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BearingPoint on Supply Chain Management

“Driving Global Agility”

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APICS Chicago Roundtable

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Agenda

Introduction of BearingPoint Supply Chain and Sourcing capabilities

Globally Agile Enterprise Framework

GAE Win Themes:

- Synchronized Value Chain
- Global Trade Management
- Risk and Resilient Supply Chain
- Operational Excellence

GAE Stages of Excellence

Case Studies

Solution Delivery on a Global Basis

- Global Differences in Supply Chain Execution
- Global Solutions
- Centers of Excellence

Questions

Who We Are – Our Company

Management & Technology Consultants

We serve more than 2,400 clients including government agencies and 650 of the *Forbes* Global 2000.

We are 17,000 management and technology consultants with over \$3.4 billion in global revenue.

Financial Services	Commercial Services	Public Services
Management Consulting	<ul style="list-style-type: none">■ Business Strategy through Execution■ Business Process	<ul style="list-style-type: none">■ People and Organization■ Change and Business Transformation
Enterprise Solutions	<ul style="list-style-type: none">■ Oracle (and acquired technologies)■ SAP	<ul style="list-style-type: none">■ ERP
Technology Solutions	<ul style="list-style-type: none">■ IT Strategy and Governance■ Business Systems Integration / SOA	<ul style="list-style-type: none">■ Technology Infrastructure
Managed Services	<ul style="list-style-type: none">■ Outsourcing Advisory■ Applications Management	<ul style="list-style-type: none">■ Vertical Business Process Outsourcing

Global Capabilities in Supply Chain and Sourcing

More than **2,000 professionals** in supply chain and sourcing

Delivered more than **850 supply chain projects** in 2006

Complete solution capabilities in **Strategy, Business Process and Technology**

Global delivery capabilities with experts and development centers in Asia, Europe and the Americas

8 Centers of Excellence that develop and share supply chain insights, strategies and tools across industries and geographies

Areas of Supply Chain Expertise

- Supply chain strategy
- Sourcing and procurement
- Product innovation and lifecycle management
- Supply chain planning collaboration and optimization
- Operations excellence
- Logistics



The Globally Agile Enterprise Framework

Why is a New Framework Needed Today?

The supply chain of the future is a complex puzzle. Putting it together requires organizations to overcome many challenges, including:

- Globalization of markets, suppliers, distribution channels and customers.
- Interdependencies between manufacturers, distributors, customers and a host of parties in between.
- Cross-border compliance regulations that impact lead time and add variability to supply forecasting.
- Regulatory, cultural and environmental pressures in regions across the globe.
- Increased customer expectations in the face of internal budget and personnel cuts.
- More competition than ever before, both from existing competitors and new market entrants.

No single company or organization has mastered a globally agile supply chain. A sustainable, globally agile enterprise, driven by supply chain excellence centered on growth, cost and risk management, must be continuously mastered at both the strategic and tactical levels.

The **Globally Agile Enterprise Framework** addresses companies challenges in value chain management and innovation. The purpose of the Globally Agile Framework is to deliver a classic strategic supply chain solution with a focus on **Global Agility**.

Companies Need to Achieve Globally Agile Enterprise Characteristics

Global supply chains obtain materials from widely disparate sources and then create goods to meet, and at times create, customer demand and tastes. Organizations move products through a labyrinth of distribution channels, clearing an array of regulatory hurdles, to deliver them intact and on schedule.

In order to compete and win in this global marketplace, what should tomorrow's supply chain look like?

No company has a crystal ball to tell it how to position itself for the future, but organizations can get a clearer view of the challenges and the strategies to overcome them by becoming a globally agile enterprise.

