Public Cloud Accelerates the Oil & Gas Experience Economy

By Peter Reynolds

Keywords

Summary
More than 700 people from 68 countries attended SAP’s recent Best Practices for Oil and Gas conference in The Woodlands, Texas. The theme for this year’s conference was the Now is the Time to Accelerate! At the conference, ARC Advisory Group learned about a consortium of oil majors moving toward a market standard, multi-tenant digital core using public cloud infrastructure.

Building a market-standard business process in a multi-tenant public cloud has always been the oil & gas industry’s “holy grail.” According to Amy Absher GM, Enterprise Systems and Services from Chevron, “Everybody wants to bring business insights faster, but we cannot do that by adding IT costs. As Chevron has started to lift and shift applications to the cloud, it is freeing people up and making us faster while lowering our total costs.” Ms. Absher believes that’s the way software should be designed in the future. See the entire video here.

ARC observes that this acceleration to the cloud is likely to bring new focus on optimizing how companies manage the customer experience. To this point, we learned that SAP’s Experience Management (XM) refers to the ability to understand what is happening through operational performance data (O data) and interlock it with the experience data (X data). SAP designed XM to break down organizational silos between customers, suppliers, and employees and enable organizations to act on insights to improve organizational performance and – ideally – deliver better outcomes.
Key findings include:

- Several oil majors have collaborated to drive a much-anticipated effort to adopt standard business processes for much of the digital core using SAP S/4HANA, a public cloud infrastructure. The goals of this multi-tenant public cloud approach are to: improve agility, accelerate business transformation, eliminate most customization, and reduce IT costs.

- SAP’s recent acquisition of Qualtrics could help oil companies better manage and improve the customer experience at unique touchpoints along the value chain.

### What Market-Standard Multi-Tenant Means to Oil & Gas

A consortium of active members consisting of Shell, Apache, Conoco Phillips, BP, Chevron, Devon Energy, and Equinor is currently evaluating all upstream oil and gas processes that they currently consider to be non-differentiating. They are working with peer organizations to adopt what they call a market-standard set of processes and then work with SAP to build these out in the digital core.

According to Frank Westerhof, GM Enterprise Platforms with Shell, the strategy is to adopt cloud-based market standards based on SAP’s (oil & gas) market-leading technology and then let the market drive innovation. He believes this will be a lot quicker than the typical, highly customized “waterfall” approaches to ERP innovation. When SAP announced its public cloud strategy using Microsoft Azure, AWS, and Google in 2017, Shell confirmed SAP S/4HANA as the company’s direction for upstream. Mr. Westerhof also believes that, by 2025, a multi-tenant, SaaS architecture in the public cloud will be the default delivery model for any ERP. This traditionally process-focused company has shifted its focus to the data and business processes that will allow Shell to achieve differentiation. Shell, like its industry peers, envisions that as much as 15 percent of the digital core needed to transform business processes will be customized. Shell’ Group CIO, Jay Crotts, was also on the big stage at SAP’s SAPPHIRE NOW conference this year discussing this topic. See the video [here](#).
During her keynote address, Angela Butler, VP of Process and Data Transformation at Suncor, remarked that: “Suncor has flipped project delivery inside out. There is a tremendous opportunity to change how people work. Instead of the traditional IT project requirement definition, we challenged ourselves with the question, ‘Why can’t a market standard work for us?’” The model “company” provided with the SAP software allows programmers to use pre-configured templates, which reflect best practices defined by SAP’s oil & gas customer base. Suncor decided to resist the temptation to “Suncorize” the product and, instead, use SAP software out of the box to help kickstart its project change management efforts.

At the event, ARC Advisory had the opportunity to meet with BP’s Dan Smith, who is responsible for BP’s upstream platform for 15,000 finance, maintenance, and supply chain users. Mr. Smith is representing BP to drive standards and “must-haves” along with the other participants. Part of his role is to define specific portions of functionality to accelerate adoption. According to Mr. Smith, there’s a high level of open collaboration within the consortium.

The joint efforts to standardize potentially 85 percent of core digital ERP using the public cloud will allow oil & gas companies to intensify efforts to accelerate the differentiating parts of the software – such as customer experience.

**The Experience Economy and SAP’s Intelligent Enterprise**

SAP’s Global Vice President of the Oil and Gas Business Unit, Benjamin Beberness, discussed SAP’s view of the Intelligent Enterprise during his
keynote address. “We are working with our customers to define the market based standard end to end solutions for the upstream oil and gas companies,” said Beberness, “defined by industry, for industry”. SAP’s Intelligent Enterprise uses the latest technologies to help turn customer insight into action across the business – in real time. This provides companies with the potential to accelerate data-driven disruption and process automation, launch new business models, and deliver “exceptional experiences.” SAP announced earlier this year that it had completed its previously announced acquisition of Qualtrics International Inc., a global pioneer in the experience management (XM) software category. This new combination accelerates the new XM category by combining Qualtrics’ experience data with operational data from SAP software. With Qualtrics, SAP intends to offer businesses the means to deliver exceptional customer, employee, product, and brand experiences.

