

SUPPLY CHAIN OUTLOOK:

Top Priorities and Strategies for Overcoming Disruption

Presented by:



Welcome & Introductions



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AGENDA

- Background and Context
- Supply Chain Priorities & Strategies for Overcoming Disruption
- Q&A

Background & Context

In November 2022, Coupa and The Hackett Group each launched a study, engaging supply chain decision-makers about their perspectives on supply chains.



The Hackett Group's Key Issues Study

- Annual study conducted to understand the business context shaping overall priorities as well as supply chain priorities and initiatives for the coming year
- 20+ industries represented (81% with manufacturing)
- 53% with greater than \$5B in revenue
- Americas- (64%), EMEA- (24%), and Asia-Pacific- (10%) based companies

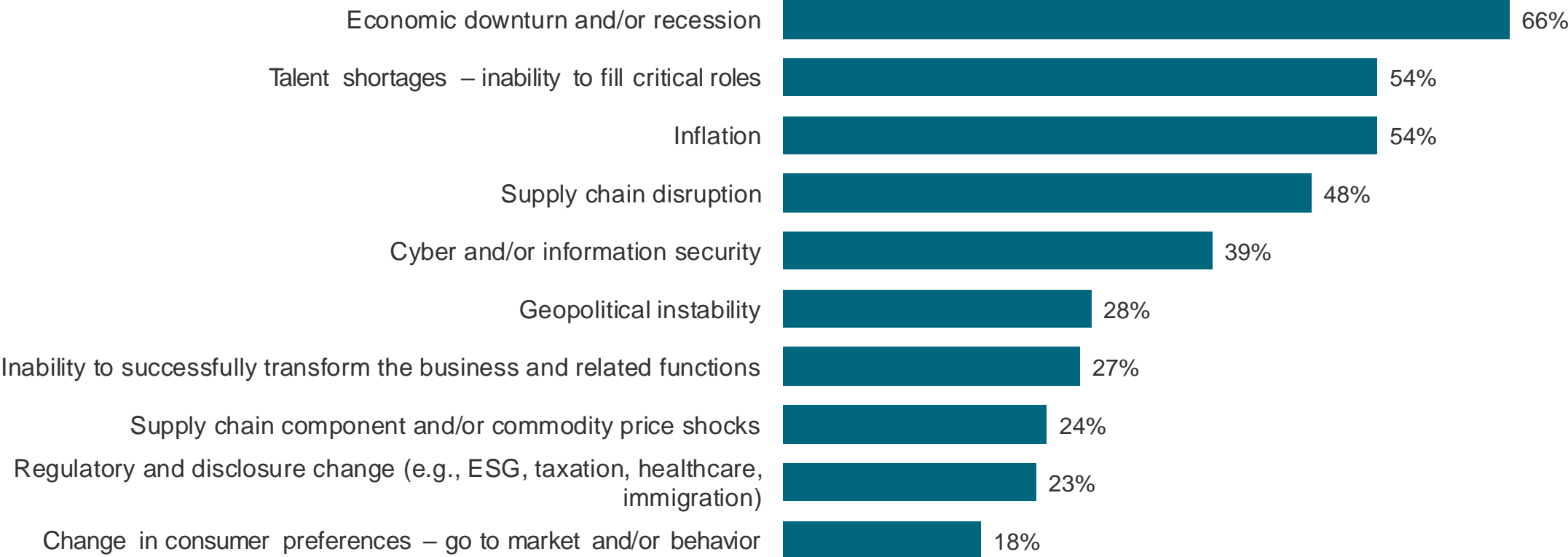


Coupa's The State of Supply Chains Report

- Study conducted to identify perspectives on sources of past and upcoming supply chain disruption, fixing supply chain issues, and the future of supply chains
- 1,000 key decision-makers surveyed
- 4 Markets: US, UK, Germany, France

Organizations are predicting global risks will continue to cause major disruption in 2023, with continued economic disruptions being the top concern

Top Enterprise Risk Concerns



Source: The Hackett Group 2023 Enterprise Key Issues Study

Amid unprecedented financial disruption, demographic shifts, and geopolitical uncertainty, supply chain executives ranked their priorities for the coming year