The Globally Agile Enterprise has many common Supply Chain characteristics:

- Consistently and efficiently *executes to various global plans and service levels*
- Successfully *integrates across functions and geographies*
- Has *decision support and governance for on-going strategic decision process*

Supply Chain becomes a competitive advantage relative to competition for the Globally Agile Enterprise by delivering high-level customer and stakeholder satisfaction

All Win Themes Provide the Foundation to the Globally Agile Enterprise

Globally Agile Enterprise

Operational Excellence

Build a globally integrated, operationally efficient supply chain that enables profitable growth and meets customers' expectations for price, availability, quality and delivery.

Synchronized Value Chain

Synchronize and align its extended supply chain with customer demand and be able to sense and quickly respond to market shifts in an integrated, cost-efficient way that enhances customer satisfaction.

Risk and Resilient

Systematically identify, measure and manage supply chain risks and be able to react quickly to new threats and opportunities.

Global Trade Management

Minimize the cost and risk of cross-border goods flow and maximize opportunities to gain operating efficiencies and regulatory advantages.

Companies Face Common Challenges

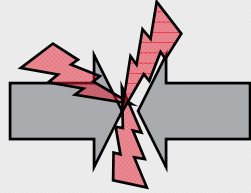
Win Themes Help Overcome Common Challenges



Characteristics

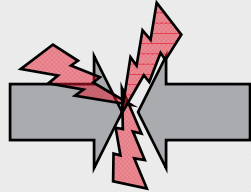
Common Challenges

executes to various global plans and service levels



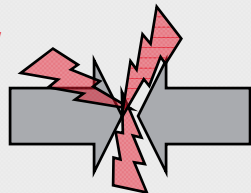
- Lost sales due to missed orders or longer lead times
- Lower customer service due to stock-outs
- Excessive or insufficient capacity
- High material and order expediting costs
- Inability to meet differentiated customer needs in terms of product, service and channel offerings

integrates across functions and geographies



- Excessive inventory carrying costs and write-offs
- Difficulties shifting production and warehousing facilities to low cost countries
- Inability to consolidate operations following mergers & acquisitions
- Metrics not aligned across various functions, departments and players across supply chain
- Disruptions resulting from cross border transactions

decision support and governance for on-going strategic decision process



- Inability to respond to market driven price pressure on existing products
- Margin pressures resulting from shifts of volume to private labels (Retail and CPG)
- Portfolio quality pressure due to shorter product life cycles
- Service and margin pressures driven by increasingly complex product portfolios
- Inconsistent performance due to "silo" structure and lack of global learning mindset

Executing Win Themes

Catalysts to Holistic Supply Chain Change

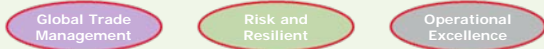


Challenges Are Addressed by the Win Themes

- Lost sales due to missed orders or longer lead times
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- Inability to meet differentiated customer needs in terms of product, service and channel offerings



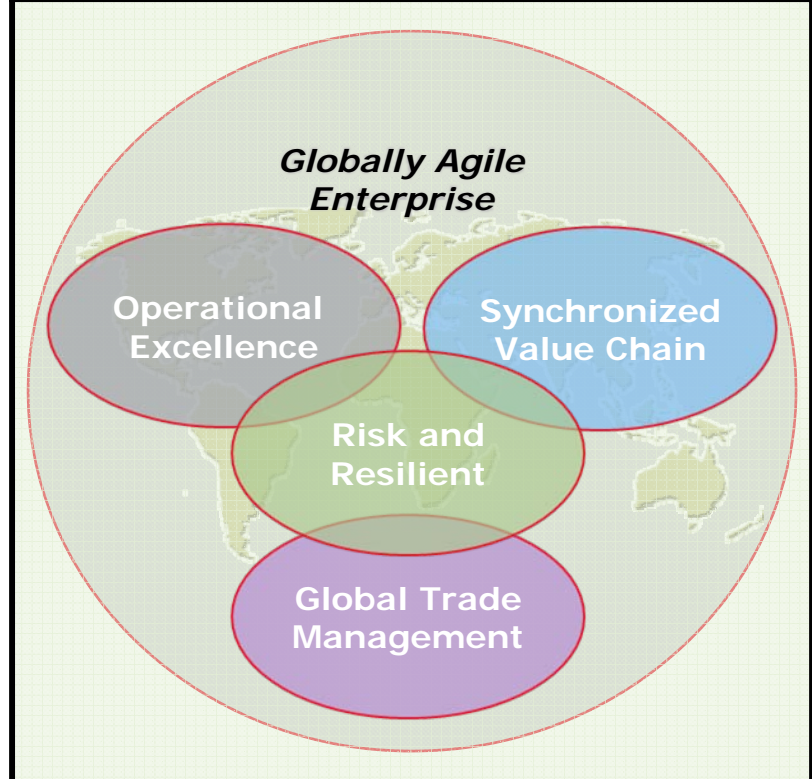
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BearingPoint's Four Win Themes






