



NIT LEAGUE TRANSPORTATION SUMMIT

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Supply Chain Management in the Boardroom

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Supply Chain Management in the Boardroom

Agenda

- Introduction
- Financial-SCM Connection
- Unlocking Hidden Value
- Power of One
- SCM Mapping to Value
- Getting There from Here
- Questions



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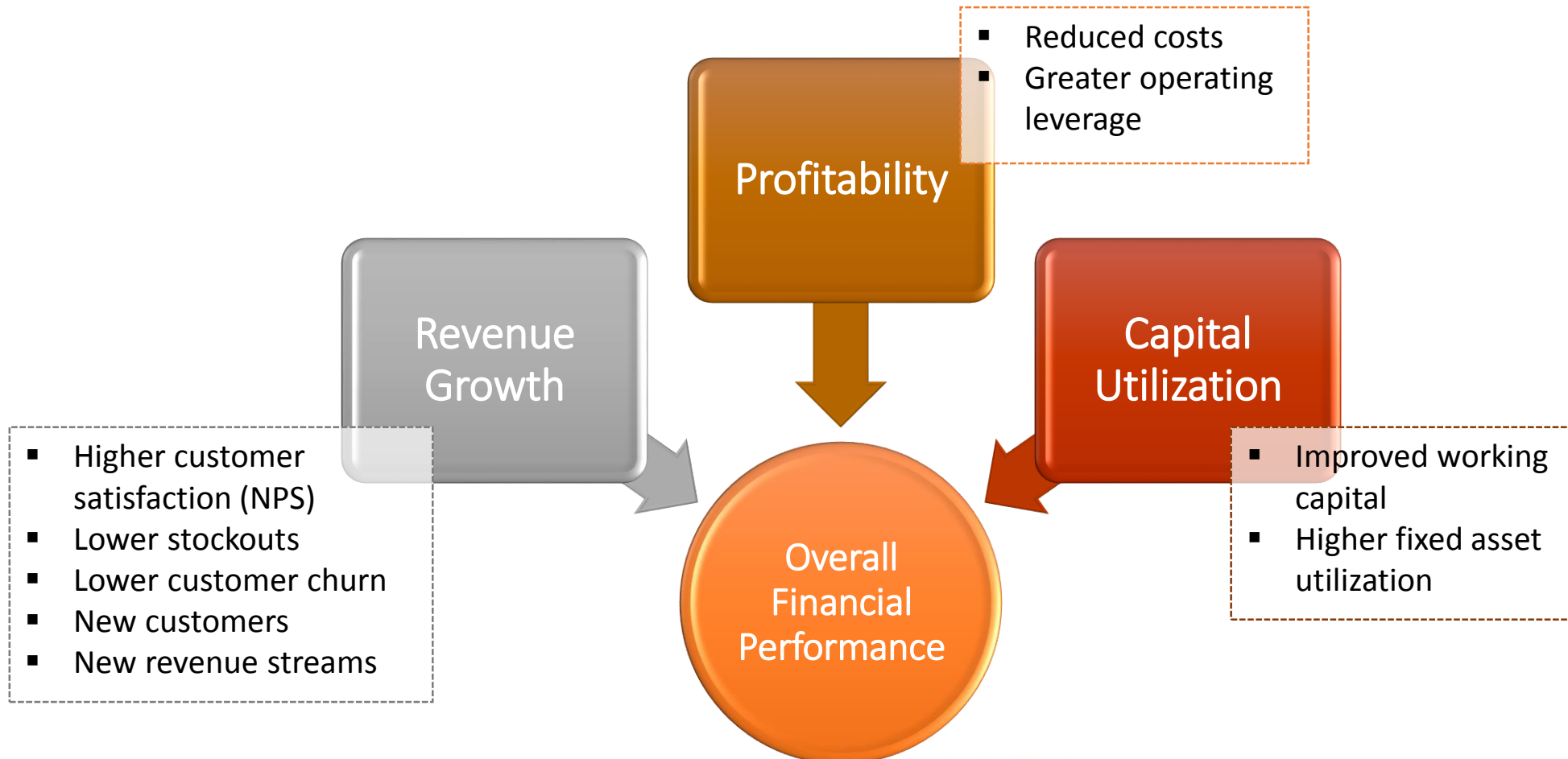
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Introductions

Supply Chain in the Boardroom: Finance



What Do Executives Really Want From SCM?





Which one of the following is your company's or client's major SCM focus?