In the oil & gas industry, Experience Management (XM) is the ability to understand what is happening through operational performance data (O data); interlock it with the experience data (X data) from customers, suppliers, and employees; and act on insights to improve organizational performance and deliver better outcomes.

SAP believes that 80 percent of customers are switching brands because of poor software quality and that, internally, two-thirds of the workforce is disengaged, with two million employees turning over every month. Significantly, SAP’s research shows that 80 percent of CEOs believe they are delivering a superior customer experience, but only 8 percent of customers agree.

SAP believes that this new approach in managing customer experience at various points along the oil & gas value chain has the potential to improve business performance vastly. In other industries, experience management and data have changed the way people at all levels perceive their jobs.

In the oil & gas industry, operational data (“O”) usually includes demand forecast and inventory levels, financials, land leases, and the number of accidents. Experience data (“X”), in turn, deals with customer satisfaction, fueling excellence, operational efficiencies, reserves replacements, or new
talent acquisition. According to SAP, companies that focus on the customer are rising to the top.

Experience management is a strategy for how companies should think and compete in the oil & gas business. Regardless of industry, those companies that focus on the customer are improving profitability. One relevant example comes from Quanah Gilmore, CX Program Manager for TechnipFMC. He delivered an impassioned presentation and use case on how Experience Management has transformed the company. According to Mr. Gilmore, the company’s CX philosophy is to “Enhance the customer performance by providing a first-in-class customer experience that returns meaningful value to the customer while differentiating ourselves from the competition”.

The following table shows other use cases identified by SAP.

<table>
<thead>
<tr>
<th>XM Use Case</th>
<th>Oil &amp; Gas Process</th>
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<tbody>
<tr>
<td>Stakeholder centricity</td>
<td>Trigger landowner or venture partner feedback to better understand impressions and</td>
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<tr>
<td></td>
<td>sentiments before and after any new or revised royalty or venture agreements</td>
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<tr>
<td>Optimize well lifecycle</td>
<td>Trigger direct feedback from employees and contractors to better understand what</td>
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<td></td>
<td>hazards they encounter and what can be done to avoid such hazards</td>
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<td>Attract &amp; retain best talents</td>
<td>Capture “in the moment” feedback from current and prospective employees to better</td>
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<td></td>
<td>understand why they are not attracting and retaining talent.</td>
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<tr>
<td>Exceptional maintenance service experience and</td>
<td>OEM services manager can now trigger partners and technician feedback to understand</td>
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<td>technician engagement</td>
<td>the shortages / leftovers of a toolbox, and why service is underperforming.</td>
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<tr>
<td>Optimize worker safety</td>
<td>Trigger direct employee feedback to better understand what hazards they encounter</td>
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<td></td>
<td>and what can be done to avoid such hazards.</td>
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<tr>
<td>Improving supplier collaboration</td>
<td>Managers can now capture “in the moment” supplier feedback to better understand</td>
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<td></td>
<td>supplier emotions and sentiments, and in this case, why service is poor.</td>
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**Use Cases Linking Experience Management with Oil & Gas Processes**

**Conclusion**

In this era of near-constant change in the oil & gas industry, it’s paramount to improve the customer experience as they interact with your company, its supportive ecosystem, and your products and services. Increasingly, the modern customer experience is based on shared responsibilities for designing, operating, and maintaining products; shared data; and innovative
and evolving business practices. Creating a robust, ongoing relationship is the goal.

The new customer experience should be a pillar of any oil & gas company’s digital transformation program. This requires cultivating a dynamic, innovative, and mutually beneficial coalition with each customer. In return, it provides a business outcome-driven differentiator to guide internal programs, projects, and allocations.

It is not sufficient to initiate digital transformation programs based solely on the current emergence of potentially disruptive technologies or traditional operating metrics such as cost management. Nor is it enough to focus on changes to business processes and norms driven by that technology without programs designed to enhance the customer experience. Companies must embrace digitalization to nurture, extend, and differentiate their relationships with customers.

Fuels sales and marketing groups have offered brand loyalty and engagement programs over the years with varying degrees of success. Moving forward, the challenge for oil companies will be to differentiate their retail service offerings when pricing and fuel retailer location are key drivers in the buying experience. Incentivizing people to offer their experience and use the platform will not be without some challenges. People and customers need to believe the experience data will be used in a meaningful way to make a difference and drive a better business outcome.

In the past, it has been difficult for the oil & gas industry to look at data across organizational silos. SAP’s vision for the Intelligent Enterprise and a platform to combine experience and operations data crosses traditional organizational silos. In the future, Customer Experience Management may become a C-level position to help drive new business outcomes.

The multi-tenant, public cloud market standard for digital core envisioned by this consortium should accelerate the opportunities for business improvement, enabling lines of business and organizations to create value from Industry 4.0-type agility and digitization. The SAP’s business process-standard deployment approach could ultimately help accelerate the increasingly important customer experience process across the oil & gas value chain.
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