Digital Supply Chain for Planning Desires, Delivered in the Experience Economy

Speaker’s Name, SAP
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Agenda

Supply Chain Dynamics

What Does This Mean for You?

SAP Solutions and Roadmap

Why SAP?

Next Steps
Supply Chain Dynamics
What Will You Face in the **Experience Economy**?

**Customer Experience**

**Business Volatility**

**Differentiation Through Innovation**

**Purpose**
Today’s Most Powerful Technologies are the Key to Solving Tomorrow’s Challenges…
A Modern Digital Supply Chain –

Perfecting all the experiences that lead to the final product helps you deliver the ultimate customer experience.
Customers Want What They Want, When They Want It

✓ Configurable

✓ Intelligent

✓ Sustainable
Focus on a few **Strategic Priorities**

- **Customer centricity**
  - Rethink the overall value proposition from the perspective of a radically changing customer base.

- **Mobility Services**
  - Providing mobility to people and goods independent of the means of transportation.

- **Connected Cars**
  - Build cars that are connected, self-aware and provide a platform for new business models.

- **Digital supply chain and smart factory**
  - Enabling lot-size one production at scale in global supply network.

- **Engaging the changing workforce**
  - Attracting and keeping the right talent in competition with global “digital players”.
### Strategic Priorities: How Do Automotive Players achieve their Vision?

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<th>Optimize</th>
<th>Extend</th>
<th>Transform</th>
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<td><strong>Digital Supply Chain / Smart Manufacturing</strong></td>
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<td>Extension of transparency through connected vehicles</td>
<td>Optimize supply chain transparency and enterprise connectivity</td>
<td>Optimization &amp; full transparency on actual skills &amp; required future knowledge</td>
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<td>Increase machine-to-machine connectivity and collaboration</td>
<td>Intelligent knowledge capturing &amp; machine learning guided learning</td>
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<td>Enable true modular production process</td>
<td>High performing &amp; intelligent enabled workforce in a flexible business environment</td>
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<td>Change of workforce interaction through AI &amp; conversational UIs</td>
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<td>From operational to high performing teams</td>
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- **Optimize**
  - Vehicle as fully connected digital twin
  - Modular supply chain and manufacturing
  - Mass Individualization – Segment of One
  - Automated shop floor & Distr. Networks

- **Extend**
  - Self awareness, intelligent data exchange
  - Flexible configuration during operation

- **Transform**
  - Change of workforce interaction through AI & conversational UIs
  - Customer for life relationships
  - Completely customized solutions
  - Seamless omnichannel interactions
  - Services based on value and data
  - Multi-brand services
  - Products “as a service”

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**Connected Cars**

- **Optimize**
  - Extension of transparency through connected vehicles
- **Extend**
  - Enhance traditional product design processes by stakeholder integration
- **Transform**
  - Intelligent & consistent product innovation based on actual usage data

- **Optimize**
  - Modular supply chain and manufacturing
  - Mass Individualization – Segment of One
  - Automated shop floor & Distr. Networks

**Digital Supply Chain / Smart Manufacturing**

- **Optimize**
  - Optimize supply chain transparency and enterprise connectivity
- **Extend**
  - Increase machine-to-machine connectivity and collaboration
- **Transform**
  - Enable true modular production process

**Engaging the Changing Workforce**

- **Optimize**
  - Optimization & full transparency on actual skills & required future knowledge
- **Extend**
  - Intelligent knowledge capturing & machine learning guided learning
- **Transform**
  - High performing & intelligent enabled workforce in a flexible business environment

**Customer Centricity**

- **Optimize**
  - Move from disparate channels to true omnichannel interactions
- **Extend**
  - Move to solution selling by bringing operational & experience data together
- **Transform**
  - True 360-degree customer collaboration through the connected vehicle

**Mobility Services**

- **Optimize**
  - Monetization of vehicle data as a neutral service
- **Extend**
  - Ramp up of new digital service which connect the consumer to the vehicle
- **Transform**
  - Fully subscription based sales & service interaction
Digital readiness surveys show that companies clearly see the need to digitally transform their supply chain processes:

11% of organizations are able to develop real-time insights into demand trends to correct their forecasts.

