

Can Jabil Revolutionize the Supply Chain?

Driving Speed, Agility, Velocity, & Expertise into Manufacturing Services

Executive Summary

The digital economy is changing the game for supply chain customers. Value chains are shifting rapidly, while technology advancements are disrupting old-style operations. Additionally, traditional value chains are also on the move. Hardware Original Equipment Manufacturers (OEMs) are moving to capitalize on software and services models. Original Design Manufacturers (ODMs) are moving into the OEM space. And there is considerable pressure on manufacturing services companies to deliver much greater value and full-service manufacturing solutions than ever before.

Jabil has responded to these rapid changes by delivering incremental value and enabling its customers to succeed with its tailored Intelligent Digital Supply Chain (IDSC) solutions, actionable data analytics, and deep domain expertise to drive faster, more informed decisions. Jabil focuses on outcomes, providing a full suite of data-driven solutions to help its customers get to market faster, reduce total product costs, and improve profits. Jabil does all this by engineering and architecting each customer's supply chain to unlock opportunities and drive a competitive edge. Through actionable analytics built on the foundation of a unified IT backbone, Jabil leverages its inControl platform to bring improved visibility and transparency to the global supply chain. By combining Jabil's inControl with powerful Factory of the Future capabilities that speed both engagement and execution sets Jabil apart in the manufacturing and supply chain services solutions space.

This report outlines several major trends and challenges in the supply chain marketplace. Additionally, it includes further validation and insight based on a report commissioned by Jabil and conducted by third-party research firm, Dimensional Research. These results are gleaned from a 2015 survey of 315 individuals with responsibility for their company's supply chain function. To view the full survey results please go to: <http://www.jabil.com/blog/2015-Supply-Chain-Trends.html>

Today's Customer Needs

Innovation, rapid response, and the increased need for actionable data have put immense pressure on the supply chain. Ever-increasing competition is putting pressure on margins, and advances in technology are forcing supply chain executives to focus their efforts on agility, reducing costs, and improving efficiencies. To accommodate each goal, companies have had to invest significant man-hours and capital only to achieve marginal improvements.

Jabil recognizes each company's supply chains are different in terms of complexity, volume, partners, and footprints. While most companies are capable of designing point solutions for their own markets, they lack the experience or broader perspective of potential complementary solutions that could turn competitive parity to competitive advantage. For example, 77% of the Dimensional Research survey respondents

expressed the lack of skills to deliver fully on Internet of Things (IoT) solutions. With IoT driving a tremendous amount of disruption and technological advances in the market, lack of skills is a severe hindrance to success.

Further, advances in the digital economy, Big Data, and IoT have brought on the need for companies to quickly detect changes, disruptions, and opportunities in real-time. Bringing end-to-end visibility into every aspect of the supply chain has become paramount, but evaluating and analyzing the massive amounts of structured and unstructured data can be a daunting task. Especially if the supply chain, including customers, business partners, suppliers, and employees are on disparate systems. When organizations interact with each other on a common network, they can enjoy the same increases in revenue-generating opportunities and decreases in cost structures across the supply chain. Jabil's advanced data analytics platform, inControl, is an integral part of its IDSC services. Combined, these solutions enable companies that were once monolithic and focused on internal efficiencies to now converge, collaborate, and create networked business and information models with a common set of business goals. Jabil has demonstrated the ability to connect businesses to enhance supply chain visibility, intelligence, and data analytics. Jabil enables its customers to optimize performance as well as dramatically diminish the inherent risk associated with complex, global supply chains.

