



PERSPECTIVE

Perspective: Oracle Modern Supply Chain Experience 2016

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IN THIS PERSPECTIVE

This IDC Manufacturing Insights Perspective looks at the Oracle Modern Supply Chain Experience 2016. For the fourth year, though the first as Modern Supply Chain Experience, January brought the Oracle supply chain ecosystem to San Jose, California, with a strong complement of speakers, presentations and, most importantly, end-user manufacturers. Considerably larger in its fourth incarnation, the summit was a really good place to interact with thought leaders and to take the pulse of manufacturing for 2016. For us in IDC Manufacturing Insights, the Modern Supply Chain Experience is a superb event. As one attendee said, "At OpenWorld, only a small percentage of the conversations and sessions are really valuable because the coverage is so broad —here, ALL the conversations and sessions are really valuable."

Though the breadth and depth of coverage was extensive, one theme rose above all others: CLOUD! In the opening keynote address, Rick Jewell, Senior VP of Applications Development (supply chain applications) at Oracle, shared Oracle's strategic planning assumptions: 100% of new applications will be developed for and run in the cloud, 100% of customers will eventually deploy in the cloud, and Oracle will develop a portfolio that enables self-determined customer migration to the cloud. Interestingly though, the discussions were not so much about the technological aspects of cloud but about the business benefits that can be delivered. That the discussions are moving away from security and hosting to capabilities and benefits speaks volumes to us about the rapidly maturing attitudes toward cloud-based applications.

As has been the case at Oracle OpenWorld, we continue to find a consistently happy customer base, with good things to say about both product functionalities and implementation/integration (both of Oracle and of its implementation partners). While interacting with manufacturing end-user customers was the most useful aspect of the event, as always, Oracle also did a good job of hosting informative customer sessions and articulating its future plans for supply chain planning, supply chain execution, and for product life cycle.

Supply Chain

Cloud-based supply chain applications have certainly been gaining traction in the marketplace, and the announcement of Oracle's strategic plan to move forward with a 100% of new product developed for the cloud, while a bold move, certainly aligns to the market. Indeed, our research at IDC has found that over 70% of manufacturing companies are currently using cloud applications within the supply chain, with another 25% considering making a move. It makes sense then, that a leading competitor in the space would voraciously attack this market and publicize its vision for supply chain in the cloud. During a roundtable-esque keynote session, Oracle CEO Safra Catz answered the question of such a drastic change in deployment strategy with "customers today really want to have applications that let them do

things their way, yet still maintain a simplified and standardized approach, and at a lower cost." Clearly, Oracle had given much thought to the change and really took the wants and needs of the customer as the driving force behind this strategy.

The days of multiyear, multimillion-dollar implementations are on the way out. Too many customers have been left with a sour taste in their mouths after embarking on long-term engagements that failed to deliver the results that were expected from the onset. This sentiment was echoed by several manufacturing companies we had discussions with, which now focus on more targeted projects. Today, firms require a more rapid ROI on supply chain projects, and they must have a greater level of agility to be able to respond to changes in the market. Cloud-based supply chain applications enable this through the ability to rapidly implement a scalable, flexible, and cost-effective solution without the need for a rigid on-premise hardware infrastructure and the costs that go along with it.

With regard to supply chain, an integrated approach where the various elements of supply connect and share data and insights across the organization to drive process and performance improvement is a key objective, yet remains a challenge to actualize. For Oracle, the approach to achieve this objective is by creating a supply chain platform where various elements of the supply chain across an organization can quickly and easily integrate. At the previous year's event, we heard from several companies that integrating across the entire supply chain suite of applications was a priority in their future strategies. This year, we heard from most of the companies that we spoke with that they are excited about the prospect of finally being able to achieve this approach, especially with the prospects of a more rapid implementation and lower cost associated with implementation.

From a supply chain planning and execution perspective, what Oracle is doing is providing customers with a foundation and tool set that will enable planning to drive execution and execution outcomes to in turn drive the planning. In addition, by doing this in the cloud, information can be distributed across the supply chain in real time to enable rapid response to changes and disruptions. Real-time visibility across the supply chain has been a unicorn. We all know what it is, we all talk about it, yet very few have been able to achieve it. Perhaps the answer to this challenge is an entirely cloud-based supply chain platform.

PLM Extended Across the Enterprise and Supply Chain

Oracle's view of PLM as a system that extends to the supply chain and demands signal is consistent with IDC Manufacturing Insights' definition of the next generation of PLM, the product innovation platform. For more details, see *IDC PlanScape: Building the Product Innovation Platform* (IDC Manufacturing Insights #MI255220, April 2015). Jewell said that open, aligned innovation is a key reason for establishing a cloud-based supply chain. We agree that complexity on multiple levels is really driving this innovation imperative. Complexity of products, demand, and value chain means that manufacturers need a way to quickly, accurately, and efficiently design, collaborate, manufacture, and deliver. As Jennifer Felch, VP, Enterprise Services and Order Experience at Dell, said, "product groups set the stage for what we're going to offer our customers, so key in the pursuit of the perfect order." A cloud-based infrastructure can be an enabler of this extended value chain, from product to perfect order.

