



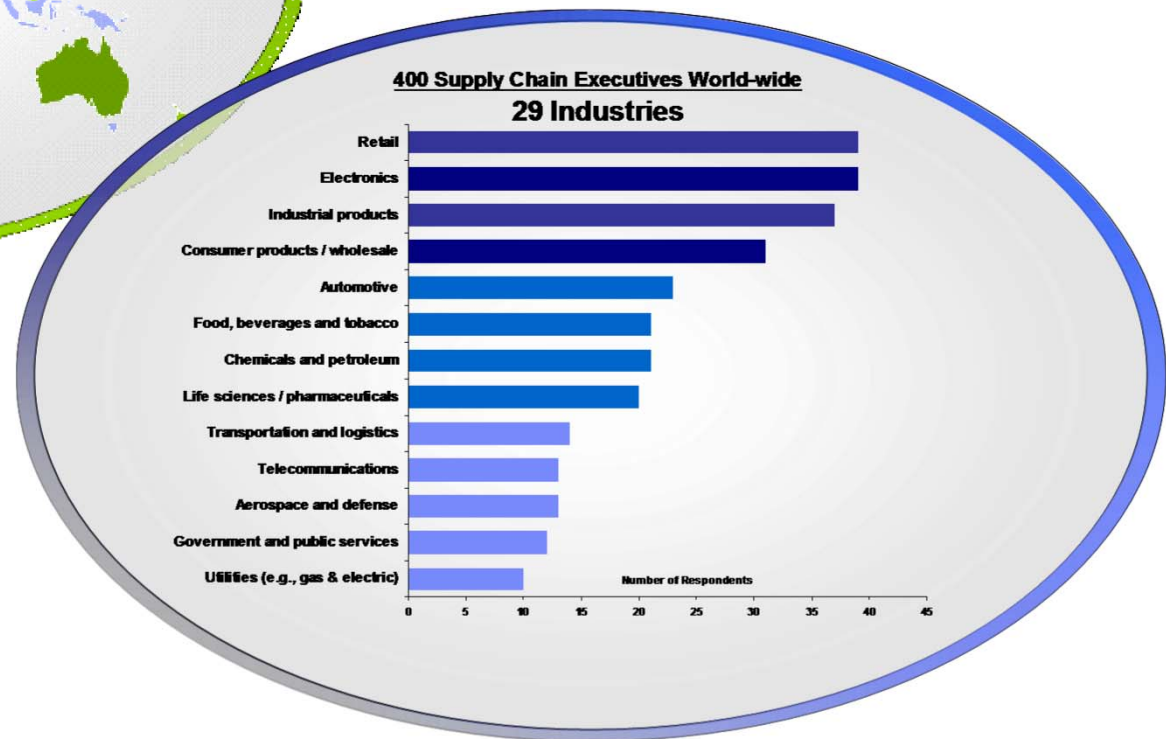
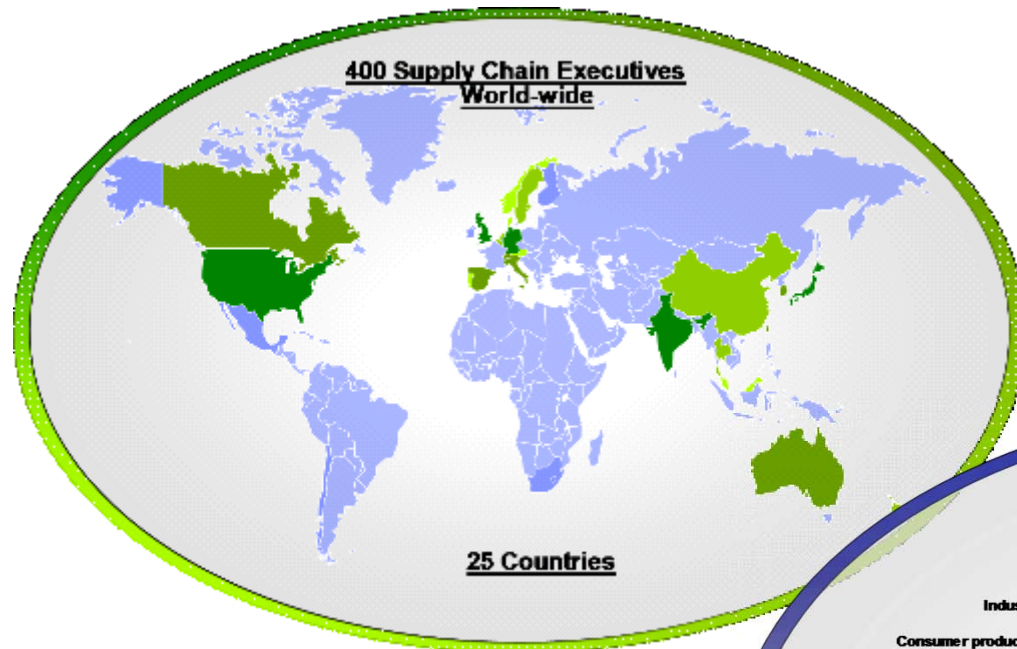
# THE SMARTER SUPPLY CHAIN OF THE FUTURE

