



INNOVATE · ACCELERATE · CHALLENGE

Driving Profitability with Supply Chain Segmentation



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Paris - Lyon - Düsseldorf – Chicago - Singapore

Agenda & Presenter

PRESENTER



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AGENDA

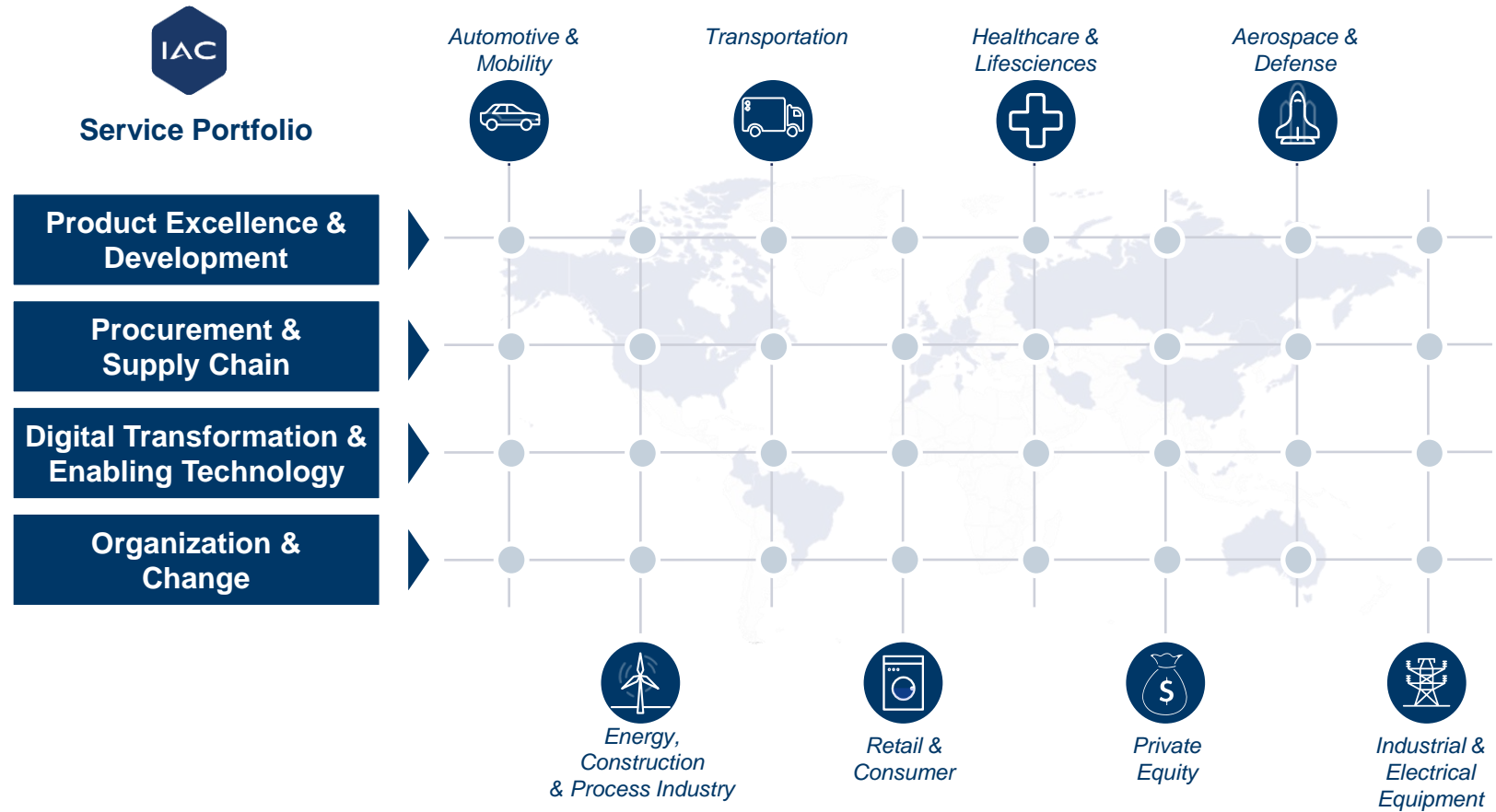
1. Introduction

2. Defining Supply Chain Segmentation

4. Supply Chain Segmentation - Case Study

5. Q&A

IAC Partners has been supporting manufacturing companies for 30+ years to improve cost competitiveness



