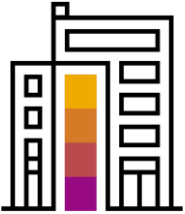




SAP® Innovation Awards 2020 Entry Pitch Deck

Deep Dive into Margin Assurance with SAP Big Data Analytics

Tele2



Company Information

Headquarters Moscow, Russian Federation

Industry Telecommunications

Web site <https://tele2.ru/>

Tele2 is a federal mobile operator. We create an alternative to the current telecommunications market practices in terms of honest, transparent and valuable offerings.

Due to the big amount of data and highly competitive market (Tele2 is the 4th mobile operator), the company decided to develop products that suit our customers in the best way, to keep current subscribers of Tele2 and increase customer profitability by margin control on the most detailed level possible – subscriber.

2003 — subsidiary of the Swedish Tele2 starts to operate in Russia (8 regions)

2009 — 4th mobile operator in Russia (37 regions)

2015 — launch of the 3G/4G networks, expansion on the Moscow highly competitive market.

2017 — trendsetter in terms of product strategy, focus on subscribers' margin

2018 — “all regions” coverage by LTE, overall market decline in subscribers gross intake

2019+ — start of business processes transformation based on margin assurance, preparations for the 5G launching

Deep Dive into Margin Assurance with SAP Big Data Analytics



Margin indicators for business microsegments are absolutely critical for our business as we operate in a highly competitive mature market. With the help of SAP CPA we have gained a huge volume of new data which is used for overall margin improvement in each business line. Now we can provide "next generation" financial support to our business teams and create additional value to our shareholders. **Nikolay Surikov, CFO**

All analytical reporting for business microsegments is supplemented by margin indicators to increase the level of control over business performance. We are developing an independent business-building of analytical reporting for the implementation of margin indicators for all business units and increasing the level of company efficiency. **Olga Gnezdilova, CDO**

Challenge

1. Step forward from ARPU to IMPU;
2. Succeed in market competition, increase profits and revenue growth;
3. Create single point of financial "truth" for Tele2, develop quality of revenue and cost analysis;
4. Build up correct financial analytics for over than 40 mln subscribers

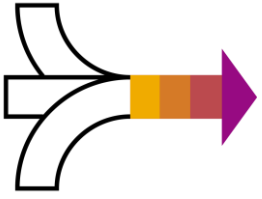
Solution

Construction of a brand new reporting and margin analysis solution used by both central function and the branches. This project initiated an organizational change in Tele2 leading to the Margin Analysis department establishing an integration margin analysis function into company processes. The solution operates based on SAP BW/4HANA, SAP Customer Profitability Analytics and SAP Analytics Cloud. This is the first implementation of CPA in the CIS and second in the world (however, first commercial implementation in the CIS).

Outcome

- ✓ The only version of the financial "truth" which can be used by different departments to achieve their KPIs
- ✓ Base to create a regular analysis and control of losses in margin which can support managerial decisions
- ✓ Monthly reporting to the top-management team with insights based on the margin data
- ✓ Break down of profitability and consumption of services by different machine learning instruments (including patterns analysis)





Business Challenges and Objectives

1. Market trends and regulations. Local market is facing high competition of telecom companies which led to market saturation, ARPU growth for the whole market had slowed down.
2. Growing complexity of the products and new business segments (IoT, MVNO, B2B)
3. Margin analysis methodology development: Tele2 needed new data to enrich business processes with new insights and instill a culture of margin analysis.
4. Technical readiness of the company. In the beginning of the project there was a huge number of information systems in use for financial reports preparation and a significant amount of data. Also, the company was facing some technical challenges in big data processing.

