

## British American Tobacco

Formed in 1902 as a joint venture between the UK's Imperial Tobacco Company and the American Tobacco Company, British American Tobacco has become one of the world's largest and most successful tobacco companies. Despite its name, derived from the headquarter locations of its two founding companies, British American Tobacco was established to trade outside both the UK and the US, and grew from its roots to establish a presence in dozens of countries across Africa, Asia, Latin America and continental Europe.

### PROBLEM

As a consumer goods manufacturer, British American Tobacco operates under tremendous market pressure driven by changing consumer trends, as well as intense competitive and market volatility. In addition, British American Tobacco manages operations on a local level – often by country – to ensure alignment with local market trends, while addressing country-specific regulatory requirements.

As a tobacco manufacturer, however, British American Tobacco faces another challenge in many of its markets not common to most consumer packaged goods companies – shrinking demand. An example of this global trend can be found at British American Tobacco Belgium.

In order to increase revenue and shareholder value, British American Tobacco's Belgian division had one clear, defined business goal – to become the leader in the Belgian tobacco market. With the market in decline, the competition for market share is extremely fierce. As part of this effort, British American Tobacco and sister company STC expressed their intention to merge, thereby becoming the top tobacco company in Belgium.

From the moment the merger was complete, all information needed to reflect the consolidated activities of the joined company. The cross-category product portfolio resulted in methodology changes, while new cross-functional requirements associated with the new organizational structure needed to be answered. At a minimum, the company needed to see consolidated reports quickly so as to make strategic and operational decisions based on results and information of the merged company, not the pre-merger structure.

British American Tobacco Belgium's management team realized that business agility, and the ability to act upon both internal and market change, would be crucial in achieving the insight needed to increase market share and maintain their status as the largest tobacco

“Our sales and marketing teams needed to analyze a wide range of data from a range of different sources – SAP systems, sales databases, competitor information and plain old spreadsheets. We had a huge amount of information available in theory, but it wasn't at our fingertips.”

**Koen Dehaen**  
IT PROJECT MANAGER  
British American Tobacco Belgium

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company in Belgium. British American Tobacco Belgium also recognized that more comprehensive, flexible and accurate management information was key to maintaining this agility in a competitive marketplace.

Led by the CFO and the CIO, a team of business and technical managers instigated a major project to deliver vastly improved business information across the supply chain, drive increased sales and ultimately increase market share.

## **British American Tobacco Belgium's data landscape**

Understanding and reacting to the activities of British American Tobacco Belgium's competitors is crucial for the company to maintain critical competitive advantage. British American Tobacco Belgium wanted to monitor its market share on a monthly – and sometimes daily – basis. To achieve this, the company needed to get precise information on the Total Domestic Market for both themselves and their competitors, excluding sales across the border.

Previously, all the data powering these reports was fed into two different custom-built Oracle data warehouses. "SIM" (Sales Information Management) covered information from manufacturing to the wholesalers, while "WIM" (Wholesaler Information Management) featured sales data from wholesalers to retail outlets such as gas stations and convenience stores.

However, as market conditions changed, and British American Tobacco Belgium adapted to keep ahead, it became increasingly difficult to keep the outdated data warehouses in synch with the business. Changes to the business as warranted by organizational shifts or market requirements would take weeks if not months to incorporate into the warehouses, resulting in reports that could be out-of-date, incomplete or inaccurate.

In a previous initiative, for example, British American Tobacco Belgium investigated whether sales information from vending machines could be incorporated into the WIM data warehouse in order to enrich sales data and assist operational planning. The investigation took five months, 13,500 euros and 10 days of British American Tobacco Belgium business users' time, only to discover that it would cost an additional 7,500 euros to actually do it by changing a field length from 20 to 30 characters. With Kalido, such an exercise would have been unnecessary, and any similar change could be integrated in five minutes by a single trained user.

The merger with STC presented a significant challenge to British American Tobacco Belgium's already complex data architecture. As a rolling tobacco company, STC sold different products, followed different business models and operated in a slightly different market. While both STC and British American Tobacco Belgium used SAP systems internally, the SAP instances were significantly different.

Also, in common with British American Tobacco, STC was using two custom-built data warehouses to track sales performance, taking data from completely different source systems. Although both companies had many of the

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same customers, they sold different products, and common concepts, such as product, wholesaler and time, were defined differently, so the figures couldn't be easily combined.

As a result, British American Tobacco Belgium faced the difficult challenge of merging the two companies' outdated data warehousing platforms on a very short timescale. Meanwhile, business managers and executives were still in the midst of defining a new working environment, business structure and plan as a result of the merger. This highly changing business environment demanded a flexible information architecture – and required a departure from the brittle, change-resistant nature of traditional systems.

In an industry where failure to act quickly on market change could represent millions of euros in lost revenue, British American Tobacco Belgium's executives needed to make sure they could get access to the information they needed about the merged operations, despite the changing business environment.

## SOLUTION

Based on internal analysis, British American Tobacco Belgium determined that their new Information Management strategy would need to have the following characteristics:

- ▶ One dedicated team involved in business intelligence / information management
- ▶ One centrally managed and integrated corporate data warehouse
- ▶ Quick responses to an ever-changing business model
- ▶ Easy access to one center of valid information reflecting the current business model

British American Tobacco Belgium began to review several potential solutions with the hope and expectation that the first consolidated report would be delivered in less than two months. From a technological perspective, three major options satisfied the company's requirements. During the initial assessment, SAP BW was quickly eliminated as an option as the majority of the data for the data warehouse would come from non-SAP sources.

