NEAT EVALUATION FOR WIPRO:

Supply Chain Management Services

Market Segment: Cognitive SCM Capability

Introduction

This is a custom report for Wipro presenting the findings of the NelsonHall NEAT vendor evaluation for *Supply Chain Management (SCM) Services* in the *Cognitive SCM Capability* market segment. It contains the NEAT graph of vendor performance, a summary vendor analysis of Wipro for SCM services, and the latest market analysis summary for SCM services.

This NelsonHall Vendor Evaluation & Assessment Tool (NEAT) analyzes the performance of vendors offering SCM services. The NEAT tool allows strategic sourcing managers to assess the capability of vendors across a range of criteria and business situations and identify the best performing vendors overall, and with a specific focus on cognitive SCM capability, and SCM services for the life sciences & healthcare and retail & CPG sectors.
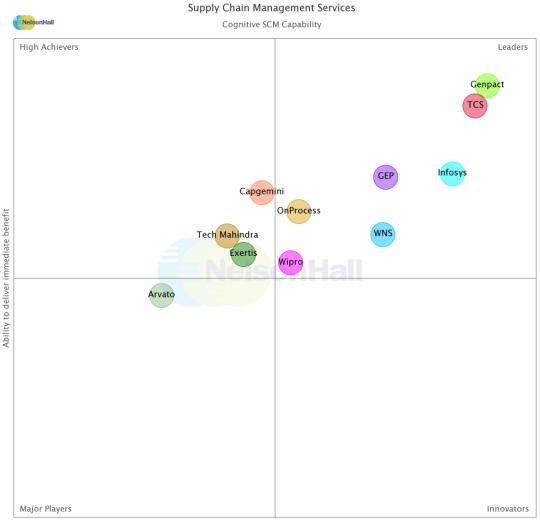
Evaluating vendors on both their 'ability to deliver immediate benefit' and their 'ability to meet client future requirements', vendors are identified in one of four categories: Leaders, High Achievers, Innovators, and Major Players.

Vendors evaluated for this NEAT are Arvato, Capgemini, Exertis, Genpact, GEP, Infosys, OnProcess, TCS, Tech Mahindra, Wipro, and WNS.

Further explanation of the NEAT methodology is included at the end of the report.

NEAT Evaluation: SCM Services (Cognitive SCM Capability)

Supply Chain Management Services
Cognitive SCM Capability

NelsonHall has identified Wipro as a Leader in the *Cognitive SCM Capability* market segment, as shown in the NEAT graph. This market segment reflects Wipro's ability to meet future client requirements as well as delivering immediate benefits to clients with specific capability in cognitive SCM.

Leaders are vendors that exhibit both a high ability relative to their peers to deliver immediate benefit and a high capability relative to their peers to meet client future requirements.

Buy-side organizations can access the SCM Services NEAT tool (Cognitive SCM Capability) here.

Vendor Analysis Summary for Wipro

Overview

Wipro's Supply Chain Management Digital Operations & Platforms (SCM DO&P) unit is part of a wider supply chain capability which includes:

- Supply chain strategy consulting, within the Strategy & Transformation Consulting group

- Supply chain product engineering (supporting devices and IoT), within Product Engineering Services

- Supply chain services (SSC, execution) within digital operations & platforms

- Digital supply chain, within the Digital group

- Supply chain analytics, within the Analytics group

- Supply chain infrastructure (related to sensors and hardware) within Global Infrastructure Services

- Supply chain application services, within Business Application Services.

Across these groups, Wipro estimates that ~18,000 personnel are associated with supply chain.

Wipro has been offering SCM DO&P services for ~10 years. It has ~5,000 FTEs supporting ~10 clients, mainly in the telecom and retail manufacturing sectors from ~20 delivery sites across India, Europe, China and Latin America.

Financials

Wipro's FY18 revenue share represented by its BPO practice was ~12.2%, with ~$90mn in revenues from SCM DO&P. The breakdown of these revenues by activity is estimated to be:

- Demand Management: ~1%

- Material Planning: ~1%

- Production Support: ~6%

- Inventory Management: ~8%

- Delivery Management: ~83%.

Strengths

- Strong order management presence

- Good geographic spread of SCM activity & good mix of delivery locations

- Advanced analytics capabilities are being used in SCM to improve forecasting, drive proactive inventory planning and sales operations support

- Supply chain expertise in telecom, manufacturing and high tech industries

- Proprietary digital tools and partnerships, including investments in startup digital product vendors

- Complementary strategy & transformation and product engineering services groups to assist in supply chain IoT and connected device management & analytics

- Blockchain pilots for SCM are in play at present with clients.

Challenges

- Low level of current SCM BPS activity outside order and incentive management

- Lack of obvious supply chain control tower capability.

