

Chief Supply Chain Officer Forum Atlanta – June 22, 2011

Supply Chain Finance: Controlling Costs & Working with CFO
Owen Mitchell
Global Head of Procurement
Pearson

Overview

1

- Digital & Physical Products

2

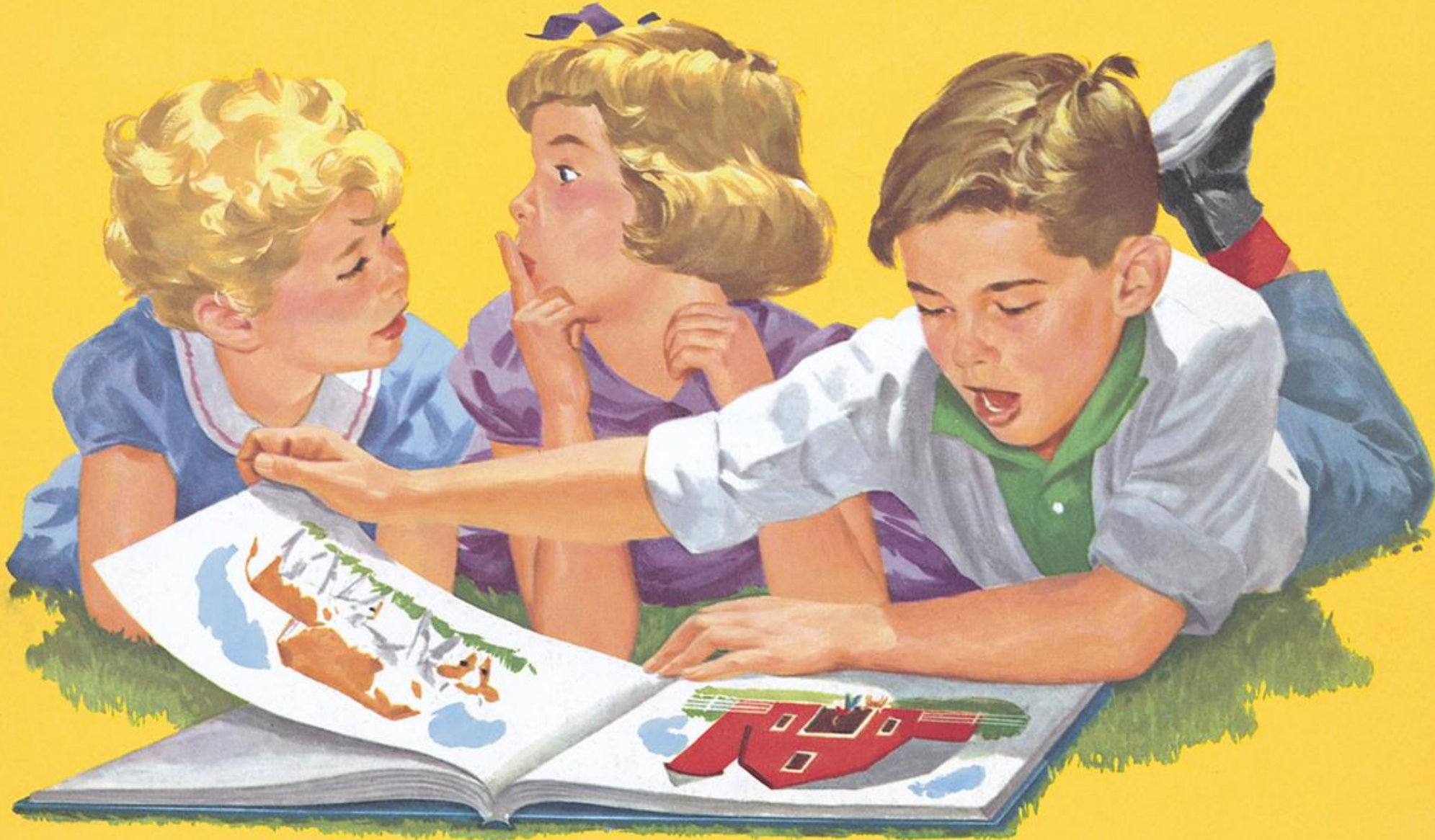
- Cash Velocity

3

- Engaging Suppliers

4

- Focus on Value Drivers



The “New Consumer” and Demand Realities

- Unrelenting growth of mobile devices
- Emergence of “Screenagers”...of all ages
- Never-ending drive for convenience shopping
- Uneven adoption of technology across markets
- Drive from uniform to personal: for print & digital

