SAP S/4HANA Value Starter Engagement
Point of View: Example Customer
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
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
1. Industry situation, trends and challenges

2. Strategic Priorities, Impact Areas and Value Drivers

3. References, Proof Points and further information
Strategic Priorities for Example Customer

Example Customer’s STRATEGY IS FOCUSED ON…

...continuing to grow business

...continuing to focus on **Process Excellence**
  - Use of the most modern IT & equipment
  - Standardized processes

...ensure to meet **sustainability commitments** (reduction of 30% greenhouse gas emissions by 2025)

...expanding internationally into markets in Africa and South America (new offices in Nigeria and Colombia)

...reacting on **trends and new mandatory regulations** (European regulation on chemical building products ECBP)

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

Sources: Company Website, Annual reports
## SAP’s View on some of Example Customer’s Strategic Priorities

<table>
<thead>
<tr>
<th>TRENDS</th>
<th>YOUR Strategic Priorities</th>
</tr>
</thead>
<tbody>
<tr>
<td>01</td>
<td>Continue to grow company’s main business and in emerging markets</td>
</tr>
<tr>
<td>02</td>
<td>Focus on <strong>Process Excellence</strong></td>
</tr>
<tr>
<td>03</td>
<td>Ensure to <strong>meet sustainability commitments</strong></td>
</tr>
<tr>
<td>04</td>
<td><strong>Expand</strong> internationally</td>
</tr>
<tr>
<td>05</td>
<td>React on <strong>trends and new mandatory regulations</strong></td>
</tr>
</tbody>
</table>

*Source: Annual Report & Other publicly available information*
# Multiple Value Drivers improved In Building Products by SAP solutions

<table>
<thead>
<tr>
<th>VALUE LEVERS</th>
<th>REVENUE GROWTH</th>
<th>PROFABILITY</th>
<th>ASSET EFFICIENCY</th>
<th>STRATEGIC</th>
</tr>
</thead>
</table>

### Primary Value Drivers
- Reduce time to market for new products
- Increase revenue from new products/services
- Reduce unplanned downtime or outages
- Reduce finance cost
- Reduce total manufacturing cost
- Reduce service and support cost
- Improve procurement FTE productivity
- Reduce sales cost
- Reduce days in inventory
- Reduce days sales outstanding

### Other Key Value Drivers
- Reduce revenue loss due to stock-outs
- Increase revenue from cross-sell/up-sell
- Reduce customer churn
- Optimize research and development expense
- Reduce inventory carrying cost
- Reduce turnover
- Improve accounts payable FTE productivity
- Improve days payable outstanding
- Support mergers & acquisitions
- Improve overall equipment effectiveness
- Increase sales forecast accuracy
- Increase financial forecast accuracy

### Example Customer’s Strategic Priorities
- **01** – Continue to grow company’s main business and in emerging markets
- **02** – Focus on process excellence
- **03** – Ensure to meet sustainability commitments
- **04** – Expand internationally
- **05** – React on trends and new mandatory regulations
SAP Business Capabilities can enable Example Customer’s Strategic Priorities & Supporting Processes

Click here for the Building Products Shareholder Value Map

Strategic Priorities …

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

02 – Focus on process excellence

03 – Ensure to meet sustainability commitments

04 – Expand internationally

05 – React on trends and new mandatory regulations

… 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

<table>
<thead>
<tr>
<th>KEY PERFORMANCE INDICATORS</th>
<th>BOTTOM QUARTILE</th>
<th>Example Customer</th>
<th>TOP QUARTILE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue growth (in %)</td>
<td>Peer company 1</td>
<td>-9.9</td>
<td>-9.7</td>
</tr>
<tr>
<td>Operating margin (in %)</td>
<td>Example customer</td>
<td>0.6</td>
<td>6.8</td>
</tr>
<tr>
<td>Cost of goods/services sold (% revenue)</td>
<td>Peer company 4</td>
<td>84.1</td>
<td>67.1</td>
</tr>
<tr>
<td>SG&amp;A expense (% of revenue)</td>
<td>Peer company 2</td>
<td>15.0</td>
<td>8.4</td>
</tr>
<tr>
<td>Days in inventory</td>
<td>Peer company 4</td>
<td>68.3</td>
<td>51.6</td>
</tr>
</tbody>
</table>

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.