IBM Global Chief Supply Chain Officer Study



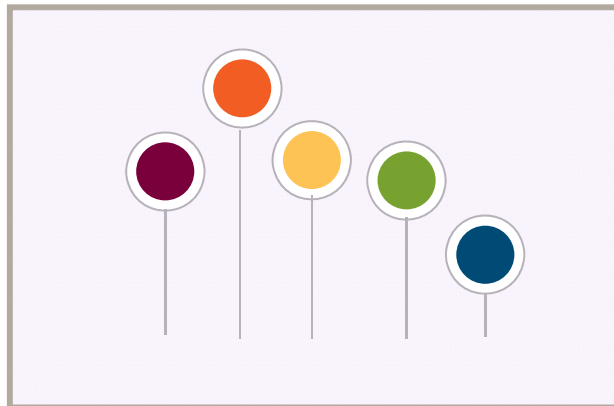
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We wanted to gain insight into the challenges facing supply chain executives around the world... to learn what strategies and initiatives they are undertaking.



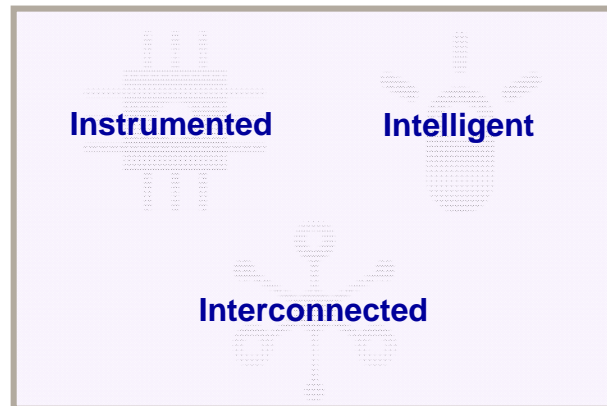
# Summary and overview

## *The Top Five Supply Chain Challenges*



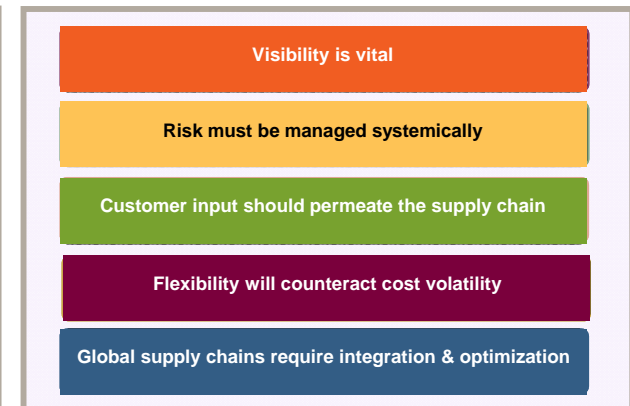
**Five trends define the CSCO agenda**

## *The Smarter Supply Chain*



**Instrumented, Interconnected, & Intelligent**

## *Building the Supply Chain of the Future*



**A new role for the CSCO and a map to the future**

The collective insights from 400 Supply Chain Executives identify five major challenges that comprise the CSCO agenda