With two remaining options on the table – the current Oracle-based custom-built data warehouse approach and the Kalido approach – British American Tobacco Belgium conducted significant analysis and due diligence to determine the best fit for the company's requirements.

In some respects, the traditional custom-built approach was appealing as the company had significant experience implementing such data warehouses. However, such a decision failed to take into consideration the challenges the company was already experiencing with this approach. In particular, the Business Intelligence program would be costly to develop and maintain, requiring in-depth re-engineering every time the business model changed.

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Conversely, Kalido offered the opportunity to significantly reduce the need for technical resources and could reflect business change rapidly. By eliminating the need for external experts such as Oracle database administrators, British American Tobacco Belgium could cut costs by 50 percent.

Kalido's integration with BusinessObjects was also a key selling point, as was the substantial cost savings expected in maintenance and support of the system. One final key selling point was Kalido's ability to track and maintain history in the data warehouse – complete with the ability to reconstruct views of the business as it existed at any point in time.

Kalido was asked to create a Proof of Value (POV), giving British American Tobacco Belgium the chance to reduce its risk by conducting a mini-project to determine whether Kalido would be able to meet the company's needs while using British American Tobacco Belgium's own data and information infrastructure.

"We were skeptical of Kalido's claims," said Dehaen. "The concept was unheard of, and frankly, the benefits Kalido purported to deliver seemed unrealistic and exaggerated. But by the end of the POV, we were convinced."

The POV comprised the creation of a subset SIM data warehouse, taking data from both British American Tobacco and STC (then two separate companies). This exercise demonstrated immediately Kalido's ability to generate accurate consolidated reports. British American Tobacco Belgium was able to see first-hand the flexibility of the solution – in particular how the new data warehouse could handle British American Tobacco Belgium's most pressing business requirement: trustworthy post-merger reporting.

For example, the POV specifically showcased how an external business change – such as two customers merging – could be addressed quickly, thereby ensuring that information remained accurate and up-to-date. Conservative British American Tobacco Belgium estimates placed the time needed to achieve consolidated reports using the old system at one year. The newly-implemented solution achieved a subset of this during the two-week POV and complete capabilities following the POV in just two months.

"Kalido was the clear choice. We initially evaluated products from two really well known vendors, but they fell by the wayside when compared with what we were able to do with Kalido," said Dehaen. "The other options failed to provide the vital information we required quickly enough for our needs, and one just couldn't handle the diversity of the data from the different sources we needed to integrate."

Following the successful POV, the executives set a tight deadline for completion of the project, which was now to be managed by British American Tobacco Belgium's Finance Business Intelligence (FBI) team. Kalido's business model-driven approach, and the fact the POV was integrated with other Kalido implementation planning and education activities, ensured a smooth transition from POV to project implementation in such challenging timescales.

On time and on budget, British American Tobacco Belgium's Information Management team delivered a fully

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operational data warehouse that included both SIM and WIM capabilities. The diverse feeds which previously populated the old SIM and WIM warehouses, plus further SAP feeds, were all fed into the Kalido warehouse –without requiring reengineering of any of the source systems. This would have been impossible to achieve with other solutions, including a custom-build.

By using Kalido to develop, deliver and maintain a corporate data warehouse, British American Tobacco Belgium not only satisfied the requirements of its initial proposal, it has also gained significant flexibility as a company. In addition, resources that were previously allocated to data gathering can be more strategically redeployed to information analysis and business decision-making – enabling British American Tobacco Belgium to identify and quickly act to changing market conditions.

## **RESULT**

The business benefits of the new solution were immediately apparent, driven by the additional insight Kalido gave British American Tobacco Belgium into its supply chain and sales operations. The flexibility to change the data across British American Tobacco Belgium's diverse source systems means that business executives get consistent, accurate and up-to-date information, allowing them to track sales performance and monitor market share on a daily basis.

British American Tobacco Belgium can see its business as it really is – as and when things change. Kalido makes it easy for business users to set up and amend business model changes in the warehouse, dramatically reducing both cost and time when compared to the previous solution.

The new implementation has also had a major impact on planning operational and marketing strategy in both the long and short time. British American Tobacco Belgium's solution features an important historical element, a major improvement on the previous system. Ten years' worth of sales, marketing and channel spend has been loaded into the data warehouse, and, by using Kalido's history tracking capability, British American Tobacco Belgium can now recreate historical views of business performance and view data in relation to any business change (actual or potential).

For example, executives can pinpoint what sales of any particular product were at any point in time, then compare with the way business was structured then or at any other point in the past. This history also provides the company with the ability to scenario plan with greater effectiveness and review the impact on sales based on different strategies such as price changes, incentives and promotions. Potential future scenarios can also be taken into account.

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“With such intense competition for market share, if any of our competitors merged this would have a huge impact on us. But Kalido enables us to project such a scenario and adjust our business model accordingly,” said Dehaen.

“The project has impressed on every criterion – speed of delivery, budget and all-round capability,” said Martin Karlsson, Head of IT at British American Tobacco Belgium. “Kalido has enabled us to deliver a future-proof, flexible data warehouse which takes a number of different source feeds, produced bullet-proof consolidated post-merger reports and ensured compatibility with our ongoing SAP convergence program. We regard this as an evolving program. One of the core criteria when the project was initiated was that any solution chosen would be fully adaptable for future initiatives. For us, Kalido isn’t a one-off tactical implementation; rather we see it as a strategic solution we can extend, adapt and roll out across different divisions for years to come. Should we ever merge in the future, I now have no concerns we’d be able to deliver consolidated reports in time.”



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