Personalization and the Printed Book

Implications for Publisher:

- Authors and Professors select their own content
- No forecast of demand
- One-shot delivery direct to consumers
- No second chance to sell

Personalization and the Printed Book

Implications for Printer:

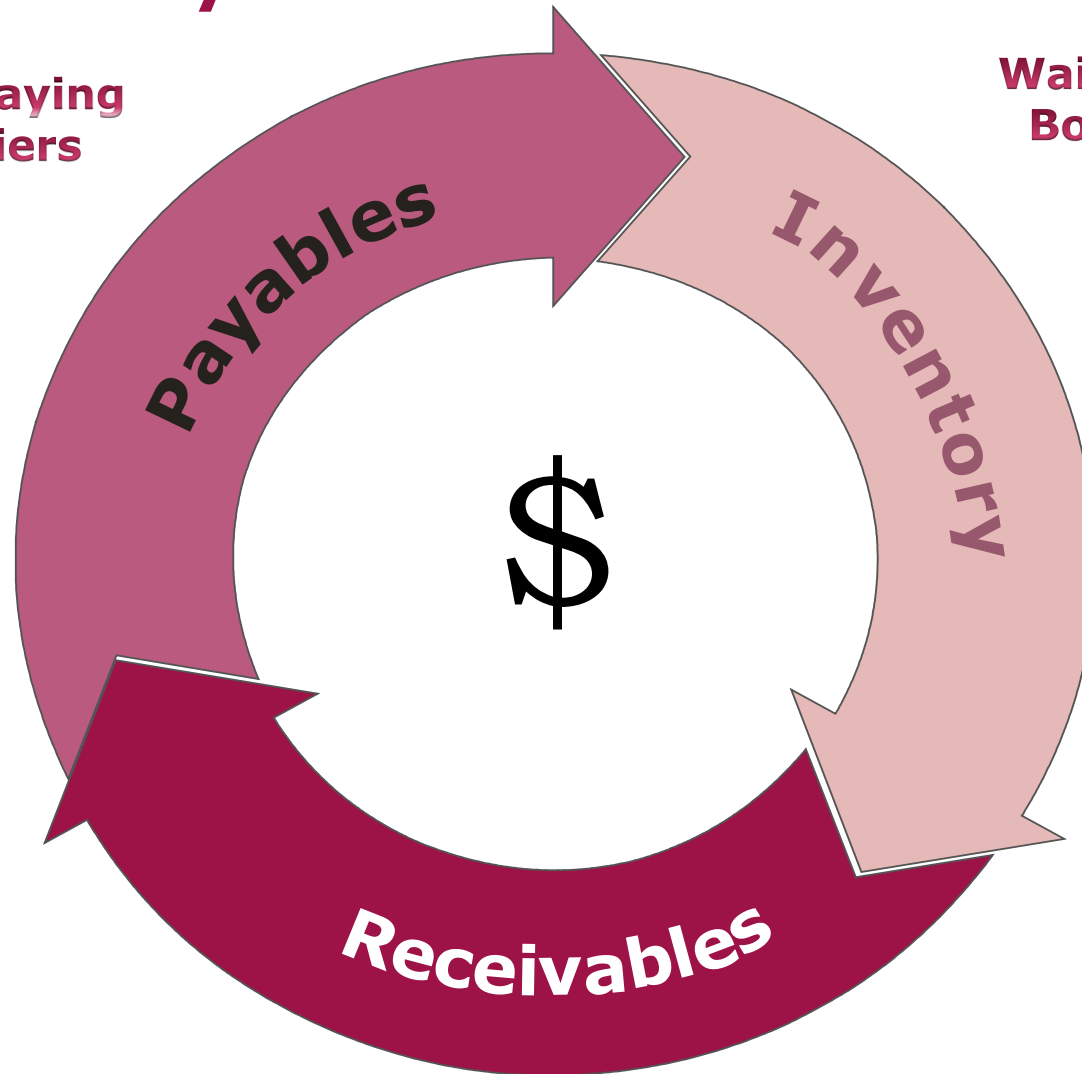
- Fast track order management
- Exponential increase in SKUs
- Real-time scheduling
- Same-day assembly of components
- Direct shipping to last-minute destinations
- Rethink – equipment, process flow, shopfloor management, systems, performance metrics



