

SAP Customer Success Story Oil and Gas



“After considering the advantages and functionality of the SAP NetWeaver Master Data Management component, we demonstrated the necessity of choosing this product as a design platform for RRI – our regulatory and reference information system.”

Unir M. Giniatullin, SAP Program Manager, JSC Tatneft

AT A GLANCE

Company

- Name: JSC Tatneft
- Location: Almetyevsk, Russia
- Industry: Oil and gas
- Products and services: Recovers, refines, and sells oil and gas
- Employees: 80,560
- Web site: www.tatneft.ru
- Implementation partner: SCIT Intertech

Challenge and Opportunity

Minimize risk while implementing new data management processes

Objective

Create integrated solution to support full range of tasks related to master data maintenance and usage

SAP® Solutions and Services

- SAP NetWeaver® platform
- SAP NetWeaver Master Data Management component
- SAP NetWeaver Exchange Infrastructure component
- SAP NetWeaver Portal component

Implementation Highlight

Completed in 8 months

Why SAP

- Positive experience with SAP® software
- Standard software based on proven methodology and technology for effective data management

Benefits

- Increased managerial efficiency
- Standardized business processes throughout corporation based on central storage of master data
- Reduced costs while providing central access to technical documentation for purposes of maintenance and user access
- Improved quality of consolidated reporting

Existing Environment

SAP software

Third-Party Integration

- Database: Oracle
- Hardware: Hewlett-Packard, Intel
- Operating system: HP-UX, Microsoft Windows

JSC TATNEFT

SAP NetWeaver® Master Data Management Provides Hub for Central Information Repository

JSC Tatneft of Almetyevsk, Russia, is one of the largest companies in the Russian oil and gas industry. It recovers over 25 million tons of crude oil and over 700 million cubic meters of gas per year. A holding company, Tatneft incorporates crude oil and gas refining companies as well as service companies that sell the crude oil, the refined oil and gas products, and petrochemical products. Over 500 gasoline service stations and complexes operate under the Tatneft trademark. In 2005, the company's market capitalization increased to US\$7.5 billion, up from \$3.0 billion in 2004, and the company's profit before taxes was \$1.9 billion. These impressive figures are the result of the company's strategy to develop advanced scientific technologies for its oil and gas production and to permanently improve its corporative management operations. Since 1999, SAP® software has been a fundamental instrument in realizing that strategy.

In continuing its collaboration with SAP, Tatneft implemented the SAP NetWeaver® Master Data Management (SAP NetWeaver MDM) component in 2005. The project was not only the largest of its kind in Russia, it was the most ambitious in all of western Europe.

Collaboration with SAP

Tatneft initially brought in SAP software in 1999 to optimize the corporate information infrastructure and optimize the company's key business processes and most vital management tasks.

By the beginning of 2001, the company's financial business processes – such as payment control, bank transactions, payment budget control, and credit transactions accounting – had been

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reorganized and automated. A major benefit was that the software centralized Tatneft's financial activity and gave Tatneft a tool for monitoring the efficiency of its financial resource utilization.

The next phase in the project was to introduce similar improvements to the company's materials management operations. Again, successful completion gave Tatneft control of key business processes, centralized information relevant to material and technical resources, and increased transparency of the material and technical support processes.

The successful implementation of this foregoing project provided the basis that enabled Tatneft to plan its strategy for long-term development.

Master Data Management

In December 2005, Tatneft began implementing SAP NetWeaver MDM. “We came to the conclusion that one of the key tasks in creating a universal information space was master data unification and standardization within a regulatory and reference information (RRI) unified system,” says Rustam R. Ahmetzjanov, head of the IT department at Tatneft.

For the work SCIT Intertech – an IT service provider with expertise in integrating the SAP NetWeaver platform, was asked to assist. The project's focus was the full range of tasks related to the maintenance and use of Tatneft's master data. The business processes to be optimized included management accounting, asset classification, supply, financial accounting, and data maintenance. Tatneft's objective was to increase its managerial efficiency and create a stable, competitive edge for itself in the oil and gas industry.

Tatneft management wanted to implement SAP NetWeaver MDM because of the positive results of its previous SAP software implementations. However, the software itself was convincing. “Our first steps toward creating our RRI unified system proved that we chose the right strategy in using the effective and reliable solutions provided by the SAP NetWeaver platform,” Ahmetzjanov confirms.

A standard product based on proven methodology and technology for effective data management, SAP NetWeaver MDM incorporates preconfigured data structures, typical data management functions, and functionality to accumulate, process, and unify master data, which can then be replicated at subsidiary sites. The unified data basis means different software solutions – enterprise resource planning, accounting, and production software – can be integrated at the data level. In addition, Tatneft would be able to establish a user access authorization concept to regulate user access to the data.

Besides the software's advantages, Tatneft was reassured to know that centralized updates and support could be performed regularly.

To accomplish the project, several major challenges had to be solved during the course of the project. Tatneft's data maintenance tasks had to be standardized. A single data repository based on the SAP software had to be created. A single, central information repository for users was required, with the condition that the data available there be relevant to the user's task. A concept

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and design for access authorization to the data had to be established, with the responsibilities for management of specific manuals clearly assigned.

During implementation, one critical aspect involved creating an international infrastructure based on the SAP NetWeaver platform. Another was providing the means to regulate how Tatneft updated and used its centralized manuals and how Tatneft observed its own classifiers maintenance processes.

The successful implementation of SAP NetWeaver MDM provided Tatneft with an integrated environment of master data management that could be used throughout the company. The benefits that resulted were many. Costs for data system maintenance

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went down. Consolidated reporting improved significantly because irrelevancy and contradictions in the reference data had been eliminated. With the optimization of logistic processes, performance improved. The number of vendors could be reduced, which led to an increase in wholesale discounts and a reduction in transportation expenses. Inventory was reduced.

This demonstrates once again why JSC Tatneft occupies one of the leading positions among Russian companies in the use of cutting-edge business solutions.

In looking ahead, Unir M. Giniatullin, Tatneft's SAP program manager, adds, “Our plans include further extension and development of the informational content of the Tatneft RRI unified system based on the SAP NetWeaver MDM functionality.”

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