

RosettaNet Virtual Summit

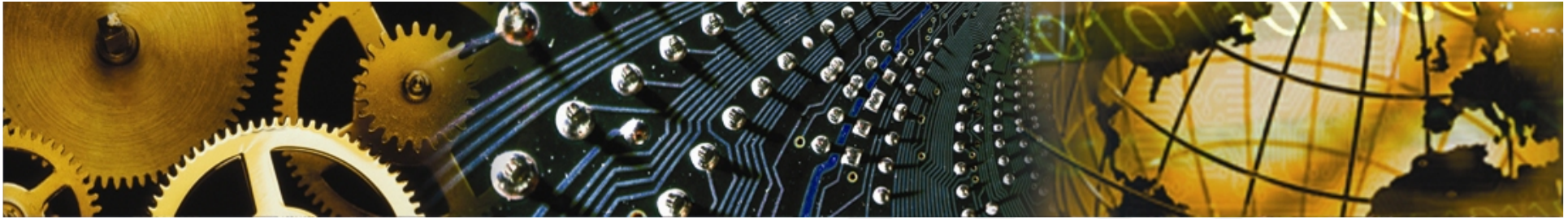
14 April 2009

led by Clem Erhardt
President, RosettaNet



Agenda

- Welcome
- Cash from the supply chain: the C2C of B2B
- 2008 Recap
- 2009 Look forward
 - Affiliates and user groups: updates
 - Emerging programs
 - Reinforcing activities
 - Upcoming events
- Questions and answers



Welcome



Welcome

- Why another Virtual Summit?
- Making the most of the sessions
- Opportunities to speak out
- Post Summit



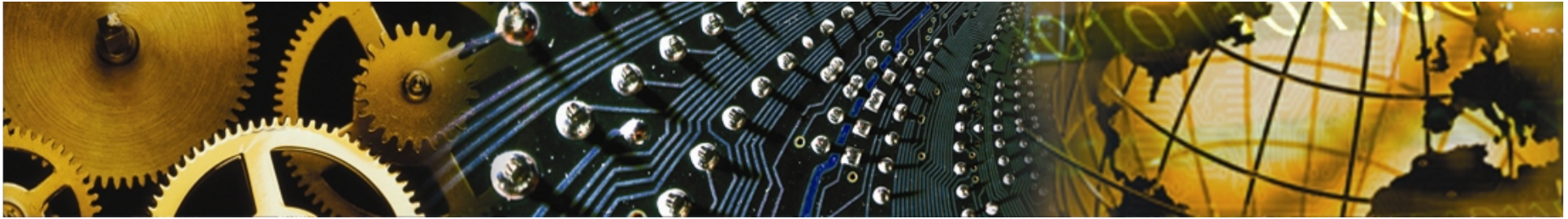
RosettaNet virtual meetings

More flexible scheduling

APRIL 2009

13	14 Virtual Summit 1300 GMT	15 Virtual Summit 0100 GMT <hr/> Consolidated Council 1400 GMT	16	17
20	21 Champions Q2 Web Broadcast 1400 GMT	22	23 Champions Q2 Web Broadcast 0200 GMT <hr/> Solution Provider Forum 1700 GMT	24 BARD 1530 GMT

Times referenced to GMT



Cash from the supply chain: the C2C of B2B

An overview of the Cash-to-Cash (C2C) cycle
and how to use it to evaluate your supply chain



Thinking beyond cost: think also cash

„During an economic downturn, cash is king.“

Toddi Gutner, Wall Street Journal, 23 March 2009

The supply chain affects not only the cost of running a business, but also the company's cash balances

Cash in the bank helps when business slows down

Companies with cash in the bank can continue to:

- run operations
- invest in R&D
- pay employees

Cash in the bank earns interest or can be invested

The Cash-to-Cash cycle is a useful tool that links the supply chain to company financials, especially cash



Is the cash in the bank?