This does not, however, mean that manufacturers are shifting PLM implementations to be 100% cloud, but it does mean certain processes that can benefit from the speed of collaboration and computing power that the cloud offers will shift to cloud. Our research shows this includes design review, supplier collaboration and, increasingly, quality. The latter revelation about quality makes sense when you think of the increasing number of failure mode or quality incidents that will arise as products become more

connected in many industries, particularly automotive, machinery, and high tech. The global product development team needs to be able to respond quickly to product issues and use quality information for future innovation. Oracle is well positioned to support this challenge with an established quality offering that can be integrated to its PLM platform as it is at many of its high-tech and medical device accounts (historically, focus industries for agile software). One such example at the event was communications equipment company Harris Corporation, which uses program dashboards combining product and quality data with labor and financial data to track performance metrics such as engineering defect density, cost of poor quality, and CAPA effectiveness.

Oracle's cloud PLM offerings today include Oracle Innovation Management (ideation), Agile Product Portfolio Management (PPM), Agile Product Collaboration, and Oracle Product Hub. Although you can buy Innovation Management on its own, it can be integrated with PPM for full management of the front end of innovation and flow of ideas into requirements, models, designs, and so forth. A next logical step is to bring Innovation Management and PPM together into one offering. Another opportunity for Oracle is to tie its existing cloud offerings to Oracle's analytics, quality, and even logistics products for improved service, future innovation, and supply chain planning. This will be increasingly important as the number of connected products in the IoT (Internet of Things) expands, feeding a constant flow of information back to the OEM about the customer, factory, and product.

A Customer-Centric World

As we mentioned with Dell's example, the customer is very much top of mind for manufacturers today, and Oracle was forthright with its ability to support manufacturers in their efforts to increase customer centricity, which it sees as one of the business imperatives for today's environment. In addition to the supply chain visibility that supports the "perfect order," Oracle has a variety of order management tools that are being migrated to the cloud to support a range of scenarios, from assemble to order, to configure to order, to make to stock. Oracle Order Management Cloud, which is new for Release 11, offers complete order-to-cash, multichannel order management and orchestration. In addition, there are prebuilt integrations to the Oracle Commerce product for multichannel commerce, configure, price, and quote (CPQ), and complete fulfillment.

In Dell's case, the company is using Oracle Supply Chain to manage the 22.6 million orders it receives annually, of which 40% are build to order. Dell has moved to a customer-centric strategy that centers on a simple mantra: "Build, Ship, and Deliver what I ordered when you said you would." This sounds fairly straightforward, but considering the globally complex supply chain that operates behind the 125,000 daily orders that Dell ships, the reality is an extremely sophisticated system that requires precision planning, production, and execution. By honing its net promoter score, a primary indicator of customer satisfaction, Dell transformed its order-to-fulfillment processes and improved on-time delivery dramatically, while also driving down product lead times and reducing customer care calls. This was one of many examples at the event that highlights how Oracle is helping manufacturers raise the stakes on customer centricity.

Final Thoughts

Now four years in, the Oracle Modern Supply Chain Experience has grown, but it retains the essential focus that makes it a "must attend" event for anybody with a focus on supply chain or PLM—whether analyst, academic, or manufacturing end user. The event demonstrates Oracle's awareness of what keeps manufacturers up at night and the company's efforts to supply the technology that will mitigate some of the most pressing supply chain challenges across manufacturing sectors.

Oracle was very candid in its admission that it held back on developing supply chain applications for the cloud because it felt the market wasn't ready for it. But, seeing the widespread adoption of cloud by leading global manufacturers, the company has moved quickly to make up ground and made the decision to build for the cloud from the ground up, delivering new functionalities in the process. What will be critical for Oracle's success will be highlighting to customers and prospects what is different in Oracle Supply Chain Management Cloud and why it deserves a closer look.

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Related Research

- *Perspective: Manufacturing Industry Business Priorities Driving Product Innovation* (IDC #US40855815, December 2015)
- *Perspective: Priorities for Service Life-Cycle Management and Cloud Adoption* (IDC #US40641015, December 2015)
- *IDC FutureScape: Worldwide Manufacturing Supply Chain 2016 Predictions* (IDC #259782, November 2015)
- *Perspective: Supply Chain in the Cloud* (IDC Manufacturing Insights #MI258056, July 2015)

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