*Based on responses of "to a very great extent" and "to a significant extent"*

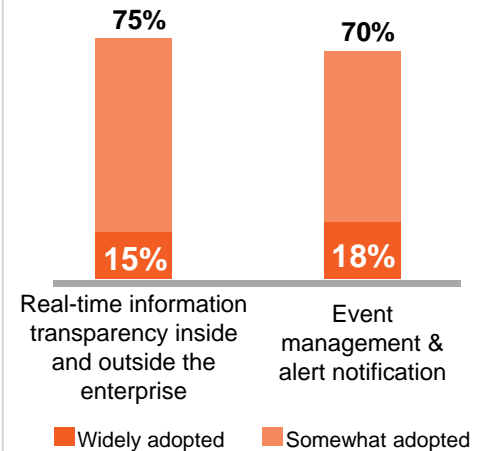


## Visibility: Supply chain visibility leads the CSCO's agenda

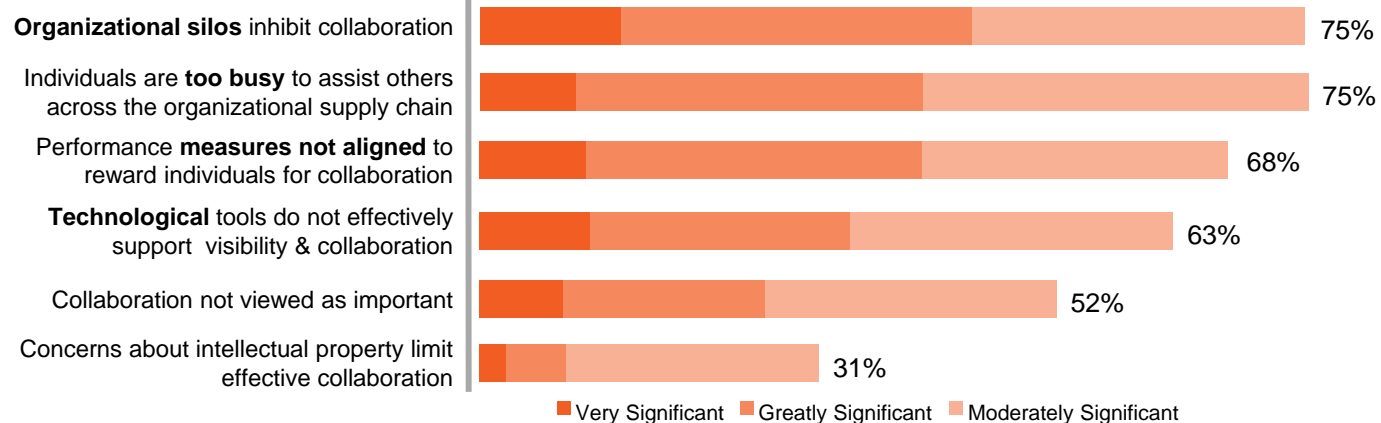


**As #1 Challenge – Why are we NOT integrating & collaborating more to increase visibility?**

To what extent have you adopted the following practices?



How significant are the following barriers to visibility & collaboration?  
(respondents answered very to moderately significant)



**Future Outlook:** The Smart Supply Chain will require more connectivity, collaboration, and integrated processes to improve visibility among network partners as demonstrated by leaders



\* Leaders determined based on respondents' ranking in AMR Research Supply Chain Top 25 for 2008



**Risk Management:** Managing risks, both operational and financial, is a top concern of supply chain executives world-wide