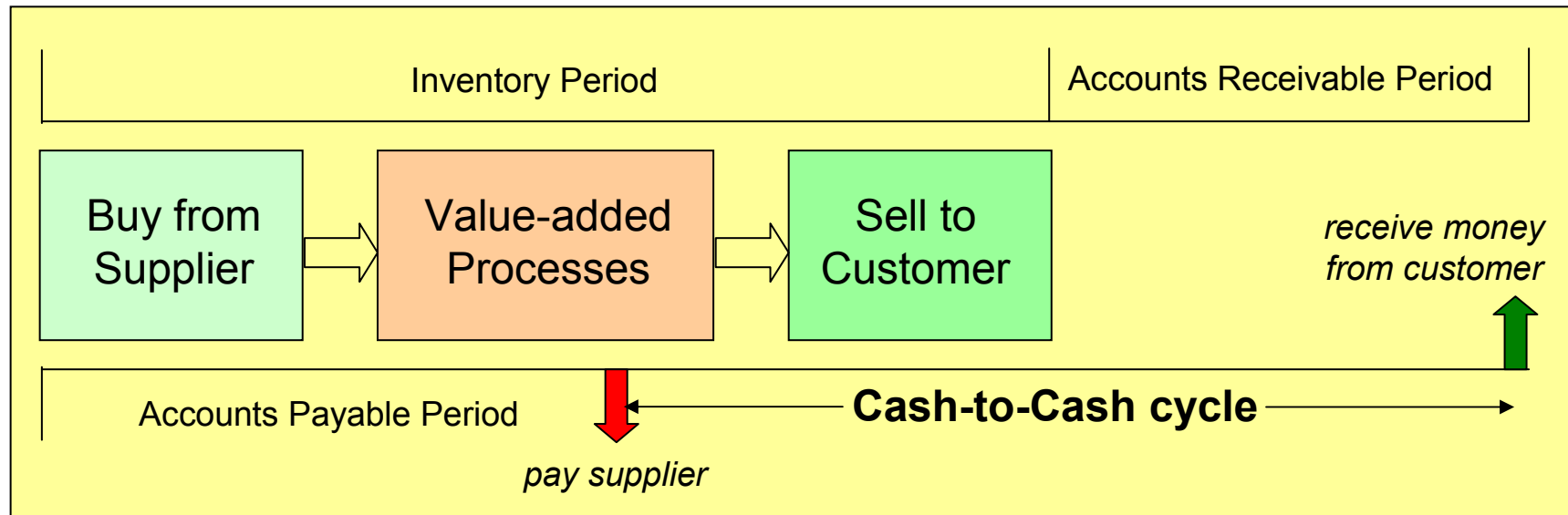
Simplified view of inventories, receivables, payables

- You convert cash into **Inventories**
- **Accounts payable** means cash comes out of the bank
- **Accounts receivable** means cash has not yet been received
- Inventories, accounts payable, and accounts receivable are reflected on the **Balance Sheet**
 - many managers make the mistake of watching only the **Profit and Loss statement (P&L)**
- The **cash-to-cash cycle** encompasses inventories, receivables, and payables – it is a useful overall measure for managing supply chains



Cash-to-cash (C2C) cycle

What it is



The Cash-to-Cash (C2C) cycle is the number of days between paying suppliers for inventories purchased to the time when the customer pays for sales.

- Generally, shortening C2C is better (you want your cash in *your* pocket, not the pockets of your suppliers or your customers)
- Typical C2C differs by industry – you have to measure your C2C against a benchmark
- C2C can also be negative – you get paid from customers before you pay your suppliers
- C2C is also known as the Cash Conversion Cycle (CCC)



Calculating the cash-to-cash cycle

$$\text{C2C} = \text{Inventories(days)} + \text{Accts Receivable(days)} - \text{Accts Payable(days)}$$

$$\begin{aligned} \text{Inventories(days)} &= \frac{\text{Inventories}}{\text{Cost of Goods Sold (COGS)}} \times 365 \\ \text{where: Accts Receivable(days)} &= \frac{\text{Accounts Receivable}}{\text{Sales}} \times 365 \\ \text{Accts Payable(days)} &= \frac{\text{Accounts Payable}}{\text{Cost of Goods Sold (COGS)}} \times 365 \end{aligned}$$

- Data is easy to get from company financial statements:
 - Sales: Profit and Loss statement (P&L)
 - Cost of Goods Sold (COGS): Profit and Loss statement (P&L)
 - Inventories: Balance Sheet
 - Accounts Receivable (AR): Balance Sheet
 - Accounts Payable (AP): Balance Sheet
- Public companies publish their financials on the internet. You can easily compare companies.