1. Single process for the company's margin management and the overall business efficiency
2. Managerial decisions based on detailed margin analysis (by subscribers, clients, tariff plans, network unit, sales point, partner, etc.)
3. The only margin data source in the company to manage and analyze different kinds of revenues with the deepest details to be shown
4. System of margin management with a clear list of specific indicators, regulatory documents with a group of colleagues responsible for controls and execution

TELE2



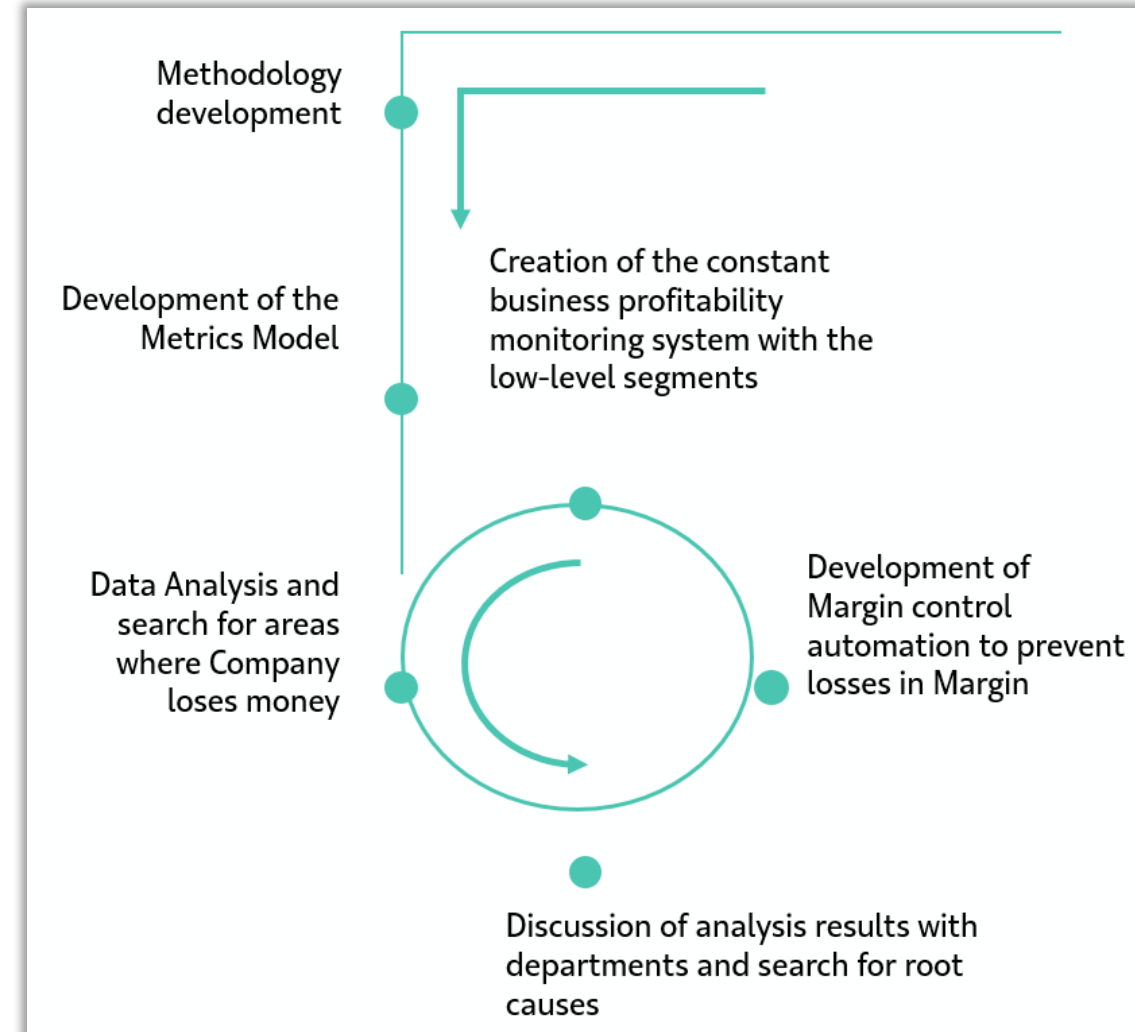
Project or Use Case Details

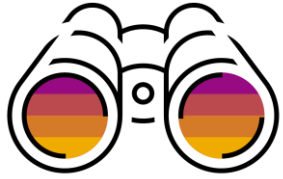
- **The project goal** is to establish a single **margin management process and implement margin control instruments for the Tele2 business.**
- **The solution allows for** managerial decisions to be made based on detailed margin analysis by subscribers, clients, tariff plans, network unit, sales point, partner, etc.

