

Cost and Competitive Advantage in the Supply Chain

Even in a recession, today's harsh business climate is highly competitive, complex, and constantly changing driven by increasing customer demands and the need to reduce costs. To achieve ongoing success and competitive advantage in this challenging environment, organizations must change the way they view and leverage their supply chains. The supply chain can be a competitive weapon.

The most successful organizations are finding ways to drive cost out of their supply chains while attaining perfect order execution and offering superior customer service. These forward-thinking businesses are competing effectively in the global marketplace and managing the complexities and costs associated with shifts to offshore manufacturing. They are building lean supply chains to achieve and maintain profitable growth while supporting new market entry and distribution channels. They are collaborating with trading partners to facilitate the right combinations of "push" and "pull" operating designs. And these businesses continually improve their operations every step of the way to deliver on customer promises.

How can BPO Help in this Recessionary Environment?

Since recessions rarely spare an industry, the need to reduce costs is being felt in every market segment from manufacturing to retail. The beauty of Business Process Outsourcing

(BPO) is that BPO can be applied to nearly every function within a company regardless of its industry. For example, retailers are finding that BPO can be applied to managing their real estate, supply chain, supplier communication, shipment visibility, metrics and dashboards, on top of their HR, finance, and IT requirements. Manufacturers are beginning to embrace BPO for product design, supply chain management, project management, parts distribution, shipment visibility and tracking, SKU management, and IT.

In essence, wherever there are processes taking place within a company that are not core to its products and services BPO can be utilized. Cognizant has identified multiple areas where BPO can be leveraged. We understand the supply chain better and have experience working with hundreds of global customers across different industries. What we have learned is that supply chain challenges are not simply at the micro level they are infested within the micro level.

Most companies, however, seem to focus on cost savings and improvements at the macro level much more than at the micro level. A perfect example is the fact that supply chain software sales remain positive for TMS and WMS applications whereas companies that provide process improvement strategies are experiencing sales. TMS and WMS software systems certainly serve a purpose, but



implementing either without understanding the cost drivers within the supply chain at the micro level can rob companies of even greater savings. This is where Cognizant can help. We have pioneered a process whereby every aspect of the supply can be analyzed for the purpose of identifying cost and complexity reductions. For example, a 3PL/4PL can partner with offshore players for physical logistics, having them handle processes such as network monitoring, exception handling, order management, billing, etc. The overall cost to the end customer goes down thus making the 3PL/4PL competitive in the market.

The immediate benefits by identifying and handling processes offshore include:

- Cost reduction of performing non-core activities

- Managing flexibility in case of process changes
- Supporting scalability in handling business transactions
- Increase competitiveness in the operating market

Cognizant's BPO services can help to further reduce operational complexity and enable deeper cost reductions. Unlike traditional BPO, we have the ability to strategically align specific SCM related processes with the COE to ensure a more cohesive approach for solving client requirements. Cognizant has identified numerous SCM processes in various verticals that can leverage our strong market presence and existing expertise in global services delivery (see Figure 1, below).