Calculating the cash-to-cash cycle

Example calculation – it's simple

Example of Company A that has the following financial figures (in millions):

Sales =	50
Cost of Goods Sold =	30
Inventories =	10
Accounts Receivable =	2
Accounts Payable =	5

$$\text{Inventories(days)} = \frac{\text{Inventories}}{\text{Cost of Goods Sold (COGS)}} \times 365 = \frac{10}{30} \times 365 = 121.7(\text{days})$$

$$\text{Accts Receivable(days)} = \frac{\text{Accounts Receivable}}{\text{Sales}} \times 365 = \frac{2}{50} \times 365 = 14.6(\text{days})$$

$$\text{Accts Payable(days)} = \frac{\text{Accounts Payable}}{\text{Cost of Goods Sold (COGS)}} \times 365 = \frac{5}{30} \times 365 = 60.8(\text{days})$$

$$\text{C2C} = \text{Inventories(days)} + \text{Accts Receivable(days)} - \text{Accts Payable(days)}$$

$$75.5 = 121.7 + 14.6 - 60.8$$



Analyzing the cash-to-cash cycle

Example, comparing to a benchmark and a competitor

	C2C = Inventories(days)		+	Accts Receivable(days)		-	Accts Payable(days)			
Company A	75.5	=		121.7	+		14.6	-		60.8
Benchmark	70	=		110	+		10	-		50
Company B	60	=		100	+		10	-		60

Kinds of questions that a supply chain manager could ask:

- Can Company A shorten its inventory cycle to at least be average, if not closer to best in breed?
 - Does Company A need to improve its forecasting (collaborative planning)?
 - Should Company A use just in time delivery of raw materials?
- Why are the Accounts Receivables of Company A longer than the average?
 - Do customers hold payments due to inaccurate invoices?
 - Are shipments incomplete or inaccurate?
- Can Company A lengthen its payment cycle, even though it is on par with Company B and better (longer) than the industry benchmark?



Analyzing the cash-to-cash cycle

Guidelines

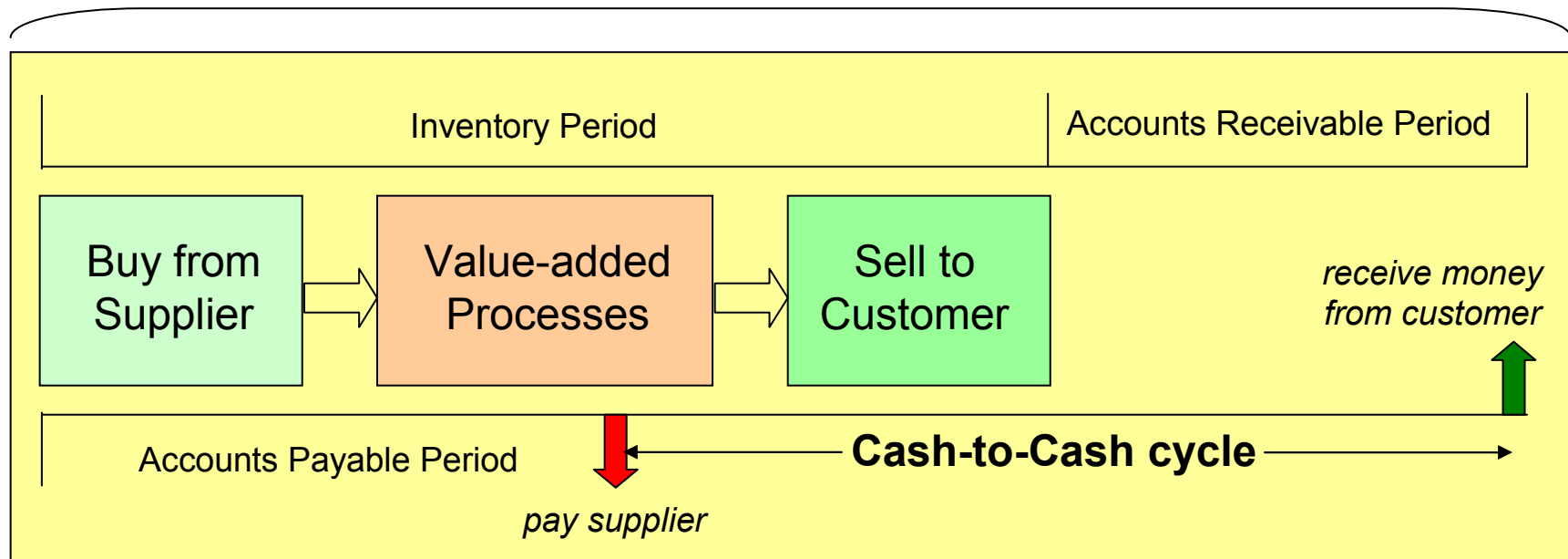
- For your company, compare C2C of a few years to see trends
- Compare your company with C2C figures of your industry
 - take the median of the figures for several companies as a benchmark
 - compare also with individual companies
- Have your financial colleagues explain how the reported financial numbers might be slightly distorted, e.g.,
 - by extraordinary events
 - because the financial statements are consolidated from several divisions
- Using internal figures you might be able to calculate more granular C2C, for instance for specific product lines
- **Optimizing** your C2C should be a collaborative effort between partners
 - Seek win-win balance between your C2C cycle and those of your partners
 - lengthening your payment cycle could hurt your suppliers
 - shortening your receivables cycle (improves your C2C) and worsens the C2C of your customer
 - a customer might want you to hold inventory (a form of VMI); you should seek tit-for-tat such as quicker payment from the customer