Win Themes drive companies to organize projects on their paths to becoming Globally Agile Enterprises

Synchronized Value Chain

Challenges and Leading Practice Solutions



The **Synchronized Value Chain** is a system of technologies and processes that sense and react to real or near real-time demand signals across a network of customers, suppliers, and employees. The objective of this Win Theme is to attack the root causes and mitigate key constraints around demand and supply instability.




Challenges		Leading Practices
Excessive inventory carrying costs and write-offs		<ul style="list-style-type: none"> ▪ Identify and evaluate root cause for holding excessive levels of inventory across the global supply chain. ▪ Develop inventory management framework that balances global supply and demand and with lead times for customs clearance. ▪ Evaluate methods of synchronous demand network enabling technology to increase velocity of goods movement.
Inability to meet differentiated demand		<ul style="list-style-type: none"> ▪ Develop a common view of demand forecast and order commitments between value chain partners. ▪ Develop common view of supply capabilities based on demand forecast and commitments between value chain partners. ▪ Generate global demand plan based upon seasonal, historic performance, expected developments.
Inability to respond to market price pressures		<ul style="list-style-type: none"> ▪ Review competitor products and pricing to determine areas of opportunity and weakness. ▪ Translate demand plan and competitor information to portfolio rationalization, promotions, and pricing of products.

Global Trade Management

Challenges and Leading Practice Solutions



In an environment of increased global trade activity, companies face greater customs scrutiny and risks to smooth cross-border movements. The value of **GTM** in commercial environments is increased compliance performance, increased customs clearance rates and mitigating cross-border trade risks.

Challenges		Leading Practices
Disruptions from cross border transactions		<ul style="list-style-type: none"> ▪ Obtain deep understanding of customs scrutiny, root causes of current disruptions, etc. ▪ Understand alternative supply route opportunities. Avoid strict border controls, and leverage advantages e.g. duty relief.
Inability to consolidate post merger		<ul style="list-style-type: none"> ▪ Develop Post Merger Plan including detailed governance and resource commitments. ▪ Identify and evaluate integration vulnerabilities along the supply chain, determining the probability of occurrence, and associated potential impact, then develop a strategy to counter such threats.
Difficulty shifting to low cost countries		<ul style="list-style-type: none"> ▪ Understand relevant variables such as Free Trade Zones, Supply Hub Location, Component Assembly, Commodity Code Reclass (Compliance Accuracy, Duty Obligations & Mitigations). ▪ Manage risk by interpreting customs rules and taking steps to improve relations with country regulatory authorities. ▪ Determine probability and potential impact, then develop a strategy to counter such threats.

Risk and Resilient Supply Chain

Challenges and Leading Practice Solutions



Organizations need to understand how their current and future supply chain strategy exposes them to risk and compliance issues; determine the presence, magnitude and tolerance of the risk; and chart a course for ongoing risk mitigation and management. **Risk and Resilient Supply Chain** is focused on aligning an organization's supply chain strategy and associated risk with compliance tolerance.

