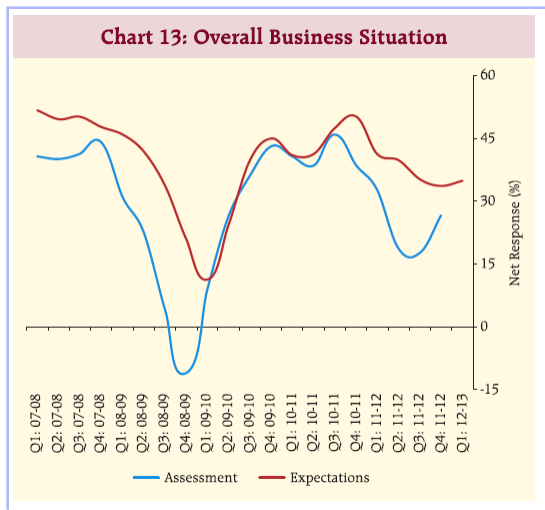# Synchronizing the Value Chain
The Benefits of B2B Integration from Desktop to Cloud

The forces are …
Global and Indian

Changing Times for Indian Manufacturing

Chart 13: Overall Business Situation

Net Response (%)

60
45
30
15
0
-15

Q1: 07-08
Q2: 07-08
Q3: 07-08
Q4: 07-08
Q1: 08-09
Q2: 08-09
Q3: 08-09
Q4: 08-09
Q1: 09-10
Q2: 09-10
Q3: 09-10
Q4: 09-10
Q1: 10-11
Q2: 10-11
Q3: 10-11
Q4: 10-11
Q1: 11-12
Q2: 11-12
Q3: 11-12
Q4: 11-12
Q1: 12-13

—— Assessment   —— Expectations

Industrial Outlook (May'12)

- *Nature of products change – software delivers value*
- *Pace of product innovation accelerating*
- *Globalization and regulation compress margins*
- *Technical and corporate challenges undermine agility*

Challenges

Fitch Ratings says its outlook on India's pharmaceutical sector for 2012 remains stable, with earnings prospects remaining positive because of the growing global demand for generics and opportunities provided by patent expiries in developed markets"
Pharma Times

Global Forces At Play

Segment	F12 Growth (Oct-11 Est.)
Cars	2-4%
UVs	9-11%
Vans	13-15%
PV Total	**4-6%**
LCV Goods	20-23%
MHCV Goods	5-7%
Passenger Buses	4-6%
Total CV	**13-15%**
2W	**13-15%**
3 W Goods	9-11%
3W Passenger	3-6%
3W Total	**4-6%**
Auto Total	**11-14%**

Domestic Opportunities

The Empowered Customer… compresses margins, changes paradigms

In this new era, businesses need to:

Understand and predict customer behavior and needs based on customer insights across all channels

Synchronize interactions across the value chain needed to deliver their product or service

Service customers flawlessly, **predict and drive** customer loyalty

Adapt sourcing and procurement based on customer demand

Market, sell and fulfill the right product and service at the right price, time and place

The Best Leverage The Forces To Their Advantage

In India…
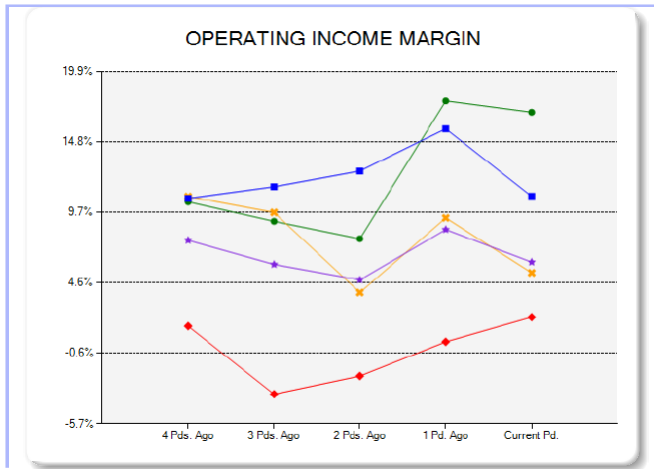
OPERATING INCOME MARGIN

SUMMARY PERFORMANCE TABLE	5 Yr. Historical Trend		Industry Comparison	
Key Financial Metrics	Client's Current Year	Best Year	Current Yr Ranking	1st Quartile	Client Ranking
Revenue Growth	38.9%	38.9%	▲	26.1%	▲
Operating Inc.Margin	17.0%	17.8%	⬭	13.4%	▲
Cash Operating Cycle	-31	-52	⬭	4	▲
Fixed Asset Utilization	10.31	10.31	▲	9.44	▲

Lenovo cut annual costs by US$1 million by improving freight and inventory management, reduced time to onboard a partner by 85 percent and improved visibility into complex supply chain relationships.
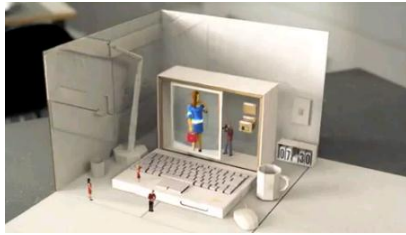
… and Worldwide

We call the path forward Smarter Commerce

- **Places the customer at the center**

- **Maximizes insight**

- **Capitalizes on social and mobile**

- **Drives growth**

- **Synchronizes your entire value chain**

- **Increases margins**

- **Improves collaboration and visibility**
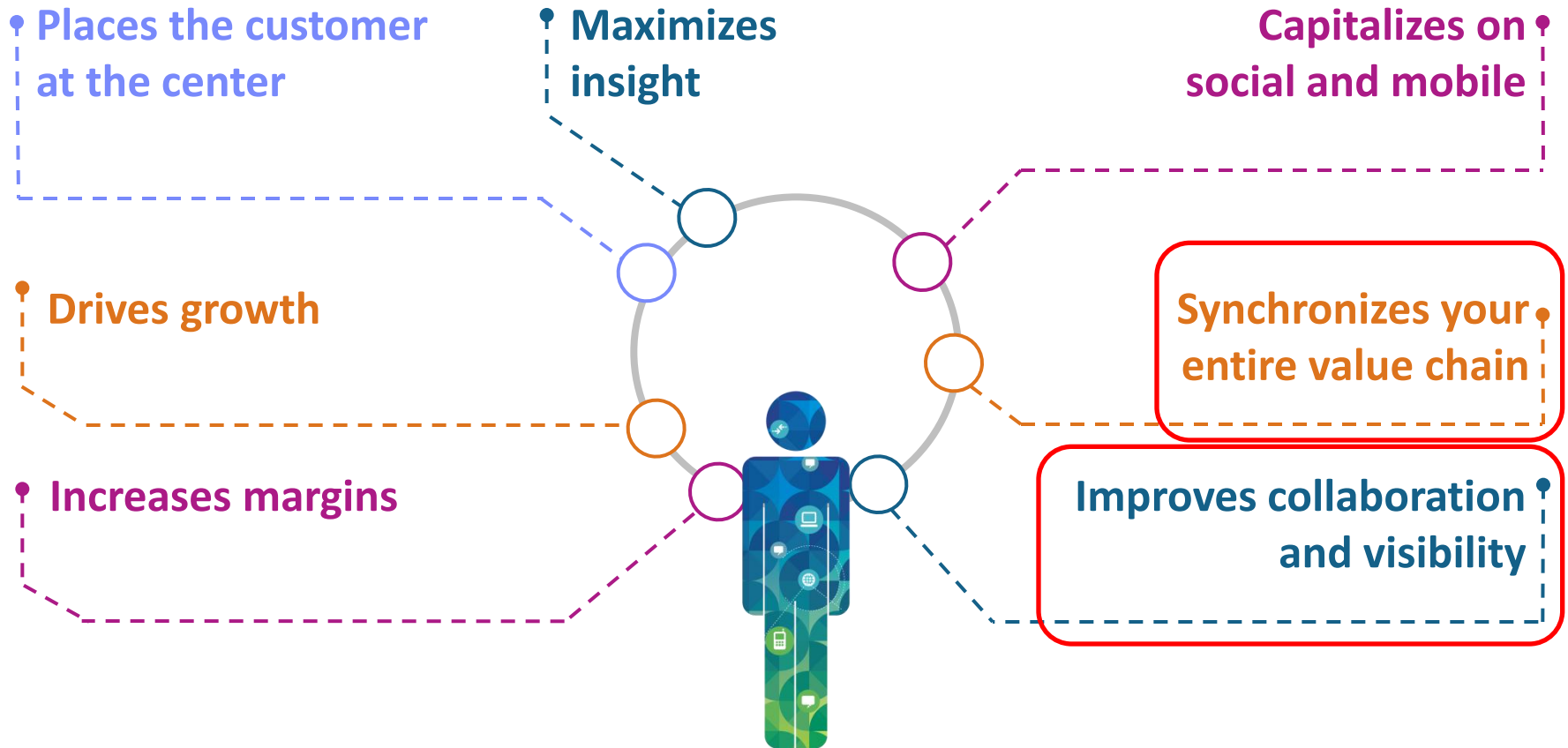
To execute you need to …
Synchronize the value chain