Impact Areas for Example Customer

- Accelerate revenue growth
- Cost control & margin improvement
- Manage credit & receivables
## SAP S/4HANA can play an important role in helping Example Customer improve Opportunity & Strategic Areas and transform its business

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

Strategic Priorities, Impact Areas and Value Drivers

References, Proof Points and further information
# Building Products Industry Shareholder Value Map

## IMPACT AREAS

<table>
<thead>
<tr>
<th>Key Outcomes</th>
<th>Realized Proof Points across Value Drivers</th>
</tr>
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</table>
| **Faster Time to Market, Increased portfolio of Products/Services, New Revenue Streams** | **FUYANG DAKE NEW MATERIALS** Increase revenue growth with better product personalization  
  - Increase the qualified rate of customized furniture by 99%  
  Reduce time to market for new products  
  - Increase the production efficiency & capacity of customized furniture 3 times  
  **Fuyang Dake new materials co., ltd**  
  **EXIDE** Reduce customer churn  
  - 25% improvement in customer retention  
  **KATERRA** Reduce COGS with better product design  
  - 50% Potential savings in building time and costs  
  **NEWSEGA** Reduce inventory carrying cost  
  - 6% cost reduction for the finished product due to optimized inventory control (lowering inventory working capital by 8%)
| **Enabled Intelligent and autonomous processes, Reduced Costs, Optimized R&D Spend, Improved Sales Productivity** | **FUYANG DAKE NEW MATERIALS** 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  
  **Fuyang Dake new materials co., ltd**  
  **KATERRA** Reduce days in inventory  
  - Reduce the inventory counting time from 1 day to 2 hours and improve the inventory turnover rate by 20%  
  **NEWSEGA** Reduce days in inventory  
  - Reduce the inventory counting time from 1 day to 2 hours and improve the inventory turnover rate by 20%  
  **TALCA** Improve days payable outstanding  
  - Vendor payments went down from 90 days to 15 – 20 days  
  | **Reduced inventory levels, Optimized CAPEX, Improved uptime and asset utilization** | **GEOGRAPHE** Improve customer satisfaction  
  - 97% on-time delivery for increased customer satisfaction  
  | **Improved customer satisfaction, Reduced TCO, Improved Agility, Increased Scalability, Reduced Business & Technology Risk, Improved Decision Making, Reduced emissions from operations** | **EDGEWELL** Increase sales forecast accuracy | Improve on-time delivery performance  
  - Captured demand and increased on-time delivery rates while reducing inventory-carrying costs. Unified manufacturing and inventory operations globally, boosting efficiency and slashing overhead  
  | **Reduced TCI** | **NEWSEGA** Reduced TCI  
  - Go-live in just 3 months, surpassing management expectations

Click here to view a comprehensive list of S/4HANA driven Value Proof Points for LoB/Industries
Building Products Industry Shareholder Value Map
Outcomes: Realized!

**IMPACT AREAS**
- Key Outcomes

**REVENUE GROWTH**
- Faster Time to Market, Increased portfolio of Products/Services, New Revenue Streams

**PROFABILITY**
- Enabled Intelligent and autonomous processes, Reduced Costs, Optimized R&D Spend, Improved Sales Productivity

**ASSET EFFICIENCY**
- Reduced inventory levels, Optimized CAPEX, Improved uptime and asset utilization

**STRATEGIC**
- Improved customer satisfaction, Reduced TCO, Improved Agility, Increased Scalability, Reduced Business & Technology Risk, Improved Decision Making, Reduced emissions from operations

What Outcomes are others realizing? (Business & IT)

**ROYALSTAR**
“Make more-accurate, data-driven decisions about market expansion, product replacement, and R&D through real-time access to data regarding marketing, finance, and consumer behaviors”

**EVEREST SPICES**
‘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’

**JAPAN TOBACCO INTL.**
“To be fit for the future, we need capabilities that allow us to consistently deliver high-quality products and launch innovations faster”

**TAT DUZEY**
“Düzey is an important partner for TAT. We now work together better than ever and are saving big in terms of effort and costs.”

**GUANGZHOU SHUANGQIAO CO. LTD.**

**ALCOHOL SIBERAIN GROUP**
“Alcohol Siberian Group digitalized its operations and uses data-driven decisions to respond faster to shifting consumer tastes”

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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.