Information Over Inventory

Advances in technology, especially IoT, are creating dramatic changes in supply, distribution, and logistics. Spurred by improvements in sensing, computing, and communications technologies, inventory-to-sales ratios for global business have fallen dramatically for several years. Customers want to invest in expertise, intelligence, and solutions that move at market speed, reduce inventories, mitigate risk, and manage and/or orchestrate third-party logistics and service providers more efficiently. Businesses are relying more and more on timely, contextually-relevant data to achieve get a return on their investments. With the increase in diverse data points, systems are being developed to move beyond business intelligence to single sources of truth. Jabil is responding to these changes by providing customers managed supply chain orchestration inControl, Transportation Management System (TMS) analytics, insights, and connectivity to drive performance across the supply chain. Recognizing each customer's supply chain is different, Jabil can put in place Service Level Agreement (SLA) guarantees throughout planning, execution, tracking, and analysis with proactive and real time network data and intelligence.

The practical reality is not all manufacturing service providers are equal. From a market share perspective, Jabil is a top-tier provider. While each provider has its strengths and weaknesses, Jabil stands out from the competition for several reasons.

- **Deep sector & domain expertise:** One of the critical themes highlighted in any conversation with Jabil executives is the company's deep sector, application, and domain expertise in the approx.20 markets they serve. From Healthcare, Packaging, Mobility, Energy, *etc.*, Jabil always leads with industry experience and leverages it extensively to support its customers' go-to-market goals. In our

opinion, Jabil's industry experience is one of its biggest competitive differentiators.

- **Investment in technology, tools, & infrastructure to scale & adapt to any customer challenge:** Jabil's unified data and internal systems enable Jabil to have a 360 degree view of its customers' supply chains. Unifying the IT backbone enables a broader range of data and analytics. Jabil is in a unique position to drive thought leadership and market dominance through its advanced proprietary analytics and its ability to provide procurement and supplier intelligence to its customer base. We have yet to see any of the competition bring a full service offering of this magnitude.
- **Guaranteed performance & tailored Service Level Agreements (SLAs):** Jabil recognizes each customer's supply chain is different. By having a unified network and real-time insights into all aspects of the supply chain, Jabil has the ability to ensure customers can leverage economies of scale, provide performance guarantees, and tailor SLAs to meet its customers' needs.
- **Approach. Attitude. Authority:** Jabil separates itself even further through management of customer relationships. Each customer team, regardless the size of the client, is customized and managed as an individual business unit with cross-customer leverage. Jabil provides its teams with the authority to deal proactively with customer issues before they become problems. These teams carry a P/L as well as the capacity and authority to ensure that its products are brought to market on time and in line with quality and performance standards. From a customer relationship management perspective, Jabil's approach is not the most accretive way to manage outcomes, but it does align Jabil's customer management team with the customer's objectives and builds goodwill, confidence, and most of all trust that Jabil always has the best interests of the customers in mind. Jabil's customers share powerful feedback to this effect. Once again, Jabil's people and experience stand out.

Managing Customer Supply Chains with Analytics & Transparency

"Making the complex simple" is one of Jabil's "calls to arms". As presented before, Jabil delivers Intelligent Digital Supply Chain solutions with an emphasis on timely, actionable information and intelligence.

Based in St. Petersburg, Florida, Jabil has over 150,000 employees, 250 of the top brands as customers, and nearly \$16B in revenue. Jabil currently monitors and manages, in real-time, over 7M parts and 17,000 supply chain partners globally on a 24x7x365 basis. Jabil showcases these extensive capabilities at its Blue Sky Innovation Center in San Jose. There you can see everything from Design & Rapid Prototyping, IoT Labs, Digital Supply Chain Control Center, Factory of the Future, Automation, Robotics, and Additive Manufacturing. These features alone, brings economies of scale that few, if any, of its competitors can match.

The industries Jabil serves include, but are not limited to, Healthcare, Packaging, Mobility & Wearables, Aerospace, Enterprise, Digital Home, Point-of-Sale, Automotive,

Printing, Industrial, and Energy. Each sector requires specific domain expertise to ensure compliance, as well as quality and performance.