**69% manage risk in some fashion, but the processes & tools are not integrated**



## Future Outlook: Leaders have more integrated risk management strategies and compliance programs

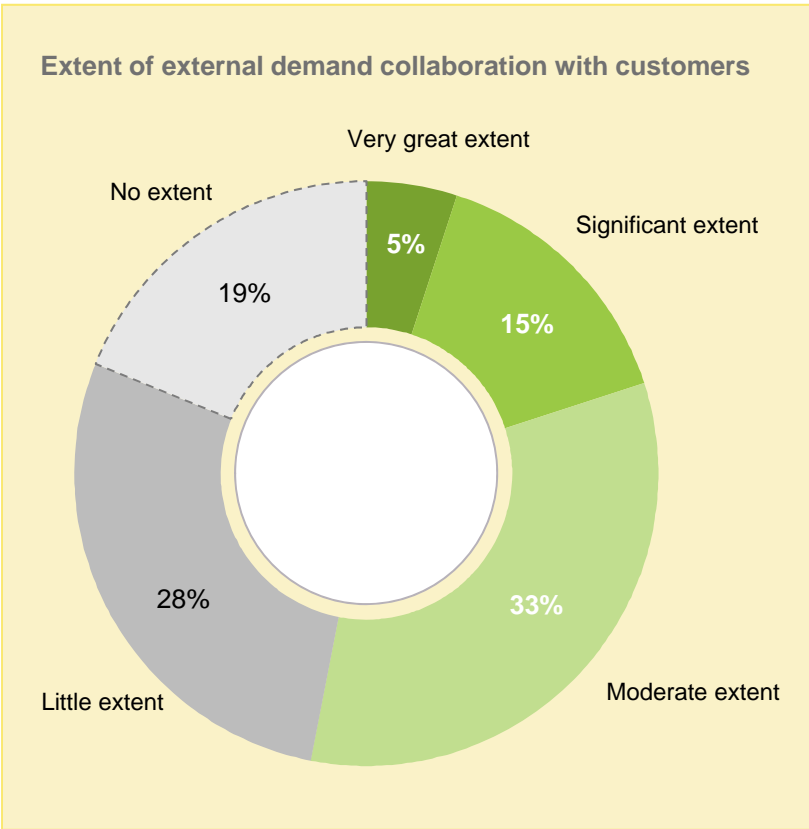
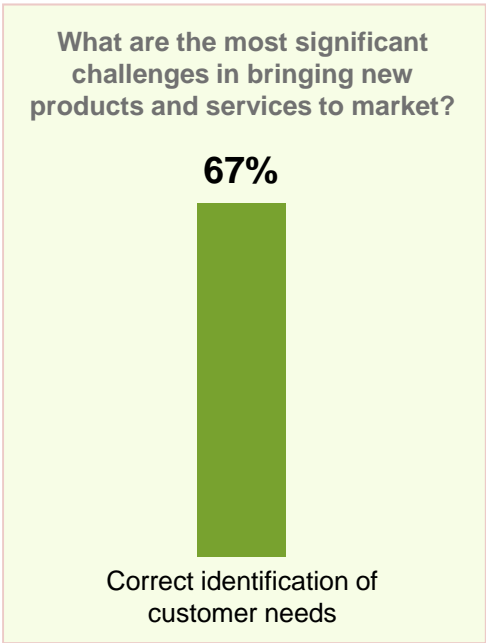


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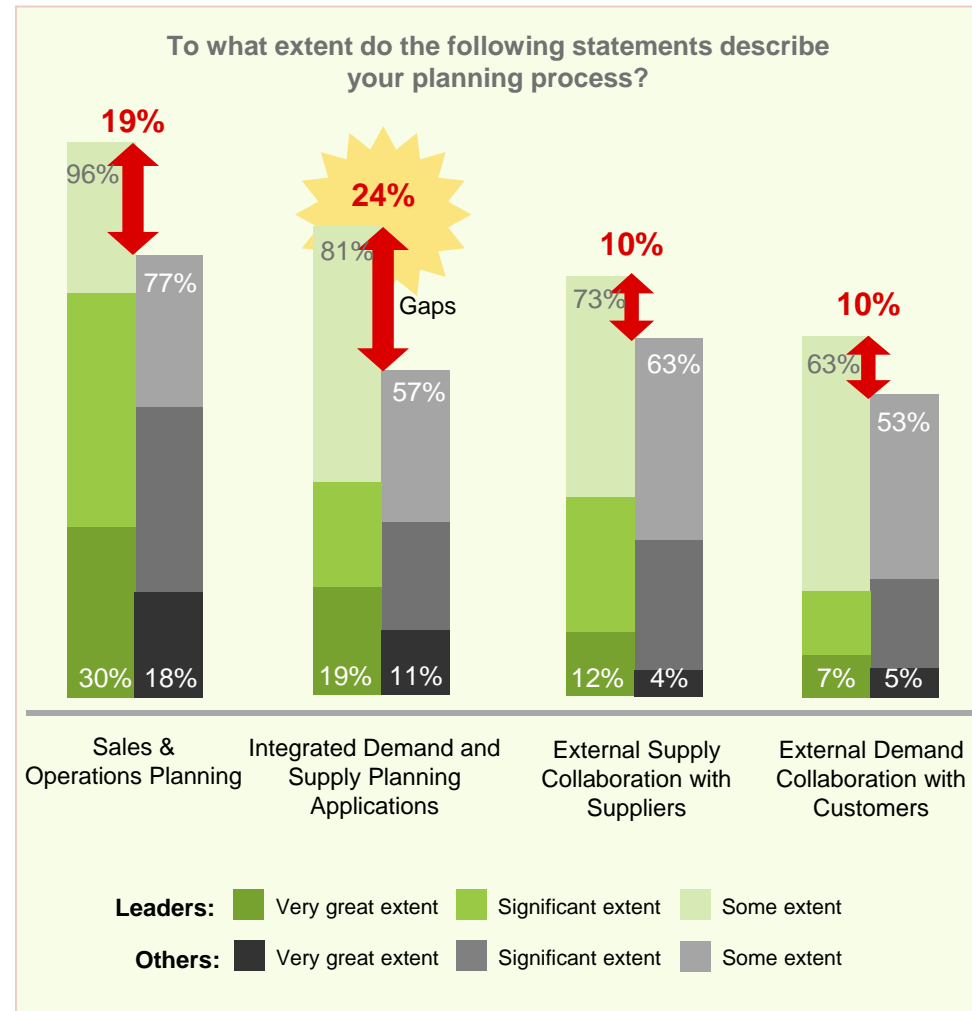
**Customer intimacy:** Rising customer demands ranks as the third highest supply chain challenge