Use cases:

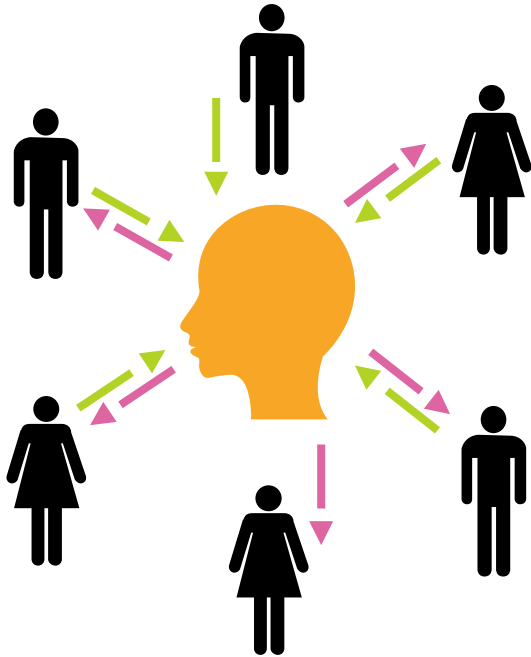
- Churn management – changes in MNP/MVNO strategies, evaluation of discounts provided;
- Network management - prioritization of maintenance services, capacity development and B2B partners negotiations are margin-based;
- Support services priority - adjustment of the waiting time based on margin indicators;
- Product management - products are managed, changed and developed based on their profitability;
- Strategy development for subscriber clusters - key predictors to increase clusters' results

Project duration: October 2017 to August 2019

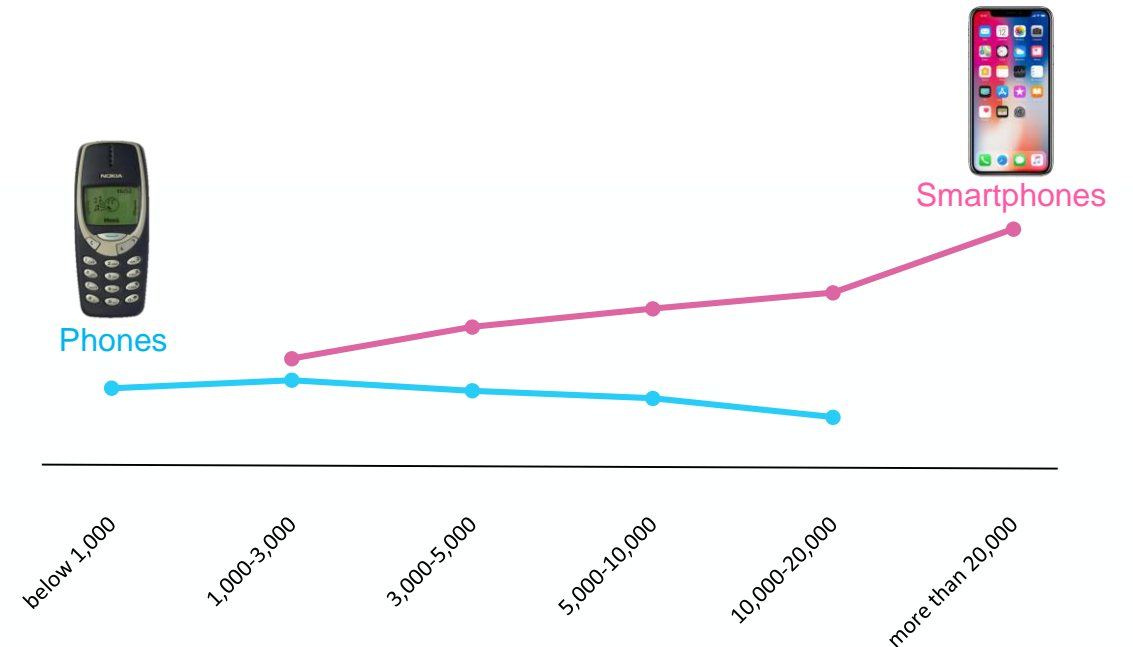




Project or Use Case Details



We analyzed **interconnect costs** of the subscribers and suggested recommendations on how to work with contacts of the client's social graph