Strategic Direction

Wipro's SCM offering has been growing steadily ~20% y/y and the company expects this to pick up and become ~30% as a result of large SCM wins. It is pursuing and has in its pipeline deals with organizations of ~$20bn-$30bn in revenue that have scopes of ~1,000 SCM FTEs, with the scope rising to ~3,000 FTEs when reverse logistics is included.

Most of today's business is coming from N.A. and Continental Europe, with a lot of traction coming from the Nordics at present, and this will continue to be the pattern. Some growth is coming from Latin America and APAC.

Wipro has established a level of scale in order fulfillment and is now seeking growth in three areas:

- Aftermarket services

- End-to-end supply chain, managing the wider supply chain network

- Demand planning & forecasting.

In the latter, Wipro is looking to position in full-service 4PL and 5PL, providing the entire technology beyond the core supply chain software and use partners for "last mile" warehousing, fulfillment, and after-sales support.

Accordingly, Wipro has been making technology acquisitions and investing in technology start-ups. In particular, Wipro is focusing on investing in technology related to connected devices and connected device analytics. Current investments include Altizon in support of IoT around industrial asset management and Opera in support of analytics.

Wipro is also investing in blockchain and looking at how to apply this to the supply chain. Wipro is currently in an early pilot with two clients. One pilot is with a leading airline manufacturer and is working on how to ensure the quality of MRO items and ensuring the

right checks have been made throughout the supply chain to ensure quality. A second pilot is with a food company, looking at blockchain to establish the source of all food across the supply chain. The end goal is to productionize these blockchain pilots.

Also, Wipro's SC delivery footprint will increase to extend its client proximity, perceived to be important in supply chain operations.

Outlook

Expect to see:

- Wipro will have a full-scale integrated 4PL - 5PL offering in place within two years

- Greater scale across business functions

- More integrated E2E propositions as Wipro builds more services into their SCM offering including more support in the field for fulfillment from logistics providers and service providers that manage returns and repairs.

- Further expansion into the last mile on the ground SCM with warehousing, fulfillment and after-sale support competencies being added through partnerships and further technology acquisitions.

SCM Services Market Summary

Overview

- The SCM BPS market will grow rapidly, at 21% CAAGR through 2022, increasingly driven by the need for improved supply chain visibility and co-ordination across the wider supply chain

- Order management cost reduction is evolving to focus on more effective order fulfillment with touchless sales order processing & management starting to become a reality

- Analytics & ML will increasingly be applied to order management in support of anomaly detection & rectification with predictive analytics increasingly driving inventory optimization

- Digitalization, RPA, analytics, mobility and cognitive computing will be widely applied in the digitalization of supply chain processes

- Supply chains will predict, sense and adjust responses in real-time through use of cognitive analytics with simulation and scenario planning

- Greater use of external data sources from social media, point of sale, weather forecasts and IoT will be pulled into the supply chain to leverage customer and environmental analytics to proactively address opportunities

- Blockchain will become key to managing compliance/product integrity and removing downstream reconciliation activities

- IoT will become important in facilitating connected assets and connected operations

- Closed loop adaptive planning will result from the integration of planning and execution; this will be core to fulfilling customer driven supply chain demand

- The bulk of SCM service delivery will continue to be supplied from offshore though with onshore centers important in driving process reimagination and user experience design.

Buy-Side Dynamics

Key drivers of SCM BPS include:

- Supply chain analytics and visibility

- Better forecasting based on real-time data instead of historical ordering patterns

- Touchless order process management

- Bolt-ons for existing ERP systems to consolidate and aggregate data from various input channels and platforms

- Holistic view of supply chain performance using ERP data

- Positioning the SCM function as a tool to grow revenue

- Improvement in stock levels and a move towards on-demand sourcing

- More efficient warehouse management.

- Better logistics planning and performance

Market Size & Growth

The supply chain management BPS market is hitting the growth stage and is one the fastest growth opportunities within BPS. NelsonHall forecasts that the global SCM BPS market will grow at 21% CAAGR between 2018 and 2022, from $3.0bn in 2018 to $7.9bn in 2022.

Success Factors

Key vendor success factors include deep domain expertise combined with ability to reinvent supply chain processes using analytics, ML, and blockchain incorporating:

- Modular solution designs with bolt-on tools to connect to existing ERPs as part of the SCM offerings

- SC experts with deep domain expertise in specific industry verticals

- Analytics to model SCM processes and drive better decisions

- Ability to deliver the "perfect order" which will reduce Daily Sales Outstanding (DSO) and inventory & operational cost while increasing revenue and customer satisfaction

- Integration of planning & execution with closed loop adaptive planning across functions

- Greater use of new data sources (social, POS, IoT)

- Leveraging client analytics to proactively address opportunities

- Flexible, outcome based engagements

- Strong capability in digital technologies such as analytics & AI and blockchain.

