



Lean Forward Case Study at Cisco



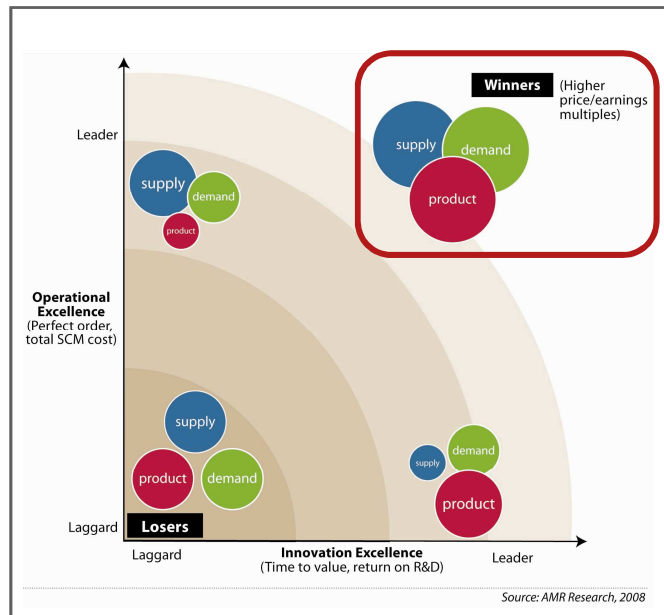
Mudit Agarwal – IT Eng/ Solution Architect

Agenda

- What is Lean Forward
- Problem Statement
- Business Vision
- Lean Forward Charter
- Framework/ Key Metrics
- Distributor's Voice
- Solution Benefits
- Challenges
- Closing and Q&A

AMR Research Ranked Cisco 8th in the 2008 Supply Chain Top 25, Citing Lean Forward

- First time in Top 10 (April 2008)
- Ranked on innovation in supply chain design / management, operational excellence, and contribution to outstanding business results



The AMR Research Supply Chain Top 25 for 2008

Company	Peer Opinion ¹ (20%)	AMR Research Opinion ² (20%)	ROA ² (25%)	Inventory Turns ³ (25%)	Revenue Growth ⁴ (10%)	Composite Score ⁵	Comments
1 Apple	1798	420	13.8%	45.8	24.3%	7.17	Apple's scores are outstanding across the board, a result of its brilliant mix of design, software interfaces, and consumable goods that are purely digital.
2 Nokia	1629	479	17.9%	10.9	24.2%	5.83	Leading the way in supplier collaboration practices, design for supply chain, and embedded innovation, Nokia's global supply chain is an enviable asset.
3 Dell	1261	166	10.7%	41.9	6.5%	4.99	After a one-year hiatus, Dell vaults back into the No. 3 slot, with outstanding inventory
4 Procter & Gamble							
5 IBM							
6 Wal-Mart Stores							
7 Toyota Motor	1921	448	5.0%	10.2			
8 Cisco Systems	990	304	13.7%	9.5	22.6%	4.09	Up three spots from last year on strong financials, Cisco extends its own considerable learnings into its channel, most notably with its Lean Forward initiative.
9 Samsung Electronics	862	375	11.4%	14.0	7.1%	3.98	Up this year in our rankings on strong sales of phones, televisions, and chips, Korean giant Samsung excels at fine-tuning its supply-demand balancing decisions.
10 Anheuser-Busch	1029	282	12.3%	15.0	6.2%	3.95	Landing again in the Top 10, AB excels at outside-in demand shaping and visibility, with a solid focus on delivery-to-schedule excellence in manufacturing.
11 PepsiCo	795	287	16.3%	7.9	12.3%	3.83	PepsiCo leads with sophisticated supply network planning, a focus on innovation, and an increasingly diverse product portfolio to sustain its historical growth.
12 Tesco	891	346	7.2%	18.3	10.9%	3.79	With a major focus on streamlining supply chain operations at home to support an aggressive international growth strategy, this leading grocer rejoins the Top 25 for the fourth year running.