- A. Improve the customer experience
- B. Better manage operating expenses
- C. Increase asset utilization

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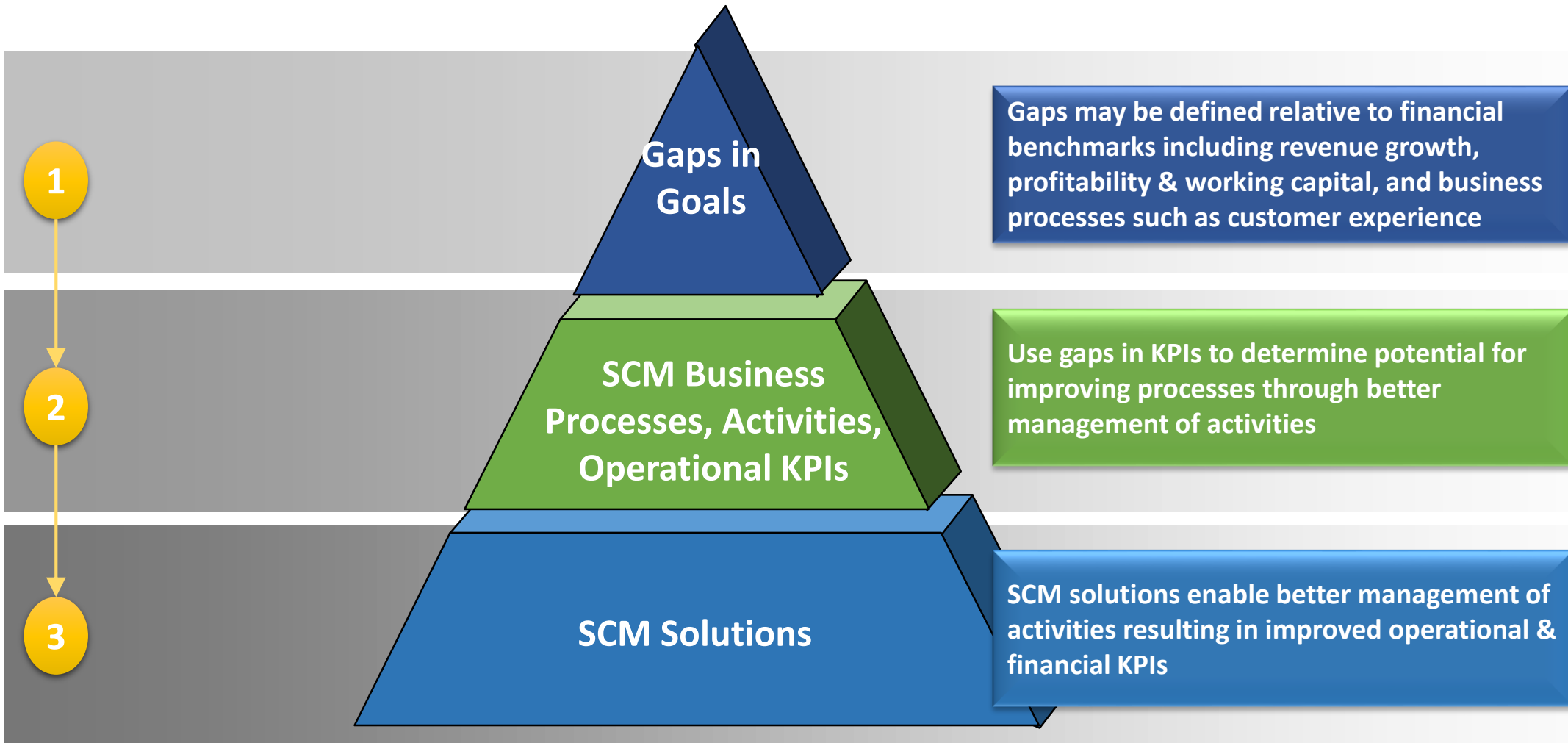
Improve the customer
experience