Optimize inventory levels



Reduce supply risk to ensure supply continuity



Enhance product availability



Improve supply chain cost-efficiency



Improve S&OP/IBP capability



Improve supply chain agility/resiliency



Improve supply chain performance measurement capability



Enable supply chain digital transformation



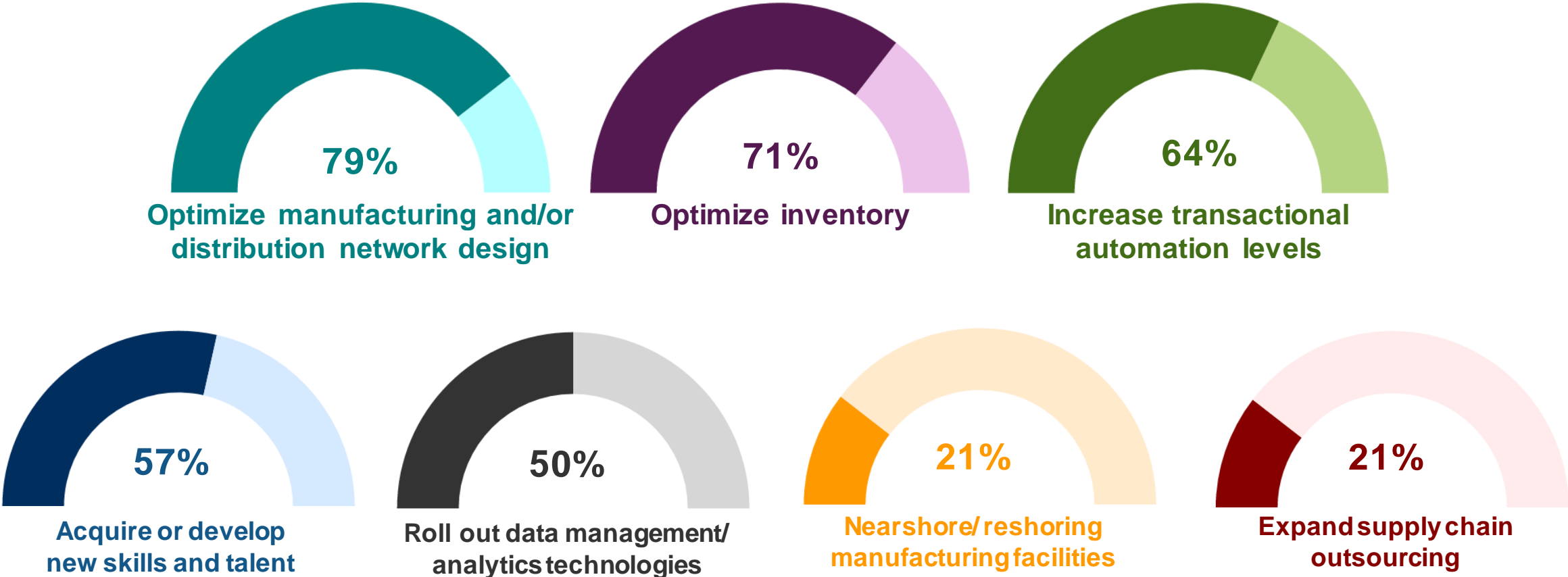
Improve supply chain analytical modeling and reporting capabilities



Improve commercialization support

Companies are undertaking a variety of initiatives to address their supply chain concerns and priorities

Key Initiatives Planned by Supply Chain Organizations

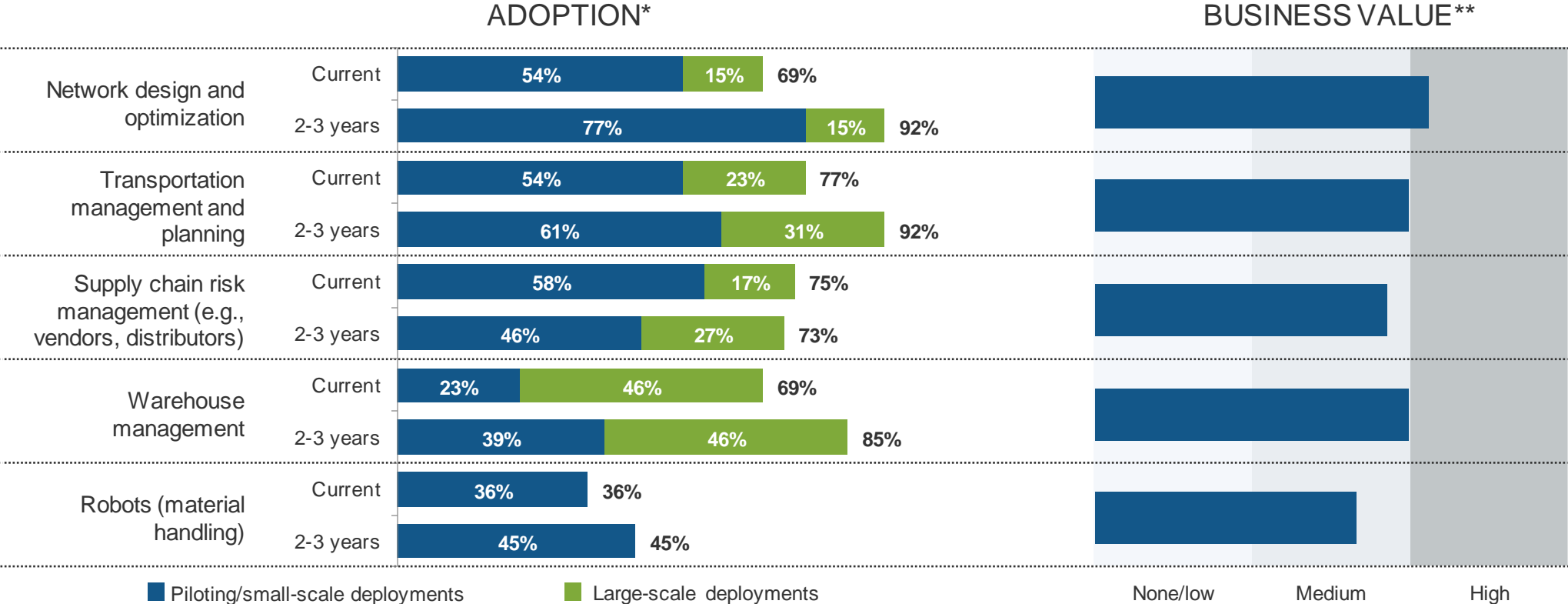


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Supply chain technology is deemed a key enabler of the top priorities, with network design and optimization systems being the primary focus of investments

Technology Pilots and Large-Scale Deployments – Manufacturing & Delivery Functions

