

PowerChain[®] Inventory

Strategic Inventory Alignment Drives Cash to the Bottom Line

All corporations strive to achieve market success by exceeding customer expectations with the lowest possible supply chain cost structure. Easy to say, but more difficult to execute in an uncertain market with constantly shifting dynamics. *PowerChain*[®] Inventory has consistently delivered responsive supply chains to the Fortune 1000, driving inventory savings to the bottom line in 90 days.

Dollar-Driven Decision Making

PowerChain Inventory understands the dynamic relationships between costs, lead times, demand variability, and supply uncertainty, and their integrated impact on product margins. By "dollarizing" each element of the supply chain structure, stakeholders simulate what-if scenarios to design the best possible supply chain to meet corporate goals for customer service and responsiveness. This web-based dashboard view of the supply chain, with drag-and-drop functionality and role-based permissions, allows corporations to extend the modeling and reporting functionality across all departments and out to suppliers and customers. The functionality extends to monthly S&OP meetings and aggregates complete buy-in from Sales, Marketing, Manufacturing, and Finance. *PowerChain* Inventory synchronizes decisions across multiple tiers and throughout the entire operation to achieve better financial performance.

Black and White ROI in 90 Days

Optiant's *PowerChain*[®] Inventory drives greater benefits from existing investments in enterprise software. With the support of Optiant's Professional Service Organization, customers identify business benefits in days and realize ROI quickly – typically within weeks of implementation.

Smarter inventory planning has demonstrated significant value for manufacturers who have embraced inventory optimization and supply chain design as a policy for increasing financial performance and gaining competitive advantage. Typical results, achieved by Global 1000 manufacturers using Optiant's *PowerChain* Inventory, have been realized within 90 days, and include:

- Service levels increases up to 95+ percent level
- 2 to 4 points added to net margin
- Inventories reduced by 30 to 50 percent
- Inventory turns increased by 20 to 25 percent
- Reductions of excess inventory write-offs
- Increases in RONA and EVA
- Greater inventory visibility and increased collaboration across the entire supply chain



Market Share with Higher Margins

PowerChain Inventory creates supply chains that react quickly to changing market demand during product launch and ramp-down. This agility is critical during fluctuating economies and seasonal demand uncertainties. The *PowerChain* approach enables corporations to tie supply chain decisions and structures to long-term business strategy. As products become more and more commoditized through price wars, net margins are realized through supply chain efficiencies. And in the end, whether it's the battle to get to the store shelf at a lower price point, or the battle on Wall Street, ultimately it's supply chain versus supply chain. The company with the best supply chain will win the customer.

Mitigating Risks and Obsolescence Exposure

Corporate initiatives like increased turns ratios, strategic sourcing, postponement, supply base rationalization, and lean manufacturing are all augmented and streamlined through innovative inventory techniques. Manufacturers understand that higher inventory turns deliver more than just reduced costs and exposure to obsolescence: getting more product on the shelf means more revenue, market share and brand loyalty.

Additionally, balancing service levels and inventory punches up margins while mitigating obsolescence risk. Properly decoupled safety stock levels have a dramatic effect on inventory investment dollars, as well as decreasing the number of components at risk for obsolescence.

"There is increasing recognition of the value that strategic supply chain management can deliver to overall business performance. Optiant's solutions address the core challenges in making the leap from tactical supply chain management to best-in-class results."

-- Corey Billington, VP Supply Chain Services,
Hewlett-Packard

Creating Powerful, Competitive Weapons

Before Optiant, corporations used modules of their ERP or APS systems to locally calculate inventory pools. Unfortunately, these methods could not accurately account for the fluctuations and interdependencies of the most critical performance drivers – cost, lead time, demand variability and supply uncertainty – leaving companies susceptible to high inventory levels, low inventory turns and excessive inventory write-offs. Built upon ten years of development and testing at MIT's Leaders for Manufacturing program, Optiant's patent-pending optimization engines combine with powerful sensitivity analysis tools and an intuitive graphical user interface to allow all stakeholders to participate in supply chain design.