Better manage
operating expenses

Increase asset
utilization



The Top-Down Approach





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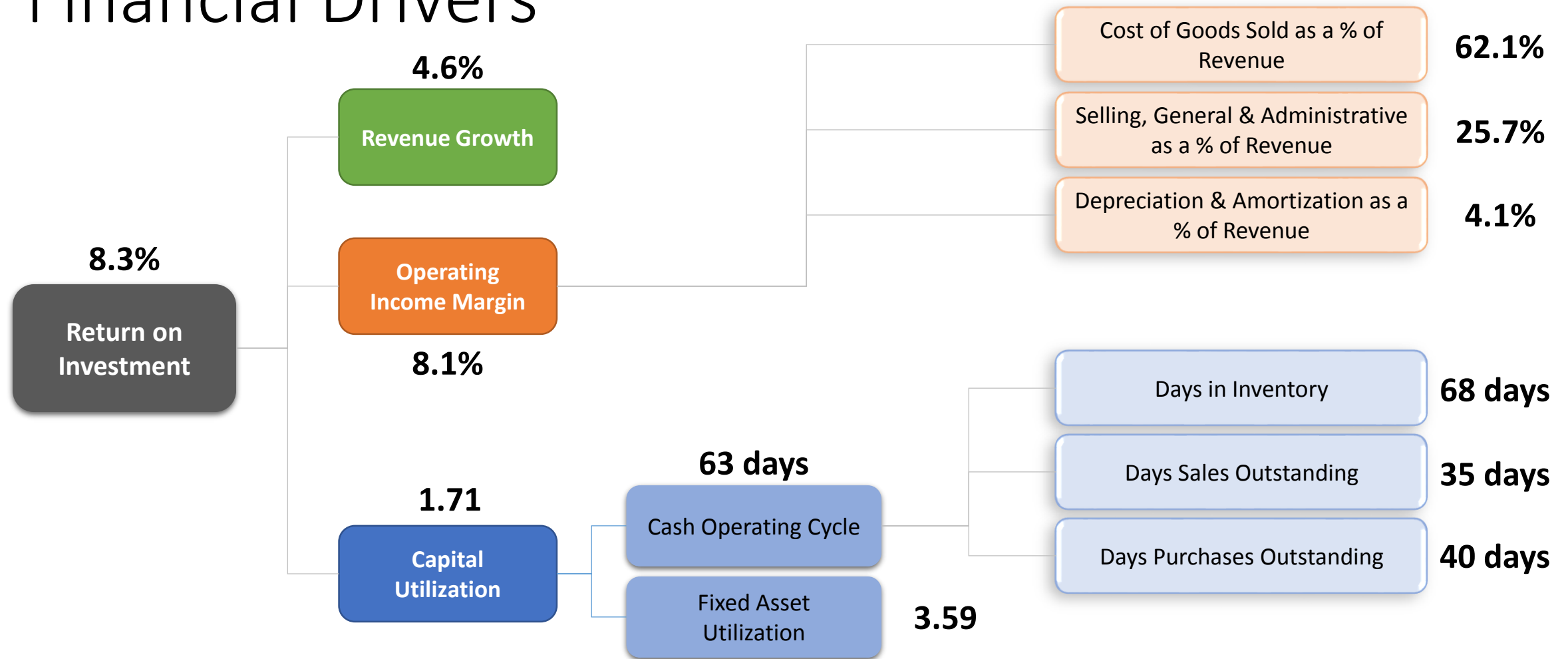


Financial-SCM Connection

Supply Chain in the Boardroom: Finance



Financial Drivers¹



¹Values for Consumer Packaged Goods Industry



Financial Metric	How Supply Chain Management Adds Value		
Revenue Growth	<ul style="list-style-type: none"> Fill rates Forecasting 	<ul style="list-style-type: none"> Customer service Lead times 	<ul style="list-style-type: none"> New product speed to market
% Cost of Goods Sold (COGS)	<ul style="list-style-type: none"> Transportation management Warehouse management Inventory management 	<ul style="list-style-type: none"> Network design Procurement 	<ul style="list-style-type: none"> Reverse logistics Selective outsourcing
% Selling, General & Administrative Expenses (SG&A)	<ul style="list-style-type: none"> Customer service Supply chain administration 	<ul style="list-style-type: none"> Information technology 	
Days in Inventory (DII)	<ul style="list-style-type: none"> Transportation management Warehouse management 	<ul style="list-style-type: none"> Network design Inventory visibility 	<ul style="list-style-type: none"> Forecasting accuracy Demand planning
Days Sales Outstanding (DSO)	<ul style="list-style-type: none"> Shipment integrity Fill rate 	<ul style="list-style-type: none"> Proof of delivery Invoicing accuracy 	<ul style="list-style-type: none"> Internal communications
Days Purchases Outstanding (DPO)	<ul style="list-style-type: none"> Procurement terms 	<ul style="list-style-type: none"> Payment practices 	
Fixed Asset Utilization	<ul style="list-style-type: none"> Warehouse management Transportation management 	<ul style="list-style-type: none"> Capacity utilization Unplanned downtime 	<ul style="list-style-type: none"> IT management Selective outsourcing



Whose View of Supply Chain?



CEO

- Deliver value-adding growing revenue
- Product availability, new product speed to market and customer service



CFO

- Better manage the balance sheet primarily in terms of inventory and fixed assets and the income statement in terms of SCM related expenses



VP Sales

- Context of customer serviceability.
- Sufficient quantities of the right products to sell. Operationally, recognize an on-going need to provide accurate and timely field forecasts



COO

- Balance supply with demand
- Maintain sufficient levels of inventory to keep production flowing, adequate spares, and efficient procurement operations



VP Procurement

- Better management of suppliers
- Visibility into current and future demand including both quantities and required lead times or replenishment times



VP Supply Chain

- Better plan and fulfill market demand for goods and service and do so more efficiently
- SCM buy-side, sell-side, planning and execution



What's your assessment of your organization's ability to articulate the financial benefits of supply chain?

- A. Could be worse
- B. Adequate
- C. Excellent

What is your assessment of your organization's ability to articulate the financial benefits of supply chain?