**Almost Half (47%) FAIL to Collaborate with Customers!**

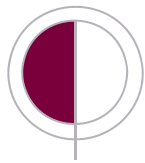




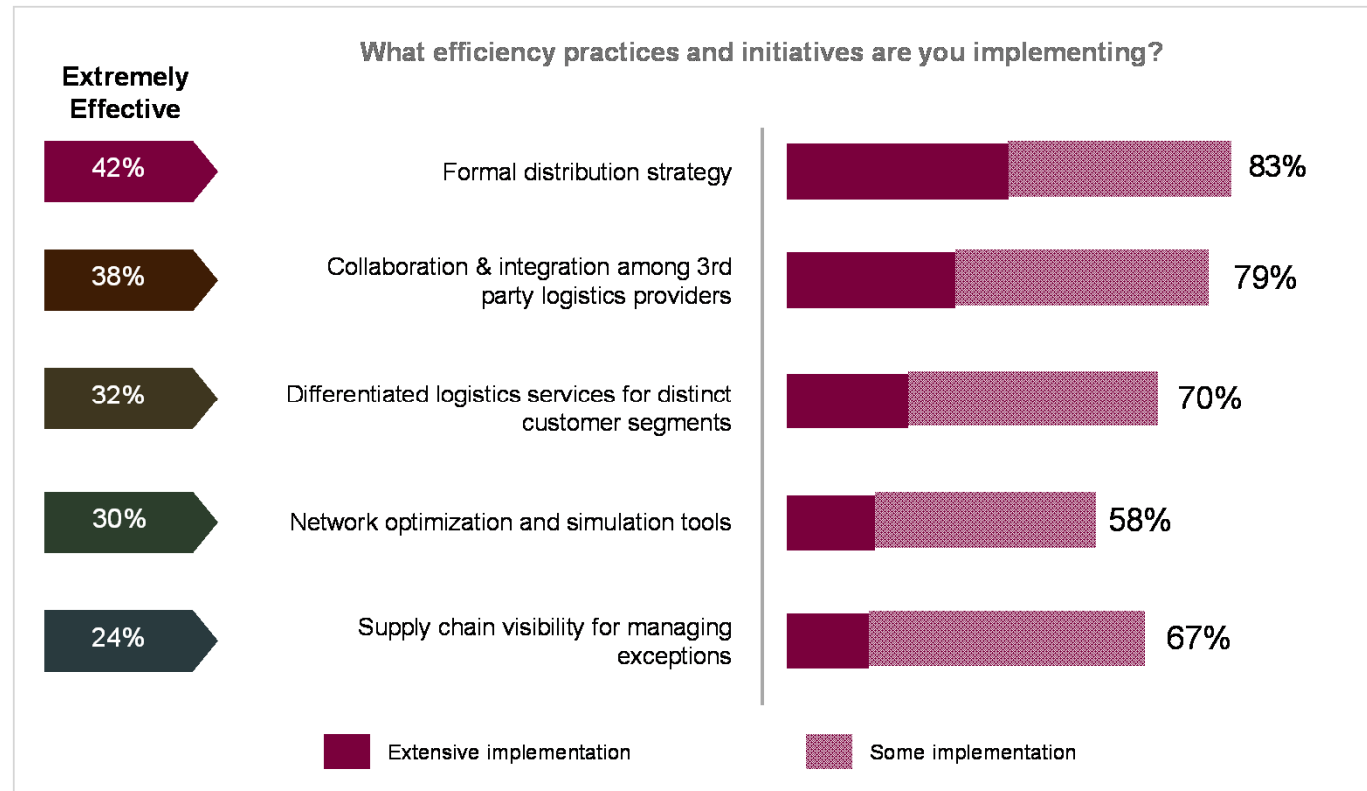
**Future Outlook:** The Smart Supply Chain will require further integration of customer demands from inception to delivery – the entire global network focused on the end consumer.