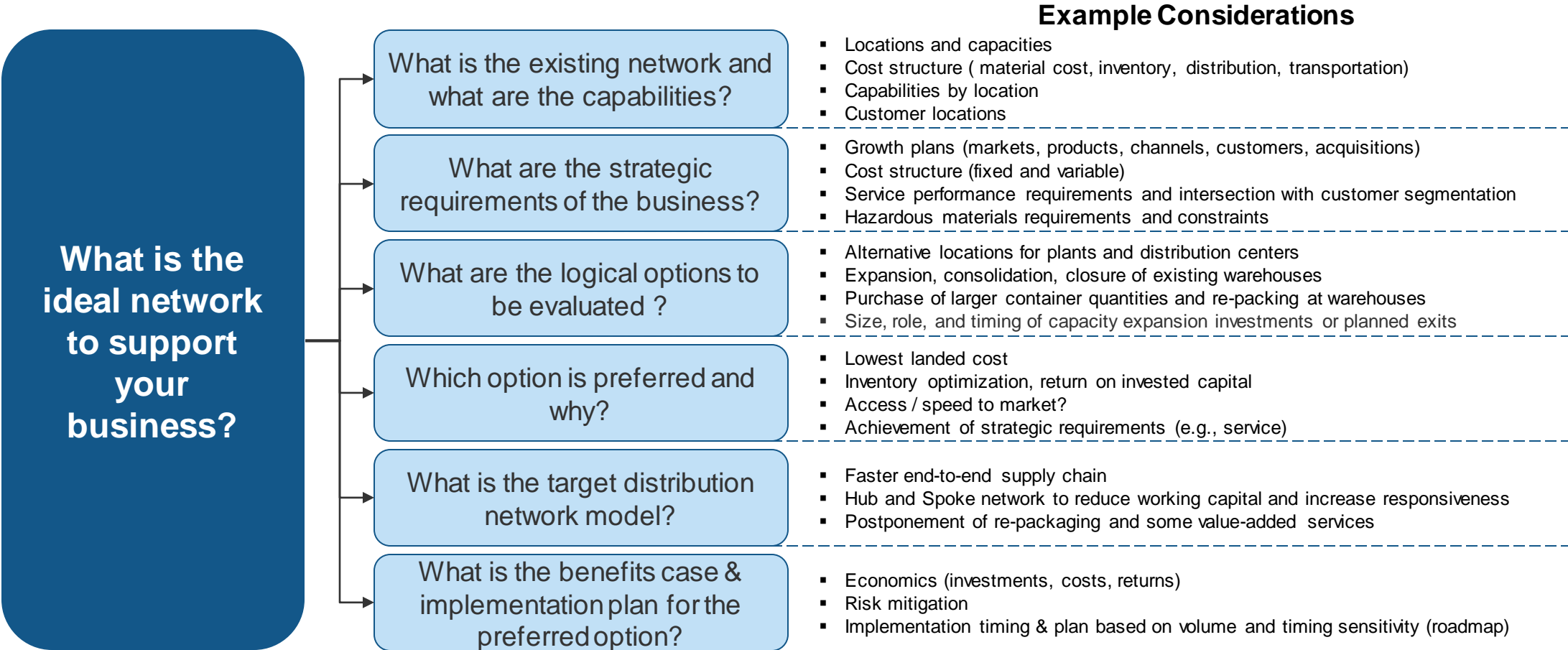


*Piloting/small-scale deployments: Technology is used on a limited scale in isolated supply chain use cases. Large-scale deployments: Technology is used at scale in applicable supply chain use cases.

**Value/business benefit (e.g., cycle time improvement, service-level improvement, customer experience improvement, cost optimization).

Network design exercises generate the most value when following a holistic, structured approach

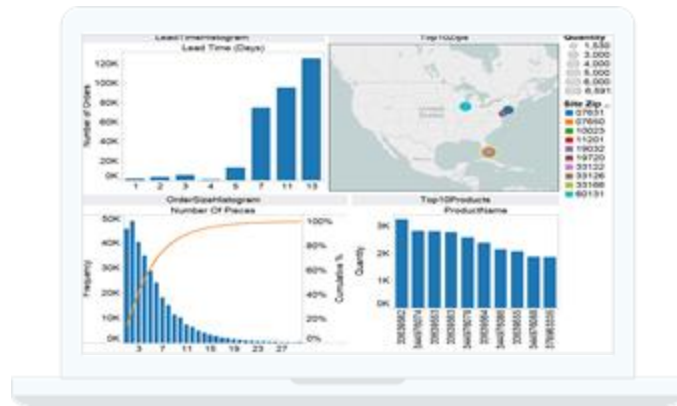
Network optimization must address strategic, operational, and financial needs of the business



Effective design helps optimize your supply chain network

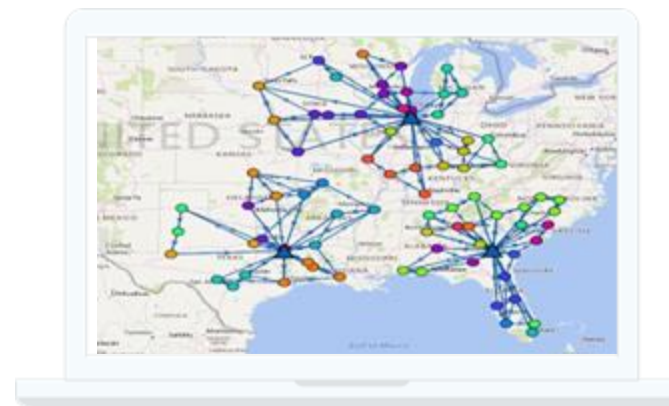
Coupa has three key foundational modules to start your supply chain design journey!

OPTIMAL NETWORK (NO)



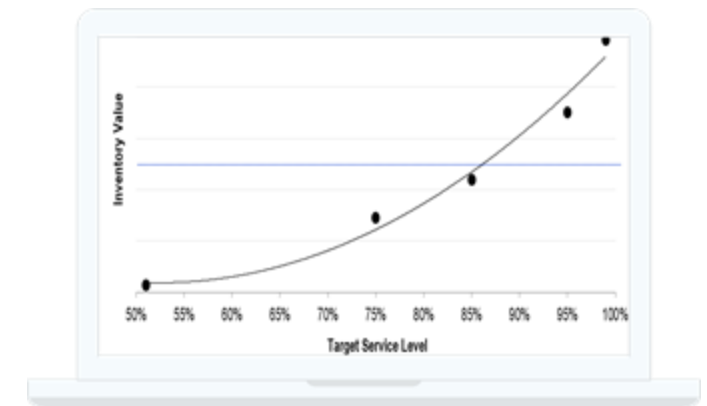
- Design network footprint to balance profitability, sustainability, and growth
- Analyze and further optimize existing network for savings and service improvements
- Plan for and incorporate M&A, geographical expansions, etc.