Could be worse

Adequate

Excellent



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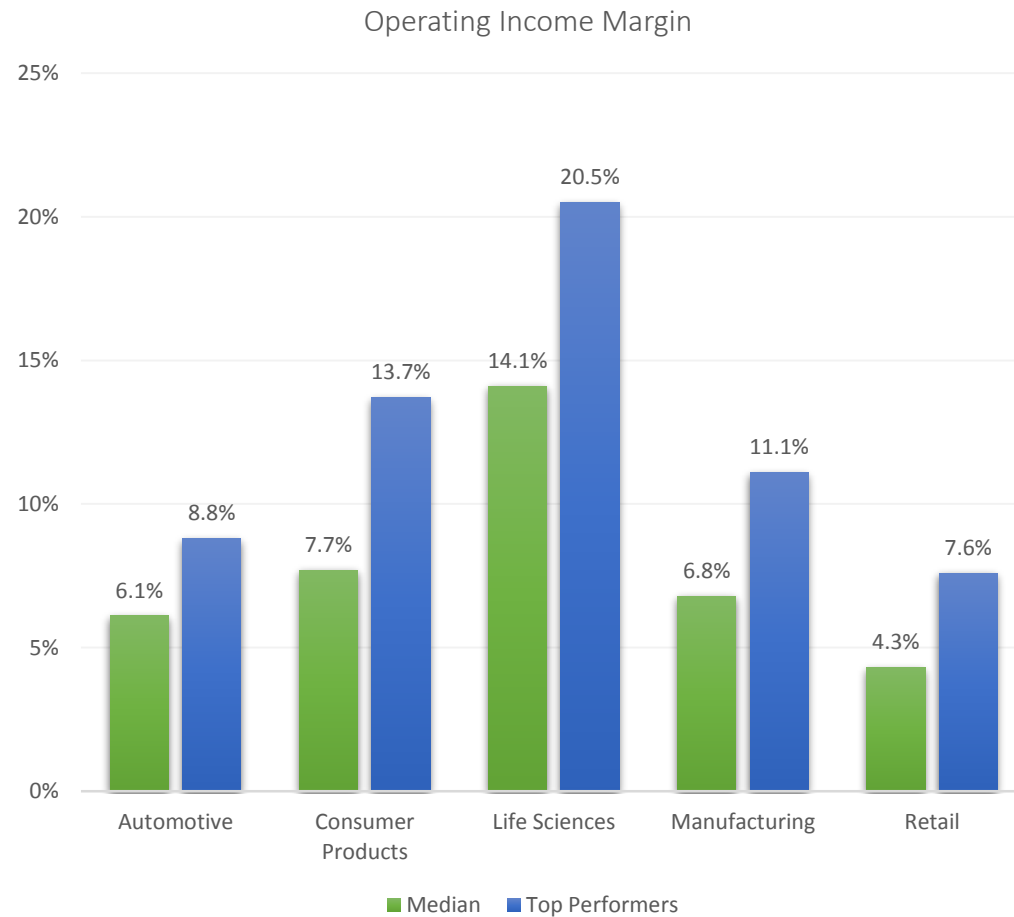
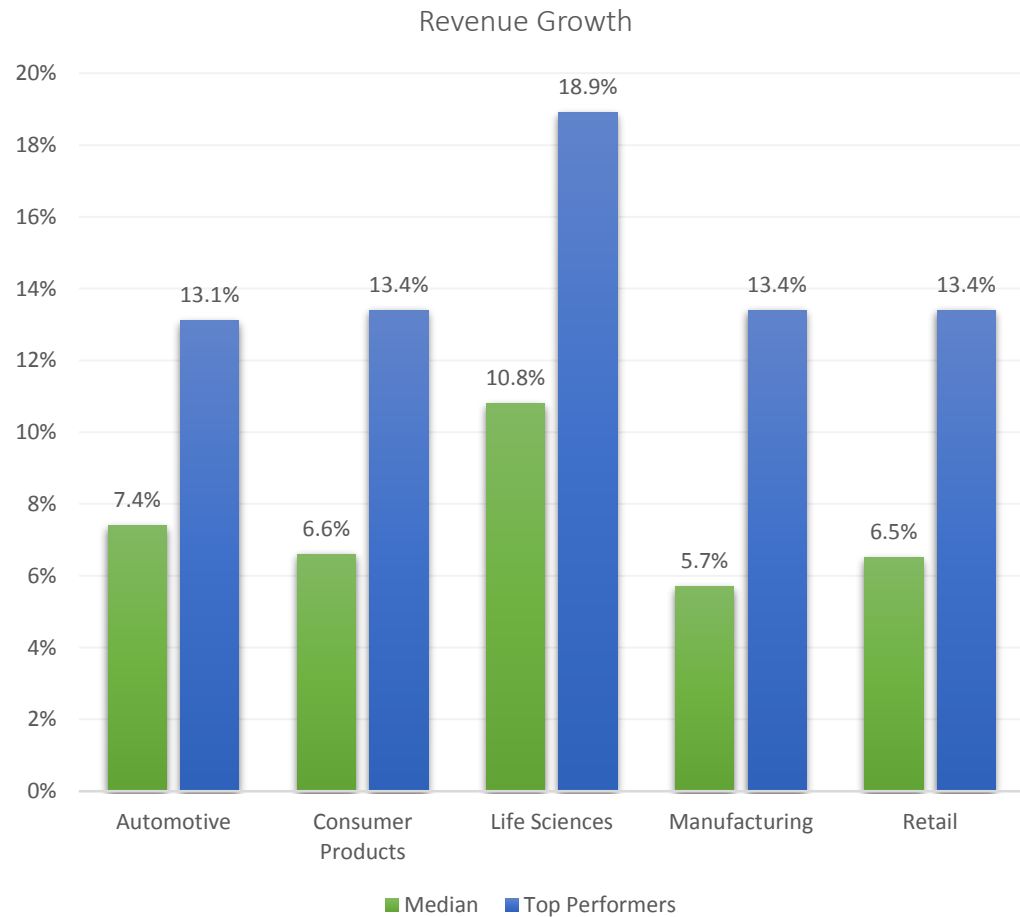