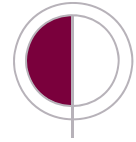


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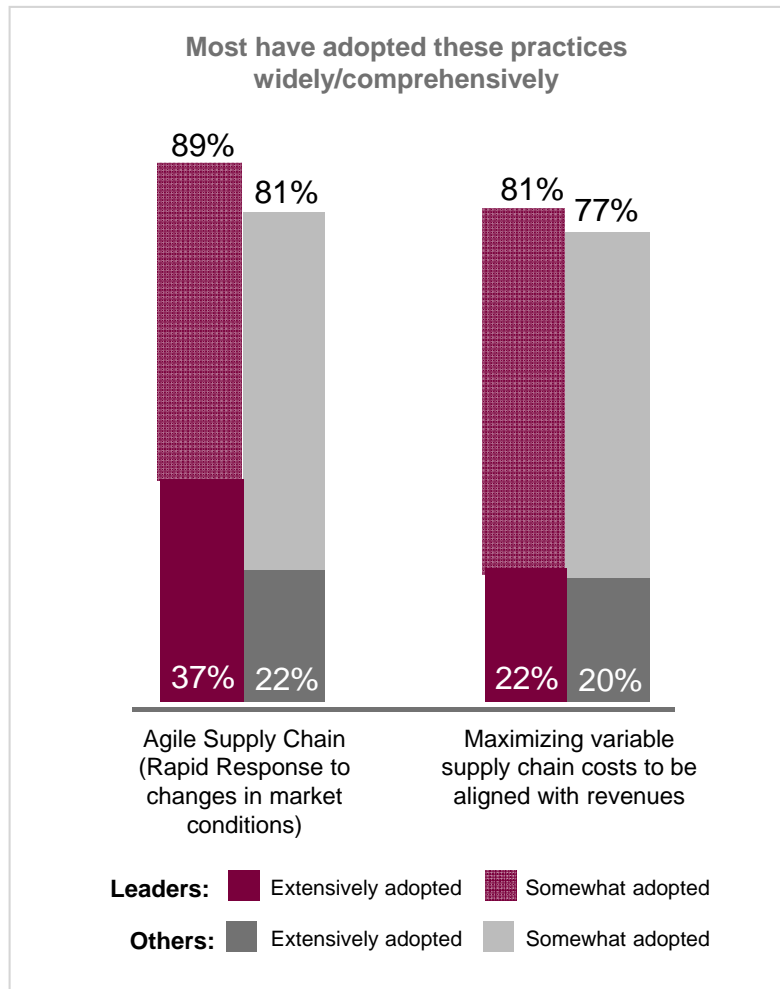


**Cost containment.** Constant cost containment pressures and fluctuating costs require a comprehensive view of the tradeoffs.



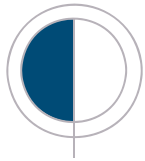


**Future Outlook:** Responding to new cost pressures will always be a challenge. What will tomorrow bring?



**CSCOs create flexibility to control the cost equation where they can**

\* Leaders determined based on respondents' ranking in AMR Research Supply Chain Top 25 for 2008

