



SAP Leonardo Live

Not just another business conference

Drivers for Digital Business Transformation and Innovation

Hans Thalbauer , SAP / Bill Marrin, Supply Chain 50 / Manohar Madhira, Microsoft

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Market Trends and Factors accelerating business transformation to a Digital Supply Chain

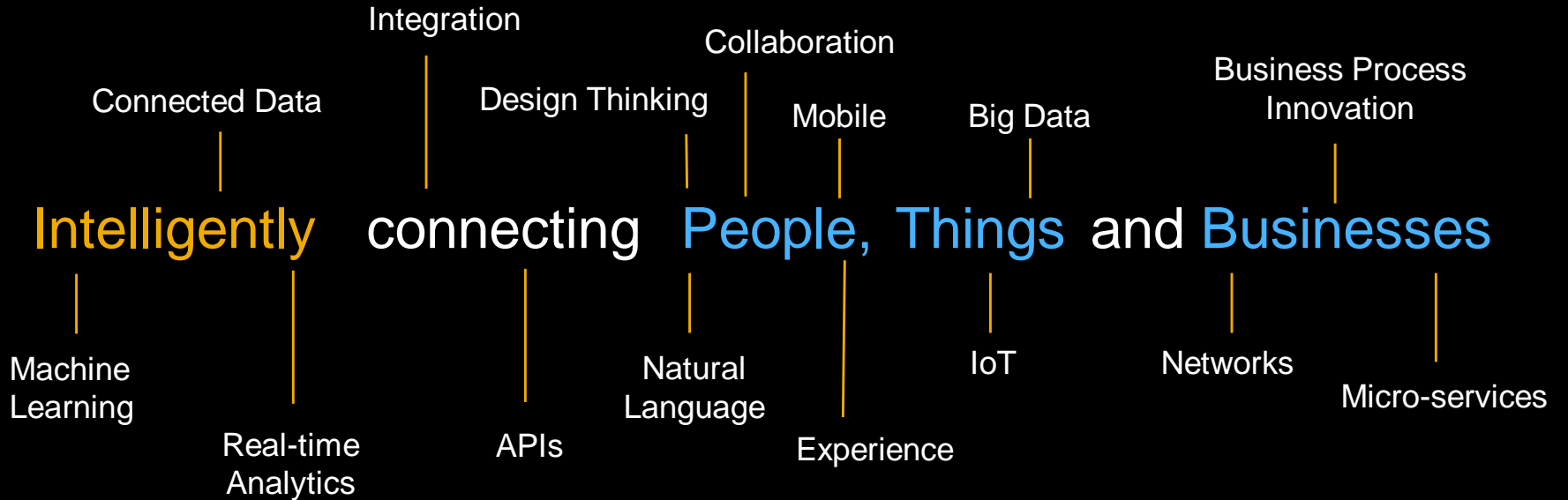
Distributed Manufacturing



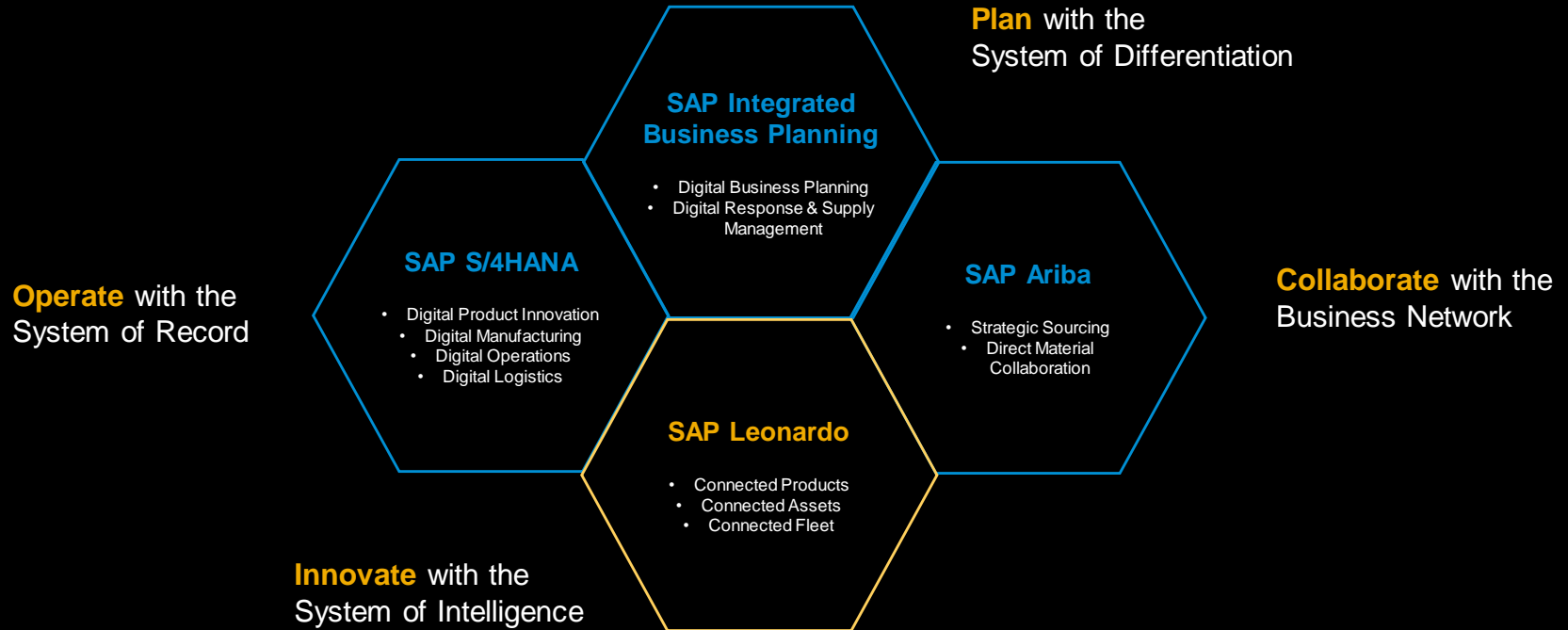
Customer Engagement



Networked Economy



The Digital Supply Chain powered by SAP Leonardo



The Future and Trends of Global Digital Supply Chains

Bill Marrin - Supply Chain 50

July 2017

The future and trends: a new era in global supply chain

1. the advent of platform thinking
2. advanced agility fuels speed
3. augmented intelligence is on its way

“the most successful endeavors were run by leaders with a clear vision who also fostered collaboration.”

Walter Isaacson
author, president and ceo of the aspen institute

The future and trends : platform thinking



supply chain's are now enabling new business models that spark shifts to **service-centric business models** from product-centric ones.



supply chains are **living, fluid ecosystems** constantly ingesting data from people, processes, and objects.

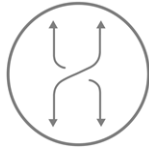
“when companies with traditional value chains compete against those with ‘platforms’— platforms always win.”

Sangeet Paul Choudary
founder and ceo of platformation labs

The future and trends : advanced agility fuels speed



Having the **CAPABILITY** to anticipate change and respond to the unexpected.



Having the **FLEXIBILITY** to better serve changing customer, channel and market preferences.

“visibility is a key word for all of us.”

supply chain 50 member

The future and trends : advanced agility fuels speed



strategic **innovation** must be a priority, meaning supply chain becomes a cornerstone of competitive advantage and new business models



having focus on creating diverse thinking and ideas within the supply chain **talent** base with particular attention to digital and analytics expertise

“culture matters -- we are all highly interdependent. it is funny you zeroed in on innovation and talent because that’s what we’ve been doing.”

supply chain 50 member

The future and trends : advanced agility fuels speed

1. Agility lives in the “seams”
2. Supply chain leadership influence is evolving
3. Diversity of talent and thought is crucial
4. Innovation capabilities are realigning

“agility requires focus on speed and service. it’s a combination of capability-building and people-building.”