Unlocking Hidden Value

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Potential to Unlock Hidden Value



Values shown are the 5 year average median for each industry



Revenue KPIs

Consumer Products¹

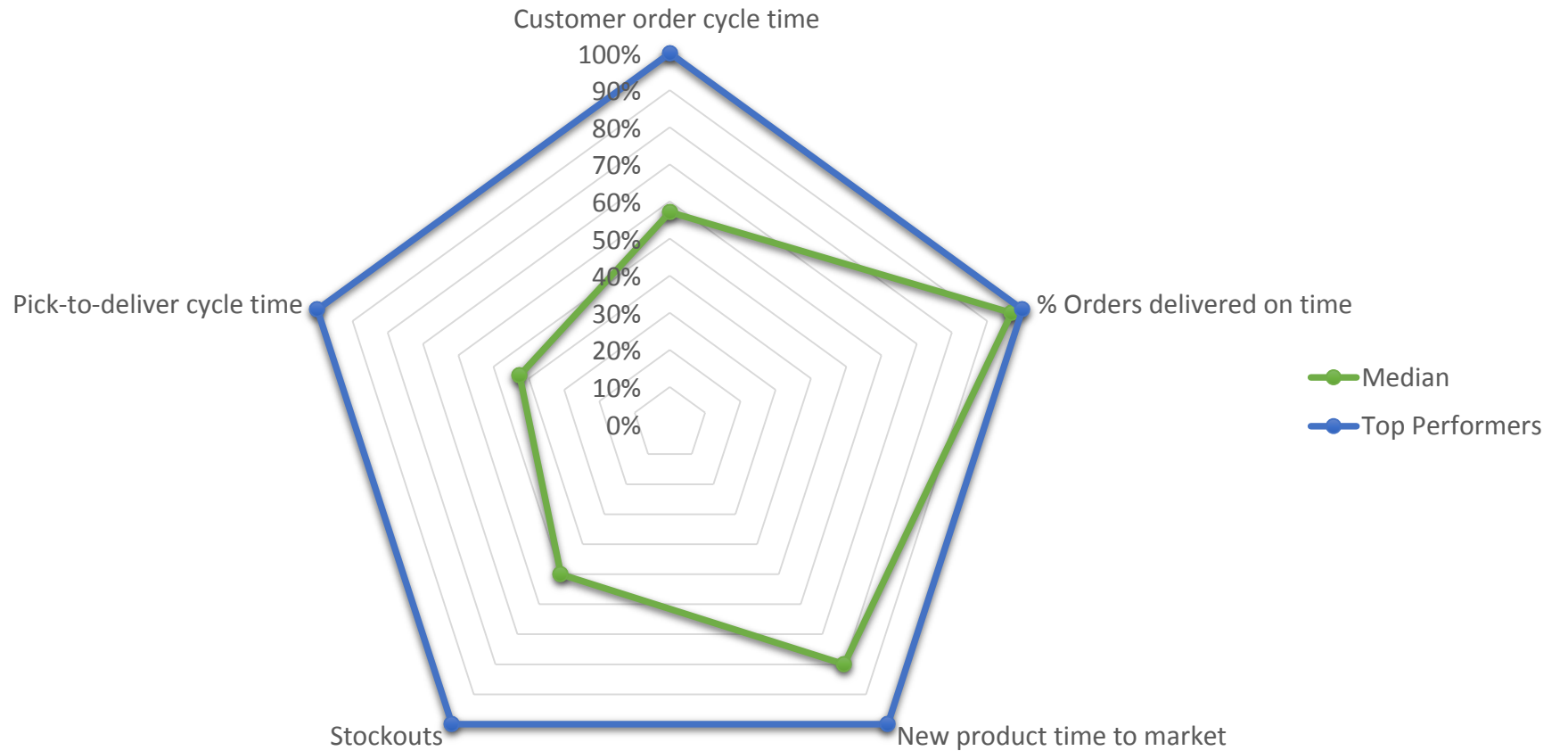


¹ Value of gaps is revenue benefit of moving from median to top performer per \$1B in revenue