For example, the medical device marketplace has a very complex and in some cases, a highly-regulated supply chain. In a multifaceted supply chain, it is difficult to rely on relationships or sheer leverage to drive performance with suppliers and manufacturers. Nypro, a division of Jabil that specializes in healthcare and consumer good packaging, realizes these challenges and uses a comprehensive set of attributes to architect its customers' supply chains. Combining supply chain risk analytics with good design engineering principals, Jabil can create a tailored solution for each customer. While using these principals does not make designing a supply chain simple, it does drive quality and performance. In addition, demand-driven analytics and scenario planning are vital to developing proactive planning and inventory strategies, ensuring adequate supply and flexibility.

The combination of domain expertise, comprehensive actionable analytics, intelligence, and sound design engineering principals contribute to Jabil's market value in the healthcare sector. However, one of the challenges Jabil will have to address is recruiting and retaining domain experts who will have to manage Key Performance Indicators (KPIs), business outcomes, and a P/L. Having the right technology, internal systems, and a support infrastructure in place will help Jabil maintain a high level of domain and service expertise to achieve its goals while retaining top talent.

inControl

Jabil inControl is a business intelligence platform that continuously analyzes operational data and performance to automatically identify, quantify, and prioritize actions to drive supply chain performance improvement. Jabil has reduced its inventory by over \$300M through the leverage of inControl technology. Jabil's inControl technology has the following feature-sets:

- **Companies Operations:** Track inventory, orders, and shipments in real-time to speed products to market
- **Supply & Demand:** Precise supply visibility and exception management that safeguards product delivery commitments
- **Logistics & Strategic Footprint:** Scenario-based decisions with advanced analytics to design the optimal lowest-cost footprint
- **Design, Engineering, & Technology:** From collaborating on customer prototypes to tracking performance in the field through telemetry
- **Supplier Radar (supplier status reporting):** Respond quickly to geographic threats by tapping into Jabil's proprietary supplier status radar tool
- **Supply Chain Diagnostics:** Continually improve flexibility by running proactive diagnostics for every node in the supply chain
- **Comprehensive & Proactive Risk Management:** Implementing the right supply chain strategies prevents future disruptions and lost revenue

Access to real-time, actionable data helps companies make more intelligent and timely decisions based on real-world conditions, not to mention diminish real risk in real-time with SKU-level data that can inform and drive improved performance.

The Dimensional Research survey indicates that only 70% of respondents have real-time status updates for less than half of their supply chain. Worse, 82% said it would take days to understand the impact of an extreme global weather event. The value is clear for a solution to provide visibility and support advanced planning and improved decision making.

Intelligent Digital Supply Chain (IDSC)

Jabil's Intelligent Digital Supply Chain is a leader in actionable analytics and intelligence, providing tailored supply chain, logistics, and procurement management services and solutions that allow customers to respond to rapid change in the digital economy.

The combination of these two offerings creates a significant barrier-to-entry for Jabil's competitors while creating a solid supply chain management solution that is unmatched in the industry.

Improved Intelligence Brings Significant Customer Benefits

The Internet of Things (IoT) promises to reshape supply chain management fundamentally. Some estimates say in 2020 there will be over 200B connected devices collecting a myriad of both structured and unstructured data, while the amount of data collected doubles every two years. Where companies once suffered from ignorance about their customers, capabilities, and company, they can now have real-time intelligence. Where there was once opacity about supply and demand chains, there is now intelligence and transparency. IoT is allowing companies to gain visibility into all aspects of their businesses from customers, suppliers, distributors, manufacturers, employees, partners, etc. IoT is having a major impact, and the implications expand beyond the supply chain. Even with a large majority (77%) of survey respondents noting they do not have the skills to fully deliver IoT solutions, more than half (53%) are moving forward **aggressively** with the development of IoT solutions. Of that 53%, 30% are already in production, while 23% are in development.

Former Chairman of the US Federal Reserve, Alan Greenspan, once said,

“The remarkable surge in availability of more timely information...has enabled business management to remove large swaths of inventory safety stocks and worker redundancies. Information access in real-time...has fostered marked reduction in delivery lead times and the related work hours required for the production and delivery of all sorts of goods. Information technologies, by improving our real-time understanding of production processes and of the vagaries of consumer demand, are reducing the degree of uncertainty and, hence risk.”

