



GLOBAL CONSOLIDATION

HOW SAP IS HELPING BAT TO BECOME A TRULY INTEGRATED GLOBAL ENTERPRISE

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Ebert Spreeth,
Global Programme Manager, BAT

QUICK FACTS

Company

- Name: British American Tobacco
- Location: London, UK
- Industry: Tobacco
- Products: Cigarettes, cigars and related products
- Gross Turnover: £26,234 million (2007)
- Revenue: £10,018 million (2007)
- Employees: 53,907 (2008)
- Website: www.bat.com

Challenges and Opportunities

- BAT is turning a multinational business operating across multiple markets into an integrated global enterprise that can take full advantage of its scale
- Having 62 ERP back office systems around the world was inhibiting BAT's drive towards becoming a truly integrated global enterprise
- The EAS Convergence Programme provides the opportunity for BAT to adopt regional and global business processes while reducing costs and providing common information across the business.

Objectives

- Simplify the company's complex IT landscape across the world
- Consolidate myriad back office ERP systems onto regional SAP® ERP platforms
- Accelerate the adoption of regional and global business processes
- Provide common information at regional and global levels
- Achieve regional ownership of the programme.

SAP Solutions and Services

- SAP® R/3 4.7 selected to provide the stable, reliable and integrated platform required globally
- Strategy in place to move to SAP ERP 6.0 in the future.

Implementation Highlights

- A light global touch, with programme driven by regional and local implementation teams
- Regional ownership a key success factor
- Major emphasis placed on change management
- 56 ERP systems decommissioned and 99 countries moved onto new SAP ERP systems
- Project delivered to plan and budget.

Why SAP?

- SAP already successfully deployed in several of BAT's key markets
- Significant existing investment in SAP
- SAP regarded as the leading ERP product.

Key Benefits

- Common regional and global business processes
- Improved availability, reliability and consistency of regional and global business information
- Accelerated deployment of other regional/global initiatives (e.g. finance shared services)
- Reduced IT maintenance and support costs.

Projected Environment

- From 62 ERP back office systems around the world to 6 SAP ERP instances.



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British American Tobacco (BAT) was born out of international co-operation. The company was established in 1902 as a joint venture between Britain's Imperial Tobacco Company and the American Tobacco Company, to trade outside the two companies' respective core markets and develop an international business. Today, BAT is the world's second largest stock market listed tobacco group covering over 180 markets and employing more than 53,000 people across the globe.

Tobacco is, of course, a challenging business. As well as the evident health issues, there is increasing regulation, stiff competition, rising excise tax and a real illicit trade problem. Against this background, BAT aims to grow its global market share by meeting the preferences of adult tobacco consumers and differentiating the company's brands from those of its competitors.

It is achieving this by turning a multinational business operating across multiple markets into an integrated global enterprise that can take full advantage of its scale. Simplifying the company's complex IT landscape is crucial to the success of this strategy, and in 2004 BAT embarked on an ambitious four-year programme to consolidate its myriad back office ERP systems onto regional SAP ERP platforms.

The EAS/ERP Convergence Programme

In simple terms, the EAS Convergence Programme will consolidate the company's 62 ERP back office systems around the world to six strategic SAP systems.

The implications for the business are exciting. "Running all of these different back office systems may have been acceptable for the business operating model we had in the past, but today this is a serious inhibitor," says Ebert Spreeth, Global Programme Manager. "EAS Convergence will move us to an environment that is far less costly to sustain. It will take less time to roll out new systems and to provide common information at regional and global levels."

"The successful adoption of regional and global processes is an essential component of BAT's drive towards becoming a truly integrated global enterprise."

"The consolidation of BAT's back office ERP systems has enabled improved productivity and accelerated the deployment of other initiatives in areas such as finance shared services and supply chain management."

"Perhaps most importantly for a marketing-led company, the EAS Programme will significantly improve the availability, reliability and consistency of business information.

Less time will be spent compiling data and more time analysing it – allowing the markets to focus on selling and managing BAT's reputation, described by the company as 'our licence to operate'."

BAT is a longstanding SAP customer, with SAP ERP systems successfully deployed in several of BAT's key markets.

"We had already made a significant investment in SAP, and the consolidation of our ERP systems with a single supplier offered major benefits in terms of licence, support and maintenance costs," explains Ebert Spreeth. "SAP is the leading ERP product, and we deliberately chose SAP R/3 4.7 as it provided the stable, reliable and well integrated platform we needed at the start of the programme in 2005. We now have a strategy to move to SAP ERP 6 in the future, but first we need to get the right foundations in place."