65% consider it important to integrate supply chain processes and systems with key carriers, freight forwarders, and 3PLs.

71% consider it important to have the ability to evaluate multiple scenarios of supply planning.

Source: Business Performance Benchmarking by SAP 2017
The **Evolution** of Planning in the Automotive Industry

### Current State

- **Long planning cycles**
- **Siloed Planning**
- **Unreliable Forecast**
- **Low Visibility into Value Chain**

### New Paradigm

- **Sub-daily plan-to-deliver cycle**
- **Self-regulating adaptive models**
- **Value-chain oriented**
- **Automated touchless planning**
- **Individualized customer experience**
- **Multi-enterprise collaboration**
Siloed, disconnected planning
Siloed, disconnected planning
...leads to limited visibility and long planning cycles
How SAP helps customers to break free of “The Chain”

SAP Integrated Business Planning
SAP S/4HANA: Digital Core

Collaborative platform
SAP Ariba

Live Business

Your company

Contract Manufacturer
Component supplier
Raw material supplier
Component supplier
Raw material supplier

Manufacturing
Sourcing
Supply Chain Planning
R&D
Procurement
Finance
Sales
Planners Can Do More

Easier
More Productive

Faster
More Responsive

Smarter
More Strategic
Value of Planners Doing More

**Easier**
More Productive

**Faster**
More Responsive

**Smarter**
More Strategic

THE VALUE:
Focus on profitable decisions

THE VALUE:
Accelerate revenue and reduce working capital

THE VALUE:
Take advantage of strategic business opportunities
What does this mean for you?
SAP Strategy: Be the Experience Company powered by the Intelligent Enterprise
Top Floor Wants the Connected Supply Chain but ... continues to organize in departmental silos.
The Intelligent Digital Supply Chain
Desires, Delivered in the Experience Economy
Challenges in Plan
Silos of information make strategy, operations and execution disjointed

- **Slow response** to customer demand changes
- **Disjointed** perspectives, constantly need to be translated/aggregated
- **Misbalance** of Demand and Supply through outdated information
- **Lack of visibility** of total supply chain status like inventory, inbound and outbound shipments, manufacturing WIP
Digital Business Planning
Connect strategic and operational planning with real-time visibility and execution

- **Customer and Product Experience**
  - Leverage downstream data around customer and product experience

- **Continuous Alignment**
  - Continuously align across business areas on a forward looking plan

- **Plan & Respond**
  - Rapidly evaluate scenarios and respond to changes that affect your Supply Chain

- **Visibility & Execution**
  - Real-time, digital representation of the physical supply chain and connect to execution
SAP Vision: Automate processes and support user decision making

System **self-learns** user actions and **automatically executes** corrective measures (self healing supply chain)

System **recommends course of action** based on similar cases from the past

System collects enough information on user actions, data patterns and **shows similar cases** from the past

**Automation and Visibility into exceptions:** Run automated processes and trigger intervention when there are exceptions. E.g. an alert automatically creates a new case

Digital Business Planning analyzes and learns from data patterns and user actions to get to a state where it can execute corrective measures on its own
Focus on business outcomes in digital supply chain systems

Better Business Outcomes
- Strategic
- Financial
- Operational
- Social, Political, Ecological...

IT Outcomes
- Newer system
- Better user interface
- Better integration
- Fixes issues
- Faster Performance

Better Experiences
- Customers
- Employees
- Brands
- Products
- Suppliers

Capabilities
- New capabilities
- New insights
- Better flexibility
- Faster decisions

Strategic, value-focused Program

Outcomes
Experiences
Business Models & Capabilities
Technology
SAP Solutions
SAP Digital Supply Chain Solutions for Plan
Connect strategic and operational planning with real-time visibility and execution

Enable better ‘Customer and Product Experience’ by staying continuously aligned across departmental silos with a unified view of real-time ‘demand and supply’ of the Extended Supply Chain.
Demand driven predictive and prescriptive modeling
Continuous alignment from strategy through execution
Advanced planning and Machine Learning
Real-time visibility on extended supply chain

16% shorter order fulfillment lead time where constraint based supply planning process is run at regular intervals.