Outlook

Key elements of Next Gen SCM BPS include automation, cognitive/machine learning, social media insights, mobile-enabling, and drone-based warehouse management with blockchain and connected operations becoming key to the future, including:

- Touchless sales order processing & management

- Automated track & trace of supply chain events

- Automated warranty claim management

- Real-time tracking and device performance analytics

- Pattern & anomaly detection in inventory orders

- Predictive analytics driven inventory optimization

- Multi-echelon inventory optimization

- Insights on demand from various sources including weather forecasts

- Demand & forecasting supply optimization

- Drone-based warehouse management system for cycle counts and inventory management including empty slot detection.

NEAT Methodology for SCM Services

NelsonHall's (vendor) Evaluation & Assessment Tool (NEAT) is a method by which strategic sourcing managers can evaluate outsourcing vendors and is part of NelsonHall's *Speed-to-Source* initiative. The NEAT tool sits at the front-end of the vendor screening process and consists of a two-axis model: assessing vendors against their 'ability to deliver immediate benefit' to buy-side organizations and their 'ability to meet client future requirements'. The latter axis is a pragmatic assessment of the vendor's ability to take clients on an innovation journey over the lifetime of their next contract.

The 'ability to deliver immediate benefit' assessment is based on the criteria shown in Exhibit 1, typically reflecting the current maturity of the vendor's offerings, delivery capability, benefits achievement on behalf of clients, and customer presence.

The 'ability to meet client future requirements' assessment is based on the criteria shown in Exhibit 2, and provides a measure of the extent to which the supplier is well-positioned to support the customer journey over the life of a contract. This includes criteria such as the level of partnership established with clients, the mechanisms in place to drive innovation, the level of investment in the service, and the financial stability of the vendor.

The vendors covered in NelsonHall NEAT projects are typically the leaders in their fields. However, within this context, the categorization of vendors within NelsonHall NEAT projects is as follows:

- **Leaders**: vendors that exhibit both a high ability relative to their peers to deliver immediate benefit and a high capability relative to their peers to meet client future requirements

- **High Achievers**: vendors that exhibit a high ability relative to their peers to deliver immediate benefit but have scope to enhance their ability to meet client future requirements

- **Innovators**: vendors that exhibit a high capability relative to their peers to meet client future requirements but have scope to enhance their ability to deliver immediate benefit

- **Major Players**: other significant vendors for this service type.

The scoring of the vendors is based on a combination of analyst assessment, principally around measurements of the ability to deliver immediate benefit; and feedback from interviewing of vendor clients, principally in support of measurements of levels of partnership and ability to meet future client requirements.

Exhibit 1

'Ability to deliver immediate benefit': Assessment criteria

Assessment Category	Assessment Criteria
Offerings	Demand planning & forecasting capability
	Material planning capability
	Production support capability
	Inventory management capability
	Master data management
	Order management
	Trading partner setup & management
	Warranty & returns management
	Overall SCM capability
Delivery	Scale of delivery capability in SCM
	Suitability of delivery North America
	Suitability of delivery EMEA
	Suitability of delivery Asia Pacific
	Suitability of delivery Latin America
	Use of low cost locations
	Application of Analytics in SCM
	Use of cloud in SCM
	Use of mobility in SCM
	Application of RPA in SCM
	Application of RFID in SCM
	Application of Machine Learning in SCM
Market Presence	Scale of client presence in CPG & Retail
	Scale of client presence in Manufacturing
	Scale of client presence in Chemical, Oil & Gas
	Scale of client presence in Energy & Utilities
	Scale of client presence in Life Science & Healthcare
	Scale of client presence in Travel & Transportation
	Scale of client presence in HiTech & Telecom
Benefits Achieved	Level of improvement in visibility of the overall supply chain achieved
	Level of automation in order management achieved
	Level of error reduction in order management
	Level of automation in logistics management achieved
	Level of improved access to real time data in logistics management
	Level of error reduction in logistics management
	Improved reporting
	Level of automation & duplication removed from global trade management *Continued…*

Level of improvement achieved in planning of stock levels

Cost reduction in supply chain administration

Improved asset utilization

Level of data quality improvement in forecasting

Exhibit 2

'Ability to meet client future requirements': Assessment criteria

Assessment Category	Assessment Criteria
Commitment to SCM Services	Future suitability for demand planning & forecasting
	Future suitability for material planning
	Future suitability for production support
	Future suitability for inventory management
	Future suitability for master data management
	Future suitability for order management
	Future suitability for warranty & returns management
	Investment in Analytics
	Investment in Cloud
	Investment in Mobility
	Investment in RPA & machine learning
	Investment in RFID
Perceived Suitability by SCM Services Clients	Ability to reimagine process
	Sector & domain knowledge
	Caliber of personnel
	Strength of partnership
	Flexibility
	Value for money
	Ability to apply new technologies

For more information on other NelsonHall NEAT evaluations, please contact the NelsonHall relationship manager listed below.

Sales Enquiries

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NelsonHall will be pleased to discuss how we can bring benefit to your organization. You can contact us via the following relationship manager:

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