Value Proposition

- Top-Tier Strategy Consulting **Mind- & Tool-Set**
- **Hands-on** delivery of **top-quality** consulting services – from **strategy** to organizational **implementation**
- **Engineering expertise** in Product Excellence & Development
- **Global experience** of successful operational excellence projects
- **Global footprint** – with offices in France, Germany, US and Singapore

THALES

AIRBUS



Schneider Electric

Lufthansa

ALSTOM



Air Liquide



SAFRAN

VERTIV

orano

GROUPE ATLANTIC

SNCF

BOMBARDIER

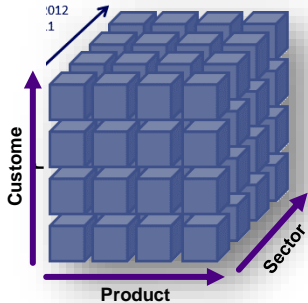
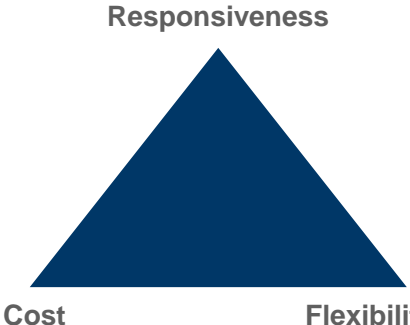

VEOLIA

SANOFI

Valeo

GLOBAL BRANDS GROUP

Supply chain segmentation helps in designing customer centric supply chains particularly in a multi-/omni-channel sales model

| What is Supply Chain Segmentation? | Why Segment the Supply Chain? | Who is segmenting the supply chain? |
|--|--|--|
|  <p data-bbox="522 528 861 721">"It's a bit like a Rubik's cube. The process helps to distil potentially infinite product-service combinations to an easily comprehensible 3-5" Steve Hochman, Nike Europe¹</p> <ul data-bbox="140 821 840 1149" style="list-style-type: none"> ■ Moving from a "one size fits" all supply chain to a number of distinct supply chain segments ■ Designing and optimising each segment based on product and customer needs, to improve customer satisfaction and reduce cost to serve ■ Products with different physical features ■ Customers with differing product and delivery requirements, who have different buying patterns and behaviors | <ul data-bbox="886 435 1567 464" style="list-style-type: none"> ■ Trade offs are required between 3 key elements:  <p data-bbox="886 906 1528 935">Typical drivers for supply chain segmentation</p> <ul data-bbox="886 949 1528 1149" style="list-style-type: none"> ■ Competition – need for service differentiation ■ Changing external market conditions ■ Capacity limitations ■ Physically different products (manufacturing techniques, BOMs etc.) |  |

Source: (1) Steve Hochman, SCM World Supply Chain Segmentation – The key to Future Profitability, 2013

Supply chain segmentation contributes to both top line growth as well as in optimizing operations costs

Supply Chain Segmentation can drive between 5-10%+ net reduction in total COGM and COS as well as top line growth improvements of ~5%

| Customers | Sales | Supply Chain |
|--|---|--|
| <ul style="list-style-type: none"> ■ Higher customer satisfaction ■ Prioritisation of resources towards strategic customers ■ Alignment and appropriate target-setting to drive better performance. | <ul style="list-style-type: none"> ■ Cost savings from economies of scale and waste reductions. ■ Competitive pricing and product portfolio. ■ More informed negotiations with customers | <ul style="list-style-type: none"> ■ More informed decision making ■ Reduced costs in working capital ■ Improved utilization of logistics/warehouse capacities ■ Portfolio rationalisation |