Market Insight

Smarter Commerce helps you create a brand promise …

…and a synchronized value chain to deliver on the promise
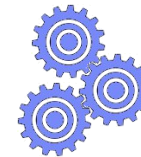
Commerce experience

A value chain is ...

a chain of activities that add material, information or value to create an end product or service

Synchronization is ...

the activity of coordinating the events, to operate a system, or group in unison

While Smarter Commerce starts with customer insight, execution depends on synchronization of your value chain

Players

- Actionable visibility is needed to better respond to the customer

70% of supply chain officers say that lack of visibility has a significant impact on supply chains

Processes

- Demand and supply need better interlocks to deliver the right product/service

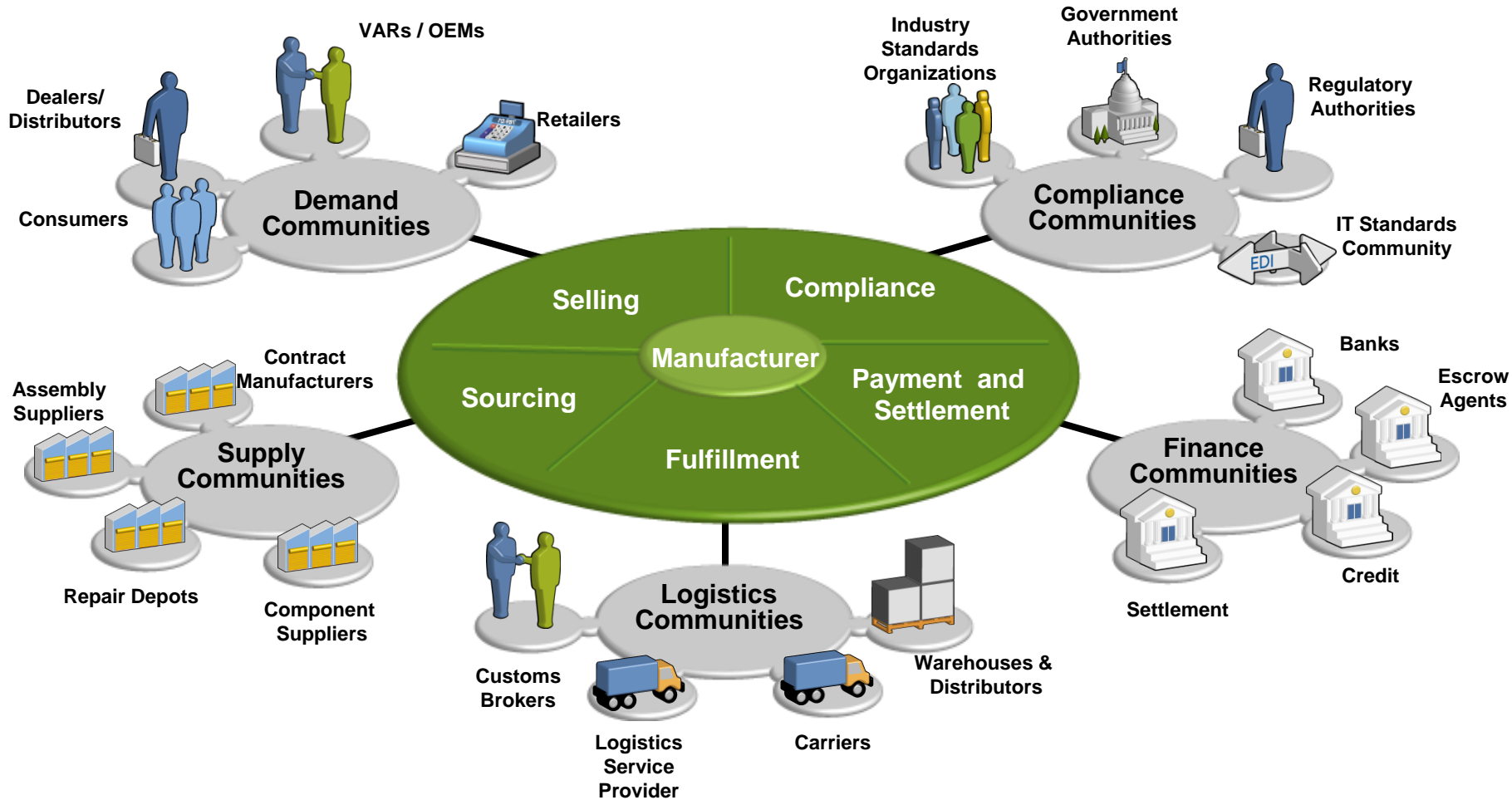$93 billion in sales missed due to out of stock inventory per year