OPTIMAL MODES & ROUTES (TO)



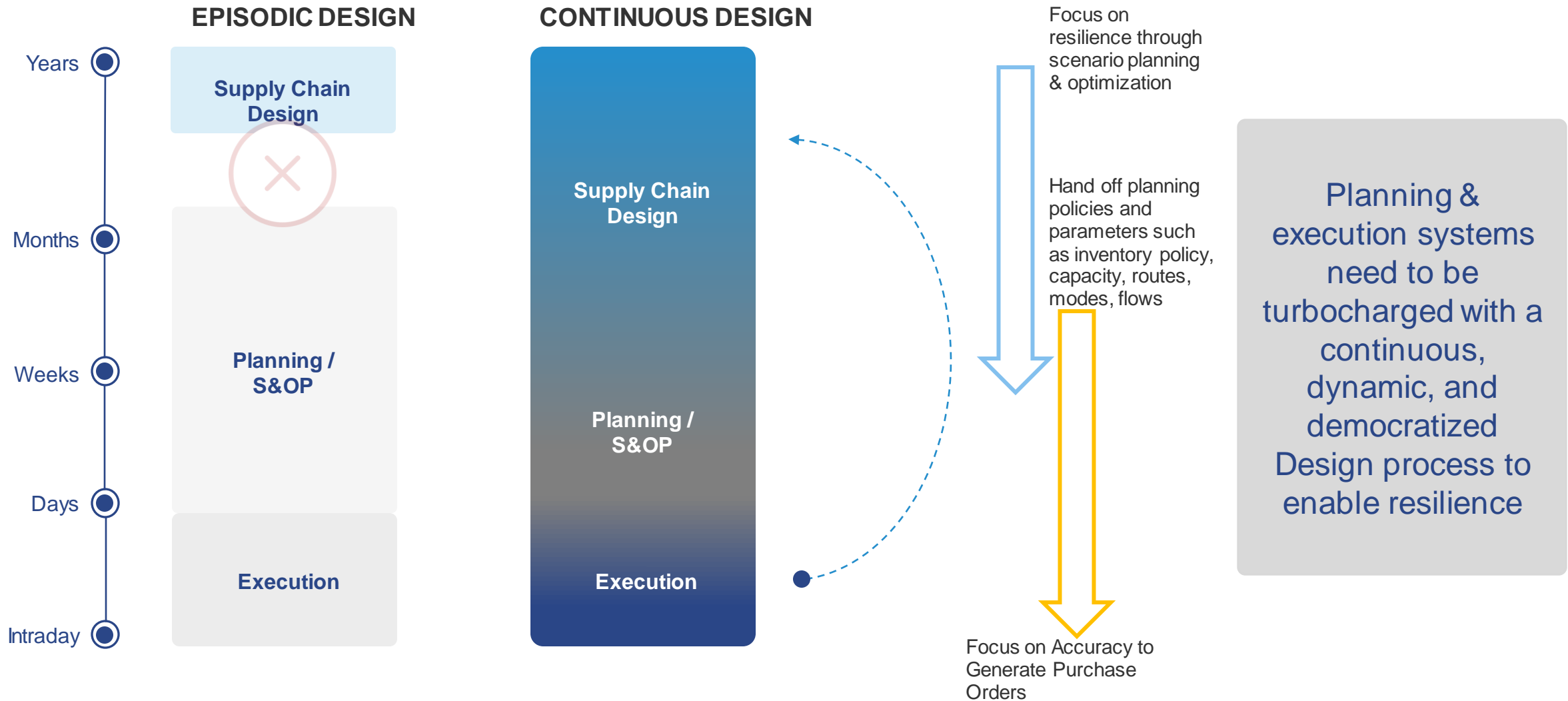
- Determine optimal number of fleet to provide required service at the lowest cost
- Understand when and where to ship via air/ocean/truckload
- Balance shipments across time to determine when and how often to deliver or pickup

OPTIMAL INVENTORY POSITION (IO)



- Simultaneously optimize inventory along side other network costs and constraints
- Optimize safety stock quantity and placement to achieve desired service and costs
- Simulation and scenario analysis to test policies and fine tune inventory targets