Supply Chain 50 Member

The future and trends : augmented intelligence



in the future machines and technology will **collaborate** with workers, improving training, work, and decision making



the new language of business is **data** – instead of just aggregating terabytes of data, ask yourself: what data do we need to accomplish key actions?

“have the courage to support the mavericks, and be one yourself..”

Bill George
Former Chairman and CEO, Medtronic



Our Path to a Demand-Driven Supply Chain

Manohar Madhira



MSC Functions and Numbers



>290M
Units Manufactured & Shipped

>31,000
Number of Active SKU's

~\$11B
Total Amount of Annual Spend

>600+
Number of Suppliers
(includes component suppliers)

13
Number of Manufacturing
Locations

52
Number of Distribution Centers

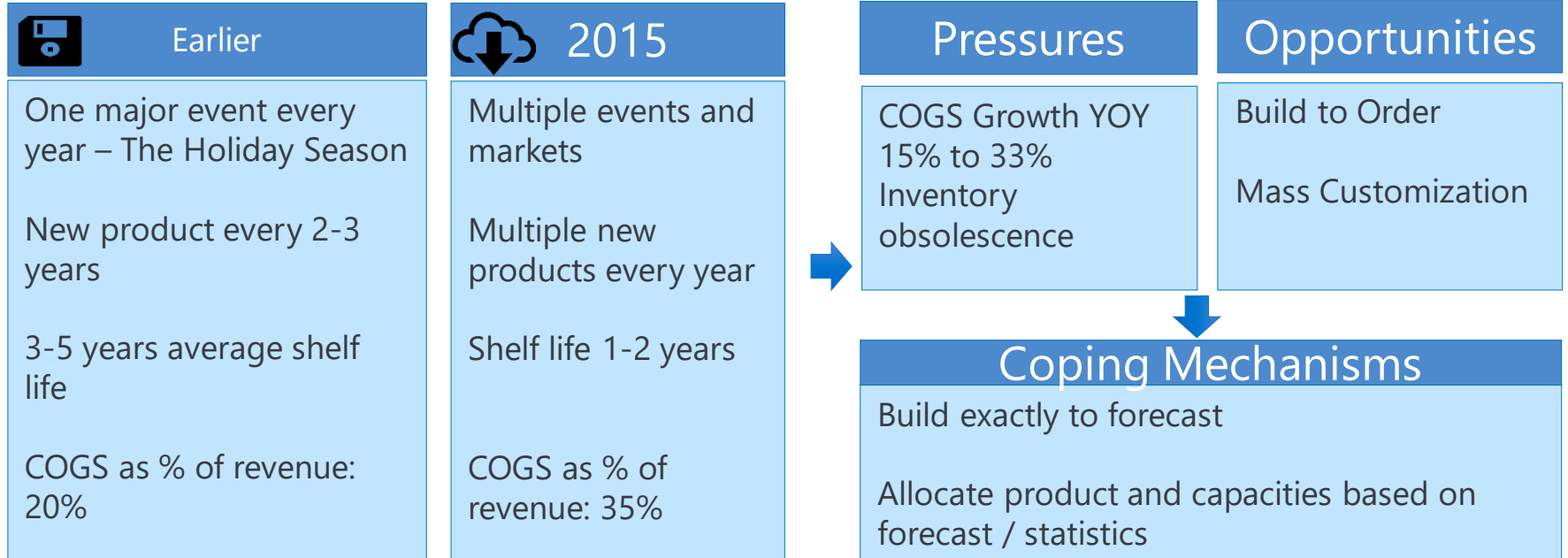
3M+
Est. FY16 Number of Retail and
Commercial Sales orders

3.5M+
Est. FY16 Deliveries

191
Countries Served

30K+
Number of Outlets
(Carriers, Retailers and MS Stores)