Systems/technology

- The commerce systems that drive buy-market-sell-service must better integrate with partners
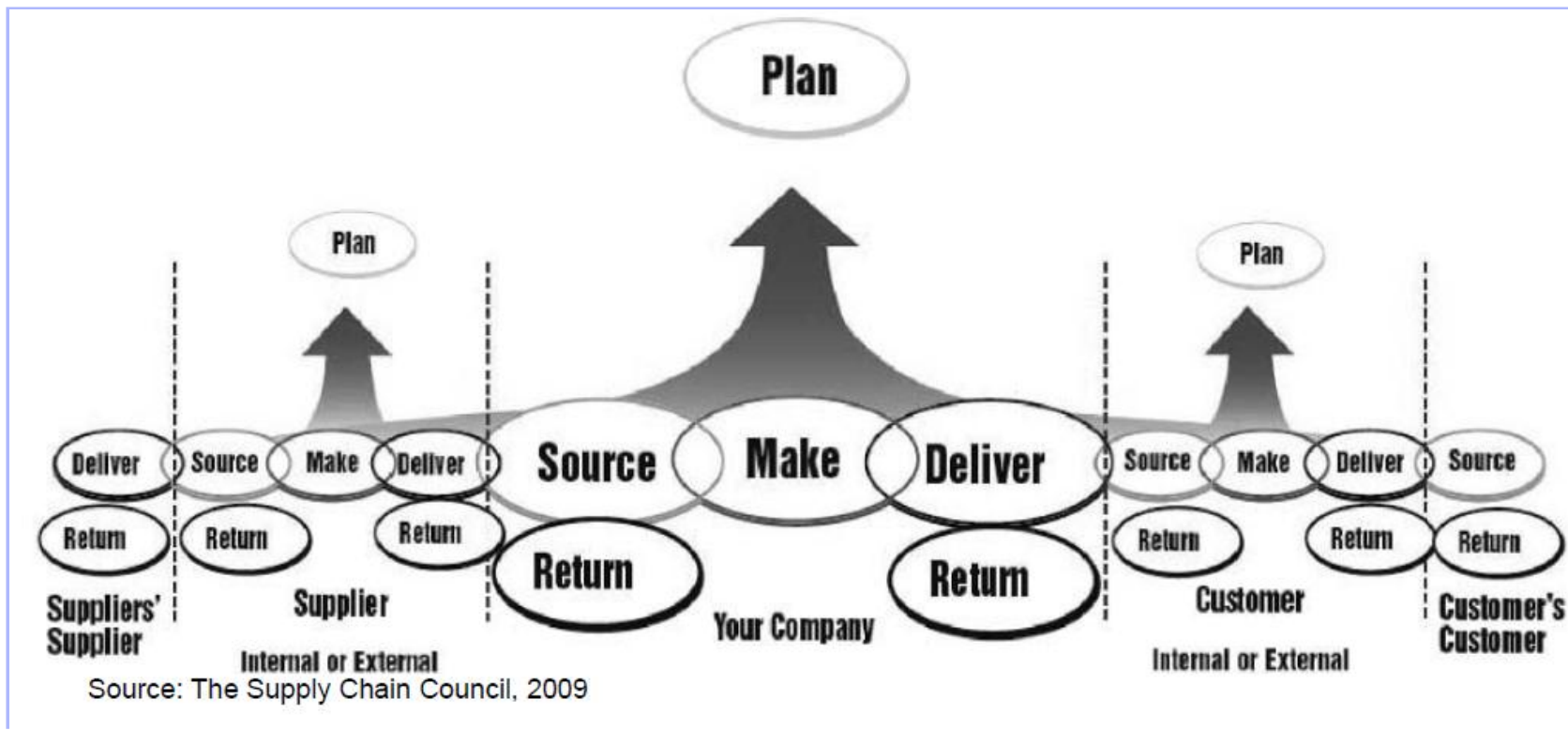
68% of executives report that integration challenges impede collaborative relationships with partners
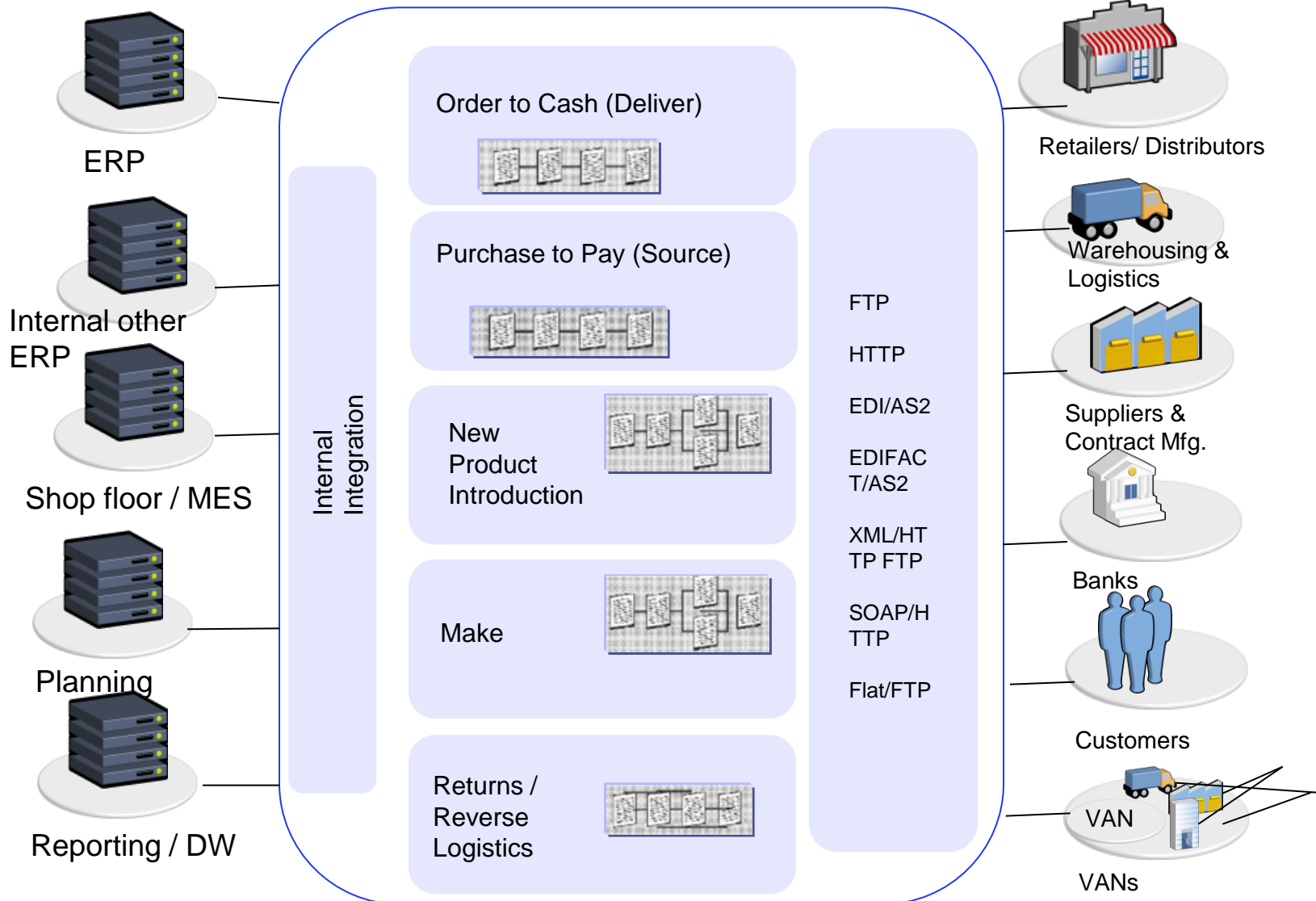
The Players: Business Collaboration Networks

Demand Communities
- Dealers/Distributors
- VARs / OEMs
- Retailers
- Consumers

Compliance Communities
- Industry Standards Organizations
- Government Authorities
- Regulatory Authorities
- IT Standards Community

Supply Communities
- Assembly Suppliers
- Contract Manufacturers
- Repair Depots
- Component Suppliers

Finance Communities
- Banks
- Escrow Agents
- Credit
- Settlement

Logistics Communities
- Customs Brokers
- Logistics Service Provider
- Carriers
- Warehouses & Distributors

Manufacturer
- Selling
- Compliance
- Sourcing
- Payment and Settlement
- Fulfillment

The Processes: Multi-Enterprise and Market-Specific

Source: The Supply Chain Council, 2009

The Systems : **Diversity Reigns**

ERP

Internal other ERP

Shop floor / MES

Planning

Reporting / DW

Internal Integration

Order to Cash (Deliver)

Purchase to Pay (Source)

New Product Introduction

Make

Returns / Reverse Logistics

FTP

HTTP

EDI/AS2

EDIFACT/AS2

XML/HTTP FTP

SOAP/HTTP

Flat/FTP

Retailers/ Distributors

Warehousing & Logistics

Suppliers & Contract Mfg.

Banks

Customers

VAN

VANs

Synchronization is hindered by increasing complexity

Partners
Average number of trading partners has grown 400%
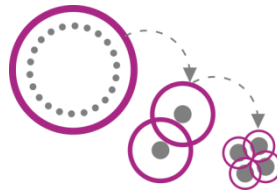
Connections
**Average number of protocols supported from < 10 to > 40**

Platforms
Average number of integration platforms from 3 to 12

**Gartner research indicates that it will only get worse,
"Double the number of B2B integration projects
Triple the amount of multi-enterprise traffic"
In the next 5 years**

Research confirms that while synchronization is important, it is still outside the experience of most companies

3%

34%

73%
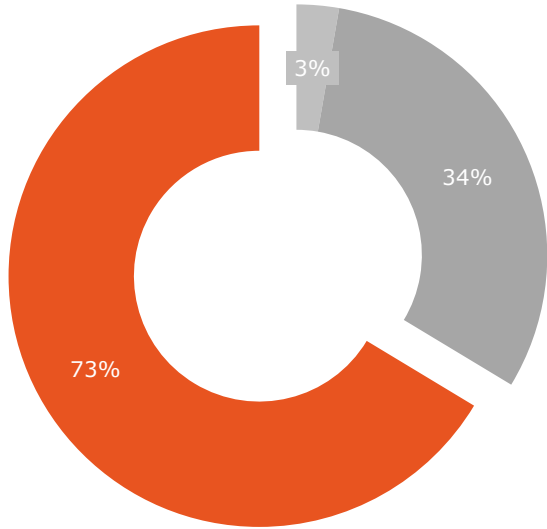
■ Not critical ■ Neutral ■ Critical

How critical is the ability to synchronize your value chain in order to support your business?

