The Digital Supply Chain and ERP in the Experience Economy
Key Business Drivers in the Supply Chain

20% of revenue will come from products less than 3 years old by next year.

90% of industry growth captured by companies that offer engaging experiences.

>50% of organizations will rely on AI to drive supply chain transformation.

STRATEGIC PRIORITIES

Enabling New Business Models
- Monetization of data
- Innovative partnerships
- Efficient order fulfillment and delivery

Delivering Personalized Outcomes
- Create enduring customer and consumer relationships
- Deploy processes and systems that support mass personalization

Competing as an Ecosystem
- Enable effective buyer-supplier collaboration
- Team up with non-traditional ecosystem partners to deliver higher value

“Quickly adapting to change – foreseen and otherwise – is the critical, central capability for every organization.

Systems and technology must be an enabler to this change, not an impediment.”

Simon Ellis, Program Vice President, IDC
Benefits of Digitally Transforming in Manufacturing

Industry Week survey shows that companies clearly see the benefits of digitally transforming their manufacturing processes.

- 40% increase in operating efficiency
- 10% reduction in operating costs
- 160% increase in output
Global Trends in Manufacturing Industries

**Customer Centricity**

From...
- Mass production
- Outsourced manufacturing

To...
- Mass individualization
- Distributed manufacturing networks

**Total Visibility**

From...
- Deterministic models
- Paper-based systems
- Information silos

To...
- Predictive models
- 3D work instructions
- Horizontal and vertical integration

**Business Innovation**

From...
- Capital-intensive manufacturing
- Fixed production lines
- Manual processing

To...
- Service-based manufacturing
- Cyberphysical systems
- Highly automated processes
Traditional Processes Are No Longer Good Enough
Example: Order-to-Delivery Process
No way of knowing if a reliable supplier could deliver a missing part/material in time

More production delays

Increased safety buffers to make up for the lack of inventory visibility, locking up capital

Unclear status for customer

Outbound delivery, transport planning, and dispatch

In-transit tracking

False promises

Production delays

Higher inventory costs

Ex-customer

Challenges

Outcomes

Sales order capture

Manual sales order confirmation

Scheduled material requirements planning (MRP) on rigid timelines

Purchase requisitioning and production

Inventory management lacking visibility

Outbound delivery, transport planning, and dispatch

In-transit tracking

Delivery commitments based on outdated data, resulting in cancelled or delayed orders

No ability to rerun MRP during the day; material shortages not known until tomorrow, delaying production

No way of knowing if a reliable supplier could deliver a missing part/material in time

Increased safety buffers to make up for the lack of inventory visibility, locking up capital

Transportation process taking place in disparate systems with inefficient business partner collaboration

No real-time updates

Manual sales order confirmation

Scheduled material requirements planning (MRP) on rigid timelines

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No real-time updates
Enabling Better Customer Experiences in Consumer Products
Example: Intelligent Order-to-Delivery Process
**Key capabilities delivered**

- Sales order capture
  - Image-based ordering
  - Quotation conversion prediction
  - Delivery performance prediction
  - Easily manage and track sales quotations, contracts, and orders

- Online order confirmation
  - Feed time series data on delivery issues such as traffic impact to machine learning model

- Live MRP
  - Frequent MRP runs throughout the day quickly identify material shortages
  - Demand-driven replenishment
  - Intelligent material exception reporting
  - Stock in transit arrival and delay prediction

- Real-time purchase requisitioning and production
  - Demand-driven manufacturing
  - Contract consumption prediction
  - Smart procurement processes
  - Cash discount at risk monitoring
  - Goods and invoice receipt monitoring

- Inventory management
  - Early detection of slow-moving stock items
  - Intelligent KPI alerts and analysis
  - Complete inventory transparency and accuracy

- Outbound delivery, transport planning, and dispatch
  - Intellegently automated receivables matching
  - Payables line items matching
  - Delivery delay prediction
  - Monitor payments and manage payment advice
  - Easily manage and monitor freight agreements

- In-transit tracking in real time
  - Delivery tracking and exception notifications
  - Intelligent exception remediation proposals
  - Real-time ingestion of IoT-based data streams

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**Intelligent technology outcomes**

- Real-time product availability improves customer confidence
- Real-time inventory & rule-based allocation for optimized fulfillment
- Frequent MRP runs identify any shortages to avoid product backlogs
- Identify the best supplier & minimize safety stock with just-in-time material availability
- Single warehousing platform for all operations enabling greater transparency & reduced working capital
- Integrated transportation management platform with intelligent insights to achieve customer delivery promise
- Transparent tracking of goods in transit and analysis of vehicle & sensor data to achieve real-time delivery status & delighted customers

