



SHOWCASE

Aankhen Inc.

Supply Chain 2.0 Shouldbe Cost Management

Procurement organizations take pride in their ability to deliver a competitive advantage to their supply chains. How does an organization recognized as being among the best-of-the-best get even better? It leverages next-generation supply chain thought leadership, process automation/elimination and forward-looking visibility solutions. Globalization and demand-driven supply network models are driving the creation of the next generation Supply Chain 2.0. Advanced Internet and Web-based technologies are enabling a new era in supply chain management. Supply Chain 2.0 is the virtualization of global supply chains with in-context visibility to one truth across the enterprise. Next-generation global supply chains are based on physical, financial and information supply chains being in sync 24/7.

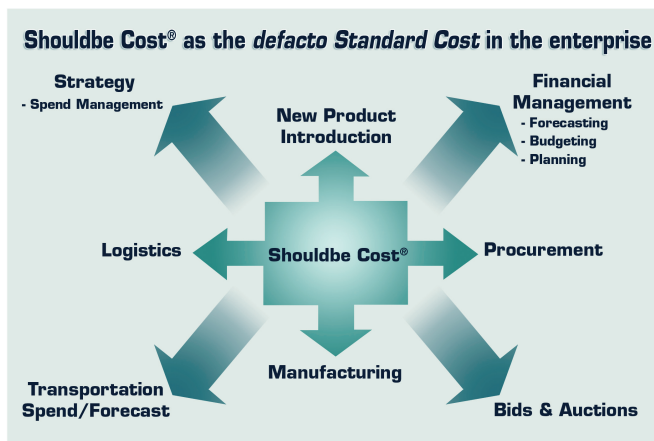
Driven by new opportunities from globalization, organizations are being challenged by mandates to further reduce total cost of goods to remain competitive. Industry leaders such as Dell, HP and IBM have leveraged their buying power to an extent that significant savings are no longer possible without going offshore. IBM moved its Procurement headquarters to China in 2006. Dell and HP were early pioneers in leveraging low-cost country sourcing with distinct supply chain models. What will differentiate their supply chains in the future? The relentless pursuit of total cost reduction necessitates challenging traditional thinking in supply chain management. Aankhen has been addressing these challenges with its innovative

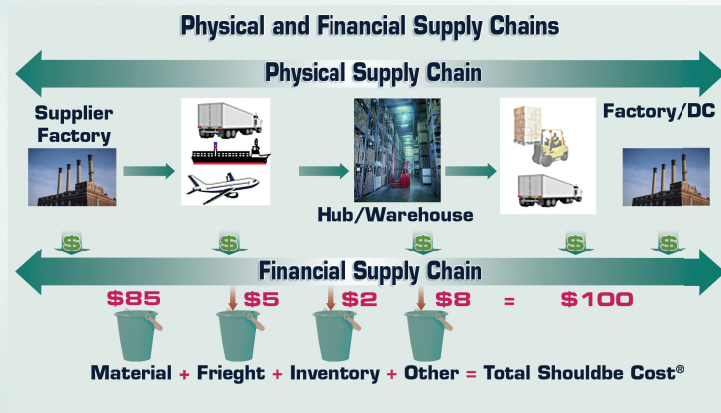
and unique “Shouldbe Cost”-based approach to proactive decision making in Supply Chain 2.0 management.

“Shouldbe Cost”-based Management of Supply Chains

Cost of goods in manufacturing organizations account for 80 percent of revenues. In global procurement, supply chain strategies such as outsourcing to electronics manufacturing services (EMS), third-party logistics (3PL), service providers and low-touch business models have been very successful in the financial management of cost on the balance sheet. Regardless of who manages the supply chain and independent of the supply chain model, costs are incurred to move material from suppliers to factories and ultimately to the consumer. In high-velocity global supply chains there are several logistics, freight, storage, regulatory, financial, warranty and other costs incurred globally by or on behalf of the organization. These costs have traditionally been hidden or buried in the total cost of procurement with little or no visibility at a component level. In global procurement, these buried or embedded costs are estimated at 15 to 20 percent of direct material spend. Visibility to *total shouldbe cost* is key to making a wise decision to locate or source in China or Mexico. Cost negotiations and estimates are managed by various personnel across an enterprise in different functional organizations in different geographic locations and International Procurement Offices (IPO) with limited or no cross-functional visibility before they make decisions. Increased reliance on global sourcing, off-shore manufacturing and rising “embedded costs” put any competitive advantage at risk, unless these costs are managed proactively. Aankhen’s “Shouldbe cost” replaces disparate standard cost estimates used across an enterprise with accurate, fact-based costs computed in context of the business function in real-time.