Challenges	Leading Practices
<p>Metrics not aligned across supply chain</p>	<ul style="list-style-type: none"> ▪ Implement key performance indicators and track via enterprise risk dashboard. ▪ Evaluate effectiveness of current enabling tools and identifying appropriate strategies for improvement. ▪ Implement change management to develop framework for managing and monitoring the global resilient SC re-alignment.
<p>No processes for carrying out risk management strategies</p>	<ul style="list-style-type: none"> ▪ Implement proactive risk management procedures and constantly monitor and improve them based on changing business conditions. ▪ Make risk management processes standard operating procedures
<p>No safety net or failover plan in place</p>	<ul style="list-style-type: none"> ▪ Supply chain managers continuously monitor performance and incrementally improve strategies for preventing disruptions. ▪ Strategies include relationships with multiple suppliers, establishing failover plans, or designing supplier networks that can survive natural or man-made disasters




Operational Excellence

Challenges and Leading Practice Solutions



Operational Excellence is focused on synchronizing business processes, information and workforce to operate and maintain lowest total cost on a global scale. This objective is achieved by moving from loosely linked, multinational business units with few synergies, to a globally integrated enterprise.

The GAE makes sure mistakes are so uncommon as to be remarkable.

Challenges		Leading Practices
High material and order expediting costs		<ul style="list-style-type: none"> ▪ Identify and evaluate sources of supply (globally), implement consistent global procurement processes, define compliance requirements ▪ Define performance management framework, define supplier relationships, and facilitate negotiations. ▪ Conduct supply planning, execute orders and manage continuous improvement programs collaboratively
Lost sales due to missed orders and long lead times		<ul style="list-style-type: none"> ▪ Implement globally integrated models to address alignment of demand and supply capabilities to the corporate strategy. ▪ Implement right cost/revenue models to address complexity and cross border supply chain flow issues
Lower customer service due to stock-outs		<ul style="list-style-type: none"> ▪ Develop differentiated customer service strategy based on customer segmentation to drive integrated service delivery. ▪ Create environment where a logical approach drives service level agreements, pricing and service network plans.



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GAE Stages of Excellence



Companies' Challenges and Maturity Determine Win Theme Actions



Stages of Excellence in the Path to the Globally Agile Enterprise

	New	Emerging	Intermediate	Advanced	Globally Agile
Supply Chain Stage Description	New Supply Chain capability resides in isolated business units and geographies.	Basic Supply Chain fundamentals are in place with some cross geography and cross business unit opportunities emerging.	Cross business unit and geography requirements are growing. Intermediate level Supply Chain competency in place to manage transaction.	Complex cross border and cross business unit Supply Chain transactions are common. Advanced Supply Chain capabilities emerging in many areas.	Supply Chain excellence is consistently demonstrated across borders and business units. Supply Chain capability is a competitive advantage.
Common Win Theme Deployment					
Common Challenges	<ul style="list-style-type: none"> ■ Metrics not aligned across various functions, departments and players across supply chain ■ Lower customer service due to Stock-outs ■ Excessive inventory carrying costs and write-offs 	<ul style="list-style-type: none"> ■ Inability to respond to market driven price pressure on existing products ■ Lost sales due to missed orders or longer lead times ■ Disruptions resulting from cross border transactions 	<ul style="list-style-type: none"> ■ High material and order expediting costs ■ Excessive or insufficient capacity ■ Service and margin pressures driven by increasingly complex product portfolios ■ Margin pressures resulting from shifts of volume to private labels (Retail and CPG) ■ Difficulties shifting production and warehousing facilities to low cost countries 	<ul style="list-style-type: none"> ■ Inability to meet differentiated customer needs in terms of product, service and channel offerings ■ Portfolio quality pressure due to shorter product life cycles ■ Inconsistent performance due to "silo" structure and lack of global learning mindset ■ Inability to consolidate operations following mergers & acquisitions 	<ul style="list-style-type: none"> ■ Maintaining Supply Chain excellence ■ Ability to foster the continuous improvement environment ■ Difficulty managing change in a mature organization