Revenue-SCM KPIs

Consumer Products¹





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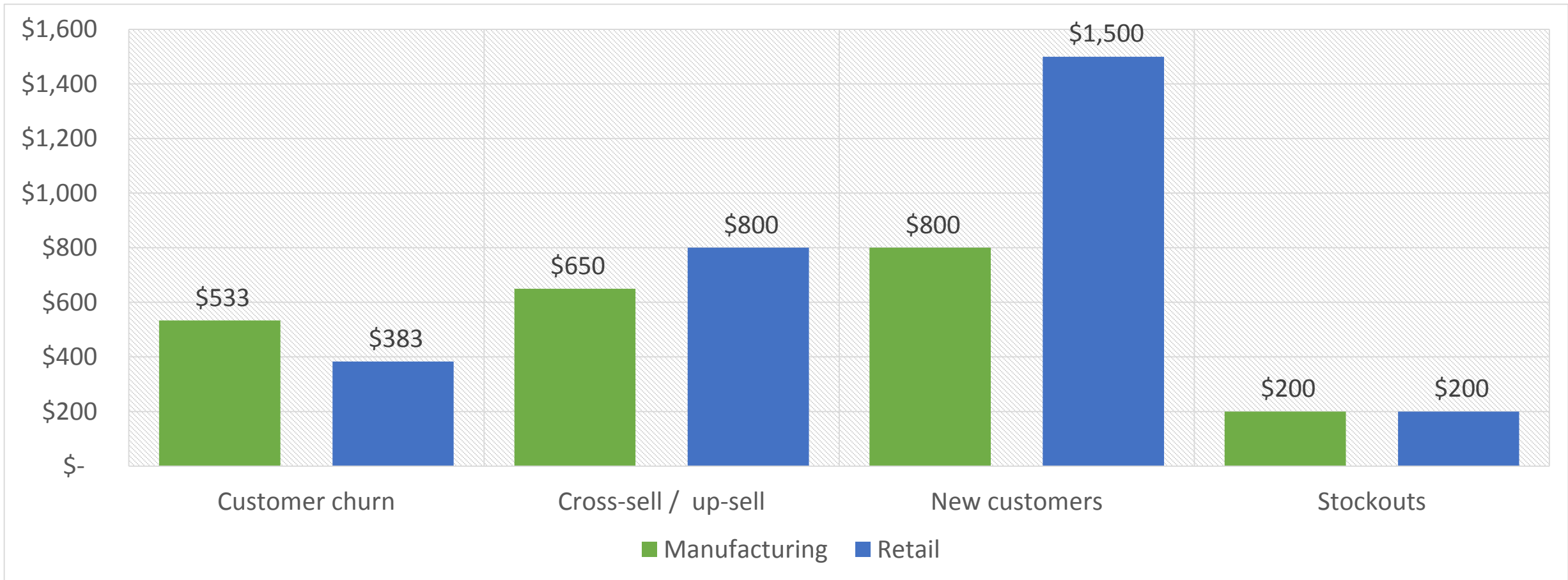
Power of One

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Power of One (\$000's per \$1 billion in revenue)