Existing RosettaNet processes

Tools to improve C2C along entire business cycle

RosettaNet standards, including among others, collaborative forecasting, order-to-cash, and the payment program can help shorten the cash-to-cash cycle



Understanding your cash-to-cash cycle can help you to:

- identify opportunities to improve the cash-to-cash cycle
- best way to take advantage of RosettaNet processes that could improve C2C
- provide arguments for further RosettaNet implementations



Cash-to-cash cycle

Summary

- Cash-to-cash is the time between paying suppliers for inventories and receiving payment from customers
 - shorter C2C is generally better
 - optimizing C2C may require collaboration with your partners
 - correlation: companies with better C2C often are more profitable
- Cash-to-cash is easy to calculate
- Understanding your C2C
 - may reveal common ground for negotiation with partners
- Cash-to-cash is a powerful tool
 - relates overall supply chain to company financials
 - gives you a meaningful way to communicate with business owners
 - adds more financial arguments, beyond „cost reductions“ and „efficiency“
- RosettaNet processes provide comprehensive tools to improve C2C
 - wealth of processes developed and used by the community



Cash-to-cash: discussion questions

Inventories get out of control

Firms Race to Regain Control Over Inventories

„The economic downturn is hitting companies so hard and fast that even those that have made huge strides implementing inventory-control systems haven't been able to react quickly enough to avoid a costly buildup.“

WSJ.com (Wall Street Journal online) February 9, 2009

- What happens to C2C when orders and sales drop while inventory levels increase?
- Is the implementation of collaborative forecasting good enough?
- Can inventory cycles be shortened to reduce the effects of an adverse market?



Cash-to-cash: discussion questions

Orders down, inventories up

Percentage change 2007 to 2008

ITEM	ORDERS	INVENTORIES
Computers and electronic products	-1.7	6.5
Computers and related products	-8.7	4.6
Communications equipment	-0.8	10.8
Total (all covered categories)	-5.7	7.0

source: US Dept. of Commerce, January 29, 2009

Inventories in general were increasing over 17 months of 18 to the end of 2008!

- Why did it take so long for companies to react to the change in demand?
- What is the effect on C2C?



Cash-to-cash: discussion questions

Using a real example as a springboard for discussion



©2009 BMW, from BMW website

The BMW Z4 is a roadster car. For 2009 BMW was introducing it with a new convertible hardtop roof. Edscha is the supplier of the convertible roof.