Cash Velocity: Printed Books

Delay Paying Suppliers

Waiting for Books to Sell



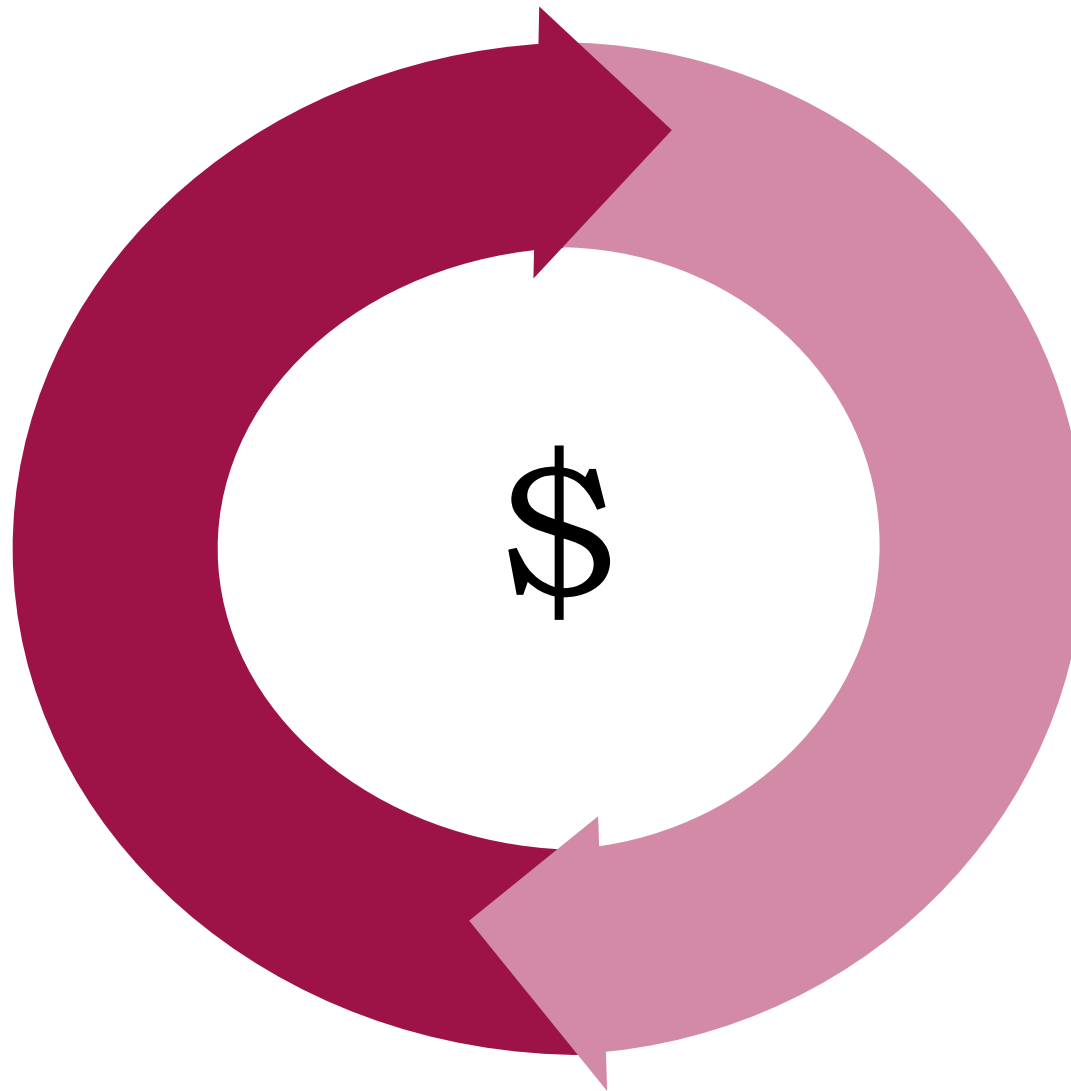
Waiting to Get Paid

Takes Months

JANUARY	FEBRUARY	MARCH	APRIL
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16 17 18 19	10 11 12 13 14 15 16	9 10 11 12 13 14 15	13 14 15 16 17
23 24 25 26	17 18 19 20 21 22 23	16 17 18 19 20 21 22	20 21 22 23 24
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MAY	JUNE	JULY	AUGUST
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			31
SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER
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17 18 19 20	12 13 14 15 16 17 18	9 10 11 12 13 14 15	14 15 16 17 18
24 25 26 27	19 20 21 22 23 24 25	16 17 18 19 20 21 22	21 22 23 24 25