SAP Performance Benchmarking, n = 271

36% lower revenue loss due to stock-outs where forecasts are run for combinations of SKUs and inventory locations.

SAP Performance Benchmarking, n = 239

SAP Digital Supply Chain Solutions for Plan
Business value

SAP Performance Benchmarking insights pertain to year 2017 and run on overall data collected in the last 5 years. Number of data points analyzed for every insight is provided above. The insight states average performance difference between organizations with high and low maturity on the following best practice.
Integrated Business Planning for Supply Chain

State-of-the-art business processes
Leverage SAP solutions to enable new end-to-end business processes, new business models and new revenue streams.

Synchronized planning processes
Break down planning silos through connected and integrated planning processes.

Leverage end-to-end visibility
End-to-end visibility on strategic, tactical and operational level and across siloed or external data.

Faster planning cycles
React faster to changes in the business through complete integration.
Simplified Experience, Unified Empowerment

Unified User Experience

- Real-time insight and monitoring on aggregated and detailed levels
- Flexible data model and pre-built templates
- Integrated business processes and value chain
- Real-time planning and simulation capabilities
- Embedded social collaboration platform for transparent communication, record decisions
- Role-based user experience

Real Time Scenario Analysis
SAP Supply Chain Control Tower

- Increase end-to-end visibility across your extended network
- Improve supply chain performance by managing Key Performance Indicators
- Manage exceptions with automated alerts, root cause analysis and resolution
- Increase supply chain agility and reduce supply chain cost
SAP Integrated Business Planning for Sales and Operations

- Create the optimal business plan to drive revenue growth and increase market share
- Effectively balance demand and supply and attain financial targets
- Increase speed and agility of planning and drive most profitable responses
- Enable cross-functional process orchestration and collaboration
SAP Integrated Business Planning for Demand

- Develop more accurate statistical forecasts
- React faster to short term demand changes with pattern recognition based algorithms
- Drive more accurate deployment of product based on short term demand
- Enable planning flexibility and accuracy through segmentation
- Collaborate to ensure the most accurate forecast
SAP Integrated Business Planning for Inventory

- Improve customer service levels
- Maximize the efficiency of inventory and working capital
- Reduce production and distribution costs
- Standardize the inventory target-setting process at each tier within the supply chain to feed operational plans
- Support for Demand Driven MRP strategic Inventory positioning and buffer sizing (steps 1 & 2)
SAP Integrated Business Planning for Demand-Driven Replenishment

Support all steps of Demand Driven Material Requirements Planning (DDMRP)

Smooth material flow through the supply chain and reduce supply chain (MRP) nervousness

Compress customer-facing lead times and improve customer service levels

Reduce inventory levels across the supply chain with strategic de-coupling point and buffer zone calculations

Simplify planning with directed replenishment activities, simplified supply prioritization and active buffer zone monitoring
SAP Integrated Business Planning for Response and Supply

Support of tactical (rough cut) supply planning, as well as operational supply planning

Scenario planning / what-if analysis of actual or hypothetical changes to demand and/or supply

Fast matching of supply and demand to respond to operational changes; pegging and gating-factor analysis

Constrained optimization and priority rules-driven algorithms

Unconstrained demand propagation and heuristics options

Generate and provide allocations to ATP, and reschedulesales orders

Production and distribution (deployment) use cases

Sales & Operations Planning

Demand

Demand Driven Replenishment

Inventory

Response & Supply

SAP S/4HANA

✓ Production Planning
✓ Available to Promise
✓ MRP

SAP Supply Chain Collaboration (SAP Ariba)

SAP Supply Chain Control Tower

Demand

Response & Supply

Inventory

Demand Driven Replenishment

Sales & Operations Planning

Plan

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SAP Supply Chain Collaboration (SAP Ariba)

SAP Supply Chain Control Tower

Demand

Response & Supply

Inventory

Demand Driven Replenishment

Sales & Operations Planning

Plan
Supply Chain Collaboration with SAP Ariba Solutions for Direct Materials

- Collaboration with all suppliers in real time across plan-to-deliver processes increases visibility into supply.

