory is aligned with demand through total visibility		



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# Building Products Industry Shareholder Value Map

IMPACT AREAS	REVENUE GROWTH	PROFABILITY	ASSET EFFICIENCY	STRATEGIC
Key <b>Outcomes</b>	Faster Time to Market, Increased portfolio of Products/Services, New Revenue Streams	Enabled Intelligent and autonomous processes, Reduced Costs, Optimized R&D Spend, Improved Sales Productivity	Reduced inventory levels, Optimized CAPEX, Improved uptime and asset utilization	Improved customer satisfaction, Reduced TCO, Improved Agility, Increased Scalability, Reduced Business & Technology Risk, Improved Decision Making, Reduced emissions from operations
Realized Proof Points across <b>Value Drivers</b>	<p><b>FUYANG DAKE NEW MATERIALS</b> Increase revenue growth with better product personalization</p> <ul style="list-style-type: none"> <li>Increase the qualified rate of customized furniture by 99%</li> </ul> <p>Reduce time to market for new products</p> <ul style="list-style-type: none"> <li>Increase the production efficiency &amp; capacity of customized furniture 3 times</li> </ul> <p><b>阜阳大可新材料股份有限公司</b> FuYang Duke new materials co., ltd</p> <p><b>EXIDE</b> Reduce customer churn</p> <ul style="list-style-type: none"> <li>25% improvement in customer retention</li> </ul> <p><b>EXIDE</b></p>	<p><b>FUYANG DAKE NEW MATERIALS</b> Reduce total manufacturing cost</p> <ul style="list-style-type: none"> <li>Increase the accuracy of cost accounting and reduce production cost by 10%</li> <li>Reduce labor cost and working time by 50% with unchanged manufacturing output</li> </ul> <p><b>阜阳大可新材料股份有限公司</b> FuYang Duke new materials co., ltd</p> <p><b>KATERRA</b> Reduce COGS with better product design</p> <ul style="list-style-type: none"> <li>50% Potential savings in building time and costs</li> </ul> <p><b>KATERRA</b></p> <p><b>NEWSEGA</b> Reduce inventory carrying cost</p> <ul style="list-style-type: none"> <li>6% cost reduction for the finished product due to optimized inventory control (lowering inventory working capital by 8%)</li> </ul>	<p><b>FUYANG DAKE NEW MATERIALS</b> Reduce days in inventory</p> <ul style="list-style-type: none"> <li>Reduce the inventory counting time from 1 day to 2 hours and improve the inventory turnover rate by 20%</li> </ul> <p><b>阜阳大可新材料股份有限公司</b> FuYang Duke new materials co., ltd</p> <p><b>TALCA</b> Improve days payable outstanding</p> <ul style="list-style-type: none"> <li>Vendor payments went down from 90 days to 15 – 20 days</li> </ul> <p><b>TALCA</b> UNIVERSIDAD CHILE</p>	<p><b>GEOGRAPHE</b> Improve customer satisfaction</p> <ul style="list-style-type: none"> <li>97% on-time delivery for increased customer satisfaction</li> </ul> <p><b>geographe™</b></p> <p><b>EDGEWELL</b> Increase sales forecast accuracy   Improve on-time delivery performance</p> <ul style="list-style-type: none"> <li>Captured demand and increased on-time delivery rates while reducing inventory-carrying costs. Unified manufacturing and inventory operations globally, boosting efficiency and slashing overhead</li> </ul> <p><b>Edgewell</b> PERSONAL CARE</p> <p><b>NEWSEGA</b> Reduced TCI</p> <ul style="list-style-type: none"> <li>Go-live in just 3 months, surpassing management expectations</li> </ul>



# Building Products Industry Shareholder Value Map

## Outcomes: Realized!

IMPACT AREAS	REVENUE GROWTH	PROFABILITY	ASSET EFFICIENCY	STRATEGIC
Key <b>Outcomes</b>	Faster Time to Market, Increased portfolio of Products/Services, New Revenue Streams	Enabled Intelligent and autonomous processes, Reduced Costs, Optimized R&D Spend, Improved Sales Productivity	Reduced inventory levels, Optimized CAPEX, Improved uptime and asset utilization	Improved customer satisfaction, Reduced TCO, Improved Agility, Increased Scalability, Reduced Business & Technology Risk, Improved Decision Making, Reduced emissions from operations
What <b>Outcomes</b> are others realizing? (Business & IT)	<p><b>ROYALSTAR</b>            “Make more-accurate, data-driven decisions about market expansion, product replacement, and R&amp;D through real-time access to data regarding marketing, finance, and consumer behaviors”</p>  <p><b>JAPAN TOBACCO INTL.</b>            “To be fit for the future, we need capabilities that allow us to consistently deliver high-quality products and launch innovations faster</p> 	<p><b>EVEREST SPICES</b>            “With the real-time insights provided by SAP S/4HANA, we’re able to react quickly to identify and resolve any issues in our supply chain, helping ensure that our products reach customers in optimal condition”</p>  <p><b>TAT DUZEY</b>            “Düzey is an important partner for TAT. We now work together better than ever and are saving big in terms of effort and costs.”</p> 	<p><b>GUANGZHOU SHUANGQIAO CO. LTD.</b></p> 	<p><b>ALCOHOL SIBERIAN GROUP</b>            “Alcohol Siberian Group digitalized its operations and uses <b>data-driven decisions</b> to respond faster to shifting consumer tastes”</p> 



# Featured Story: Customers Are **Achieving Value** with SAP Solutions

## Fuyang Dake New Materials



**Industry**  
Mill Products – furniture



**Customer Web Site**  
[www.dakecn.com](http://www.dakecn.com) (Chinese)  
Click [here](#) to read the business transformation study.

**\*Increase revenue growth with better product personalization**  
Increase the qualified rate of customized furniture by 99%

**\*Reduce total manufacturing cost**  
Increase the accuracy of cost accounting and reduce production cost by 10% | Reduce labor cost and working time by 50% with unchanged manufacturing output



**SAP Solution**  
SAP S/4HANA Cloud

**\*Reduce time to market for new products**  
Increase the production efficiency & capacity of customized furniture 3 times

**\*Reduce days in inventory**  
Reduce the inventory counting time from 1 day to 2 hours and improve the inventory turnover rate by 20%

Fuyang Dake New Materials Co. Ltd., a privately owned fiberboard producer, wanted to expand into the customized home furnishings market. The company implemented SAP S/4HANA Cloud to help it transform to a design-to-production business and address the need for both customization and mass production. Fuyang Dake has been able to increase the production efficiency and capacity of customized furniture by 3 times while reducing labor cost and working time by **50%**.



# Thank you.

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