Revenue KPIs

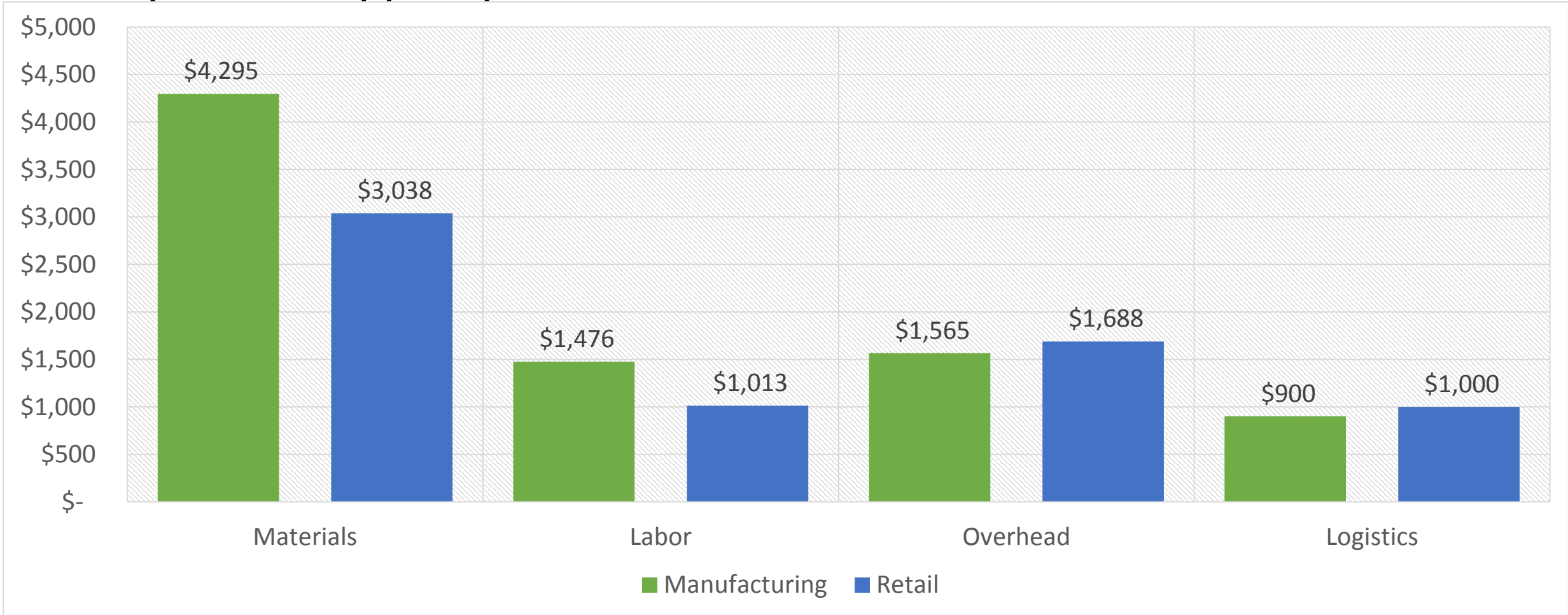


Source: FinListics Solutions, revenue benefit for a company with \$1 billion in revenue



Power of One (\$000's per \$1 billion in revenue)

Operating Expense KPIs



Source: FinListics Solutions, ongoing annual cash flow benefit for a company with \$1 billion in revenue



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SCM Mapping to Value

Supply Chain in the Boardroom: Finance



SCM Mapping to Value in Retail

Goals: Improve Customer Experience & Profitability

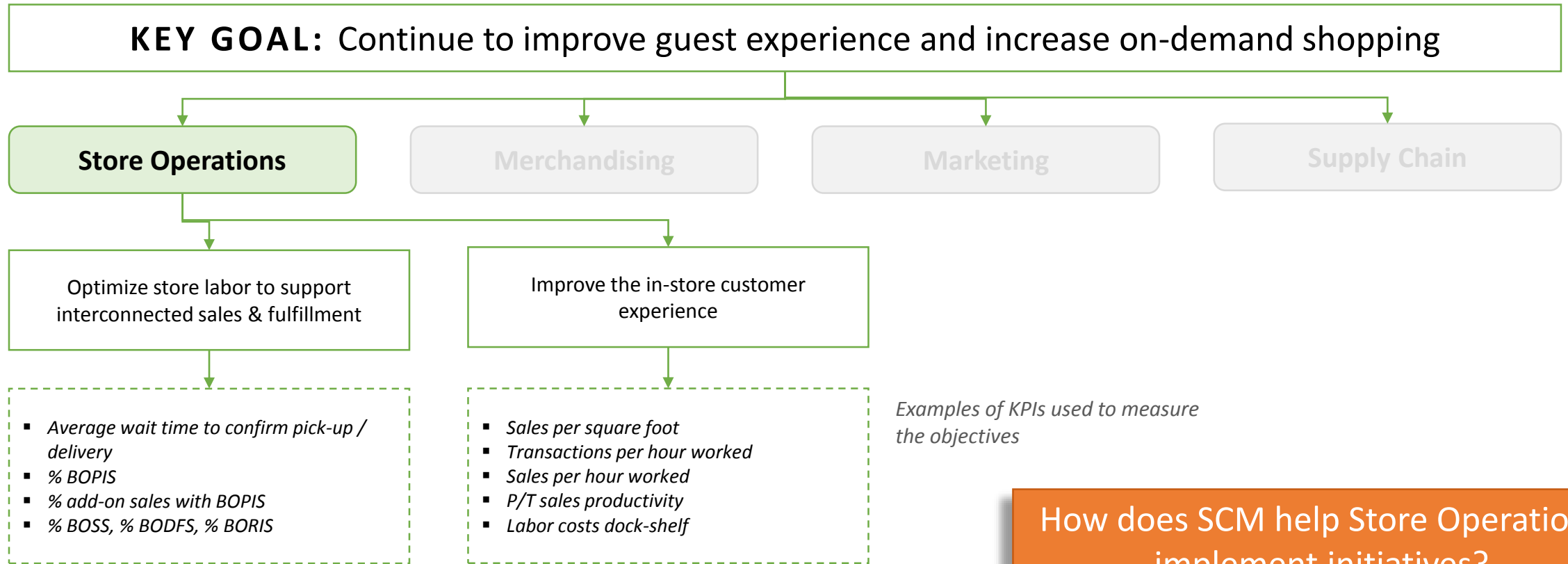
Financial Metric Goal	Operational KPI	Revenue Benefit from 1% improvement ² (M)	Operating Income Benefit from 1% improvement ² (M)	EPS Benefit ²	EPS Impact	Rank
Increase Revenue Growth	New Customers	\$971.75	\$45.67	\$0.0103	0.23%	6
	Customer Churn	\$323.93	\$15.22	\$0.0034	0.08%	8
	Cross-Sell/Up-Sell	\$340.11	\$15.99	\$0.0036	0.08%	7
Decrease Cost of Goods Sold	Material Cost		\$1,492.97	\$0.3370	7.66%	1
	Labor costs		\$878.22	\$0.1982	4.51%	2
	Total Logistics Cost		\$437.29	\$0.0987	2.24%	3
Decrease SG&A	Marketing Budget		\$203.78	\$0.0460	1.05%	4
	Sales Budget		\$331.71	\$0.0020	0.05%	9
	IT		\$119.72	\$0.0020	0.05%	9
	Customer Service		\$61.51	\$0.0020	0.05%	9
Total Benefits		\$1,635.79	\$3,602.08			
Improve DII	Days in Inventory		\$962.43 *	\$0.0279	0.63%	5
Total EPS Improvement & Impact based on FY17 EPS of 4.400				\$0.7313	16.62%	

