A GLOBAL WORLD-LEADING PRODUCER AND SUPPLIER OF SURFACES FOR DESIGN AND ARCHITECTURE CASE STUDY
THE CLIENT

The client is a world-leading producer and supplier of surfaces for design and architecture. Based in Spain, they have a commercial presence in 40 countries across five continents and employ over 4,300 people.

With a turnover exceeding €1 billion – around 90% of which is generated internationally – they are leaders in their industry, producing high-quality materials for interior and exterior architectural applications.
THE CHALLENGE

For the client, the fundamental challenge arose when they began to undergo structural changes. Though a multinational operation, the group remained a single financial entity. As a result, all operations, production, distribution, administration, marketing and human resources activities were carried out by that single company.

This presented a significant financial disadvantage, particularly when exporting products to the US. Goods exported to the US are assessed for duty based on their value when purchased by the importer. If the transaction involves several parties, with an intermediary purchasing from the manufacturer before adding a mark-up for subsequent sale to the importer, the goods are assessed at that higher figure. The importer must pay duty on the value of the second sale, including their own mark-up.

Our client's objective was to take advantage of the First Sale For Export (FSFE) programme, thereby moderating the financial impact of tariffs imposed on sales between the main company and their North American subsidiary. A partial separation of the group, splitting production from distribution and other activities, would reduce the duty burden on their merchandise, representing considerable savings.

Additionally, they wanted to reengineer their logistics processes. Operating across 40 countries (with more than 10% increase in turnover, surpassing €1 billion in 2019) is a considerable logistical challenge in its own right. As such, a key requirement for any solution was to offer greater agility to a large and complex logistical operation while allowing it to adeptly navigate different legislative and tax regimes.

NTT DATA provides services to all industries/sectors along all geographies.

The client's already considerable experience with, and in-depth knowledge of, SAP products meant they had clear objectives and concerns that had to be addressed in the solution. The new solution needed to comply with the US Law of First Sale, but it was also critically important that it could be carried out without disruption to their day-to-day operations. It was essential that the solution had a minimal impact on operations and provided maximum transparency of the spin-off process for their employees through to their external and internal auditors, and clients.
THE SOLUTION

Developing a solution that could deal with such a significant change to their group structure while simultaneously improving their existing processes – without negatively impacting their day-to-day operations – was a considerable challenge.

The first step was to confirm that our client’s requirements could be met without such disruption. They already used SAP to manage operations across their group. As a result, they required a viable SAP solution within a rigid framework of instructions and needs. Furthermore, their own very strong SAP technical team had clear ideas on both the financial and logistical process improvements required. Their own expertise would be added to NTT DATA’s very specific understanding of both SAP and the client’s custom processes.

NTT DATA was able to leverage our long-standing relationship with the group to put together the strongest possible team with the specific expertise demanded by this challenging problem. Many of the team already had four or five years’ experience working with or alongside this same client, and as such had a comprehensive understanding of their custom processes. Working closely with the client’s team, the team parameterised and constructed SAP solutions in the tax, accounting, training, management, human resources and logistics functions. Where necessary, customised solutions outside of SAP standards were developed as the SAP best practices for adapting the client’s systems without impacting on operations.

Culture, empathy, and closeness to the customer is essential to developing a local delivery capacity.

After a review of the master and transactional data migration, tests were performed on both individual and integrated units and the new processes were documented. A simulation of the entire data loading process and a precise cut-over plan ensured that the transition was seamless. What’s more, NTT DATA participated in user training to ensure the smoothest possible onboarding of the adaptations.
NTT DATA’s collaborative approach, matched by our profound understanding of the unique nature of the client’s processes, paid off. The project was completed to their total satisfaction and ahead of schedule.

Uncertainty surrounding the change of administration in the US had generated a sense of urgency, should the incoming administration change First Sale legislation. However, the project was tested and approved before the end of December 2020. An entirely independent distribution company was successfully spun off, fully audit-compliant and providing the group with legal security in the US.

As a consequence, the best possible outcome to optimise the US tariff base without physically relocating the company was achieved. A completely separate distribution company has been successfully incorporated, separating its activities from production and conferring tax advantages on the group’s exports to the US.

While the figures are confidential, this will deliver real economic benefits to the client. Of equal importance to our client were the improved apps and new tools that were developed across the specified project scope. Improvements to processes, traceability and easier navigation were delivered on:

- fiscal processes;
- master data;
- analytical accounting and statement of income;
- treasury;
- credit control;
- human resources;
- logistics; and
- financial processes.
WHY NTT DATA

This client ultimately decided to work with NTT for two main reasons. Firstly, NTT DATA’s proposal provided a clear preview of the work to be undertaken. This offered a variety of options available to them even within the rigid requirements they had specified. This careful proposal and flexibility differentiated the NTT DATA proposal from competing tenders.

Secondly, NTT DATA possessed a comprehensive understanding of their processes, which were customised for them and therefore outside standard SAP parameters. Our history of successful collaboration combined with our expert team who had previously worked very closely with the client was a strong factor. NTT DATA’s team was effectively able to merge with theirs to identify gaps in their logistics processes and risks to operations during the project, as well as avoiding changes or disruptions that the client did not want.

With the team identified and confirmed to the client well ahead of the project, they knew exactly what the migration would look like, who would be working closely with key users, their specific expertise, and the project timetable.
LESSONS LEARNED

The successful completion of such a large, important and high-risk project has offered some vital takeaways. NTT DATA has further deepened its knowledge of this client’s technology and processes, and this insight is extremely valuable for future tenders.

Specific knowledge has been gained in particular areas, such as direct sales and the subsequent intercompany movements and transfers of data. Alongside this, we have acquired a greater understanding of the client’s SAP-powered business practices. This includes their advanced business application programming and document management processes.

Finally, we acquired further insight from the automation of logistics processes for the new company that was spun out of the existing group. Furthermore, our work on the parameterisation and monitoring of iDocs is useful knowledge that will greatly assist us in future projects for them and other clients.
WHAT’S NEXT

The existing section of the Group continues to run smoothly, having experienced no negative impact from the partition or migration. The way forward centres on completing the final stages of the migration in spring, when the new distribution company commences operations. Once this takes place, the final steps of the project can be completed.

This was the first NTT DATA project for the client of this scale. It represented the largest and riskiest full SAP project for any client for a number of years, as it touched on every part of the Group and carried profound implications if it were not completely successful.

As a global client working under different legislative environments on every continent, the client required tailored solutions where one size certainly does not fit all, which NTT DATA was uniquely placed to provide. The successful implementation of this project is generating considerable confidence in NTT DATA from the client, cementing an already strong working relationship and demonstrating what’s possible.