

Desires, Delivered: SAP Analyst Event

CIMdata Commentary

Key takeaways:

- *SAP has repositioned their digital supply chain offerings with new messaging and new capabilities.*
- *The SAP Intelligent Digital Supply Chain vision is much expanded since 2018, with more networks and initial integrations with Qualtrics.*
- *Their PLM offerings play a key role in “Design to Operate”, a core part of their Intelligent Digital Supply Chain vision, including support for the digital thread, digital twins, and the Industrial Internet of Things (IIoT).*

CIMdata had the pleasure of attending an SAP Digital Supply Chain Analyst event in Boston, MA on November 14. SAP’s supply chain leadership updated the analysts in attendance on new supply chain messaging, product roadmaps, and progress to date.

Customer First, the Digital Supply Chain

One of their key messages was an increased emphasis on customers and customer-centricity. To drive home the point, SAP put their customers first on the agenda. Mr. Peter Roberts, Global Vice President for Customer Success at SAP, led a customer panel with three SAP enterprise resource planning (ERP) customers. Mr. Pat O’Brien, Global Planning Director for IDEXX Laboratories, a Portland, ME-based provider of veterinary diagnostic equipment, implemented SAP in 1997 and support their global operations with a single SAP instance. Ms. Angela Olson, Global Solution Owner & Architect—Supply Chain Planning from Cargill described a more complex, dynamic environment. They have 4 instances of SAP ERP, with two on ECC, one on S/4HANA, and another moving to S/4HANA. Their ERP transformation, as she termed it, began in 2010. Finally, Mr. Xavier Duprat, Vice President, Supply Chain Planning & Fulfillment at Cascades, a Montreal-based packaging company, decided to switch to SAP seven years ago. The three were all customers of SAP’s Integrated Business Planning (IBP) solution.

Mr. O’Brien emphasized his need for a “frictionless” supply chain and ready integration with other enterprise applications. Mr. Duprat spoke of responsiveness and agility, words that are consistent with the friction metaphor. At the same time, Ms. Olson needs the solution to be simple and efficient, and focused on adding more value.

Mr. Roberts started the session mentioned that SAP’s customer success initiative, Customer First, really ramped up over the last two years, and the panelists have noticed the difference. They stated that SAP is more communicative, making for a better sense of partnership. While an SAP offering may only meet 80% of their requirements today, the sharing and collaboration on roadmaps calms any concerns they may have and helps them better advocate for their use of SAP. Another way SAP connects with customers is through their Customer Councils, a tactic common for enterprise software providers. Meeting twice a year in person helps build relationships with SAP leaders and partners, and provides networking with peers. Ms. Olson said this was a highlight of the year and her chance to see and influence the roadmap. While everyone always talks about networking, Ms. Olson is now seeing it happen. It is easier to reach out to peers and they often band together to advocate for common needs with SAP. CIMdata believes this interaction is essential and have noted in other CIMdata commentaries on SAP how they leverage their customers to enhance their efforts. It is good to see another strong example and hearing customers really getting benefits.

All of the panelists clearly want to move quickly and maximize value. Mr. Roberts asked the group how they got IT and business experts to move fast enough and how they organize to best leverage the SAP toolset. Their responses showed a range of approaches. Cascades has a local team and uses a system integrator (SI) for support, a costly challenge for their adoption of IBP. Cargill uses managed services for Level 1 and Level 2 support for all SAP solutions, while maintaining architecture and service ownership in-house. IDEXX is centralized and does not use external services for implementation or support.

SAP also updated the analysts on new messaging around digital supply chain. Ms. Dorit Shackleton, Global Vice President and Head of Marketing and Communications, SAP Digital Supply Chain, said that SAP wanted to create a bigger vision and story line that had a number of characteristics:

- Be inspirational
- Include experience management (Qualtrics) and intelligent enterprise
- Bring customers with us—get away from buzzwords
- Humanize
- Focused on “why SAP”
- Inclusive

The result: “Desires, Delivered in the Experience Economy.” SAP thinks this helps them lead with their strengths and bakes them in to their messages vs. focusing on them. They explicitly chose the word desire, claimed Ms. Shackleton, because it creates a strong, visceral reaction that often refers to our hearts wishes. It is a bold word with many angles and, in the end, is directly connected to the reason a supply chain exists. This new message is a departure for SAP. The experience economy is a buzzword (or phrase) but the notion of experience permeates so many areas—user experience (UX), customer experience (CX)—that it even got its own letter (X). It can work because it affects most SAP customers. It can be difficult at first because the message is a bit indirect, i.e., SAP customers rely on SAP solutions to satisfy the desires of THEIR customers. With the right customer examples and case studies it should drive home just how SAP is helping their customers delight theirs. According to Ms. Shackleton, it is about more than just customers desires. SAP also has to empower employees with the right information at all times. Given SAP’s UX track record CIMdata thinks putting these stakeholders at the forefront is important. SAP can also help satisfy a company’s shareholders because it can help identify and support new opportunities and business models. Finally, SAP and their customers need to do the right thing by the environment and help safeguard the planet. CIMdata’s assumption is that this is more about empowering their customers to do better more than SAP’s corporate social responsibility. (There is more detail on how they might support these requirements later in this commentary.) Ms. Shackleton claimed that only the SAP Digital Supply Chain has the complete intelligent enterprise vision, and the integrated portfolio, to deliver all of these desires in the experience economy. Again, bold messaging from SAP that will need strong customer references to support.