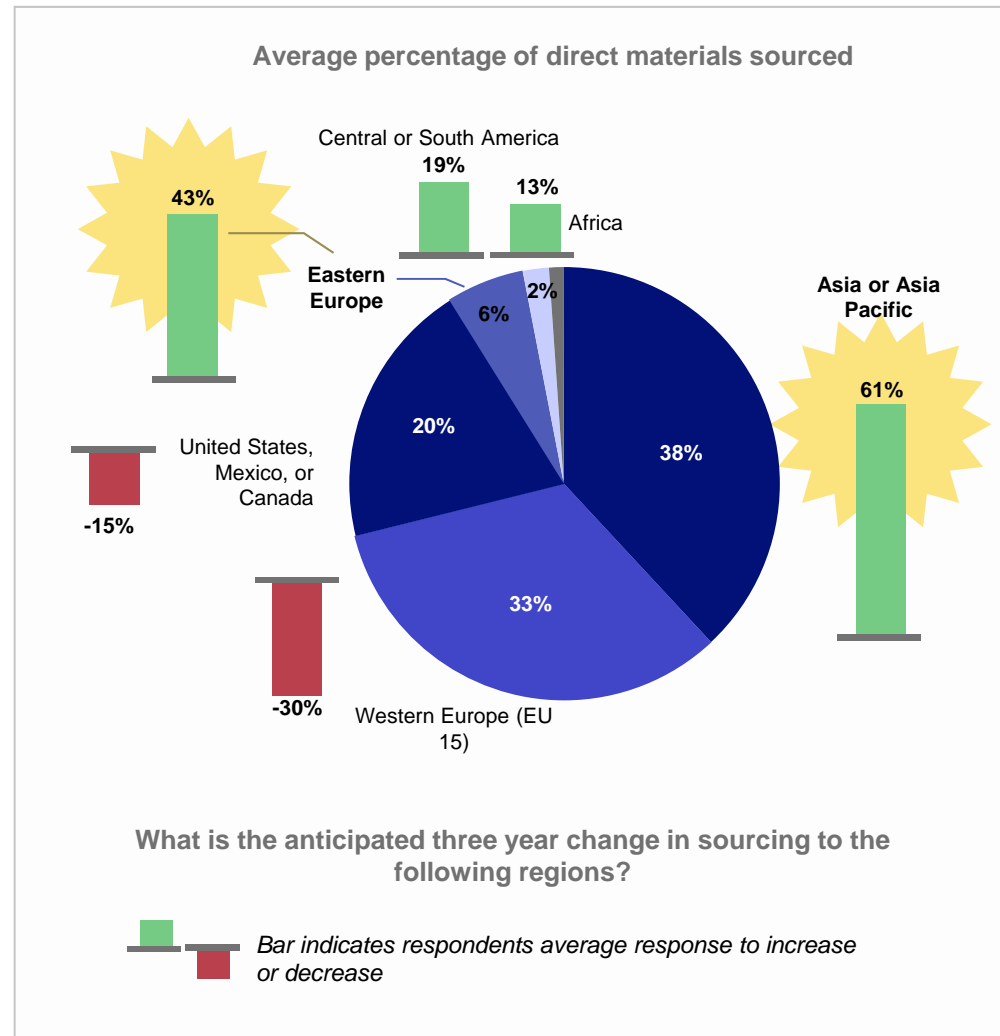


**Globalization:** Low cost country sourcing and operations have caused lead time, cost, quality and service level issues





**Future Outlook:** The positive advantages of globalization of markets & operations, outweigh the negatives



# We Must be Smarter



*The Smarter Supply Chain*

**Instrumented, Interconnected, & Intelligent**

The smarter supply chain has three new characteristics. Firms across the globe are beginning to see the benefits of building a new vision of supply chain excellence.

# The Supply Chain of the Future must be SMARTER...It will be Instrumented, Interconnected & Intelligent



## Automated Transactions & Smart Devices

- Use of sensors, actuators, RFID, & smart devices to **automate transactions**: inventory location, shelf-level replenishment detection, transportation locations & bottlenecks
- Supports **real-time data collection & transparency** from POS to manufacturing to raw material
- **Sense-and-respond** demand/supply signals allow “predict and act”



## Optimized Flows/Performance Management

- **System integration** across the network. Standardized data and processes.
- **Collaborative decision making** through decision support and business intelligence – starting with the customer
- **C-Suite risk management programs** for integrated financial controls with operational performance – monitored and measured

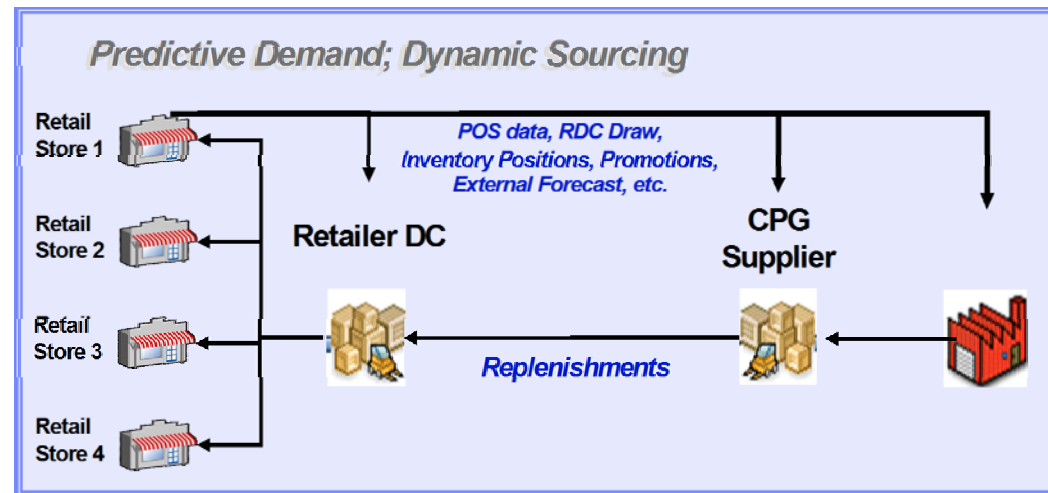


## Networked Planning, Execution & Decision Analysis

- **Simulation models to evaluate trade-offs** of cost, time, quality, service and carbon and other criteria
- Probability-based risk assessment & **predictive analysis**
- Networked planning/execution with **optimized** forecasts & decision support