VansonBourne

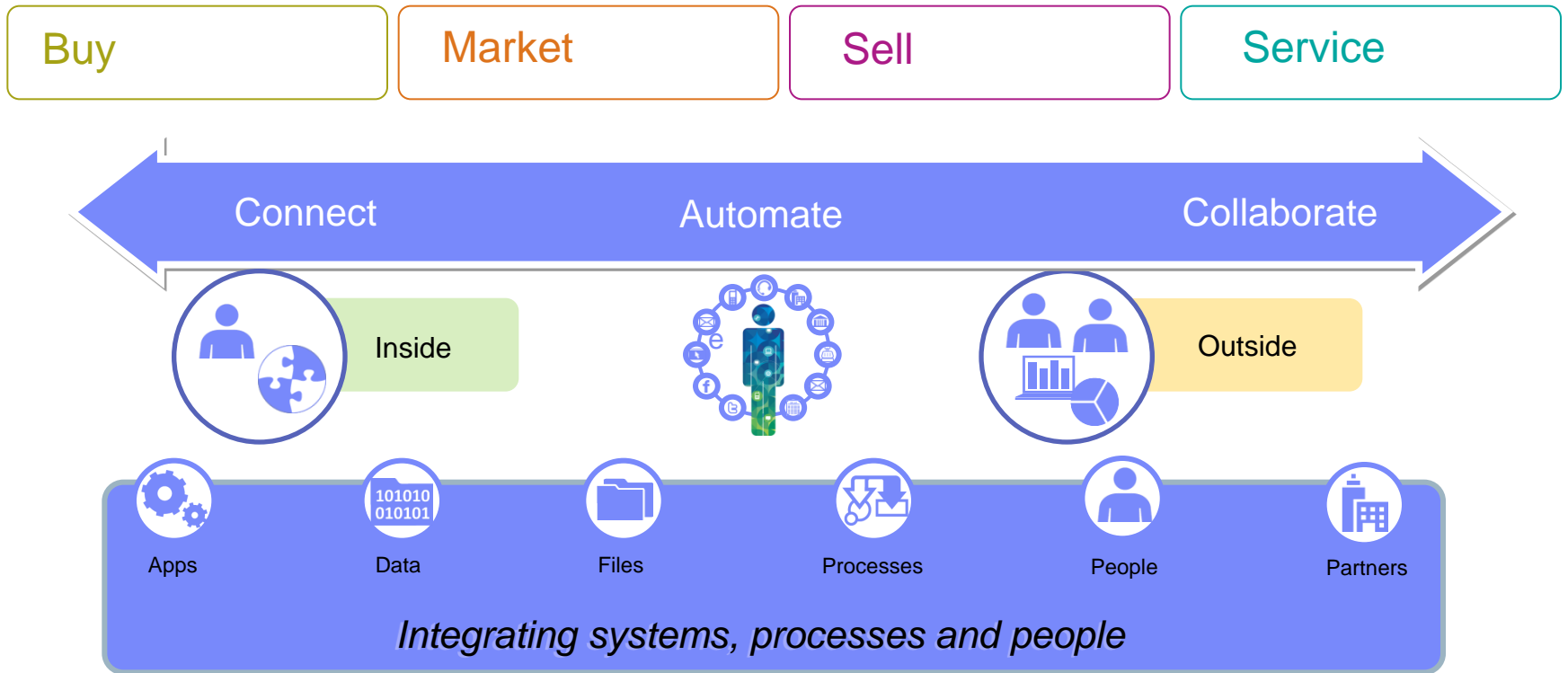Value chain synchronization survey – Feb, 2012 for IBM

73% of organizations regard synchronization as critical to their overall success …

… however, only **17%** can synchronize their internal systems with their business community to drive business performance and success

17%

83%
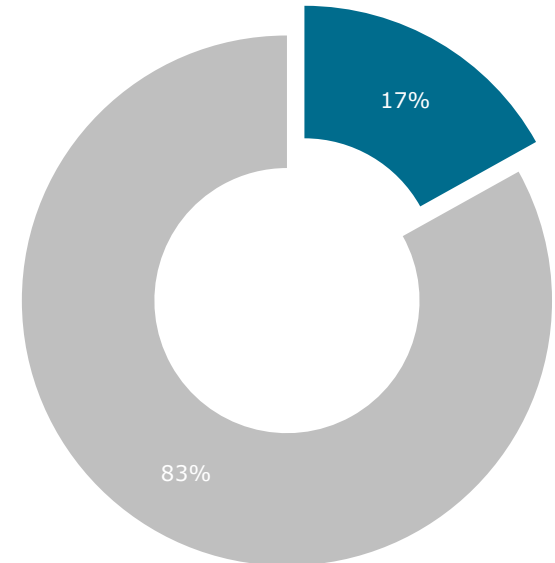
■ Yes, encompassing everyone
■ No, not with everyone

Does your company have the ability to synchronize its internal systems with its business community to drive business performance and success?

Synchronization depends on a strong B2B integration capability

| Buy | Market | Sell | Service |

Connect   Automate   Collaborate

Inside

Outside

Apps   Data   Files   Processes   People   Partners

Integrating systems, processes and people

There is value in leveraging B2B integration for synchronization

Companies using more electronic connections with customers have the following:
- 13% shorter days sales outstanding (DSO)
- 37% shorter cash-to-cash cycle times
- 19% lower total supply chain costs
which translates to a whopping 5% of revenue!

AMR Research "Benchmarking B2B E-Business: The Value is in there"

"Companies with more mature programs see B2B as fundamental to improving shopper-driven supply chains"

*AMR - "Want To Increase Revenue? Invest in B2B"*

"Near-real-time information on the status of business partner activity is rapidly becoming the lifeblood of many enterprises that rely on agile intercompany processes to compete effectively."

Forrester - The State of B2B Integration

"Most midsize-to-large businesses already have multiple B2B projects, using different approaches to B2B. This increases project costs , complicates auditing and compliance monitoring , and increases the risk of security breaches." - Gartner

IBM B2B Integration helps adapt your value chain by enabling you to…

Connect
To securely and flexibly integrate your **systems** to partners
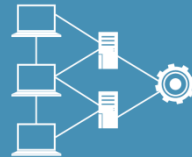
Automate
Seamlessly automating manual business and IT **processes** inside and outside your enterprise

Collaborate
Provide visibility into actionable information for **people**, departments and organizations

to **synchronize** critical information flows throughout your extended **business community** of partners, suppliers, and customers

IBM B2B Integration delivers the solutions to synchronize your extended business community

B2B integration addresses complex integration challenges to synchronize the value chain of partners, suppliers and customers

Managed File Transfer	Integration Services	Integration Gateways	Transformation Engines
Secure, reliable file transfer **connects systems**	Flexible cloud technologies and expert services host **business communities**	Orchestration and **automation** for key partner **processes**	Single, universal engine for all internal and external file and message **transformation** needs

The IBM difference

Secure protocol has never been breached	Global network of 300,000 pre-connected trading entities	Unmatched scalability/ performance to solve the most complex scenarios	Leader in transformation capabilities across EDI and Industry standards

What does synchronization mean to these clients?