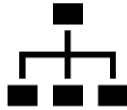
Changing Landscape



Special Situations



Launch Business



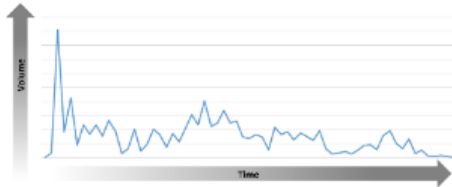
100% Subcontracting model

- Forecasting needed to continue procurement
- Priority communication challenges



Varying and long lead times

- Product life cycle – 1 to 2 years
- Component lead time – 3 to 4 months

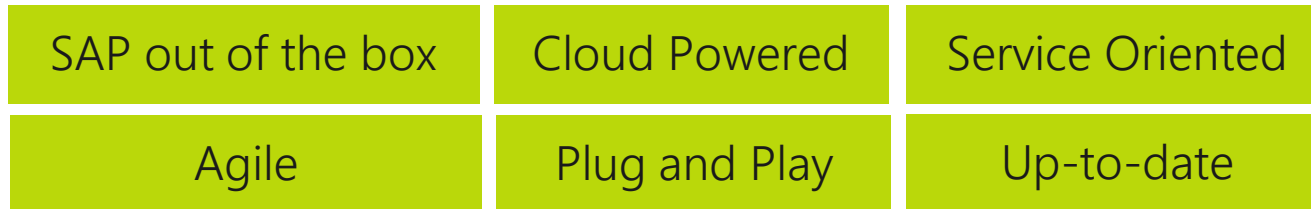


Demand peaks 5 to 10 x normal run rates
Frequent Demand peaks

1DSC Program Goals and Principles



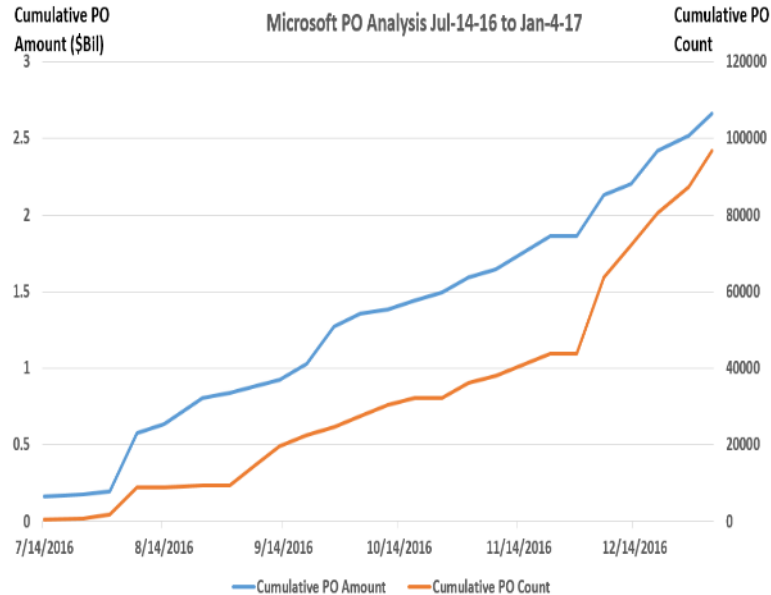
How we deliver



Microsoft Status: Ariba Supply Chain Collaboration

Status:

- Ariba Network is the backbone for Xbox and Surface line of products supply chain
- As of 3/17/17: 46 enabled suppliers out of which 35 transacting suppliers transmitting 118K+ of purchase orders worth \$3.5Bil+



Scorecard:

- Efficiency and Speed Gains:
 - Supplier Supportability process improvement: 90%+ (1-2hrs to ~5min)
 - Planner's Efficiency improvement: 95%+ (order follow-ups/expediting reduced from 1-2 days to 1-2 hours)
- Supplier On-Boarding time improvement: 75% (on-boarding time reduced from 3-4 months to 3-4 weeks)