Visibility and in-context access to the shouldbe cost computed by Aankhen eliminates post-mortem analytics, enabling decision makers to proactively realize the identified savings rapidly. Logistics, finance and supply chain personnel across the global enterprise can tee up savings opportunities





continuously for Commodity Managers to negotiate the best total cost and realize savings immediately. The automation of “Shouldbe Cost®” computation reduces negotiation cycle times and the complexity of cost computations while ensuring consistency, accuracy and integrity of the negotiations.

Changing the focus and effort in global spend management from analyzing *what was the spend* to managing fact-based *shouldbe spend* proactively, is a shift in thinking that Aankhen delivers with proven hard savings to back it up.

An Example of Logistics Cost Savings in Global Procurement

Management of logistics costs in global procurement of direct materials is a complex and disjointed process. Aankhen’s IRIS Shouldbe Cost® software simplifies and automates the process, enabling Logistics Analysts to proactively create or tee up savings opportunities in freight and inventory costs. For example, one of the sources of savings in freight costs is from the optimization of packaging by mode of transport (Air, Ocean, Ground) from the supplier manufacturing locations to manufacturing sites worldwide. Logistics Analysts drive cost reductions by optimizing packaging by container type with mode of transport mix for each logistics lane in collaboration with suppliers and carriers in the network. Computation of shouldbe freight cost in the context of a negotiation allows Commodity Managers to negotiate fact-based total costs, including embedded logistics freight costs. A consistent, repeatable, standardized common process for computing freight costs at the pricing lane level replaces error-prone manual efforts and administration required to keep up with new parts and rapid negotiation cycles.

Best Practices from Aankhen, Inc.

After the dot-com bust, several organizations embarked on global transformation of their procurement processes and supply chains. Most of them realized quick savings in material costs from global sourcing, outsourcing logistics and manufacturing. However, continuing to achieve savings is more difficult and

requires systemic changes. Total cost management has been a strategic initiative in many organizations, but very few organizations have been able to execute a strategy to realize sustainable savings as rapidly as Dell. Aankhen can deliver best practices that leverage innovative people, process and technology to gain similar competitive advantage to any manufacturing organization.

People: Aankhen’s IRIS Shouldbe Cost® solution enables every person, from executive to operations personnel responsible for cost items across the global supply chain network, to contribute continuously to cost savings. Operations personnel include Business Analysts, Logistics Analysts, Financial Analysts, Transportation Managers, Warehouse Managers, and Systems Administrators who are responsible for the maintenance, determination or negotiation of rates, fees, duties and charges. Cross-functional integration of people across globally distributed organizations, including suppliers, is accomplished seamlessly by IRIS software.

Process: Re-engineering business processes and establishing common processes globally can be a very expensive undertaking. Organizations can eliminate and reduce the investments in process redesign and re-engineering to realize savings faster with Aankhen’s proven processes that can be adapted to meet business needs. Aankhen’s breakthrough innovation enables elimination of non-value-add processes, driving out inefficiencies in supply chain cost management and reducing financial risk without a lengthy learning curve. Seamless process integration of logistics with procurement enables savings realization by Commodity Managers negotiating prices at a component level identified by Logistics Analysts.

Technology: Smart use of technology does make a difference. Innovative visualization and automation of “Shouldbe Cost®” computation and built-in intelligence reduces complexity, increases productivity and delivers an easy-to-use application with minimal training for rapid global deployment. Aankhen’s Web-based technology enables low cost of global deployment and maintenance. 🎯

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