Continuous supply chain design essential to enable resilience

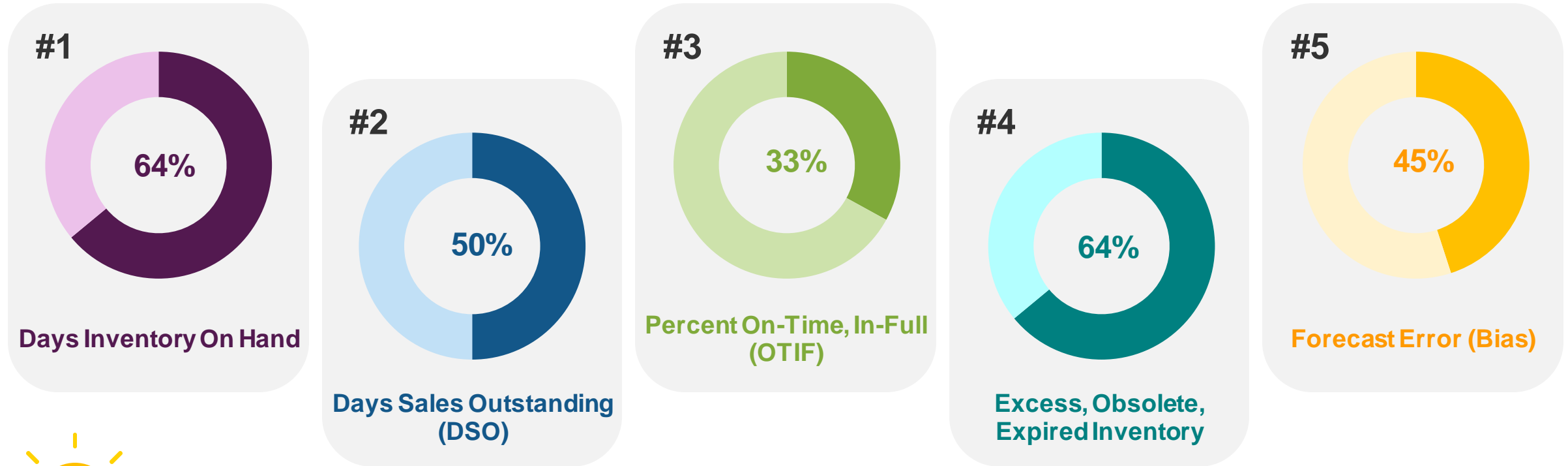


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Performance levels of key supply chain metrics are not meeting expectations

% of Companies that Fell Short of Performance Targets for Most Important Metrics



3 of the most important metrics for supply chain executives are all related to inventory/working capital, and have performed far worse than expectations

Companies are experiencing many of the same issues with inventory management and leveraging best practices to address them

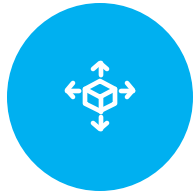
Inventory Challenges and Best-Practice Solutions

<i>TRENDING ISSUES</i>	<i>BEST PRACTICES</i>	<i>SUCCESS STORIES</i>
<p>Supply chain disruption impacting inventory levels</p>	<ul style="list-style-type: none"> • Develop robust planning process, enabled by supporting tools/technologies, to address underperforming and poorly-positioned inventory 	<p>Fortune 50 retailer leveraged an enhanced inventory planning process to mitigate risk and reduce working capital pressures</p>
<p>Lack of supply assurance impacting ordering patterns</p>	<ul style="list-style-type: none"> • Develop alternative sourcing plans for key items and proactively revise lead times and stocking levels, to address stock-outs/downtime and uncertainty in transportation assurance 	<p>Leading food and beverage company developed new category strategies for top ingredients and identified alternate suppliers to manage risks</p>
<p>Increase in dormant and slow-moving inventory</p>	<ul style="list-style-type: none"> • Develop an “inventory health” metric that provides a holistic and balanced measurement of inventory performance, including levels, velocity, and cost 	<p>Global industrial manufacturer conducted an inventory segmentation to identify and disposition excess, slow-moving, and obsolete inventory, to improve capacity, reduce cost, and improve WC</p>
<p>Rising inventory carrying costs</p>	<ul style="list-style-type: none"> • Evaluate trade-offs between working capital investments and service level implications to optimize inventory levels for appropriate items 	<p>A rapidly growing agro-tech client with ambitious growth plan managed through the rising carrying cost by establishing clear decision-making criteria and trade offs embedded into the planning process</p>

Coupa supports many methods to optimize inventory

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IO & Apps



Holistic Supply Chain Design

Model cycle stock, safety stock, WIP, prebuild and in-transit inventories to understand the entire inventory picture



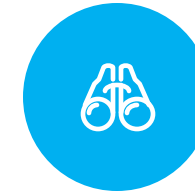
Multi-Echelon Inventory Optimization

Identify opportunities for system-wide safety stock reduction by optimizing across all echelons



Service Level Optimization

Determine optimal service level mix to minimize cost or maximizes profit or meet inventory budget



Inventory Simulation

Test performance of recommended inventory policies using simulation in order to understand operational feasibility



Scenario Analysis

Enable planners to fine-tune inventory targets and quickly be able to run what-if scenarios to understand key inventory drivers

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Year-over-year wage, price, and commodity volatility continued make it difficult to manage supply chain costs and challenge business and financial performance

+5%



**Employment
Cost Index**

+7%



**Producer Price
Index: General
Freight**

+34%



**All Commodity
Price Index**



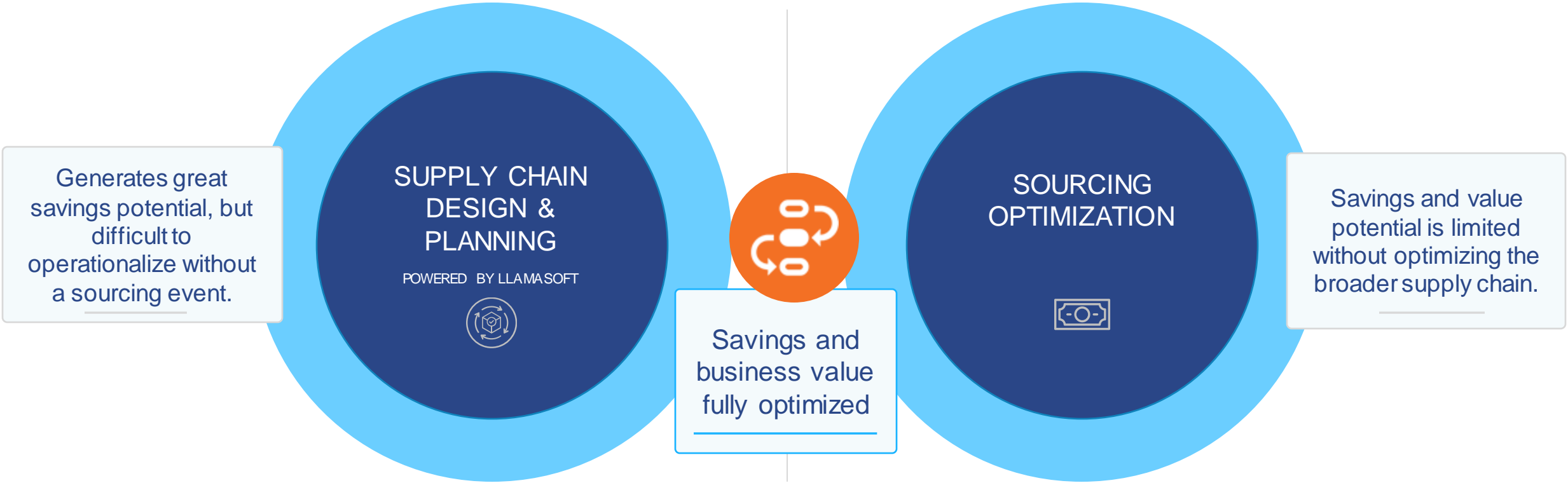
In The Hackett Group's Key Issues Study, 69% of the companies said that they have a major cost reduction initiative in process for 2023, up from 65% in 2022 and 48% in 2021