Margin (in rub.) by the type of device and its price range was used to develop a better understanding for a “smartphonization” process



**4.5 billion of
rows for data
analysis**

Benefits and Outcomes

Business or Social

- ✓ Data-driven decision making
- ✓ Holistic approach – from P&L management to detailed analytics
- ✓ The only version of the financial “truth” in the company
- ✓ Process of margin data analysis integrated into the Tele2 business processes (incl. fast closing)
- ✓ Monthly reporting (verified with financial statements) is completed with EBIT-level margin indicators by microsegments

IT

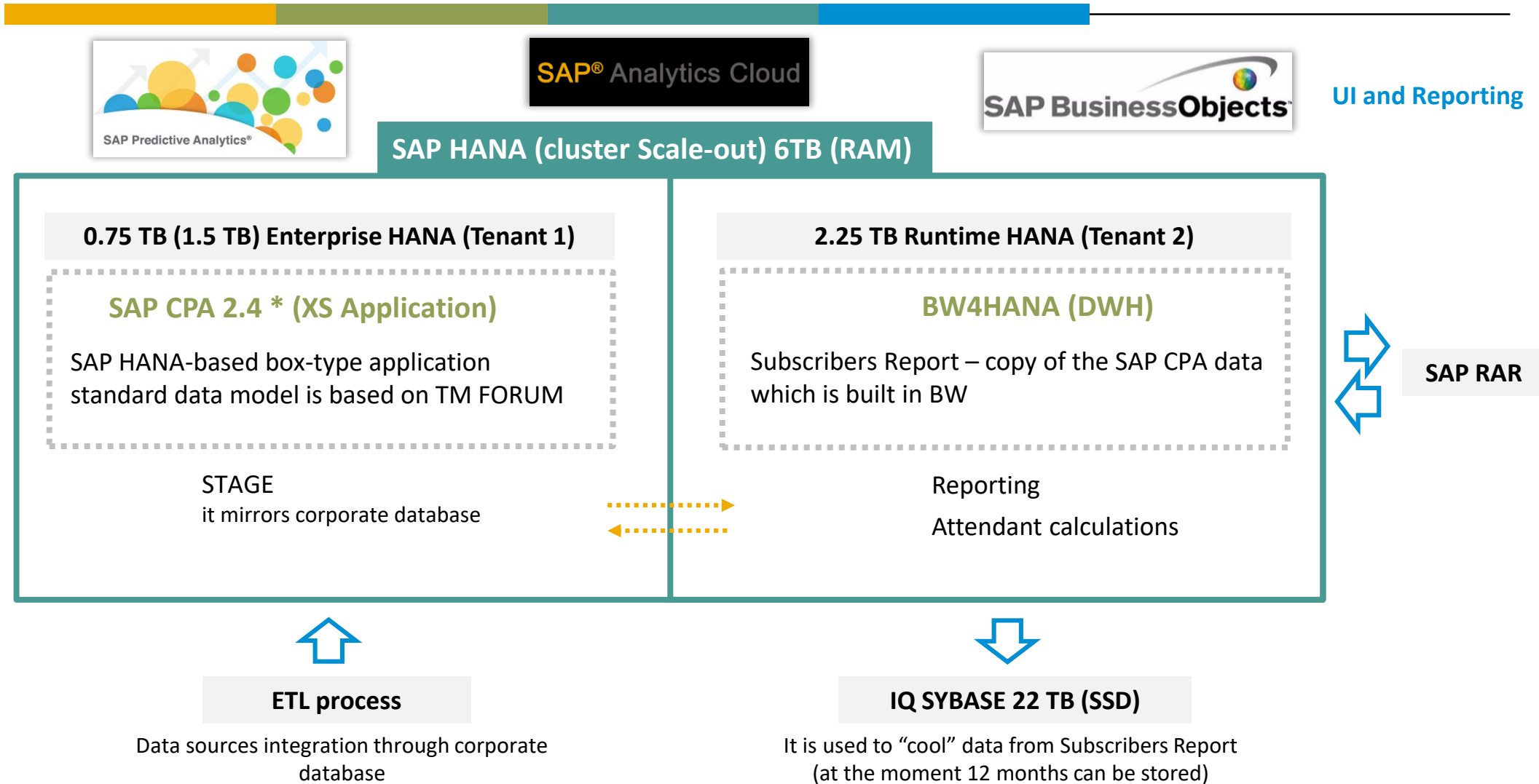
- ✓ Single platform for data management (hot, cold data)
- ✓ Standard tools for margin analysis and reporting. Data science in a box – ready to use for business users.
- ✓ Local team prepared for support and scale out solution
- ✓ No manual data preparation and data verification operations.
- ✓ Data Management Center of expertise established