- Better visibility enables improved fill rates and decreased buffer stock.

- Transition from push to pull model enables reduced lead times.

- Standard automated processes drive productivity improvements.

- Faster and cheaper onboarding enables scaling and time to value.

- Bill of materials and product sourcing enable hard cost savings and reduced cost of goods sold.
SAP S/4HANA as the Digital Foundation

Seamless integration between planning and execution (MRP, PPDS)

End-to-end process enablement (Plan to Deliver, Order to Cash)

Support for omni-channel fulfillment (AATP)

Integration of critical master data (products, customers, locations, resources, …) with global supply chain model

Integration of transactional and historical data to support performance management and real-time analytics

Support for Demand Driven MRP dynamic buffer adjustment, demand driven planning and collaborative execution (steps 1,2 & 3)
Digital Business Planning Solution Architecture

Benefits

- Enable fast time to value and reduced TCO through agile development and deployment methodologies
- “Closed-loop” Integration via SAP Cloud Platform supports end-to-end business processes
- Options for periodic, net change and real time integration
- Flexible and adaptable, integrate any system to IBP
- HANA & IBP enable evolution to next generation real time supply chain platform

With SAP Ariba

- Real-time collaboration with all suppliers increases visibility into supply
- Turnkey supplier onboarding and support improves success rates and time to value
Why SAP?
SAP Differentiation

- **Global customer community**
- **Completeness** of solution to bring best-of-breed capabilities together in seamless planning architecture: Demand, Supply, Inventory, DDMRP
- **Proven** solution with >700 customers
- **Breadth of Business Network** with 4M+ business partners in network
- “**Design to Operate**” end-to-end integration and process support across digital supply chain pillars (Design, Planning, Manufacturing, Logistics, Asset Management)
  - Integration with financial planning in SAP Analytics Cloud
  - Integration of planning with logistics in support of order promising and transport load consolidation (roadmap)
  - Concurrent Planning (roadmap) closely aligned and integrated network planning with plant scheduling
  - Focus on “Digital Twin” concept and Industry 4.0 to leverage real-time and predictive information from plants and customers in planning
- **Holistic intelligence strategy** to leverage machine learning throughout the suite
Unmatched Supply Chain Expertise

SAP’s solutions for Digital Supply Chain enable:

<table>
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<th>Benefit Description</th>
<th>Percentage Range</th>
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<tr>
<td>Top line revenue growth</td>
<td>1-2%</td>
</tr>
<tr>
<td>Better order fulfillment metrics, and improved customer experience</td>
<td>10-15%</td>
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<tr>
<td>Decrease in ‘Total Logistics Cost’ through improved planning and real-time visibility</td>
<td>10-15%</td>
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<tr>
<td>Decrease in ‘Days in Inventory’ with a pull-based production schedule driven by actual demand</td>
<td>12-15%</td>
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<tr>
<td>Reduction in maintenance costs by optimizing maintenance strategies</td>
<td>10%-15%</td>
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Benefits are based on early adopters of SAP or conservative outside-in benefits due to moving from a traditional ERP to enhanced SAP S/4HANA, LoB cloud applications, and SAP Leonardo solutions. As each enterprise is at a different level of maturity, our recommendation is to work with you to determine the value proposition for your enterprise.
Easy to Learn More

• SAP Integrated Business Planning Overview [Video]
• SAP IBP on [www.sap.com/scm]
• SAP Integrated Business Planning – Functionality and Implementation
• Sales and Operations Planning with SAP IBP
• Integrated Business Planning – Leverage SAP Technology

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