Outsourcer

For one of the worlds largest outsourcing providers, being able to give the client a single view into when and how the payroll check was cut, requires synchronization across multiples systems and providers.

Healthcare

This health care payment processor was able to let doctor offices understand the patient's coverage from insurance providers at the time services are rendered, by leveraging their existing B2B connections.

Electronics manufacture

This outsourcer for cell phone manufacturing is able to provide a consolidated view across an extended supply chain to let the customer know exactly where product is in the supply chain.

Enabling Synchronization for …
Manufacturing Value Chains

A cyber supply chain is …

The information flows, technologies, and IT infrastructure and processes that support the other key types of supply chains—physical, financial, and service.
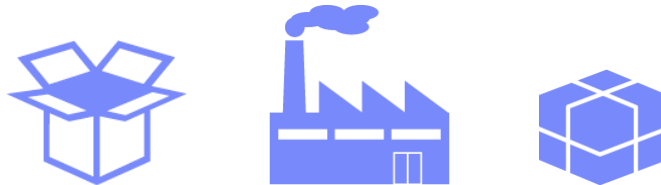
Customer Pain

Managed File Transfer	Integration Services	Integration Gateways	Transformation Engines
Secure, reliable file transfer **connects systems**	Flexible cloud technologies and expert services host **business communities**	Orchestration and **automation** for key partner **processes**	Single, universal engine for all internal and external file and message **transformation** needs

Manufacturer Pain Points

• Growing file sizes and volumes • Increasing security threats • Failure to meet service level agreements • Regulation, compliance, & risk mitigation	• Complex and diverse partner communities • Manual error-prone processes • Limited B2B Integration expertise • Inability to keep up with increasing number of standards and regulations	• Complex and diverse partner communities • Manual error-prone processes • Limited process visibility • The need for secure transactions	• Diverse types of data to exchange • Complex industry standards-based data • Unable to quickly code changes to heritage applications • Lack of common transformation across projects

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IBM

Core Capabilities

Managed File Transfer

Secure, reliable file transfer **connects systems**

Integration Services

Flexible cloud technologies and expert services host **business communities**

Integration Gateways

Orchestration and **automation** for key partner **processes**

Transformation Engines

Single, universal engine for all internal and external file and message **transformation** needs

Capabilities

- Assured data delivery whether system, person or B2B
- Centralized management and control
- Accelerated partner onboarding
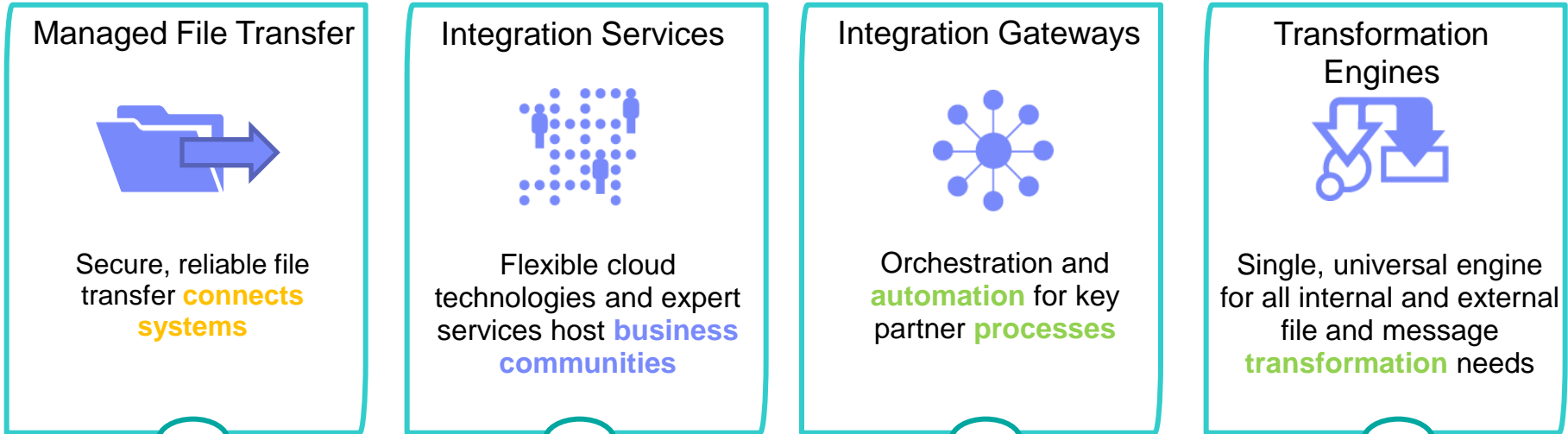- Advanced file security

- Instant access to pre-connected community
- B2B process automation in the cloud
- Expert resources to operate your B2B processes
- Small partner enablement

- Manages diverse partner communities
- Automates multi-enterprise processes
- Provides unimpeded visibility
- Assures secure B2B exchanges

- Natively handles any data type
- Solves difficult data transformations
- Transforms without coding
- One engine, multiple deployment options
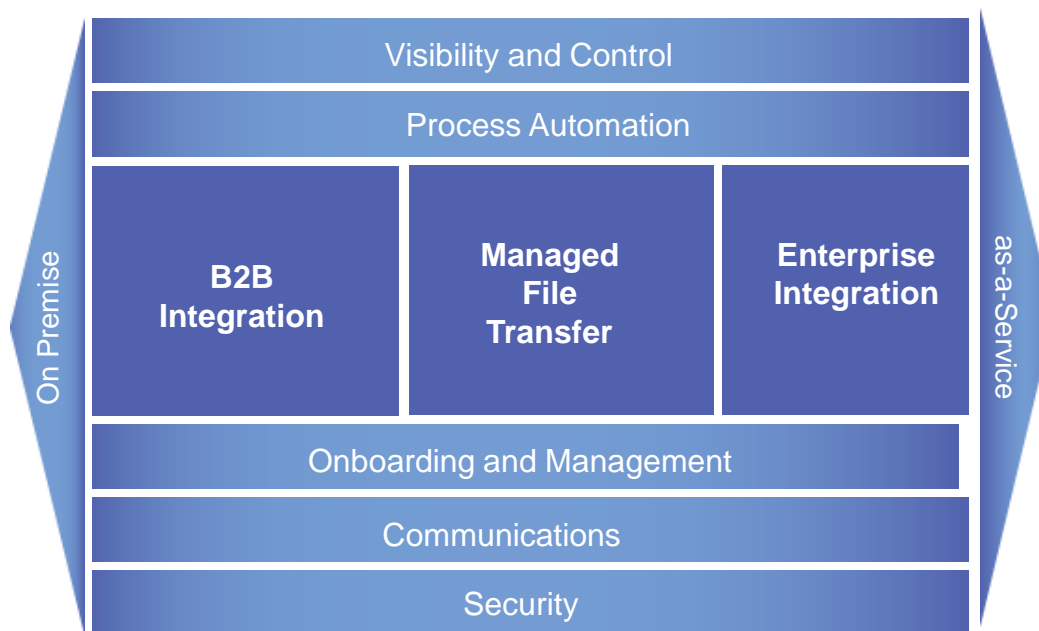
Products that deliver IBM B2B Integration

Managed File Transfer	Integration Services	Integration Gateways	Transformation Engines
Secure, reliable file transfer **connects systems**	Flexible cloud technologies and expert services host **business communities**	Orchestration and **automation** for key partner **processes**	Single, universal engine for all internal and external file and message **transformation** needs

Products

Managed File Transfer	Integration Services	Integration Gateways	Transformation Engines
• Sterling Connect:Direct • Sterling File Gateway • WebSphere MQ FTE • • Sterling Control Center • Sterling Secure Proxy	• Sterling B2B Collaboration Network • Sterling B2B Integration Services • Sterling File Transfer Service *	• Sterling B2B Integrator • Sterling Control Center • Sterling Secure Proxy	• WTX