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**SAP S/4HANA® customers achieve**

- 10%–15% reduction in revenue loss due to stock-outs
- 10%–15% reduction in order lead times
- 5x–25x increase in material postings
- Up to 10% reduction in manufacturing costs
- 25%–30% reduction in inventory levels
- 10%–12% increase in on-time delivery
- >50% lower days sales outstanding
- 10%–30% increase in customer satisfaction

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What Industry Leaders Are Doing Today
Examples
Challenges
Hoerbiger needed to continue planned growth and also transition into a public company. Its broad geographical presence in more than 100 locations required it to establish a reporting system for plants with globally defined KPIs. This was to improve plant performance through effective use of assets by preemptive actions on maintenance and repairs, lower inventory and processing of customer invoices. Its customers now need products faster and configured to their requirements.

SAP S/4HANA Innovations
Hoerbiger decided to redesign its business processes for standardization and simplification. It utilized the capabilities of SAP S/4HANA and intelligent asset management solutions to automate equipment usage measurements and automated customer invoicing based on usage. SAP S/4HANA also enabled Hoerbiger to capture unique product specifications using Machine Learning, orchestrated complex networks of internal/external partners, and thus improved business planning, billing accuracy, and customer satisfaction.

Benefits
• 14% revenue increase
• 30% reduction in inventory
• 84% more standardization in processes to bring scalability and agility for business models
• 42% faster service delivery while lowering DSO by 5-10%

“...We want intuitive. We want future-oriented. We want fast. We want the modern system, the modern IT landscape. So, we very quickly came to the SAP S/4HANA solution.”

Thomas Kriechbaum, Chief Process Officer, HOERBIGER Holding AG
What Industry Leaders Are Doing Today

Hershey

**Challenges**
The Hershey Company has a company-wide mandate to deliver unique, delightful experiences to their devoted customers. In order to deliver on this promise, business operations need to be efficient and streamlined. However, Hershey was suffering from outdated, disconnected finance processes, manual, spreadsheet-driven activities, and error-prone reporting.

**SAP S/4HANA Innovations**
Hershey implemented SAP S/4HANA for standardized enterprise reporting and master data management structure. With a unique central finance approach that replicates and centralizes data in the moment, Hershey now has real-time comparative analytics and monitoring. With built-in machine learning and predictive insights, previous time-consuming manual tasks are now automated, freeing up employees to focus on strategic initiatives.

**Benefits**
Hershey now has integrated and streamlined financial processes and increased visibility and transparency, allowing for:

- Enhanced reconciliation and profitability analysis
- Unified view of data and processes for a single version of the truth
- Real-time insights into customer and vendor activity and cost centers
- Standardized processes to support onboarding of mergers and acquisitions

**INDUSTRY EMPLOYEES REGION**

<table>
<thead>
<tr>
<th>INDUSTRY</th>
<th>EMPLOYEES</th>
<th>REGION</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consumer Products</td>
<td>21,000</td>
<td>NA, United States</td>
</tr>
</tbody>
</table>

"Faster, more transparent, and unified finance operations help us serve our customers better by keeping up with the pace of changing tastes and purchasing behaviors."

John Zimmerman, Director, Financial Data Systems, The Hershey Company
Challenges
To better support its customers through a mission of innovation in global supply chain management, CJ Logistics had to:

• increase process consistency and improve reporting capabilities
• mitigate operational risk and facilitate mergers and acquisitions
• integrate overseas subsidiaries and address the needs from outdated IT with disconnected processes and error-prone reporting.

SAP S/4HANA Innovations
CJ Logistics implemented SAP S/4HANA to standardize enterprise reporting. They now have a unified software for finance and controlling, sales, materials management, process orchestration, and master data and landscape management, providing real-time comparative analytics and monitoring.

Benefits
• Established connected and aligned processes and improved governance across the distributed enterprise
• Created an organization-wide framework for simplified and accelerated reporting with flexible, agile functionality
• Enabled mergers, acquisitions, and incorporation of new companies with SAP S/4HANA
• 100% customer satisfaction on reported surveys
• 77% faster average reporting performance
• Increased visibility into overseas subsidiaries

"SAP solutions help us reduce costs, improve market efficiency, and realize our vision to connect the world by sea, land, and air."

Eung Joon Lee, Operations Officer, CJ Logistics