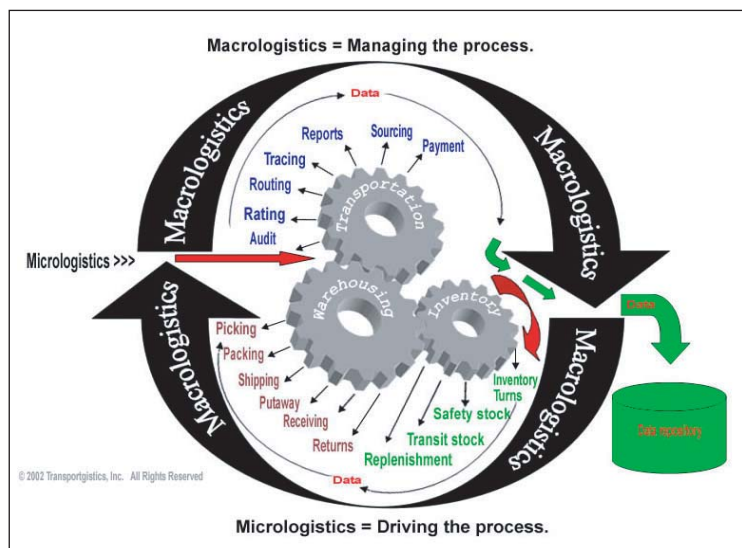


Figure 1: Macro and Micro Processes

SCM Offerings in Industry Verticals				
Manufacturing	Logistics	Consumer Goods	Retail	Energy & Utilities
<ul style="list-style-type: none"> • Vendor Management • Demand Forecasting • Service Contracts & Warranty Management • Asset Management Support • Waste Management Support • Incident Profiling 	<ul style="list-style-type: none"> • Fleet Management Support • Freight Payment Processing & Auditing • Containers/Tankers Transportation Support • Logistics Operations Coordination • Logistics Costing • Calculating carbon footprint • RFI/RFP/RFQ process 	<ul style="list-style-type: none"> • Distribution Planning & Scheduling • Demand Forecasting • Claims Management • Product Data Management • Analytics & Reporting 	<ul style="list-style-type: none"> • Labor Scheduling • Material / Fleet Tracking & Coordination • Store Audit • Reverse Logistics • Analytics & Reporting • Field Service Support • Invoice re-conciliation 	<ul style="list-style-type: none"> • Transportation Coordination • Containers /Shipments/Spares Tracking & Coordination • Reverse Logistics • Logistics Commercials • Field Service Support

Figure 2: Critical SCM processes from a BPO perspective

Cognizant's SCM Center of Excellences

Cognizant's SCM Center of Excellence (CoE) provides a platform for thought-leadership that addresses real-world challenges specific to its customers. The center identifies best practices that

enable repeatable, cost-effective solutions and services that optimize supply, transportation and inventory throughout an enterprise framework.

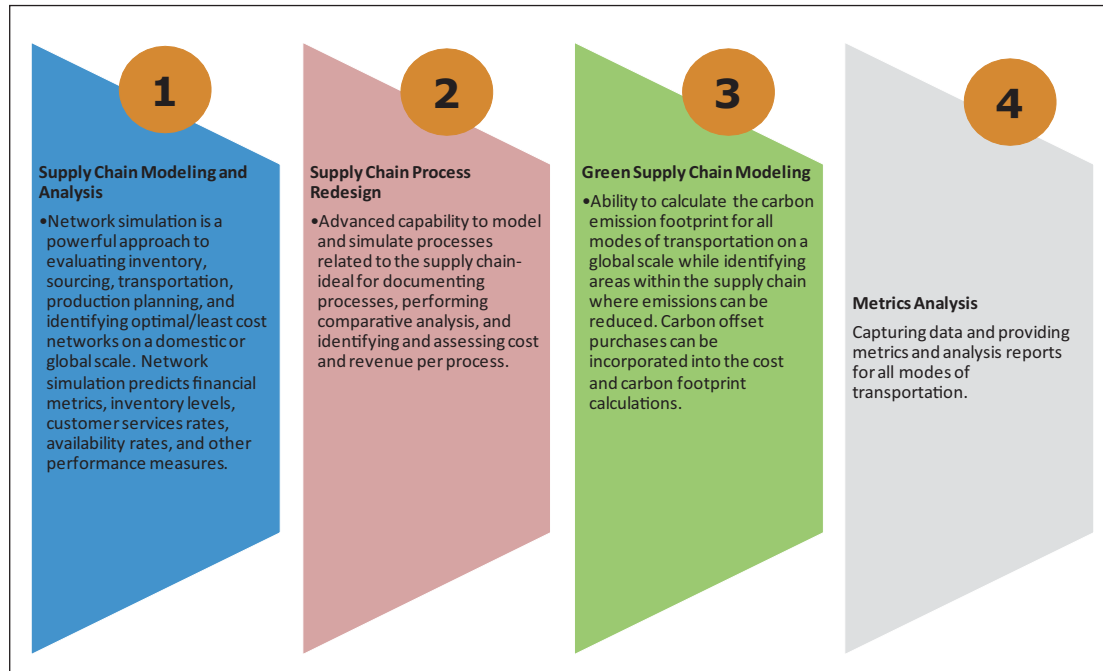


Figure 3: Cognizant's CoEs

Cognizant's BPO Value proposition

Cognizant takes an approach that leverages the synergy between "IT-BPO-Consulting" to deliver better results across industry.

Customers can derive the benefits from this approach for a variety of reasons:

- **CONTROL** cost through "transaction-based pricing"
- **IDENTIFY** "revenue opportunities" in outsourced processes
- **PERFORM** "process audits" remotely.