Everything was going smoothly, but just before introduction of the Z4, the company Edscha filed for bankruptcy (Feb 2009).

It was not feasible for BMW to switch to a second source – it would have taken many months to bring a new supplier online. In the end several Edscha clients, along with BMW, pitched in to help Edscha keep its doors open. But, BMW remains worried.

Proposition: Suppose you wanted to prevent such a devastating problem. What could you do?

- Would collaborative forecasting with suppliers, with visibility to the suppliers of suppliers, help detect an upstream supply chain problem sooner?
- If the C2C for the product line is known, could you estimate the financial impact if production were halted for six months due to the failure of a supplier?
- By knowing the adverse financial impact, could you build a case to implement collaborative forecasting with your suppliers?



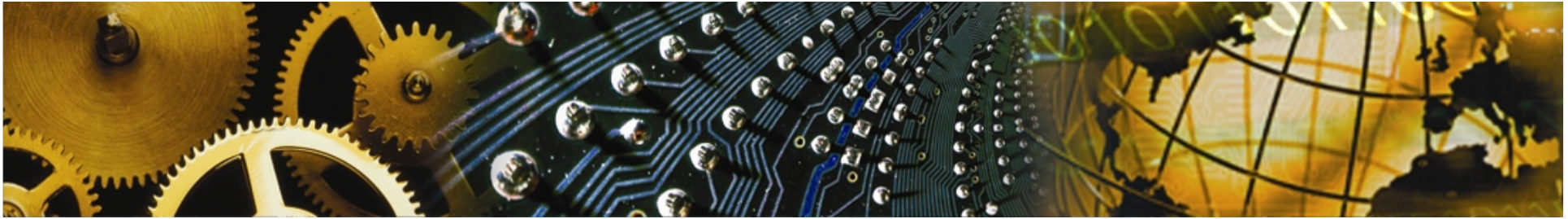
The cash-to-cash cycle

What can you do to free up cash for your company?

- Understand your cash-to-cash cycle
- Draw conclusions and make new proposals to your business owners
- Optimize your Cash-to-Cash cycle by working collaboratively with your partners
 - think about existing RosettaNet processes that you can take advantage of
- Track cash-to-cash to show the financial benefits, a benefit in addition to ROI
- Leverage your community of RosettaNet members – for information, for collaboration, for ideas to improve your cash-to-cash cycle
- Remember, the standard is about trade processes
 - the XML is simply a supportive tool



Open discussion about the Cash-to-Cash cycle



2008 Recap



Where we are

- Key policy and support changes in 2008
 - Standards once again free and open – and will continue to be so
 - Deferred integration with GS1 Global Office
 - Stepped up communications and marketing
 - press releases, community emails and updates, champions updates, website content
 - Improved help desk support
 - Quarterly summary of PIP changes for Affiliates
- Further policy improvements done in 2008
 - DTD maintenance ongoing
 - Unlimited website access for members, login restrictions lifted
 - Enrichment of membership benefits including restoration of associate membership level
 - allows academia and .org's to be involved in community activities



Where we are

- Community highlights -- 2008
 - Completed programs
 - Engineering Information Management (EIM): foundational / milestone
 - Multiple Messaging Services (MMS): foundational
 - Electronic Certificate of Analysis (eCofA): milestone
 - Training in Korea, Singapore, China, Arizona
 - Roadmap resulted in prioritized list of community requirements
 - Executive visits to identify supply chain challenges
- Going forward – highlights
 - Creating forum for Solution Providers
 - Collaborative efforts with other organizations
 - e-Business process scenario library
 - Consolidated council