Mr. Hans Thalbauer, SAP Senior Vice President of Digital Supply Chain, made this new message more concrete. He described four aspects of desires delivered. Customer centricity is essential to closing the experience gap, and this extends across the customer lifecycle from design to order to product to delivery to service. Qualtrics, a leader in experience management, was recently acquired by SAP and they are working to integrate these capabilities with their digital supply chain offering.

Companies need more visibility into their supply chain, provided, in part, by SAP's work in business networks. SAP started their networks journey with their acquisition of Ariba in 2012. They also now offer the SAP Asset Intelligence Network, a secure cloud-based information exchange for equipment manufacturers, operators, and maintenance providers in asset-intensive industries. The SAP Logistics Business Network connects business partners for inter-company collaboration. Freight collaboration supports shippers and their carriers to jointly manage freight orders and appointments, exchange documents, as well as share insights across the value chain. In 2018, SAP launched the SAP Design & Manufacturing Network to connect services like 3D printing, original equipment manufacturing, and technical certifications. During the afternoon session, Ms. Paige Cox, recently named SVP and Head of Digital Supply Chain Business Networks, described her new mission to harmonize all of these networks into one digital supply chain network. This is important because value networks are at the core of the Industry 4.0 vision, a vision developed by many leading German firms, including SAP, and now embraced worldwide.

Productivity is also important, Mr. Thalbauer stated, with a particular focus on Industry 4.0. This goes beyond the supply chain, focusing on intelligent assets, manufacturing, and logistics. SAP's customers must address the broader trends toward smart, connected products and the application of Industrial Internet of Things (IIoT) and SAP offers solutions designed to address these needs. Mr. Thalbauer said SAP wants to simplify adoption, making it much easier to connect machines and to stand up data lakes for managing the cascades of IIoT data. The intelligence will come from SAP's traditional business intelligence (BI) strength, complemented by artificial intelligence and machine learning (AI/ML) from the SAP Leonardo portfolio.

Finally, sustainability and participation in the Circular Economy are key. SAP solutions are designed to help their customers meet their environmental obligations, like reducing carbon emissions, recycling, reducing energy consumption, and ethical sourcing. CIMdata has supported the concept of the Circular Economy, and changed our PLM definition from "end of life" to "through life" in response to this trend. This is a win-win for SAP and their customers if SAP can deliver and, given the dominance of SAP in large industrial companies, for all the rest of us as well.

How does PLM fit into all of this? There was new messaging there too: Design to Operate. That lifecycle spans Design, Plan(ning), Manufacture, Deliver, and Operate. This is consistent with their intelligent product design messaging that also spans the lifecycle from requirements through life. Support for the digital thread and a network of digital twins is still part of the vision. In the afternoon, Mr. Franz Hero, Head of Development for SAP Digital Supply Chain, added Networks to that lifecycle to get the Intelligent Digital Supply Chain. Mr. Hero showed high-level roadmaps for each lifecycle step, to be delivered on both S/4HANA on-premise and the SAP cloud. They also rely on partners to deliver needed capabilities, such as working with Microsoft Azure on the Digital Manufacturing Cloud, which includes support for edge computing in support of IIoT. As mentioned earlier, Ms. Cox is tasked to lead the Digital Supply Chain Networks unit. Her top priority is to create a consolidated network strategy and a 3-year roadmap for execution. The goal is one consolidated platform with standard on-boarding, one collaboration portal, and other standard capabilities. This is crucial because for networks to take over for traditional supply chain management (SCM) it needs to be easy to make and break value chain relationships. You can't make a relationship without that on-boarding and other information about potential value chain partners.

In conclusion, this one-day analyst event was packed full of new information, including time with customers which is new for SAP, and consistent with their Customer First message. This was well received by all in attendance. During the customer panel, one customer echoed a

sentiment that CIMdata uses with its clients. Things have gone from “why SAP?” to “why not SAP?” While they were talking about other enterprise applications it applies to PLM as well. If a customer has SAP for ERP we generally counsel them to consider SAP for PLM use cases. In some cases, it has been a hard sell due to issues like usability and gaps in engineering lifecycle coverage. Over the last decade SAP has made great strides in filling many of those gaps at a development pace much quicker than in the previous decade. For many it has become more of “why not SAP,” partly because of the value of integration across the lifecycle. SAP is hoping that their integrated solution truly enables “Desires, Delivered.”

About CIMdata

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