* one-time benefit



Mapping LOBs' Initiatives to Enterprise Goals

Example: Retailer



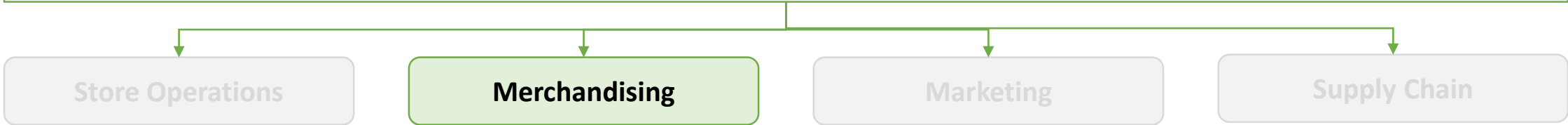
How does SCM help Store Operations implement initiatives?



Mapping LOBs' Initiatives to Enterprise Goals

Example: Retailer

KEY GOAL: Continue to improve guest experience and increase on-demand shopping



Forecast sales & inventory plans to be in line with demand

- % stockout losses
- Inventory obsolescence
- Markdown tracking & optimization
- Comparable sales
- CSAT

Balance demand & supply through inventory visibility & optimization

- % stockout losses
- Inventory obsolescence
- Supplier lead time
- Inventory out of balance reporting
- Sales availability

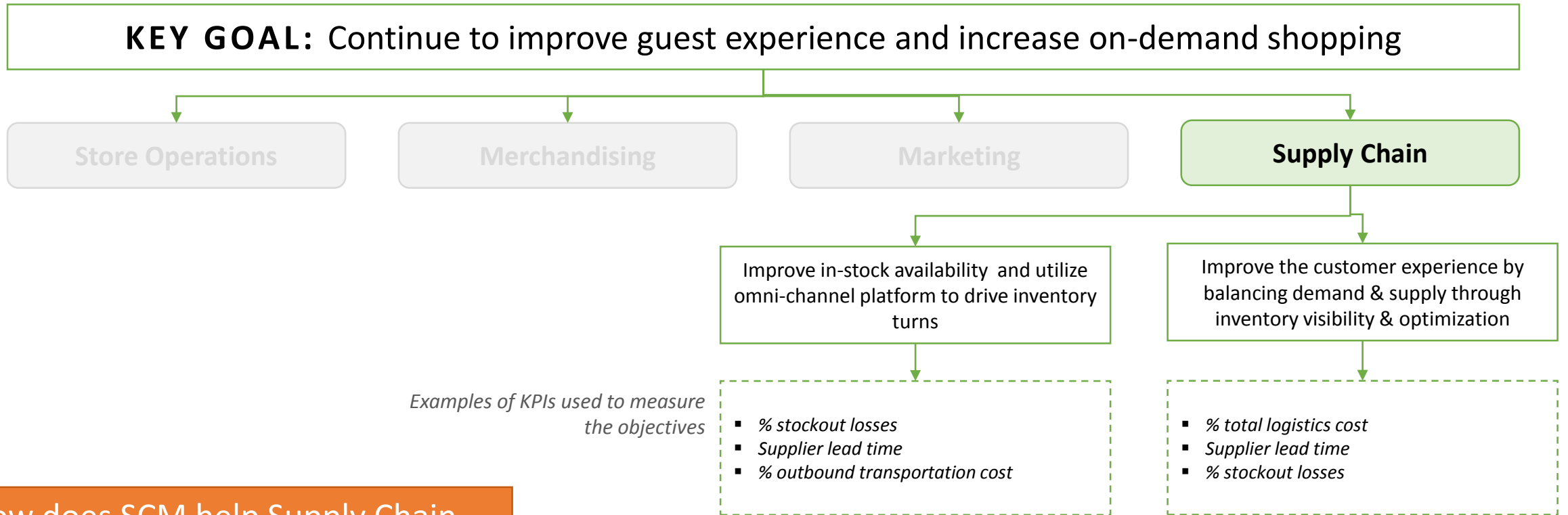
Examples of KPIs used to measure the objectives

How does SCM help Merchandising implement initiatives?



Mapping LOBs' Initiatives to Enterprise Goals

Example: Retailer



How does SCM help Supply Chain implement initiatives?



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Getting There From Here

Supply Chain in the Boardroom: Finance



Getting There From Here

- What matters most to lines of business – which financial metrics and operational KPIs?
- Use cases?
- **How** does SCM help achieve goals and financial performance?
- By **how much** does SCM improve financial performance?