Where we are

Implementation statistics – History

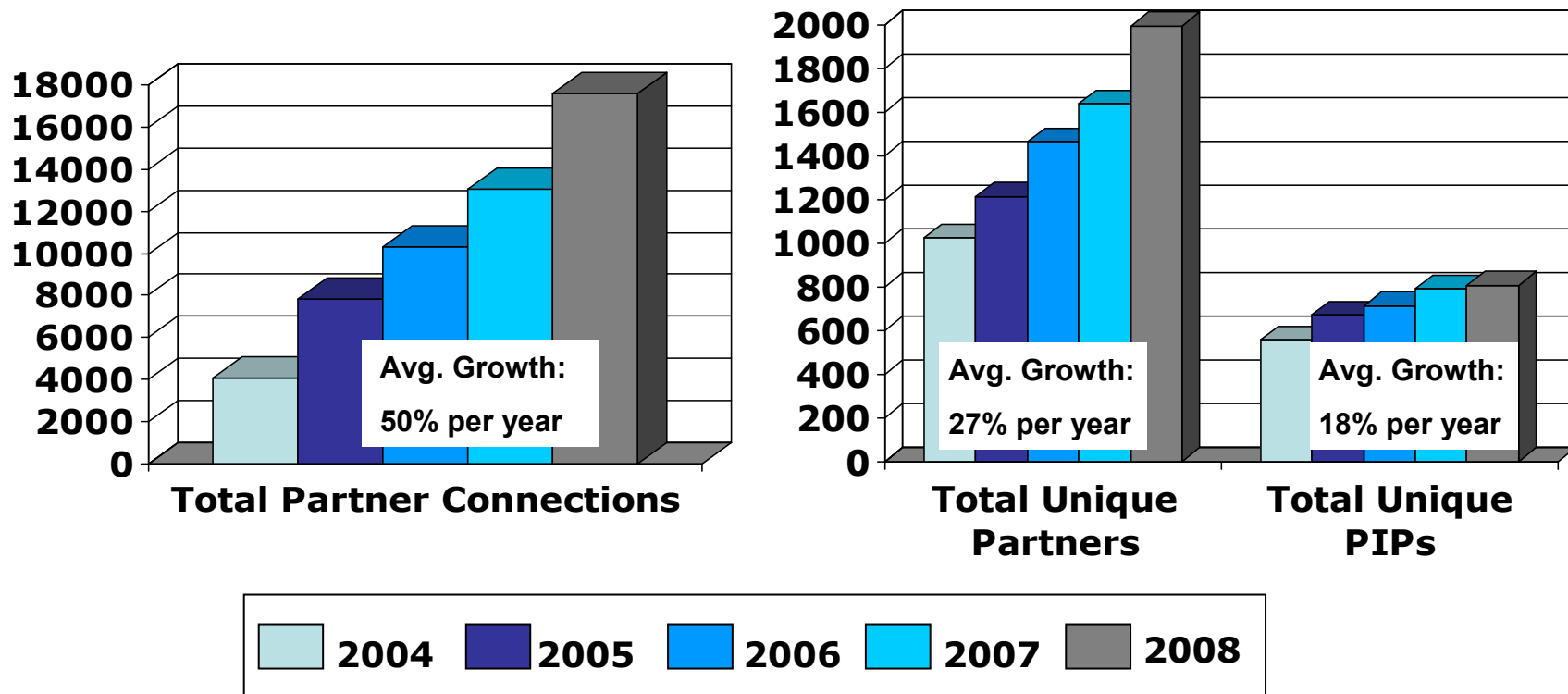
- Initiated in February 2001
 - By 56 Council members companies
 - To track implementations from the original 2.2.2000 and 10.10.2000 milestones
- Maintained through 2008
 - Participants now include all interested RosettaNet partners and non-member implementers
 - The current collection of data through December 2008 marks the eighth year
 - Average response group 50 – 70 companies annually
 - Data only represents information reported, so of course does not show totals for all implementations worldwide