PowerChain® Inventory drives optimal safety stock inventory targets through existing supply chain management and planning systems. Pushing the entire supply chain to these performance levels unlocks new efficiencies, cost savings, and points to margin. *PowerChain* Inventory transforms sluggish supply chains into powerful, competitive weapons.

Realigning Safety Stock Balances the Chain

Traditionally, safety stock levels have been set using a combination of rules of thumb and single-stage calculations. When supply chains are originally designed, the architects determined logical locations for inventory buffers, often based on expected uncertainties at different parts of the chain. Once the chain is up and running, buffers are often added based on additional requirements. This results in a patchwork of inventory pools sprinkled everywhere around the chain. The sizes of these pools are usually set by the owner of each individual pool implementing a rule of thumb like "hold 3 or 4 weeks of supply". However, supply chains are getting more complex, product lifecycles are getting shorter, and product margins are getting thinner, which increasingly reveals that rules of thumb are inadequate.

Optiant offers the only software application that allows customers to globally optimize all inventories across the supply chain. Our technique takes all potential inventory locations and quantities into account during the analysis. Given interactions between stages in a supply chain and the costs, times, and variabilities associated with each stage, *PowerChain* Inventory determines the best places to hold inventory and the quantities required. Customers like Hewlett-Packard, Imation, and Kodak have realized incredible savings in safety stock investments while simultaneously increasing customer service levels.

"Optiant helped us turn a marginal, commoditized product into a profitable one."

-- John Neidermire, Director of International Supply Chains,
Imation Corporation

About Optiant: Optiant is a pioneer in the emerging market of supply chain design and optimization. Optiant's flagship software solution, the *PowerChain*® suite, enables global organizations to design and configure optimal supply chains, solving real-world problems today. *PowerChain* determines cost-effective inventory placements and integrates supply chain strategy into sourcing and distribution processes for quantifiable results in less than ninety days. Optiant has proven that intelligent inventory policies improve customer service levels and provide rapid ROI by driving out millions of dollars of associated costs from complex supply chains. Our roster of blue-chip clients, including Global 1000 discrete manufacturers, utilizes Optiant's expertise to design competitive supply chains and innovative inventory policies. *PowerChain* solutions are built on patent-pending optimization technology based on more than ten years of leading-edge research and industry partnerships at the Massachusetts Institute of Technology. Optiant is a privately-held company headquartered in Boston, Mass., and can be reached at www.optiant.com or (781) 238-8855.

Optiant Powers Inventory Alignment with Unique Functionality

Align supply chain infrastructure with customer service requirements. The *PowerChain* suite lets the user map the entire supply chain, step-by-step – leveraging commonly available cost, supply/demand data and sourcing information for every echelon of the supply chain. At each stage, the software immediately demonstrates the effect of each decision on the rest of the supply chain, and for the end-to-end supply chain recommends optimal inventory levels and locations, suppliers, distributors, and outside sourcing options to meet overall business objectives.

Once suppliers, stakeholders, and the end customer understand the interdependencies of their operations and decisions, corporations can align their supply chains to meet key business objectives with complete buy-in from all parties.

Shape the network of suppliers and lead times to maximize profit. Optiant's solutions are designed to minimize the 'ripple effect' throughout the supply chain when new conditions, such as revised lead times, raw material price fluctuations, or demand spikes, are introduced. Its multi-echelon approach looks at the supply chain in its entirety and runs multiple "what if" scenarios to map those ripples and select the best combination of contract manufacturers, distribution channels and inventory levels.

Classify items by similar inventory policies. Optiant's *PowerChain* suite reduces inventory build-up caused by variations in part lead-time, and allows users to create discrete inventory classifications based on component criticality, demand patterns, and supply lead-times.

Model flow of inventory through multiple tiers. Optiant is the only solution that enables manufacturers to 'dollarize' all the variables within a supply chain and make recommendations for optimal sourcing, final assembly locations and distribution methods that ensure the fastest time-to-market at the lowest possible cost, and highest possible service level.

Perform in Stand-Alone Mode or Integrated into Existing Systems. *PowerChain* is a fully productized application suite that can be deployed simply and quickly with few customizations. It can be installed directly from CD in a few hours and is ready to run out of the box, or a customer can identify specific configuration points during deployment planning. Our customers have been successful with each approach.