Work Smarter with Intelligent Supplier Management in the Digital Age

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Who are we?

- Supply Chain Management / New Product Introduction
- Strategic Sourcing
- Strategic Planning
- Manufacturing
- Reliability
- Safety, Compliance, & Sustainability
- Global Supply Chain
- Care

- >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)
Direct Sourcing Guiding Principles

Early & improved collaboration between Sourcing and Dev teams

Harmonized data creates one source of truth

Reduces suppliers’ cost of doing business

100% compliant Price Contracts and Purchase Orders

Digitization of work processes reduces manual effort

Improves visibility to supplier quality and planning data
Direct Sourcing Capabilities

**Supplier Lifecycle Management**
*Manage the onboarding, qualification and sourcing status throughout the lifecycle of a supplier*

- Suppliers created ONLY via request workflow in SAP ARIBA with statusing
- Workflow collaboration with other Supplier Qualification participants
- Disjointed Supplier Lists retired - managed in MSOURCE
- Key Supplier information ie. locations and contacts managed in MSOURCE
- Supplier Manuals in MSOURCE
- Centralized management of Category Qualifications and Supplier Statuses

**Price Contracting**
*Entering price estimates, executing online RFQ with terms and contracting prices over time*

- Supplier RFQ collaboration, replacing any RFX exhibits
- Ability to enter price estimates
- Ability to contract prices via formal RFQ
- Ability to view/maintain estimates and contracted prices separately
- Ability to price out transformation cost
- Contracted prices for consigned parts automatically sent to SAP

**Cost Management**
*Aggregation of contract prices, R&O, estimates and splits*

- Full BOM/Part/AML integration from OnePDM
- New part attributes for COGP and push quote
- AML Split and BOM splits
- BOM splits can be entered at Program-CM combination
- BOM splits visible in a BOM view
- Ability to see part rollup costs in a BOM view
Supplier Management Process

New Supplier Request

Supplier Creation and Registration

Entry Approval

Supplier Creation and Registration

Qualification Workflow

Status and Data Management

New Suppliers and Registration

Qualification

Direct PO Suppliers

Factory data

Restricted/Prohibited

Category Qualification

Sub-Category Status and Management

OnePDM Integration

Supplier Data Management

Sourcing Manager

Status management

Finance

Contract

Compliance

SQM

TSM

Technology

Business

Suppliers and Registration

Sourcing Manager

Component Engineer

New Supplier Requests

Entry Approval

Account creation

Registration

Qualify new category for Supplier

Prohibit
Qualification and Statusing

Qualification of Suppliers will be managed at **Category** level
Sourcing statuses will be managed at **Sub-Category** level

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**Category**

Qualification process and status by Category

**Sub-Category**

Status (preference) will be set at the sub-category level
Foundational

- Questioning what AI is and how to apply it
- Wrong expectations or disappointment
- Low digitization
- Basic analytical capabilities

Approach

- Hopeful on AI and its promise
- Looking to increase or optimize processes
- Cautious about disruption

Aspirational

- Experimented and applied AI
- High digitization
- Desires new business models
- Achieved a data culture

Mature

- Emerging Data science and operational capability
- Understands model lifecycle and management
- Building a foundational data architecture

Microsoft’s Maturity Curve for AI

Cultural Shift

Ethical Shift

Ownership Shift
Produce insights such as predictions, recommendations and analytics from AI/ML
Sourcing FY18 Metrics – Looking Back

Lowlights:
• Due to product delays and a focus on basics capabilities, we are significantly behind schedule achieving our long term vision.
• Team continues to split time between resolving issues and working on new feature delivery

Highlights:
• MSource delivered value to the Sourcing organization measured by cycle time reductions and productivity enhancements.
• Retired manual, e-mail and excel based processes and improved overall digitization of sourcing processes
FY18 was the first year that Sourcing utilized an integrated cloud solution to manage the entire Sourcing process away from an off-line price/book-keeping Excel application, allowing all Sourcing activities to be reportable and embedded centrally in the WDG supply chain.

- **Price Contracting**
  - 975 RFQ's completed (975 Exhibit A/I's eliminated)
  - 256 suppliers under contract
  - 4743 parts under contracted

- **Supplier Management**
  - 305 suppliers registered
  - 187 suppliers created in MSource
  - 194 suppliers under category management with category status

- **Integrated master data**
  - Cycle time (RFQ/contracting, part to close)
COGP Reporting efficiency:
- The number of COGP programs converted from PartMaster into MSource in FY17 was 91 versus the number of active COGP programs now at 125.
- A decrease in the number of Sourcing Ops resources needed to support an increased number of programs shows the efficiency in the FY18 COGP process enabled by MSource, MAX and PowerBI.
Sourcing FY18 Metrics

Pre-MSource:
- Large % of purchased parts not under contract and/or price agreement in emails

MSource:
- 100% of COGP parts are under contract
  - PIR’s are not created w/o a contract price
  - All suppliers are qualified and accounted for

COGP Parts with Contract Price
Improve selection of preferred parts early in product development

• **Opportunity**
  • Optimize the selection of a part to improve **performance**, **cost**, and **quality** through the lifecycle of a product
  • *60-80% of product costs are locked after completing 5-10% of the product design and once costs are locked it can be challenging and costly to reduce it*

• **Cost Avoidance**
  • $5-10M by selecting perfect parts during early design
    • Example: 1uF 0201 Capacitor: **18** parts covering 6.3V and 10V for EE’s to select
    • ~**570M** pieces being purchased across **6** MSPNs → Price ranging from **$0.09** to **$0.38**
    • Leveraging perfect part could avoid **$1.6M** spend
  • Product dev efficiency: ~$500K per program (Reduce design lock by 10% and Part/BOM scrubbing time by 30%)

• **Part/Supplier Performance Improvements**
  • Higher percentage of Preferred Parts & Suppliers = Better supply chain performance as measured by Sourcing key indicators
    • Drive improvement of Supplier and Part Quality Metrics
    • Drive down Continuity of Supply (COS) incidents
    • Improve overall SEA compliance
## Key Learnings so far...

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Inject valuable insights into user experience (modern workplace)

196 BOM Item groups without 100% split

104 My Parts with optimized price & allocations

Alert, market event has occurred (1)
Quote now, prices will rise (15)
Market prices stable
Wait to quote, prices will drop (103)

27 SEA Audit Findings – Open corrective actions

12 Magic 8 ball
Supplier + Part with business impacting events ahead

My Approved Manufacture List Risk Alerts (64)
SAP Ariba Solutions for Direct Spend Span the Entire Supplier Management Horizon

Sourcing for Direct Spend

Supply Chain Collaboration

PLM

Planning

ERP

Design Source Contract

Forecast Commit

Request Order Make

Receive Manage Pay
Most Requested Sourcing and Supplier Management Use Cases by Industry

Process Industries
- Vendor qualifications by site, product line, commodity
- Regulatory / certifications

Retail
- Private label – retailers becoming manufacturers
- Article Master & Variants
- Production facility validation

Discrete Industries
- Design
- Costing
- Negotiation
- …with a heavy outsourced element
Thank you.

Q&A

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