Cash Velocity: e-Books

**Customer
Orders and
Pays for
Product**



**Product
Delivered**

Takes Seconds



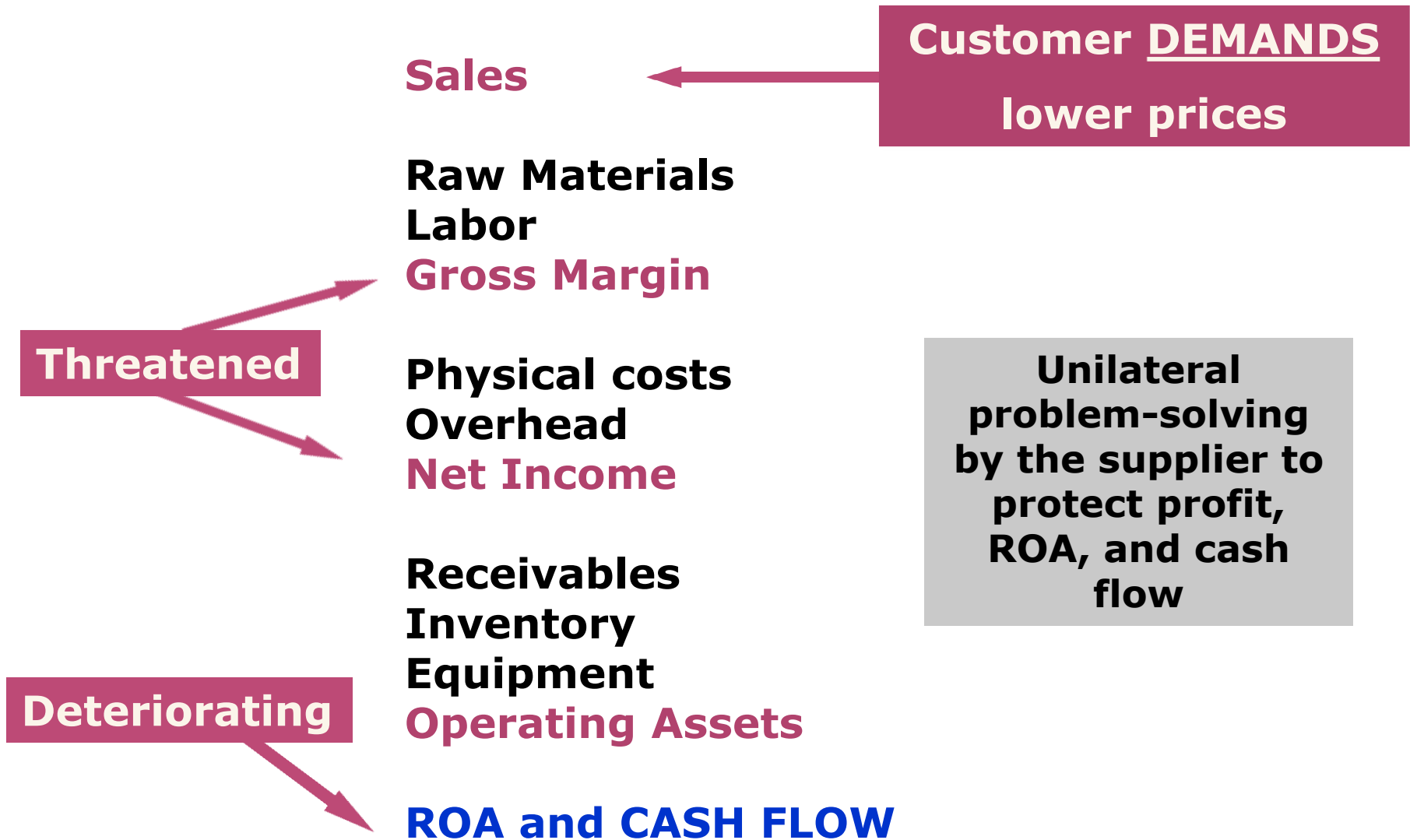
Engage Suppliers



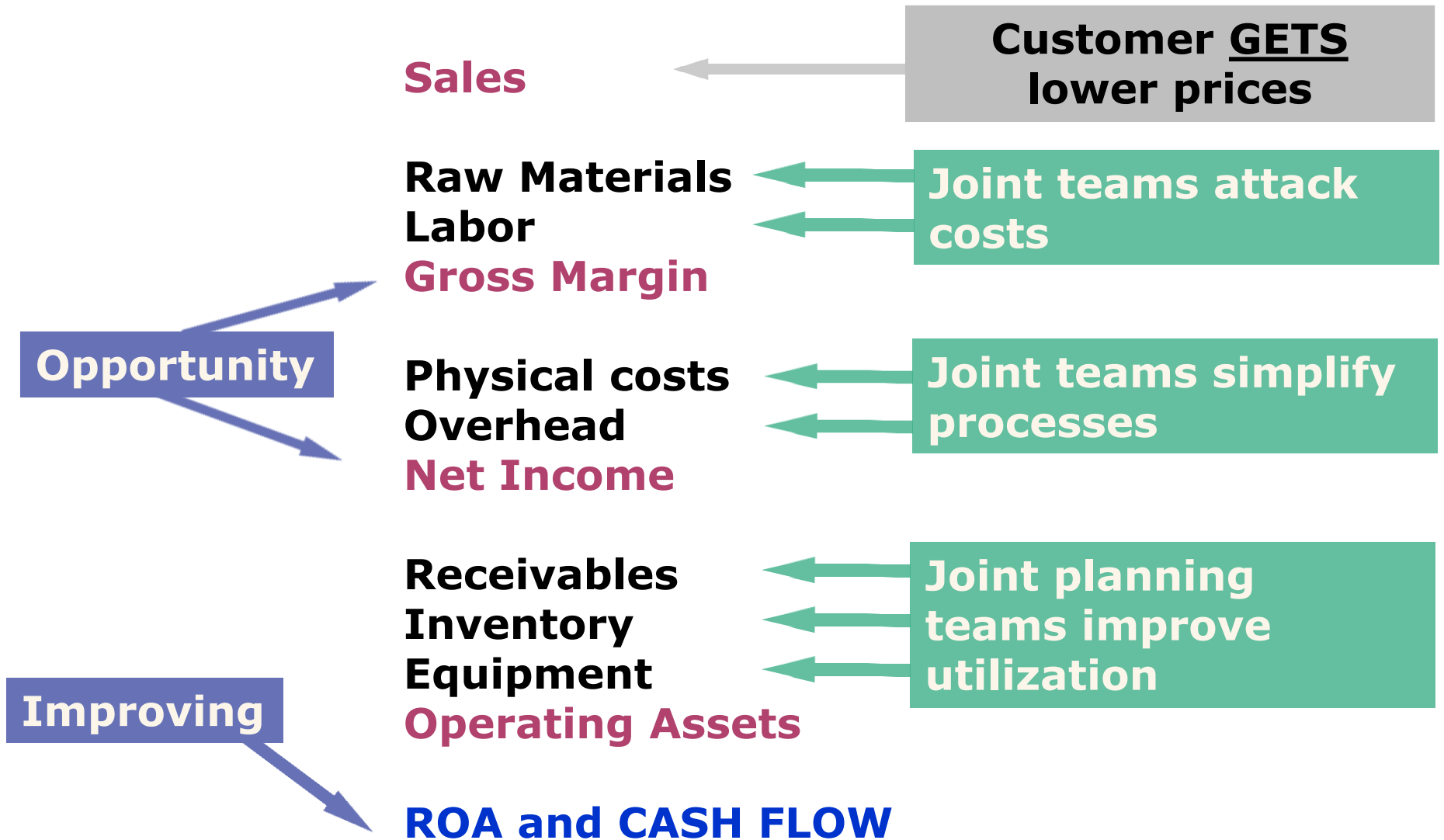
Vs.