Sound decision-making and the accompanying risk reduction enables companies to invest more in their financial and operational capabilities to improve efficiencies.

Smart leaders have realized that Big Data and analytics have become table stakes for high performance supply chains. While companies collect more and more information from digital technologies, they need a way to make sense of the information and, more importantly, have the ability to make informed decisions. Jabil has done a good job of providing an integrated supply chain solution that enables its customers to have end-to-end visibility, intelligence, and execution. Some of the key benefits to customers are:

Improved Speed, Scalability, & Flexibility

In the survey, supply chain professionals said that if they could get to market faster (80%) and more cost effectively (78%), they would launch new or upgraded products more frequently. Jabil's IDSC services deliver an integrated and tailored solution that enables speed, provisioning, and personalization throughout the supply chain. By focusing on connecting all points in the supply chain, companies can accelerate their time from New Product Introduction (NPI) to high volume production to legacy.

Better Management of Short & Long-Term Risk

Jabil's inControl solution sharpens customers' supply chain understanding, thus boosting performance. Customers also benefit from: real-time decision making rather than reacting to historical events; enhanced demand, sales, and operation planning; and lowered supply chain costs with reduced risk. Among respondents who have responsibility for their company's supply chain, 89% noted lack of visibility into at least half of their supply chain, and 90% of those surveyed feel this lack of visibility introduces risk into the supply chain.

By leveraging predictive and actionable analytics, companies receive alerts and notifications when potential supply chain disruptions could occur. Having a 360 degree view of its customers' supply chains, combined with real-time monitoring of each node, Jabil can increase continuity, reduce inventory, and maximize end-to-end network logistics.

Optimized Procurement Management

One of the most unique and compelling offerings from Jabil is its procurement intelligence platform. Jabil has developed a solution that allows its customer to benefit from research, intelligence, analytics, and expertise to drive total cost leadership while leveraging Jabil's innovative Supplier Relationship Management (SRM) programs and \$10B+ spend across a global supply base. A vast majority of respondents (93%) could see potential benefits for getting assistance from their supply chain partner with sourcing and procurement expertise.

Jabil combines both structured and unstructured information to deliver insights and analytics to improve supply chain and purchasing performance. **Structured** data is in a single environment that stores information about parts information, suppliers, components, and other immutable information on each node in the supply chain. **Unstructured** data includes the ability to integrate social intelligence on pricing trends,

supplier quantity, and global intelligence throughout the supply chain. Leveraging unstructured data is especially relevant in global markets.

Jabil has a unique ability to showcase part, supplier, and customer information into a real-time information platform that delivers a segmented and relevant model which allows customers to dive deep into multiple facets of their procurement and business process. If market drivers allow, we could envision Jabil's procurement intelligence platform being packaged and sold as a cloud service to a broader market.

Other benefits supply chain professionals noted include...

- Better integration of procurement and inventory management: 67%
- Expertise in the materials marketplace: 58%
- Diminished component costs through volume pricing: 55%
- Streamlined negotiation and contracts process: 49%

Call to Action

Over the next few years, most companies will face transformational changes in all aspects of their business. As market changes are driving the need for businesses to be more agile and responsive to real-time consumer demands and customization, customers are clearly weighing their options for streamlining their supply chain. The rigid and inflexible strategies of the past have been played out and have little additional life left. It is important for customers to consider new information strategies and approaches that can help align and manage manufacturing resources with the new technologies of today. In the face of rapid changes and innovation in the marketplace, instant response, and immediate availability requirements, companies like Jabil are responding in kind to these trends and driving real value today.

Jabil's full suite of tailored solutions helps its customers get to market faster, reduce manufacturing costs, and improve profits. Jabil's customer-centered approach, deep sector domain expertise, and the ability to garner intelligence at every point of the supply chain sets them apart from their competition making them a viable choice when considering a supply chain and manufacturing partner.

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