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The IBM Integration Suite

Any partner. Any system. Anywhere

On Premise	Visibility and Control	as-a-Service
	Process Automation	
	B2B Integration / Managed File Transfer / Enterprise Integration	
	Onboarding and Management	
	Communications	
	Security	

IBM® Managed File Transfer Suite

Monitor file transfer activity & SLAs
IBM® Sterling Control Center

B2B Onboarding and file transfer via mailboxing
IBM® Sterling File Gateway

Preventing unauthorized access
IBM® Sterling Secure Proxy
IBM® Sterling Connect:Direct® Secure Plus

Peer-to-peer file transfers via file system
IBM® Sterling Connect:Direct®

Replace or upgrade FTP
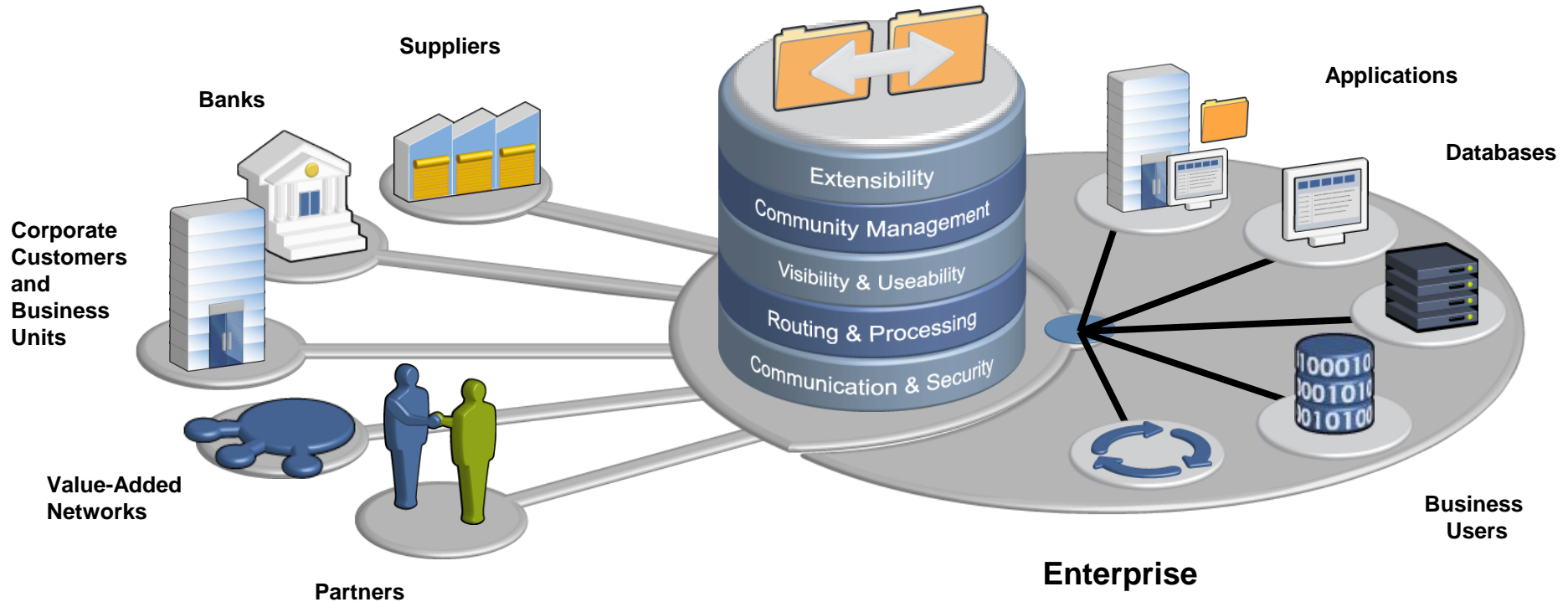*IBM® Sterling Connect:Direct® FTP+*

Sterling File Gateway

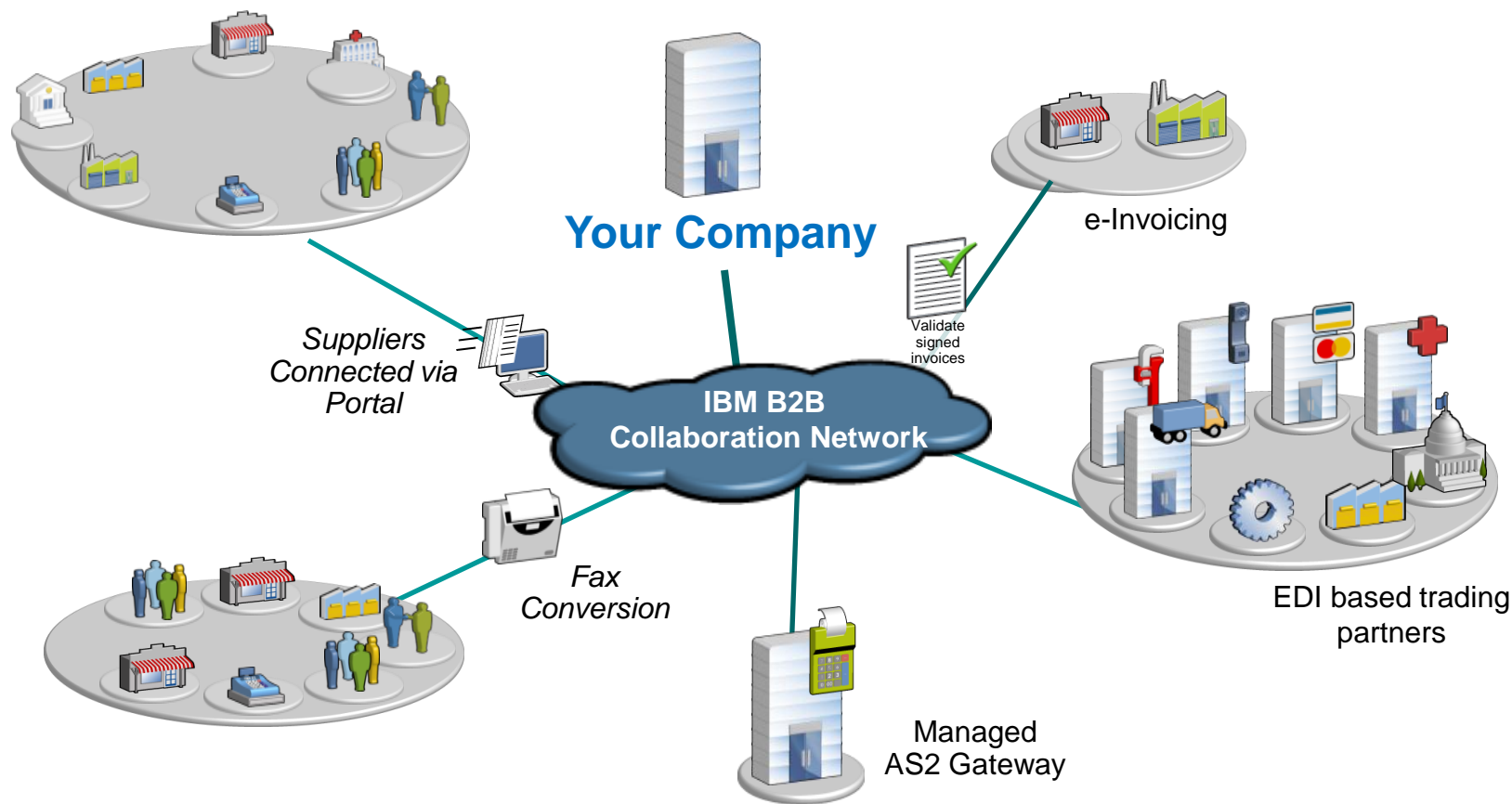The next generation B2B-enabled managed file transfer solution:

Advancement of capabilities that combine

Sterling's leading B2B integration gateway and file transfer solutions

• Consolidates disparate file transfer applications on a single, scalable platform

Suppliers

Banks

Corporate Customers and Business Units

Extensibility

Community Management

Visibility & Useability

Routing & Processing

Communication & Security

Applications

Databases

Value-Added Networks

Business Users

Partners

Enterprise

IBM B2B Collaboration Network

Your Company

e-Invoicing

Suppliers Connected via Portal

Validate signed invoices

IBM B2B Collaboration Network

Fax Conversion

Managed AS2 Gateway

EDI based trading partners

Industry-wise Benefits – Some Examples

Example Benefits of B2B Integration

Business Usage

Manages India sourcing and supply chain for key commercial HMV partner US and Europe.