Global Reach Needs to be Included in Supply Chain Maturity Determination



Stages of Excellence in the Path to the Globally Agile Enterprise

	New	Emerging	Intermediate	Advanced	Globally Agile
Business Unit	<ul style="list-style-type: none"> ■ Enter Market, Differentiate Products, Build Supply Chain Fundamentals ■ Develop Supply Chain Basics ■ Expand Planning Capability within the business unit 	<ul style="list-style-type: none"> ■ Expand Cost Control and Efficiency Projects ■ Gain Market Share, Build Supply Chain Infrastructure and Human Capital 	<ul style="list-style-type: none"> ■ Integrate planning and execution functions within the business unit ■ Develop Supply Chain excellence in select areas; general capability in most 	<ul style="list-style-type: none"> ■ Begin to include other business units with integrated decision support for strategic decisions ■ Establish solid decision support for key strategic decisions within the business unit 	<ul style="list-style-type: none"> ■ Consistently Reevaluate the Supply Chain; Strategic Sourcing; and Optimize the Network ■ Consider 3rd Parties for Core functions
Regional	<ul style="list-style-type: none"> ■ Identify initial Global Opportunities ■ Begin Global Supply Chain Expansion (Sales and/or Procurement) 	<ul style="list-style-type: none"> ■ Establish high level global plan and strategy 	<ul style="list-style-type: none"> ■ Build solid stand alone IT Infrastructure with some cross regional linkage 	<ul style="list-style-type: none"> ■ Standardize IT Infrastructure and Supply Chain practices in key areas ■ Integrate high level global planning 	<ul style="list-style-type: none"> ■ Enable flexible, integrated Supply Chain through integrated IT Infrastructure ■ Gain Cross border Supply Chain visibility
Global	<ul style="list-style-type: none"> ■ Deliver to markets well enough to gain market share ■ Source from markets well enough that it is a better source option than regional 	<ul style="list-style-type: none"> ■ Improve Supply Chain flexibility, global planning capabilities, and enhance strategic partnerships 	<ul style="list-style-type: none"> ■ Build and deploy integrated global planning and execution infrastructure ■ Integrate planning systems and processes across business functions and geographies 	<ul style="list-style-type: none"> ■ Establish ability to predict and quickly respond to cross border customer and supply disruptions 	<ul style="list-style-type: none"> ■ Understand true cost to serve to make strategic decisions and enhance capabilities ■ Execute Supply Chain functions without borders both to Customers and from Suppliers





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Case Studies



Operational Excellence Case Study

Global Food Services Company



Business Need and Challenges

- Reduce inefficiencies in sourcing, purchasing and supply chain operations following dozens of acquisitions and ongoing business unit autonomy
- Rationalize product portfolio comprising over 300,000 SKUs
- Increase purchasing leverage with suppliers

Solution

- Defined, with client executives, corporate objectives, strategy and growth drivers
- Performed a Spend Assessment across the supply chain
- Analyzed opportunities for growth and cost reduction
- Created a roadmap to realize process improvements
- Designed solutions to achieve and track savings
- Established performance metrics for sourcing and procurement
- Completed a SKU rationalization analysis based on product value and profitability

Results

- Identified savings opportunities worth **\$1.5 billion** (average 5-8% reduction in cost of goods sold) through sourcing and other initiatives
- Identified potential for **30% reduction in SKUs**
- **Improved efficiency** and performance of sourcing and procurement department

Synchronized Value Chain

Global Wireless Handset Manufacturer



Business Need and Challenges

- Although the company had completed a very successful growth and market expansion and took market leadership positions – while running the leanest and most inventory efficient supply chain operations in its industry, there was a problem as the company was expanding to new markets. The delivery lead-time was no longer competitive.
- Balancing service improvement with efficiency in a high growth environment required new decision support tools and processes that could help management to quickly “place the right bets” related to product launches and capturing upside opportunities.