Traditional Relationship: Suppliers' Viewpoint



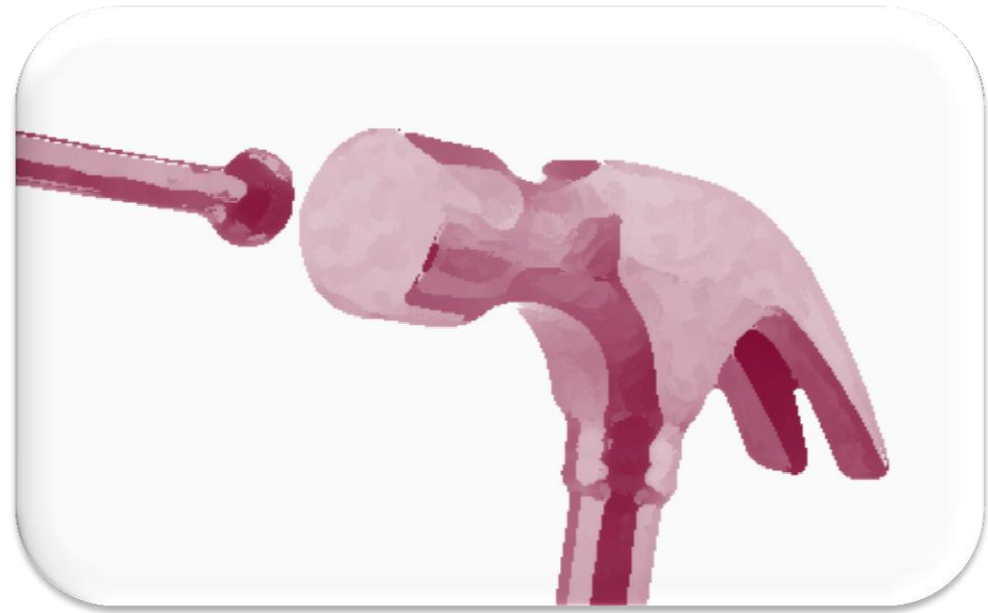
With Meaningful Collaboration



Focus on value drivers

Heads of Procurement need to go beyond price: Demand Management, Asset Utilization, and Time Value of Money

CFO's should partner with Procurement



Focus on Value Drivers

1. Create competition for aggregated volume:

- Utilize price scales to drive down costs
- Encourage use of lowest cost option
- Mandate use of preferred or contracted suppliers

2. Take a more holistic view of sourcing:

- Rethink cost of holding inventory versus chasing lowest unit rate
- Focus on forecasting and cutting lead-times
- Mitigate obsolescence risk; make little and often

3. Engage suppliers:

- Automatic replenishment programs
- Fewer touches; error-free transaction processing
- Capacity planning: separate largely predictable from hopelessly unpredictable

4. Strip processes bare:

- Efficiency – *doing things right*
- Effectiveness – *doing the right things*
- Eliminate – Simplify – *then* Automate or Outsource

ALWAYS
LEARNING