Own replenishment into warehouses including consolidating shipments

Products Used

Sterling Collaboration Network for India-US EDI exchange (8 types of documents including 830 Planning Schedule, 850 PO, 846 Inventor Update, 820 Payment Advice)

Sterling Integrator for India-suppliers (15 suppliers) with portal front end and translate to US formats

Business Benefits

Schedule and payment visibility for supplier resulted in reconciliation from 4 days to 1 hour

Reduced staff by about 75% for this function

Electronics/Automotive Challenges

- Maximizing revenue growth from rapid rate of new product introduction and short product lifecycles
- Optimizing multi-tiered, global supply chains with hundreds, and often thousands, of trading partners
- Managing complexity & advances in technology (Cloud, Mobile)
- Governing health, safety and environment initiatives
- Satisfying rising and highly diverse customer expectations for the "perfect order"
- Executing in new markets
- Expansion beyond products to new services business models

Insight and Product Innovation

Operations and Supply Chain Optimization

Marketing, Sales and Service Differentiation

Electronics/Automotive and IBM B2B integration projects

Insight and Product Innovation

Operations and Supply Chain Optimization

Marketing, Sales and Service Differentiation

- Connect to your business community
  - ✓ To improve ability to reliably meet customer SLAs

- Offload B2B file transfers to the Cloud
  - ✓ To streamline connections with large numbers of trading partners worldwide

- Reduce your TCO of B2B integration
  - ✓ By reducing errors and avoiding delays in commercial activity
  - ✓ By increasing the percentage of your trading partner community with whom you communicate electronically

- Remediate your FTP risk
  - ✓ When exchanging intellectual property on new products with key trading partners

- Build a comprehensive hybrid B2B integration environment
  - ✓ To ensure rapid scalability into emerging markets

IBM® enables a world-class supply chain commerce platform to deliver the perfect order

Challenge

- Increasing demand for transparency and simplicity in the order process
- Need to improve its supply chain synchronization

Solution

- Using the IBM B2B Integration Services solution, Lenovo built a unified foundation to connect and collaborate with a broad eco- system of customers and partners

Results

- Lenovo cut annual costs by US$1 million by improving freight and inventory management
- Reduced time to onboard a partner by 85 percent
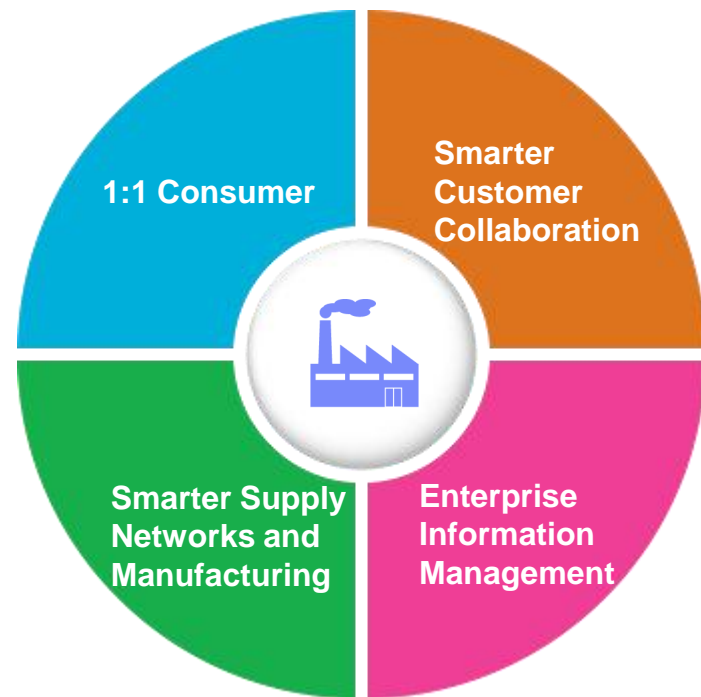- Improved visibility into complex supply chain relationships
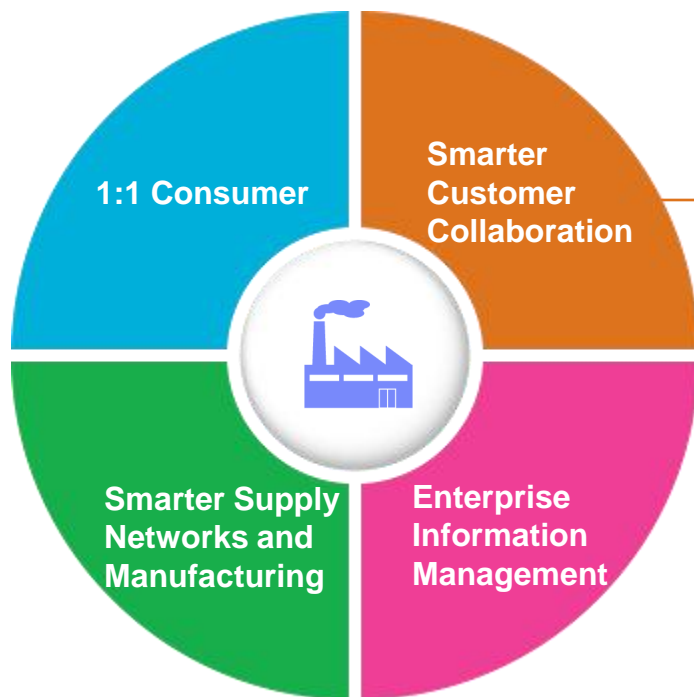
lenovo

Customer Profile

Lenovo is a $21B personal technology company and the world's second-largest PC vendor. Much more than a tech company, Lenovo is defining a new way of doing things as a next generation global company. With a core strength in China, they introduce their new products there and then spread across the globe.

Consumer Products challenges

- Being easy to do business with in order to maximize customer acquistion, retention and satisfaction levels
- Reducing manual B2B process with customers, suppliers, distributors, copackers, etc
- Delivering a personalized and relevant buying experience across all sales channels
- Managing complexity & advances in technology, (Cloud, Mobile)
- Enabling dynamic, extended value chains and enterprise processes
- Governing health, safety and environment initiatives
- Executing in new markets

1:1 Consumer

Smarter Customer Collaboration

Smarter Supply Networks and Manufacturing

Enterprise Information Management

Consumer products and IBM B2B integration projects

1:1 Consumer

Smarter Customer Collaboration

Smarter Supply Networks and Manufacturing

Enterprise Information Management

- Streamline integration with retailers, customers and suppliers in the fast-moving consumer goods industry

- Optimize IT staff utilization

- Cut onboarding cycle times

- Ensure business process continuity

- Maintain the brand experience

Unisource Canada strives for **transactional excellence** with automated purchase to pay

Challenge

- A cost-effective and efficient way of transacting electronically with suppliers

Solution

- IBM® Sterling B2B Collaboration Network and IBM® Sterling Supplier Portal gives suppliers a cost-efficient alternative process collaboration environment
- IBM® Sterling B2B Integrator to integrate business processes

Results

- Now that manual interventions have been removed, orders are processed in a more timely and accurate fashion
- Data accuracy from suppliers increased 90 percent
- Improved on-time delivery to customers, which increases their satisfaction and loyalty.
- More accurate orders resulting in more accurate stock levels

unisource®

Customer Profile

Unisource is Canada's single-source distributor of more than 80,000 paper, printing, imaging, graphic arts, packing, and maintenance supplies and equipment.