Example benefits realised by others

Topline growth of up to **5%**

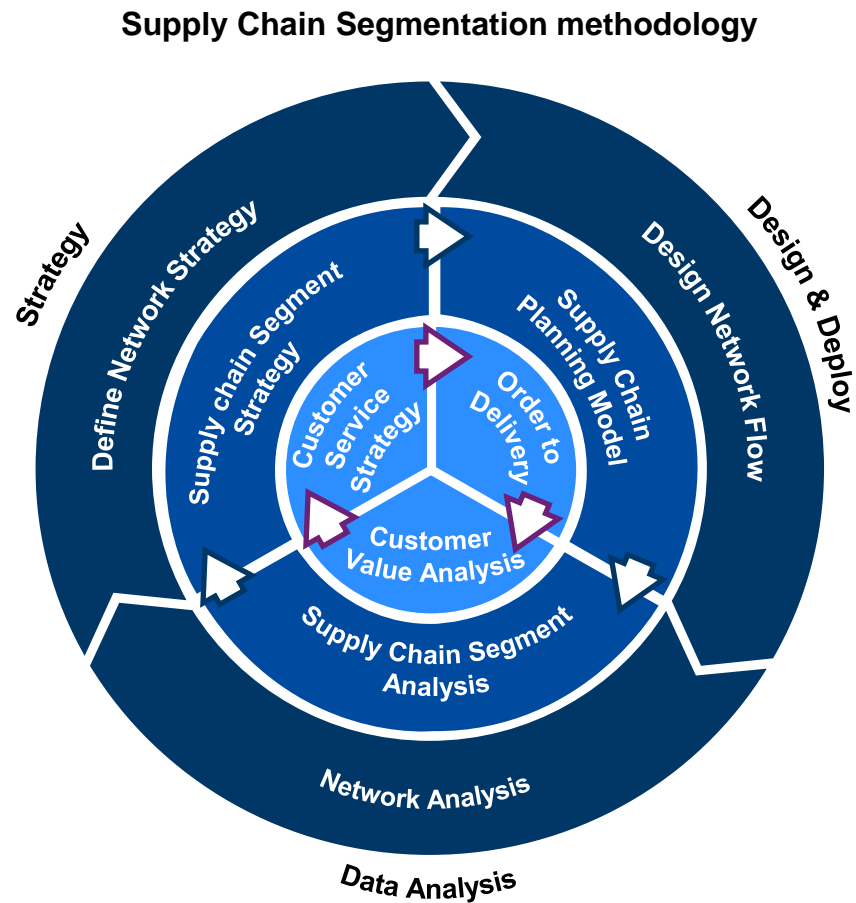
Increase sales by **5-10%**

COGM and COS reduction of **5-10%**




Reduction of freight costs by up to **30%**

Reduction of manufacturing costs by up to **30%**

We deploy an agile and staged methodology to Supply chain segmentation which is designed to deliver rapid results



Stage Objectives

-  **Stage 1: Customer Segmentation**
-  **Stage 2: Supply Chain Segmentation**
-  **Stage 3: Network Model Alignment**

Key features of methodology

Deep understanding of the customer




Data Driven & Digital Focused
(e.g. Cost to Serve dashboard)

Rapid path to value

Staged & Scalable approach

Supply Chain Segmentation strategy has been equally successful across various manufacturing supply chains and geographical scope

Selected Client* Examples

| |  Global Oil & Gas Major |  Global Pharmaceutical Company |  Heavy Equipment Distributor |
|-----------|---|---|---|
| Company | <ul style="list-style-type: none"> - Product: Lubricants - Geography: Country | <ul style="list-style-type: none"> - Products: Ophthalmic - Geography: APAC | <ul style="list-style-type: none"> - Products: Spare Parts - Geography: Country |
| Objective | To conduct SCS pilot in one of the market to showcase sustainable improvement in customer service and profitability to roll-out globally | To reduce logistics costs from US/EU plants to APAC markets by increasing regional distribution centre scope while maintaining/improving service levels | To improve supply chain model to meet various customer requirements and reduce inventory levels |
| Outcome | Defined 6 segments to addresses all customer requirements and an initiative roadmap with an estimated profitability improvement of 11-18% | Country-Brand level ABC segmentation to set target service levels; network optimization considering various RDC options to identify potential cost savings of US\$13.3m | Defined 3 customer segments and related supply chain model to free up US\$ 8.1m of inventory and US\$11.9 M of cost savings in first year itself |

2. Case Study

Global Oil & Gas Major (Lubricants)

Available upon request

Takeaways, Q&A

- 1 Supply chain segmentation helps design optimized value chains to meet distinct customer requirements
- 2 The key objective is to improve profitability and not to reduce costs – although cost reduction is a common outcome
- 3 Supply chain segmentation is equally successful across any manufacturing industry
- 4 Our approach is agile and staged that helps to address complexity, reduces iterations and delivers rapid outcomes
- 5 Key success factors are – customer centric approach, cross-functional involvement, data analysis and sustainable changes



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Our Values

Commitment, Responsibility, Team Spirit and Innovation

These are the values shared by all IAC's employees - Values at the heart of our vision of a consulting firm deeply committed to the competitiveness of its clients.

Our history started more than 30 years ago; we reaffirm the values that connect our employees by emphasizing commitment and responsibility. We believe in both the strength of the collective and the potential of each, that we engage individually and collectively for our clients and the firm.

We are a responsible company because each one of us acts as a responsible individual, being personally a custodian of our common culture.