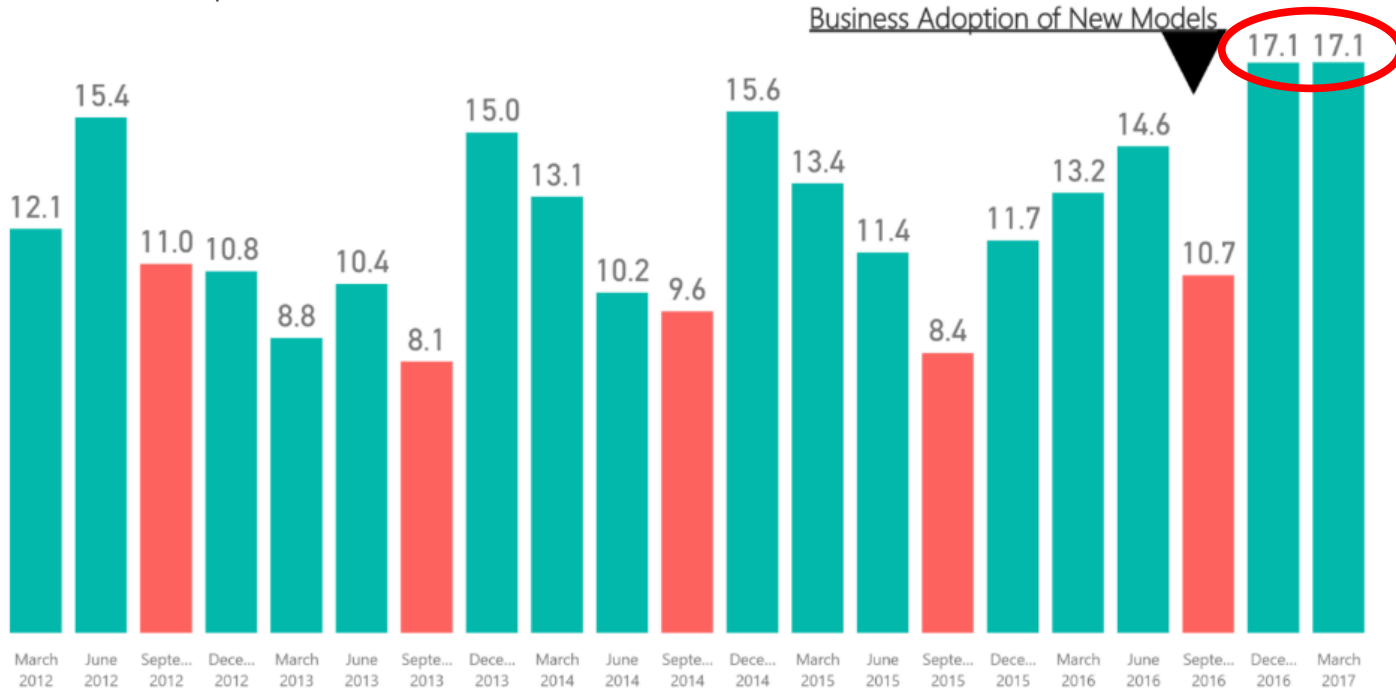
Microsoft Planning Team quote: "Today we successfully received automated (via Ariba) supportability from the supplier which took ~5 mins to approve, updated PREQS and create PO's (vs. 1-2 hours leveraging the previous process)"