Leverage MFT Across Manufacturing

Industry	Sample Customers	Data and File Categories
Automotive/ Industrial	› Honda, Toyota, Caterpillar, Daimler Chrysler, Ford	› Parts drawings, repair manuals, catalogs to large dealer networks in support of aftermarket sales and services, catalog production/printing ›Material Safety Data Sheets (MSDS) ›Large gauge study data files supporting processing improvement methodologies such as Six Sigma ›CNC machine data files ›Mfg plant environmental monitoring data ›Financial data from dealers back to mfg, Legal notices
Aerospace/High Tech	› Boeing, Visteon, Lockheed Martin, Vought, Grumman, Motorola	› Engineering drawings, CAD/CAM files to subcontractors / government agencies › New product launch and production files › Large Bill of Material (BOM) moves/updates › Files to offshore contract manufacturers / subcontractors
Pharmaceuticals	› Pfizer, Steris, King Pharmaceuticals, Aventis, Takeda	› Transfer of clinical trial data, research protocols, etc. to clinics, contract researchers, FDA, etc. for new drugs › Transfer of patient-confidential X-Rays, CT scans, etc

Moving Ahead …

Opportunity : Supplier Collaboration

Challenge

- Accommodating diverse sets of supplier B2B connectivity requirements and standards
- Data sharing around engineering and design collaboration
- Reliable exchanges of time sensitive production plans, inventory and material requirements
- Delays in onboarding B2B transaction impact revenue opportunities

How IBM Helps

- Multiple communication and security protocols
- Automated recovery and retry tools that decrease failed transfers
- Reusable templates and standardized processes enable rapid onboarding of trading partners

Results

- Reduce labor-related B2B onboarding costs by 39%
- Reduce labor-related troubleshooting costs for B2B file transfers by 90%
- Reduce file transfer error rates from industry average 1-3% to .0003%

Opportunity : Order Fulfillment Reliability

Challenge

- Satisfy customer sales order requirements and shipping dates
- Timely distribution of sales orders to company or TPL distribution centers
- Reliance on file transfers for global inventory visibility and updates on shipment status

How IBM Helps

- Ability to accommodate either system-to-system or B2B based file transfers
- Automated recovery and retry tools that decrease failed transfers
- No limitations on file sizes, volumes or frequency

Results

- Reduce file transfer error rates from industry average 1-3% to .0003%
- Reduce labor-related troubleshooting costs for system-to-system file transfers by 25%

Opportunity : International Shipping and Customs Clearance

Challenge

- Exchanging time sensitive customs and shipping documents
- Satisfying regulatory and trading partner requirements for international shipping docs..
- Synchronize the delivery of the correct documentation with the physical movement of goods

How IBM Helps

- Support for B2B or Point-to-Point based transfer of critical shipping documentation
- Automated recovery and retry tools that decrease failed transfers
- Reusable templates and standardized processes enable rapid onboarding of trading partners
- Secure delivery of critical, time sensitive documents

Results

- Reduce labor-related troubleshooting costs for B2B file transfers by 90%
- Reduce labor-related B2B onboarding costs by 39%

Opportunity : Data Movement Between Business Applications

Challenge

- Reliance on file transfer to move data between critical internal business processes
- Minimize risk when business is impacted by a file transfer failure
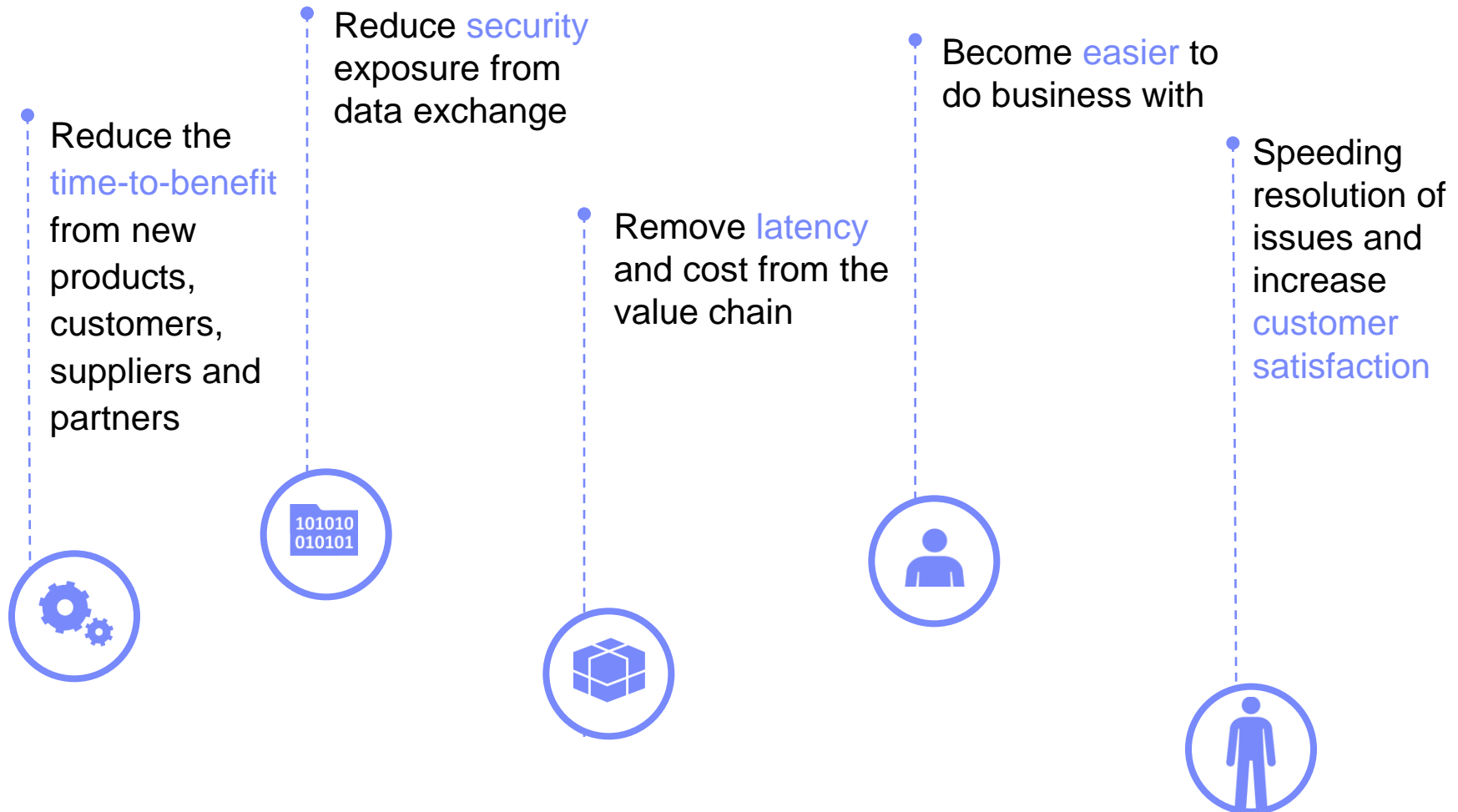- Reducing IT costs to build, maintain and monitor file transfer scripts, and activity

How IBM Helps

- Centralized monitoring of all file transfer activity
- Automated recovery and retry tools that decrease failed transfers
- Scalability and support for all industry standard operating systems and protocols
- No limitations on file types, sizes, volumes or frequency

Results

- Reduce cost of ownership of file transfer infrastrutures
- Reduce error rates from industry average 1-3% to .0003%
- Reduce labor-related troubleshooting costs for system-to-system file transfers by 25%

IBM Invites you to experience significant outcomes …

Reduce security exposure from data exchange

Become easier to do business with

Reduce the time-to-benefit from new products, customers, suppliers and partners

Speeding resolution of issues and increase customer satisfaction

Remove latency and cost from the value chain

THANK YOU