Solution

- Helped the company to segment its customer base and product portfolio and jointly developed a – “risk sensitive” – service model.
- Helped to deploy an industry leading **strategic value chain planning and simulation tool** – to effectively anticipate the supply and financial impact of planned market moves
- Helped to implement an **advanced S&OP process** that combined strategic, tactical and operational elements to enable the company to capture new market opportunities while managing risk exposure.

Results

- The company is now effectively using the new **strategic value chain solution** to calculate risk exposure of key market decisions and anticipate the impact of potential disruptions.
- While slowing market growth, shortening product lifecycle, disruptive competitive moves and the complexity of outsourced global manufacturing poses unprecedented challenges to the wireless manufacturers – the company continued its high-growth path and expanded both its top and bottom-line results in 2007.

Global Trade Management Case Study

Custom Services



Business Need and Challenges

- Exponential growth in trade, increased demand for services, and criminal use of emerging technology. Struggled with aging IT systems and uncertain annual funding.
- Growing gap between trade volumes and Customs' resources and system capacity. Trade compliance systems had not only meet committed service levels, but also be viewed as providing value-added services in support of evolving business requirements.
- Modernization had to embrace the total enterprise, including **Trade Compliance**, Enforcement, Administration, and other critical business processes.

Solution

- Teamed with other service providers to modernize the **major trade compliance**, law enforcement and administrative systems within this Customs Service over a 15 year period. The first 5-year base contract focused on redesigning Customs commercial import and export operations.

Results

- Modernization was a 15-year effort that transformed the agency's enterprise business processes and enabling technology into a more streamlined, efficiently operating organization.
- The first initiative focused on reengineering importing and exporting processes. The Automated Commercial Environment (ACE) was Customs long-term vision for the future processing of goods into and out of this NA country.
- ACE included new business processes, procedural and cultural changes, automation of business rules, all intended to support achieving the goals and objectives articulated in the Customs Service 5-year Strategic Plan.

Risk and Resilient Case Study

Top 10 Global Pharma Manufacturer



Business Need and Challenges

- Reduce the supply risk and disruptive impacts of shipment non-compliance exposures.
- Need a solution to cover new processes and systems, and define organizational competencies and a strong governance structure in order to drive cross-border trade compliance and ensure supply chain resiliency globally. It also needed to reduce process complexity and variation, and increase visibility both internally and outward-facing, in order to be more **agile** and flexible to changing supply chain needs across global markets.

Solution

- Analyzed existing import/export-related supply chain and enterprise **risk management and compliance procedures**
- Helped define a clear Business Case (*case for action*) - summarizing the current situation, quantifying the risks of non-compliance, and defining a clear plan to drive greater levels of visibility, risk management and control: via a **Risk and Resilient Supply Chain** and Global Trade Management (GTM) Service Offering and Operating Model.
- Designed work comprised process definition, systems selection, organization and governance design and steps to deliver clear shipment compliance support within business ways of working across the client organization.

Results

- Accelerated project adoption in priority business areas
- Improved **shipment compliance**
- Gained ability to monitor and rapidly respond to evolving regulations and newly identified opportunities



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Global Supply Chain Regional Challenges



Supply Chain Regional Challenges

A Global Perspective

Developed Regions

Strengths

- Established Logistics Infrastructure
- Developed ERP, Planning & GTM Systems Investment
- Developed LCCS & Off Shoring (cost reduction)
- North America & Western Europe More Retail-Focused

Weaknesses

- Port & Hub Congestion
- Equipment & Driver Shortages
- Longer Lead Times
- Trade Compliance & Documentation
- Manufacturing Synchronization
- International Settlement Mgmt.
- Reduced SC Visibility
- Multi-Echelon Inventory Mgmt.
- Security Risks & Contingency Planning
- Rising Logistics Costs & Fuel Prices