Human Empowerment

- ✓ “Self-Service” approach, business users educated and use tools without IT
- ✓ Simple and familiar data dashboards for margin analysis and P&L till EBIT level
- ✓ Known cases that directly bring business value



Architecture





Deployment

Deployment status Live

Date 01/08/2019

Number of users 150+ users

SAP technologies used:

SAP product	Deployment status (live or proof of concept [POC])	Contribution to project
1 SAP HANA Enterprise Cloud	Live	DataBase for CPA
2 SAP HANA, runtime edition	Live	DataBase for BW/4
3 SAP Revenue Accounting and Reporting	Live	Revenue recognition based on IFRS15 standard
4 SAP Customer Profitability Analytics	Live	Margin analysis for microsegments
5 SAP BW/4HANA	Live	Reporting and data preparation for SAP CPA
6 SAP Analytics Cloud	Live	Reporting and regions data analysis
7 SAP Predictive Analytics	PoC	Prediction models for a range of business cases

If you have used one of the services or support offerings from SAP Digital Business Services during the implementation or deployment phase, please select with ☒ one or more of the following offerings:

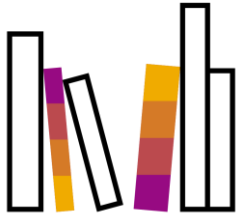
- ☒ SAP MaxAttention™
- ☐ SAP ActiveAttention™
- ☐ SAP Advanced Deployment
- ☐ SAP Value Assurance
- ☐ SAP Model Company
- ☐ Others:
- ☒ SAP Innovation Services
- ☒ SAP Innovative Business Solutions



Advanced Technologies

The following **advanced technologies** were part of the project.

	Technology or use case	Yes or No	Contribution to project
1	3D printing	No	
2	Blockchain	No	
3	Internet of Things (IoT)	No	
4	Machine learning or AI	Yes	Intelligent technologies like data science and AI help to detect margin leakages and its root causes. Key advantage of SAP CPA are the built-in, ready to use ML-based algorithms: Clustering, Outlier Detection, Root-Cause Analysis etc.
5	Conversational AI	No	
6	Robotic process automation	No	
7	Data anonymization	No	
8	Augmented analytics	Yes	SAP CPA has standard functions for clustering and margin analysis on specific base sets. Also BW4 tools provide additional options for data usage complemented with SAP Analytics Cloud.



Additional Information

- Business processes transformation by integration of SAP CPA data (margin and other financials)
- Specification of P&L lines and increase in variety of master-data
- Extension of microsegments to be analyzed
- Automatisatation of indirect costs distribution and quality development of data sources
- Start of regular margin indicators monitoring and control within business functions



It was a challenging and exciting project for SAP and Tele 2 to create new margin assurance process based on stack of brand new SAP products:

CPA, SAP BW4, IQ, RAR, HANA, PA.

I'm happy to see the changes on customer side: new data consolidation process and flexible reporting tools for end business users, margin leakage search in subscribers database based on statistical algorithms, scalable solution architecture for further roll out.

This project is an excellent example of how SAP technologies and services can lead to data driven transformation and tangible improvement of margin.

Ara Aguzumtsyan
SAP CIS DBS Service and Support Director