## Case study: Nuance optimizes inventory to serve customers on the move

The Nuance Group is one of the world's top airport retailers with operations spread across five continents.



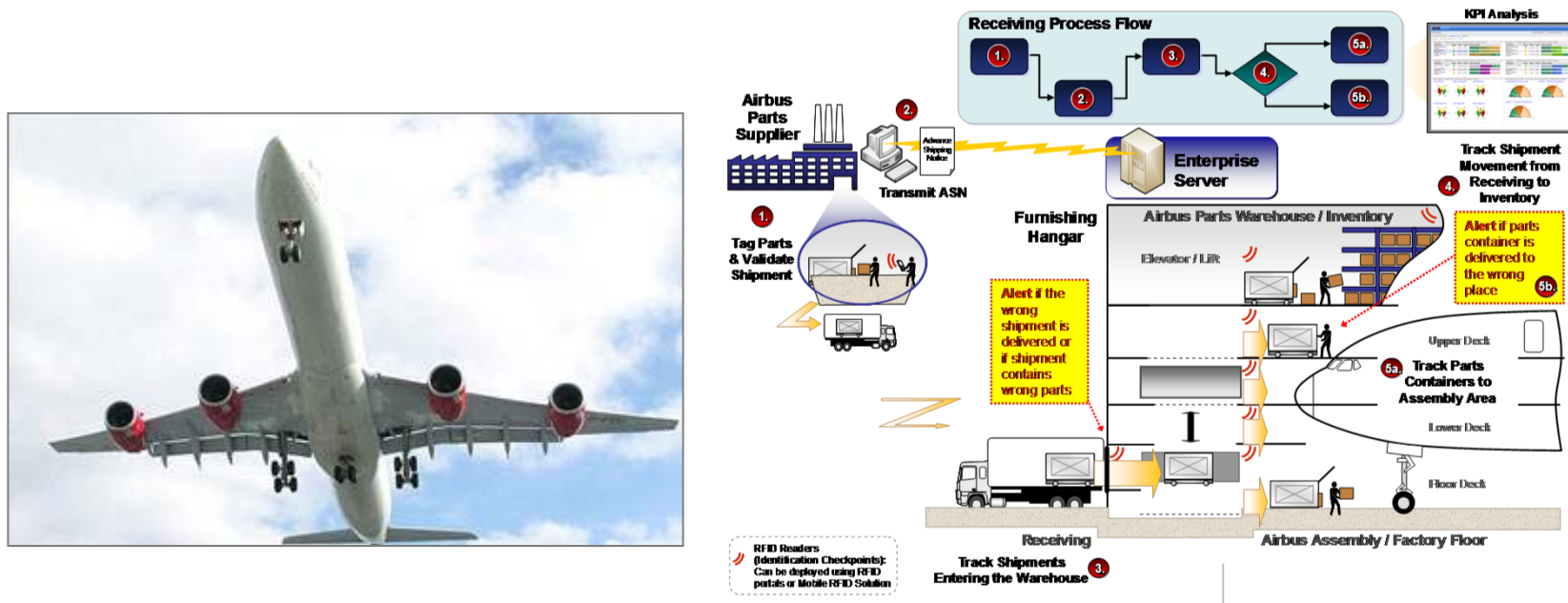
### Business Results

- Drastically reduced time required to replenish stock
- Enabled more accurate demand forecasts
- Realized inventory reductions of 10 to 15 percent
- Increased sales.

### What's Next?

## Case study: At Airbus, it's clear skies and high visibility

Airbus is one of the world's largest commercial aircraft manufacturers, producing over half of all new airliners with more than 100 seats.



### Business Results

- Significantly reduced the incidence and severity of parts delivery errors – and the costs associated with correcting them.
- Increased the overall efficiency of its parts flow, cutting time spent physically handling parts in its warehouses by 75 percent.
- Reduced safety stock and avoid significant carrying costs.

### What's Next?



# The Smarter Supply Chain of the Future