Results

Highest ever Inventory Turns for Microsoft

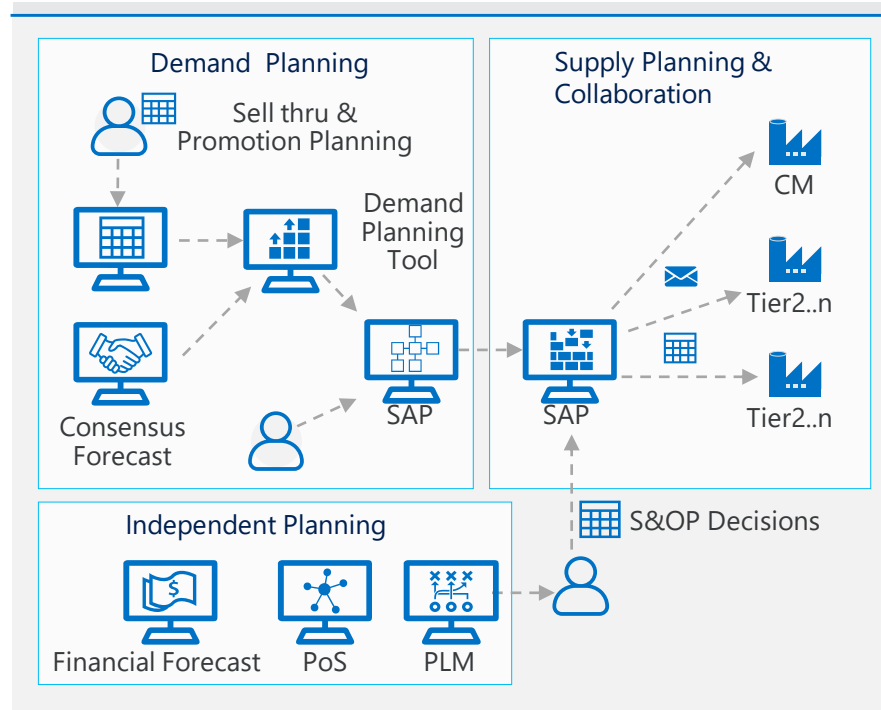
Working Capital Savings ~ \$250M

Service Levels Up ~ 5%

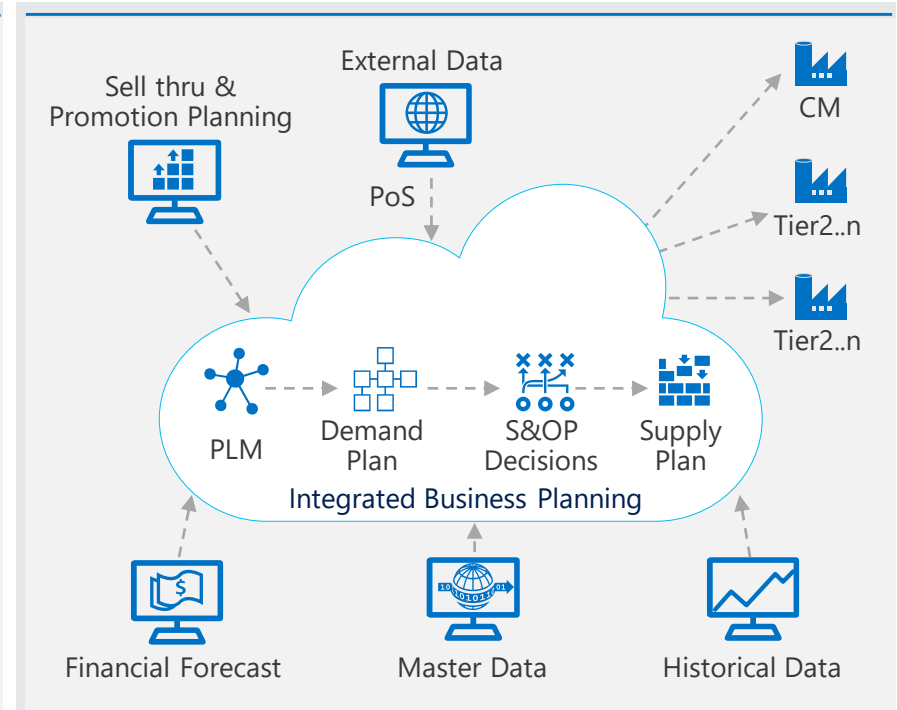


Future Architecture - IBP

Current: Manual, Subjective & Siloed

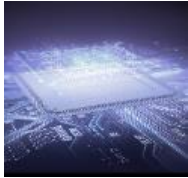


After: Integrated, Objective & E2E



Path forward

Simulation model to test rules at each implementation



Expand solution to component purchases



Expand solution to exchange and B-SKUs



Systemically communicate Build Priority with Suppliers



Work with SAP to include TSL priorities into Response and Supply Modules



Demand Driven MRP implementation in SAP



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