



## **Microsoft turns to SAP Ariba for digital supply chain needs**

Jim O'Donnell, Nov 29, 2017 - In the past few years, Microsoft ramped up its production of devices, like the Xbox and Surface, which greatly increased the complexity of its supply chain, leading it to implement SAP Ariba.

When Microsoft ramped up production of its hardware, like the Xbox gaming system and Surface devices, the supply chain needed to support production became exponentially more complex.

The traditional software company supply chain model was simply not going to work in a manufacturing environment that required more flexibility, greater speed and increased visibility into the various supplier tiers. To meet its need for an effective digital supply chain, Microsoft turned to SAP Ariba.

Microsoft has been building hardware since the 1980s, starting with computer mice, then keyboards and joysticks in the 1990s. But the complexity of the devices increased when it started building game consoles in the early 2000s, with the original Xbox, said Ali Khaki, Microsoft principal project manager for supply chain engineering, in a web conference announcing the SAP Ariba implementation.

"Now, we have a myriad of products, from [the] Xbox line to Surface to HoloLens, and a whole bunch of new products that we're launching, such as Xbox One X, which [launched in November]," Khaki said. "To allow for that, we now had to increase the complexity of our supply chain."

### **Enter the digital supply chain**

About two years ago, Microsoft began to work with SAP Ariba and Intrigo Systems, a Fremont, Calif.-based systems integrator, to design and implement the SAP Ariba supply chain platform, according to Khaki.

Microsoft was building and shipping about 77 million units of its various devices on a regular basis at the time, and it had a number of manufacturing facilities and suppliers around the globe.

"With growth came increased complexity of [the] supply chain, and with that came rising pressure and costs," Khaki said. "We had rising inventory levels and many of the supply chain touch points were manual, and there was a lot of rework required for some activities. "So, around two years ago, [we] started an internal initiative to address the issue. We could no longer work with a supply chain that was geared for devices that launch every three to four years, or low-key, non-strategic devices, like keyboards and mice. We had to really build up a new way of thinking in how we would approach our digital supply chain."

Microsoft's traditional supply chain processes were very manual, involving email and spreadsheets primarily, and were error-prone with extremely limited visibility into the suppliers and process. So Microsoft created an initiative called One Digital Supply Chain to develop a digital supply chain platform, according to Khaki.

One platform to rule them all

"Our principles for that were to have one platform across all the platforms and channels we integrate with," he said. "We wanted to support all of our various customer segments -- consumer, enterprise, retail, partners. We wanted to be data driven, and we wanted to manage hardware business efficiently and proactively. But, most importantly, we wanted to stay connected to our customers."

Ultimately, Microsoft selected SAP Ariba to be at the heart of its digital supply chain, but Khaki explained that it was not the only SAP technology involved. The platform integrated with SAP ERP Central Component and SAP Integrated Business Planning. SAP Ariba is intended to be the primary means of contact between Microsoft and the Tier 2 and Tier 3 suppliers who support the manufacturing process.

This has enabled Microsoft to move from a forecast model to a demand-driven model that incorporates real customer demand and doesn't require stockpiles of inventory.

Speed and flexibility are key

To support this new model, it's critical for Microsoft to integrate suppliers quickly, as the time from conceiving a new product to designing and manufacturing it has shortened exponentially.

The SAP Ariba digital supply chain has made it possible to greatly reduce the time to onboard suppliers.

"Onboarding suppliers typically took three to four months previously, but can be done in three to four weeks now -- and in some cases, as little as four or five days," Khaki said. "We can now onboard a supplier very quickly and start building products, which is very important to our business as we start to think about developing new products, like the HoloLens, and going to the next stage with those products."

Ariba is also making it possible for Microsoft to have a much more flexible production model that's immediately responsive to customer needs. Customers can now select a device and customize it in many ways during the ordering process, such as choosing the shape and color of particular buttons. Using the SAP Ariba digital supply chain, all of this customer data is sent to the automated assembly facility that builds the device, with the customer being told exactly where the order is all the way from order to fulfillment and delivery.