1. Peer and AMR Research Opinion: Based on each panel's forced-rank ordering against the definition of "ODSN orchestrator"
 2. ROA: 2007 net income / 2007 total assets
 3. Inventory Turns: 2007 cost of goods sold / 2007 year-end inventory
 4. Revenue Growth: Change in revenue from 2007 versus 2006
 5. Composite Score: (Peer Opinion*20%) + (AMR Research Opinion*20%) + (ROA*25%) + (Inventory Turns*25%) + (Revenue Growth*10%)

Source: AMR Research, 2008

Up three spots from last year on strong financials, Cisco extends its own considerable learnings into its channel, most notably with its Lean Forward initiative.

What is Lean Forward

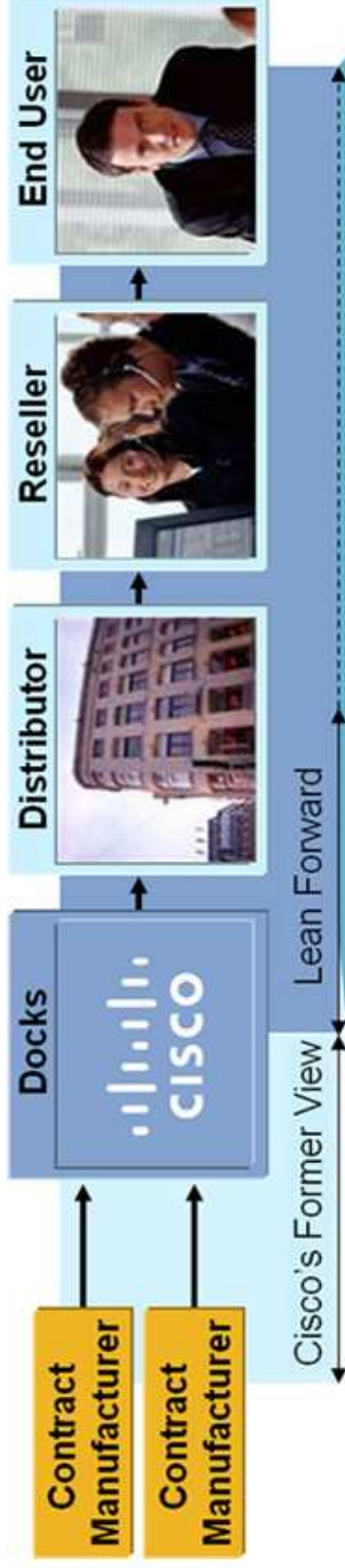
- Global initiative to power profitable Growth and Sales acceleration for Cisco and its Distributors
- Extending Principles of Lean Manufacturing into the Channel
- Extending Supply Chain to Cisco's Distribution Partners
- Provides "one face" to Cisco Distributors within the Supply Chain

*Driving profitable growth through
partnerships*

Problem Statement

- Higher Distributor/Reseller operating-cost and working capital
- Overstocks due to unpredictable lead times
- Project-based orders that must be delivered complete before releasing to reseller
- Inefficient supply chain fulfillment
- Distributor purchase price misaligned with market price

Lean Forward Program extends Cisco's Supply Chain to drive sales growth



Resolving issues that limit 2nd-tier sales growth:

- Excess operating costs
- High working capital costs
- Product stock-outs

Reinvesting savings to accelerate sales growth

Business Vision

Transforming the Customer Experience with a streamlined, highly integrated global supply chain, driving profitable growth and sales acceleration for Cisco and its Distribution Partners

Lean Forward Charter: Driving Profitable Growth for Cisco and our Distribution Partners



Lean Forward is a collaboration across:

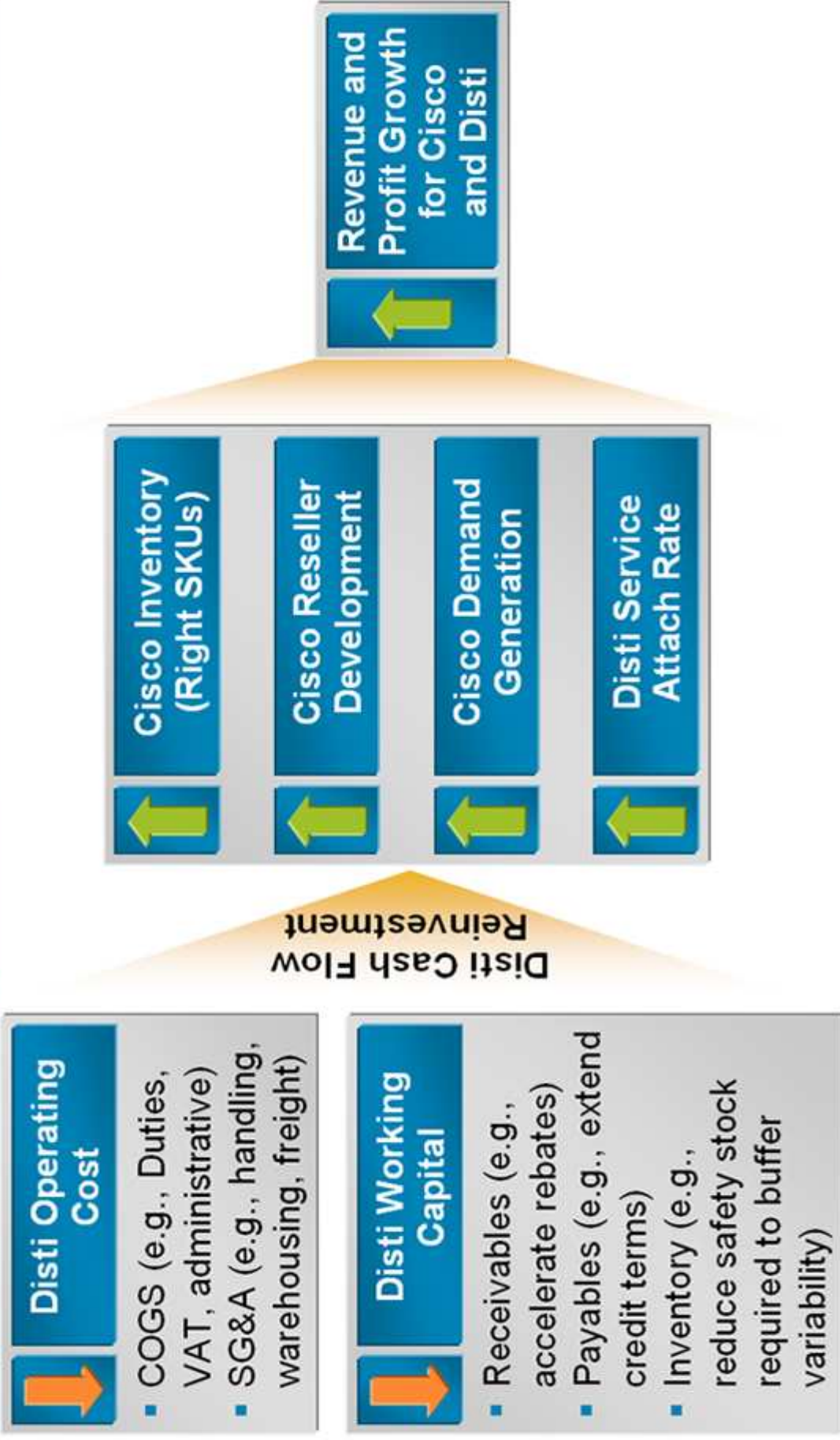
- Supply Chain Mgmt
- WW Distribution
- Cisco Capital
- Export Compliance
- other organizations...

...focused on driving profitable growth for Cisco and our Distributors



Lean Forward – Framework for Driving Growth

Drive profitable growth for Cisco and our distribution partners



Key Metrics

- The Financial Metrics include:
 - Working Capital freed up
 - Operating Cost Reductions
 - Savings Reinvestments
 - Incremental Sales Generation
- The Operational Metrics include:
 - Lead Time
 - Fill Rates
 - Inventory Weeks of Supply
 - Stock rotation percents
 - Daily Rebate Claims Rejections

Global Distributors' Voice

- “Whether it be forecasting or demand or fulfillment or configuration ...Lean Forward causes us to look at those opportunities together in a different way.”
- Lean Forward is “an opportunity to improve profitability ...improve return on capital ... and to reinvest that into our partnership.”

Solution Benefits

- Lean Forward provides "one face" to distributors worldwide within Cisco's global supply chain
- Enables supply chain control and visibility
- Improves the customer experience of Cisco products
- Closer partnership for solving supply chain issues
- Involves mutual reinvestment - resulting in mutual profitable growth

Challenges

- Evolving Business Models
- Short Time to Market
- Consistent Terms and Condition across multiple Partners

Q and A