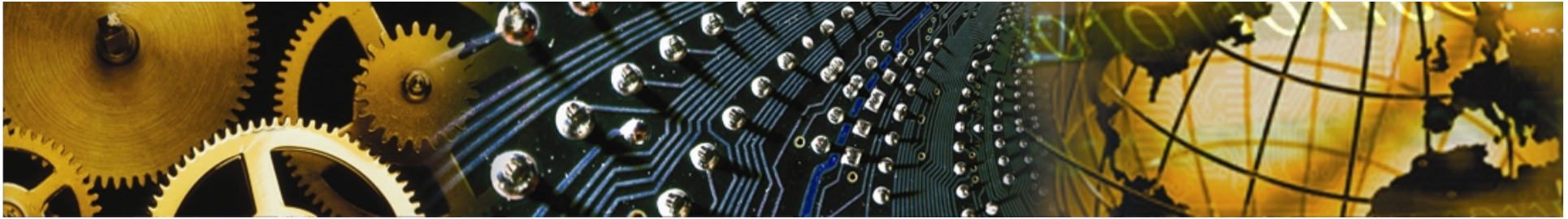
Where we are

Production implementations of RosettaNet standards

RosettaNet growth based on Reporting Implementers Inputs



*Source: Council, GP and non-members Scorecards
December-2008*



2009 Look forward



We want to help you be successful

- Collaborative efforts (organization to organization)
 - Illustrate how the RosettaNet standard supports comprehensive **e-business process scenarios**
 - Develop a simple way for working groups to bring forward their ideas about improving the standard
 - Build relationships with industry organizations that the community feels would be relevant for their work



Affiliates and user groups

Updates

- Asia-Pacific
- Europe (EDIFICE)
- Americas (BARD)



Affiliates

Asia

General

- Continual implementation of RosettaNet programs despite the challenging economic climate
- Continued support from various Government agencies to implement the RosettaNet Standard in the form of a grant
- Scope for manufacturing, manufacturing related services as well as companies in logistics sectors

Malaysia

- Government Matching grant to support RosettaNet implementation on both **Direct** and **Application Service Providers (ASP)** Model
- On-going grant program since 2003

Taiwan

- Innovative Technology Application & Service Program & ICT Application Program for Medium & Large companies.
- Real-time consulting program for Small and Medium Enterprises.



Affiliates

Asia

Japan

- 17 companies (6 Buyers and 11 Suppliers) participated in Registry and Repository (R&R) Proof of Concept (POC) project initiated by RosettaNet Japan in March 09
- First Phase of R&R project covers electronic and semiconductor components with more than 15,000 transactions tested
- POC report due in end April 09
- Opportunity to extend R&R scope to cover consumer and retail products



Affiliates

Asia

Singapore

- RosettaNet Singapore, in collaboration with industry and government piloted a eCustoms declaration project using PIP3B18.
- Benefits achieved
 - 50% saving from manual process
 - Eliminate data entry errors
 - Improved shipment and order lead time
- A TradeXchange Call for Collaboration initiated on 7 April 09 by the government for industry projects leading to supply chain IT systems integration using open standards that include RosettaNet
- Companies are to submit project proposals by 15 June 2009



The European B2B Forum for the Electronics Industry

107th Plenary

- Theme: „Simplifying Business Network Enablement“
- 4-5 February 2009, Walldorf Germany
- Hosts: SAP, Crossgate
- New members: Crossgate, Pipechain, Telcordia
- Activity Updates
 - AsiaB2B, B2B forum for Asia Pacific with support of EDIFICE
 - www.asiab2b.org (released Feb. 2009)
 - ODETTE (automotive): collaboration agreement signed. Projected joint projects in Collaborative Forecasting and Automatic Data Capture/RFID
 - OAGi: collaboration agreement signed

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Task Groups

ADC: Automatic Data Capture

- Update of ADC deliverables for latest of international standards
- New focus on RFID in collaboration with ODETTE

BILL: eInvoicing

- Report on latest CEN/ISSS activities regarding eInvoicing in Europe
- „Good Practice Guideline“ published, available for review

DCM: Distribution Channel Management

- Discussion of Fairchild's DCM application that deals with Global Distribution Supply Chain Optimization (GDSCO)
- Collaborating with RosettaNet on updates to Request for Quote and Ship from Stock PIPS to permit supplier initiated sequences

FIM: Forecasting and Inventory management

- Guidelines for collaborative performance management
- Project with ODETTE regarding collaborative forecasting



The European B2B Forum for the Electronics Industry

Next Plenary

- Theme: "Re-defining B2B Communities through simplified and efficient operations „
- 3-4 June 2009, London, United Kingdom
- Hosts: Inovis and IBM
- Theme presentations also via webcast
- Kick-off B2B Technology Task Group

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BARD

- Next meeting:
 - Host: Oracle
 - Date: Friday, 24 April 2009
 - Place: Redwood City, California
 - Virtual access also planned
- To become a member contact either:
 - Jeff Hutchins: jeffrey.hutchins@oracle.com
 - Chuck Caveney: ccaveney@cisco.com