The improved speed and flexibility is not only good for the customers, but has given Microsoft a competitive advantage with its suppliers, according to Keith Baranowski, SAP Ariba global vice president and general manager for direct spend solutions.

"It's a mature and relatively consolidated market for a lot of the components inside the types of devices that Microsoft makes, and there are only so many vendors that make screens, batteries or memory," Baranowski said. "They're competing with Apple and Samsung for that same supply, so when they know that they can respond three days faster than their competitors when they're bringing a new product to market, or when Xbox is

taking off for Christmas, they're able to leverage and grab that supply where their competitors, who are moving more slowly, are at [a] big disadvantage."

### **About SAP Ariba**

SAP Ariba is how companies connect to get business done. On the Ariba Network, buyers and suppliers from more than 2.8 million companies and 190 countries discover new opportunities, collaborate on transactions and grow their relationships. Buyers can manage the entire purchasing process, while controlling spending, finding new sources of savings and building a healthy supply chain. And suppliers can connect with profitable customers and efficiently scale existing relationships – simplifying sales cycles and improving cash control along the way. The result is a dynamic, digital marketplace, where nearly \$1 trillion in commerce gets done every year. To learn more about SAP Ariba, visit [www.ariba.com](http://www.ariba.com).

### **About SAP**

As market leader in enterprise application software, SAP (NYSE: SAP) helps companies of all sizes and industries run better. From back office to boardroom, warehouse to storefront, desktop to mobile device – SAP empowers people and organizations to work together more efficiently and use business insight more effectively to stay ahead of the competition. SAP applications and services enable approximately 365,000 customers to operate profitably, adapt continuously, and grow sustainably. For more information, visit [www.sap.com](http://www.sap.com).

### **About Intrigo Systems**

Intrigo Systems, Inc. is a SAP partner and a leading provider of Advisory, Implementation, and Managed Services. Intrigo has partnered and co-innovated with SAP in the design of the SAP Advanced Planning and Optimization component, SAP Integrated Business Planning, and the SAP Ariba® Supply Chain Collaboration for Buyers solution. Intrigo has a hands-on leadership team who collectively have over 120 successful SAP software implementations to their credit. These include: SAP Integrated Business Planning, SAP Advanced Planning and Optimization, SAP Ariba Supply Chain Collaboration for Buyers, SAP ERP (including SAP S/4HANA® and SAP Hybris® solutions) and analytics for industries as varied as High-tech, Fashion, Consumer Products, Manufacturing, Chemicals, Pharma, and Automotive. Our clients include Broadcom, NVIDIA, Dolby, Nike, Clorox, Albemarle, CP Kelco and ASR among others. Visit [www.intrigosys.com](http://www.intrigosys.com).

###

Any statements contained in this document that are not historical facts are forward-looking statements as defined in the U.S. Private Securities Litigation Reform Act of 1995. Words such as "anticipate," "believe," "estimate," "expect," "forecast," "intend," "may," "plan," "project," "predict," "should" and "will" and similar expressions as they relate to SAP are intended to identify such forward-looking statements. SAP undertakes no obligation to publicly update or revise any forward-looking statements. All forward-looking statements are subject to various risks and uncertainties that could cause actual results to differ materially from expectations. The factors that could affect SAP's future financial results are discussed more fully in SAP's filings with the U.S. Securities and Exchange Commission ("SEC"), including SAP's most recent Annual Report on Form 20-F filed with the SEC. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of their dates.

© 2017 SAP SE. All rights reserved.

SAP and other SAP products and services mentioned herein as well as their respective logos are trademarks or registered trademarks of SAP SE in Germany and other countries. Please see <http://www.sap.com/corporate-en/legal/copyright/index.epx#trademark> for additional trademark information and notices.

### **Media Contacts:**

Karen Master  
SAP Ariba  
+1 412-297-8177  
[karen.master@sap.com](mailto:karen.master@sap.com)

Jimme' Peters  
PR Counsel for Intrigo Systems  
503.289.5354  
[jimme@24-7consulting.com](mailto:jimme@24-7consulting.com)