Source: U.S. Department of Labor, U.S. Bureau of Transportation Statistics, International Monetary Fund

Cost is increasingly an area of focus – supply chain executives are using a variety of levers to create cost efficiencies



Optimizing for greater value through supply chain design and sourcing



Potential savings with Coupa Supply Chain and Sourcing Optimization



Modelling to determine optimum transportation requirements

2% - 15%
↓ Transportation cost



Improved carrier performance - OTIF, chargebacks, rejected loads

10% - 30% ↑ load acceptance rate
5% - 25% ↑ OTIF
10% - 30% ↓ late delivery penalties



Source transportation requirements by conducting more sourcing events

7% - 10.5%
↓ Transportation cost

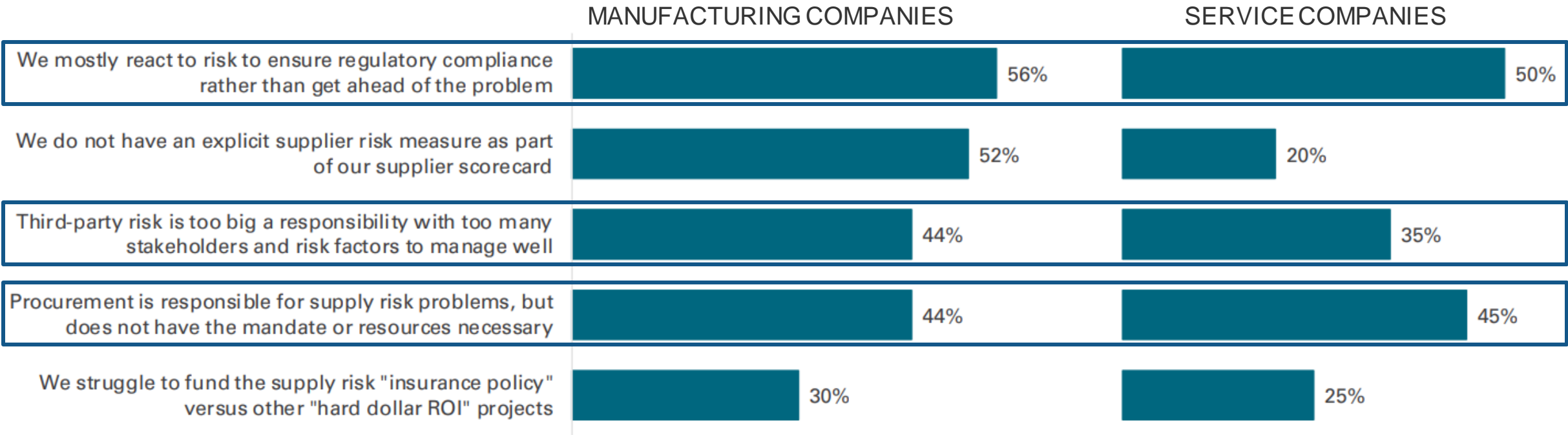
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Many companies' third-party risk management processes are reactionary rather than predictive

Reactionary risk management for compliance purposes is the most common organizational challenge of third-party risk management, indicating that many organizations are falling short on opportunities to predict and anticipate risk events. Survey respondents also cited concerns like overly complex processes, too many stakeholders, or lack of funds and resources.