A Light Global Touch

Sponsored by the BAT Management Board, the EAS Programme is co-ordinated by a small global team based at BAT's Globe House headquarters in London. However, as Ebert Spreeth confirms, EAS is very much driven by the regional implementation teams: "Our central role focuses essentially on programme governance, risk management, quality assurance and change management," he says. "Regional ownership has been a major success factor in the programme to date, and we use a light global touch, intervening only when we feel that we can add value."



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Four regional programme teams are responsible for the day-to-day implementation of the SAP ERP systems in their respective regions. These regional teams work in close collaboration with BAT regional and local management to ensure a successful project start-up. “This preparatory work was crucial to the success of each end market implementation,” says Ebert Spreeth. “There were several tasks to be accomplished, but probably the most important challenges were making sure the EAS project was given priority by the business, and that the changes were clearly communicated to users of the new SAP ERP systems.”

Going Live Around The World

Japan was the first market to converge to a regional SAP ERP system, in August 2005; the remaining markets in the Asia Pacific region successfully completed their programme at the end of 2008.

“We have a focus on managing corporate overheads and reducing complexity in our business, and SAP is a direct enabler of this,” says Peter White, previous IT Director – BAT Japan. “The new system represented a big change for us, taking SAP from being a mainly finance employed system to a broader business system delivering value to functions such as marketing. It will also enable the focus to move more towards analysis of the information provided by the system and away from purely transactional activities.”

At the same time on another continent, Egypt was the first market to go live in the Africa Middle East (AME) region. “As SAP is a new process framework, a strong change management process has been necessary to ease the transition of people to the new way of working,” says Pamela Gwanzura, AME EAS Programme Manager. “To achieve this we have placed a high level of emphasis on timely communication and adequate training.” Three years later, in April 2008, this geographically, culturally and economically diverse region had completed the switch to SAP ERP.

“This was an amazing achievement,” says Ebert Spreeth, “and shows what can be done with the right project team. The region implemented the change-over in over 40 markets in just three years, and this is even more remarkable as the situation on the ground tends to change fast in these markets.”

Latin America and Caribbean Region (LACAR) has been another huge challenge for the programme, covering 24 countries, 56 legal entities, 114 different legacy systems, 356 interfaces and eight sales systems which support more than 30 million invoices annually. “There are many factors to manage on such a programme, especially in our region where legal and tax constraints are complex,” explains Jaime Navas, LACAR EAS Programme Manager. “According to SAP experience, the complexity levels in this ERP implementation are considered very high.”

Nevertheless, the programme in this region has reached a successful conclusion, completing the transition in February 2009.

Although the most experienced BAT region in terms of SAP usage, Europe is equally complex and the focus here has been on completing the lead market implementation in Russia and adopting EAS CORE – the internationally agreed data standards that are being applied globally to the business.

The Change Management Challenge

EAS has been one of the largest programmes ever undertaken by BAT, and its effects are being felt throughout the business. “Right from the start we put a major emphasis on change management and trying to get people engaged and talking about the programme – whether they were directly affected as users or not,” says Tom Roberts, Global Operations Change Manager. “We agreed global principles and approaches and communicated often with stakeholders.”

For the actual users of the SAP system, having the right skills and knowledge is crucial to their performance. As each BAT market varied in terms of its SAP experience, training strategies were agreed at a regional level depending on the requirements of the individual markets.

In LACAR, for example, e-Learning was employed extensively to build and consolidate SAP knowledge, whereas training delivery in the less experienced Africa Middle East region was almost entirely classroom-based.

With 11,000 SAP users across the world, however, it is impractical to provide ongoing training for everyone and instead, highly trained 'super users' have first-line responsibility for all SAP-related queries.

The End of The Journey

The end is now in sight for the BAT EAS programme, with 99 countries moved onto the new SAP ERP systems. This huge undertaking has been delivered to plan and budget, and is on track to deliver the anticipated IT cost savings and business benefits.

"Looking back over a highly successful four years, the early implementations were extremely important for building confidence and highlighting areas for improvement," says Ebert Spreeth. "In the latter half of the programme, for example, project governance and QA issues became the chief focus and since then I'm delighted to report that KPIs have been consistently achieved and our internal auditors confirm that things are progressing smoothly."

Phil Colman, Group Head of BAT Demand IT, recently shared British American Tobacco's experiences of its convergence programme at an SAP UK Customer Conference. "Define the programme in detail, get the buy-in, then deliver, deliver and deliver," he said.

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