Developing Regions

Strengths

- Regional Centers of Sustainability Excellence (Green)
- Cost of Labor & Land
- LCCS & Off Shoring (revenue improvement)
- Developed English Language Skills
- APAC & EMEA More Distributor-Focused (Larger Deliveries, Less Frequency)
- Higher Security & QC Control of Product Required
- Slow Adopters of Technology, by Can Leap Frog When Investments Made

Weaknesses

- Port & Hub Congestion, Exacerbated by Immaturity of Logistics Networks
- ERP & Technology Catch-Up
- Immature Decision-Support Systems
- Regulatory and Export Compliance Challenges
- Environmental Issues

Future Challenges for Supply Chain Execution

- Impact of Further Currency Volatility On:
 - Trade Balance (Increasing US Exports; Decreasing Imports)
 - Global Import/Export Hubs
 - Low-Cost Production Countries
 - Foreign Direct Investment

- Changes in Global Trade and Transportation Channels Due to High Oil Prices
- Changes in Raw Material Sourcing Resulting From High Commodity Prices
- Managing Global Supply Chain Risk Such as Quality Assurance, Political Instability and Intellectual Property

- Successfully Integrating Current Data Into Decision Making Process
- Accurately Determine Total Landed Cost in a Global Environment
- Public and Possible Regulatory Requirements to Create a "Green" Supply Chain

- Real-Time Global Visibility
- Demand Response Challenges Will Spread to Developing Regions
- Local Sourcing – Smaller, More Frequent Deliveries
- Increased Customization
- Consolidation in 3PL Market

BearingPoint Global CoE Foot Print

Designed for Client Accessibility Across the World

Centers of Excellence	Focus Locations
Sourcing and Supply Management	Chicago and Frankfurt
Supply Chain Strategy and Transformation	Chicago and London
Supply Chain Planning	Dallas and Copenhagen
OpEx (Productivity)	London, Shanghai, and Frankfurt
Distribution/Logistics	Atlanta
Global Trade Management	Washington DC and London
Supply Chain Risk and Compliance Management	Toronto and London
Product Lifecycle Mgmt/ New Product Introduction	Paris

Global SCM Resource Footprint



North America ● Latin America
EMEA ● Asia Pac

Contact Information and Additional Materials

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www.bearingpoint.com (Solutions >> Supply Chain and Sourcing >> Insights)

Globally Agile Enterprise:

<http://bearingpoint.com/portal/site/bearingpoint/menuitem.5a42edeee4908885f7a4c810224041a0/?vgnnextoid=2d7059111d6d7110VgnVCM100000de03620aRCRD&vgnnextchannel=6fe83c0bc28fe010VgnVCM1000003264a8c0RCRD&nav=tab&tab=insights>

Synchronized Value Chain:

<http://bearingpoint.com/portal/site/bearingpoint/menuitem.5a42edeee4908885f7a4c810224041a0/?vgnnextoid=7a5ae042fc446110VgnVCM100000de03620aRCRD&vgnnextchannel=6fe83c0bc28fe010VgnVCM1000003264a8c0RCRD&nav=tab&tab=insights>

Risk and Resilient Supply Chain:

<http://bearingpoint.com/portal/site/bearingpoint/menuitem.5a42edeee4908885f7a4c810224041a0/?vgnnextoid=b51c3160c3768110VgnVCM100000de03620aRCRD&vgnnextchannel=6fe83c0bc28fe010VgnVCM1000003264a8c0RCRD&nav=tab&tab=insights>

www.bearingpoint.com (Solutions >> Supply Chain and Sourcing >> Resources)

Presentation materials

<http://bearingpoint.com/portal/site/bearingpoint/menuitem.77289e85b1c8358a53d0a110b84041a0/?vgnextoid=6fe83c0bc28fe010VgnVCM1000003264a8c0RCRD>