Organizational Challenges of third-party risk management



Source: Third Party Risk Management Performance Study

Effective third-party risk management requires a comprehensive approach

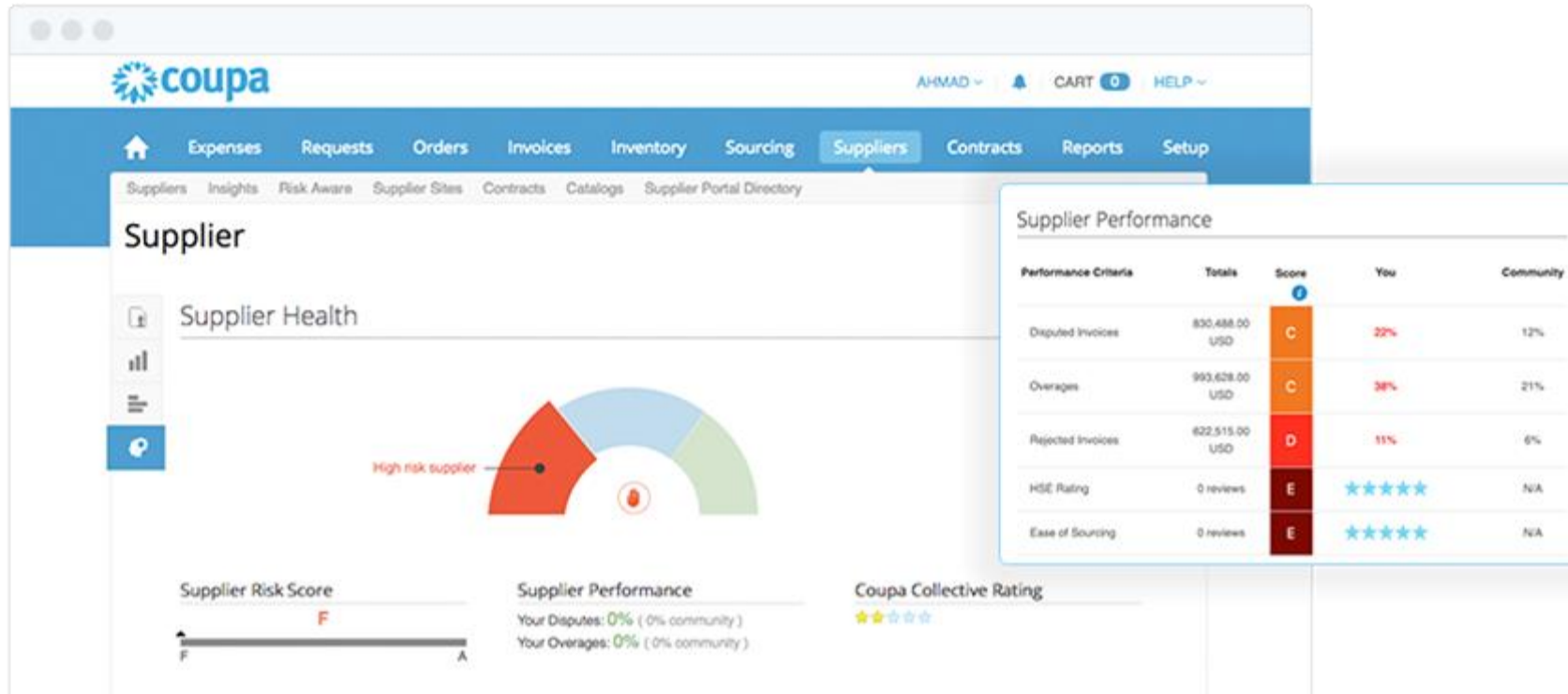
Third-Party Risk Management requires a comprehensive and continuous approach. Our TPRM framework helps clients create a world-class TPRM program supported by best practices around governance, people, process, and technology to minimize and proactively address current and future risks



Risk and performance monitoring help ensure continuity of supply

Module

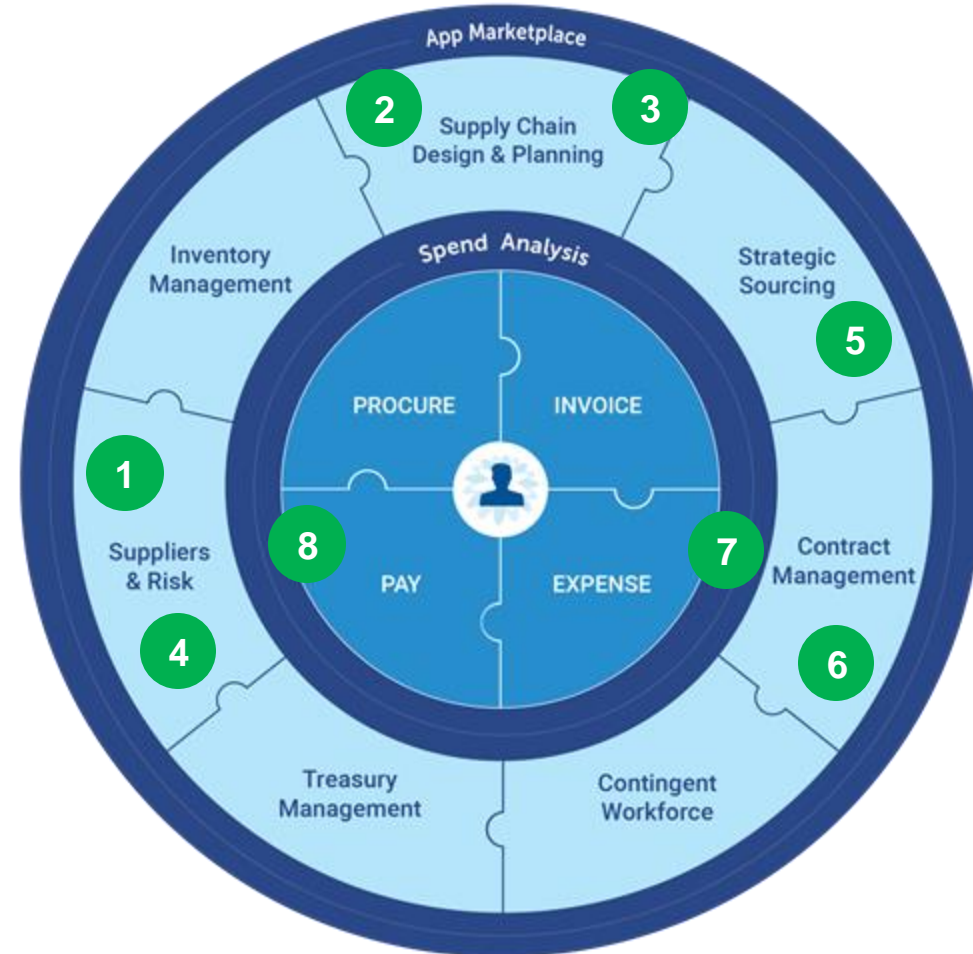
TPRM



- Financial Risk
- Judicial Risk
- Restricted Parties
- Performance
- and more...