Emerging programs and initiatives

- Reverse Logistics
- High tech to retailer connection
- e-Business Process Scenarios
- Digital Certificate Exchange
- UN/CEFACT
- Digital certificate renewal mechanism



Emerging programs

Reverse Logistics

Business problem to be solved

- Communication of information that describes the cause of the reverse operation for products to be returned
 - Return processes are applicable in the upstream supply chain with regard to returns of components, assets, and even raw materials
- For High-tech finished goods:
 - Products are shipped in mass quantities to distributors who subsequently sell to end-users
 - Incidents of returns arise as exceptions that need to be handled -- from the distributor, from the end-user, or possibly from a repair center who has received a return from an end-user – to the manufacturer



Emerging programs

Reverse Logistics: immediate roadmap

- Community manager assigned to work with key program proponent
- Community Awareness materials being finalized
- Several companies contacted, RL responsables ahead of Community Awareness broadcast
- Dialog underway with Reverse Logistics Association

Interested? Contact Harris Diamand (harris.diamand@rosettanet.org)



Emerging programs

High tech to retailer connection

- Some consumer electronics companies looking at ways to collaborate with downstream partners (direct and indirect channels)
- Initial focus concerning collaborative forecasting topics
 - e.g., increasing visibility of demand, including the customer of the customer

Please indicate if extending the supply chain focus in this direction is of immediate interest for your company



Emerging initiatives

e-Business Process Scenario Library

- Create library of e-Business Process Scenarios
- Bootstrap with Order to Cash and Collaborative Forecast scenarios
- Design platform to share e-Business Process Scenarios and leverage community implementation experience
- Allow community to contribute and collaborate



Emerging initiatives

Digital Certificate Exchange

- Create PIPs that allow automation of digital certificate exchange
- Allow for two scenarios
 - Notification of a new certificate
 - Query / Response of a new certificate
- PIPs are located in Cluster 0: RosettaNet Support
- Key benefits of this new process will be:
 - Eliminate manual processing of digital certificates for both partners removing the opportunity for inaccurate data entry.
 - Ensure uninterrupted usability of a B2B connection
 - Automate the administration of digital certificates thereby reducing the overall cost
- Call for participation



Emerging initiatives

UN/CEFACT TBG: status

RosettaNet Core Component submission

- Phase 1 accomplished: All RosettaNet Domain Structures have corresponding ACC in the next CCL D09A
- Phase 2 on hold: Submission of RosettaNet Business Information Entities (BIE)
- Ongoing involvement in UN/CEFACT development like the eInvoice program to ensure that RosettaNet requirements are supported by future UN/CEFACT message – BIE's



Emerging initiatives

UN/CEFACT: status

- Involvement in UCM - Unified Context Methodology
 - UCM Architecture document planned to be released as rev. 1 at UN/CEFACT Forum
 - Working on UCM Specification
- Involvement in ATG2 – Applied Technologies Group
 - Member of XML4CCTS sub team (goal is to define XML Schema representation of the CCTS models)
- Involvement in ICG - Information Content Management Group
 - Providing feedback on Core Component Library content
 - Working together with France Telecom-Orange on a Registry Prototype; demo will be done during UN/CEFACT Forum



Reinforcing activities

- Partner relations
 - regular outreach to partners
 - setting up ad hoc community discussions for hot supply chain topics
 - support
- Customer care
 - help desk processes redesigned and improved
 - assisting members in contacting and training trading partners
- Communications
 - continued use of press releases, virtual updates, email updates, etc. to keep the community up to date
 - exploring new channels of communications



Upcoming events

UConnect	2-5 June 2009, Orlando, Florida USA
EDIFICE	3-4 June 2009, London UK
BARD	24 April 2009, @ Oracle, Redwood City, California USA
UN/CEFACT Forum	20-24 April 2009, Rome Italy
RosettaNet Virtual Summit	October 2009
Quarterly Maintenance Deadlines	21 April 2009 5 July 2009 5 October 2009



Open discussion: Questions and Answers



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