Driving collaboration for a resilient, sustainable supply chain

- 1 Ongoing risk-vetting of suppliers and monitor for signs of non-compliance and ESG risks
- 2 Scenarios run to mitigate the supplier & internal risks, leveraging Digital Twin
- 3 Share logistics requirements, single-sources to Sourcing Teams to build optionality
- 4 Potential suppliers risk-vetted for launching into sourcing events
- 5 Sourcing events executed accounting for cost and ESG objectives
- 6 Move winning bids into contracts and purchasing
- 7 Monitor purchasing patterns to cement alternatives and prevent disruptions
- 8 Extend payment terms for at-risk or ESG suppliers



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Given recent market conditions and impact to the business, there is a renewed focus on Supply Chain planning capabilities

IBP has been one of the top 10 priorities for Supply Chain Leaders in recent years, especially during times of uncertainty and risk.

- Establishing a robust IBP Process has been a top priority over the last 3 years, especially during times of uncertainty and risk
- The benefits of this focus can be seen in how prepared companies are today to tackle demand, supply, and inflationary pressures
- With the ongoing pressures of the global marketplace, Planning remains one of the top 5 priorities for all Supply Chain leaders

How Supply Chain Leaders feel about their level of preparedness

Demand volatility

77%
are more prepared



Supply constraints

69%
are more prepared

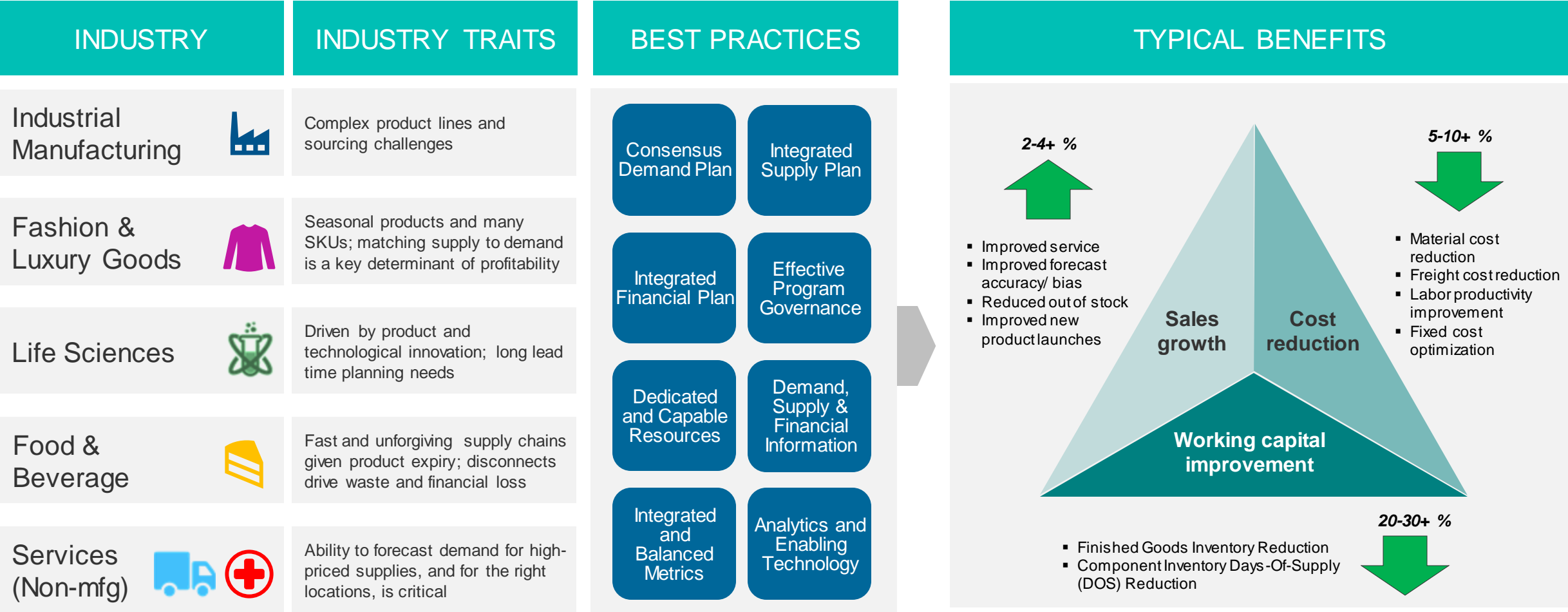


Inflationary pressures

46%
are more prepared –
but **15%** are less prepared



S&OP is leveraged across industries to deliver similar processes, but must be tailored to industry drivers to deliver maximum benefits



What is missing in supply chain planning today?

“Our nodes, modes, and flows are far more dynamic now”

“We struggle with simultaneous issues of demand volatility, material, capacity, and logistics constraints”

“With sizeable revenue from new products, we need to be proactive in designing flows for those”



“Our three-year history is no longer a good indicator for forecast”

“We are playing a game of whack-a-mole with reconciling our demand and supply signals”

“We lack the ability to plan complex scenarios in a timely manner”

Optimized what-if scenario analysis on top of planning and execution systems can solve for this

Module

S&OP/SCP Apps

Supply Chain Design & Planning

Regular and easy refresh with latest data and changes to scenarios

Different levels of aggregation and different time horizons

Multiple constraints concurrently, incl. Demand, Supply, and external constraints

Extension beyond business as usual: new flows, external supply options, new products, restructuring

Not limited by master data constraints, and easy for modeler to cleanse and adapt data

Fast to create and adapt, developed by modelers, supported by AI and machine learning. Requires minimal IT support



So where should you focus in 2023?

Here's what we think can make the biggest impact:



Is your Supply Chain organization equipped to deliver the 2023 agenda?

Questions?

AVAILABLE IN THE HANDOUT SECTION



Find out what 1,000 supply chain decision-makers plan to do to optimize costs and business spend across their organizations, manage risk, build resilience, and improve their supply chain agility.