Regardless what industry a company is in, Cognizant has experienced supply chain and BPO consultants capable of designing and implementing solutions to fit the client's special

needs. For example, retail and consumer packaged goods companies are challenged on a daily basis with rising demands from consumers, growing complexity within global supply chains, SKU proliferation, pricing competition, increasing and decreasing demand for products as a result of global market conditions, and the growth of green initiatives. To stay competitive, companies must adapt to changing demographics and consumer trends while doing so within their budgets and infrastructure capabilities. By partnering with Cognizant, retailers and CPG companies gain access to expertise and services that will greatly reduce complexity and costs thus allowing them to focus on core processes.

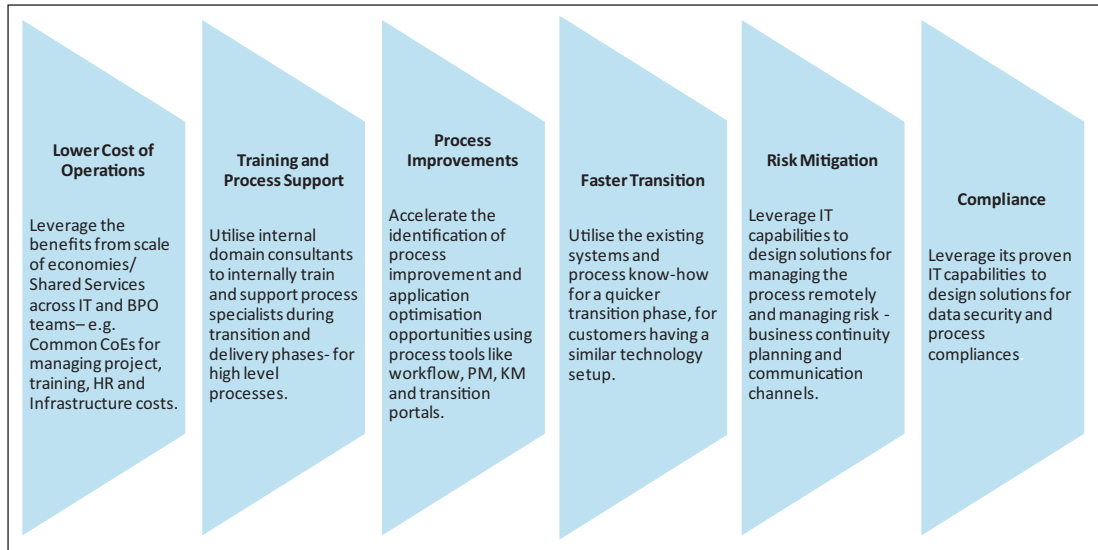


Figure 4: Cognizant's IT Services and BPO Synergy

Cognizant's Turnkey Managed Services Offering

Companies looking for even greater opportunities to reduce their supply chain costs can tap a pioneering Cognizant methodology known as Managed Services whereby the following supply chain processes are outsourced:

- Transportation
- Inventory forecasting and optimization
- Multichannel sales, revenue, and marketing management
- S&OP

More and more companies are coming to the realization that their ability to manage their supply chain requirements are greatly hampered by a lack of qualified personnel, technology, and an understanding of the need for a long-term supply chain strategy. Our Managed Services offering was designed specifically to meet the needs of companies who have the desire to improve their supply chains but which lack the personnel and infrastructure to do so. What makes Managed Services so attractive to customers is that Cognizant has removed the guess work from day-to-day supply chain management so companies can focus on their core capabilities.

An even greater benefit to companies that utilize Managed Services is the concept of

innovation within the supply chain. There are countless 3PL's that companies can turn to for supply chain management but few have the personnel, tools, or infrastructure in place to drive innovation across the supply chain. For example, a company that ships large quantities of LTL freight can benefit from the use of optimization software to consolidate multiple LTL shipments into TL shipments in an effort to reduce transportation costs. This example is standard practice among 3PL's. The Cognizant approach starts by conducting a survey of the company's strategic customers to ascertain their precise delivery requirements as well as to apply supply chain and transportation modeling to identify the optimal cost effective network that best meets the needs of the company and customers. In essence, instead of applying a one-size-fits-all approach, Cognizant provides a tailored solution that ensures optimal supply chain management and the implementation of innovative and leading edge best practices. Additional benefits of outsourcing supply chain functions to Cognizant include increased profits, reduced risk, and the ability to reduce complexity and costs by removing legacy hardware and software.

Executive in Waiting

If a company chooses not to utilize Cognizant's Managed Services offering but still recognizes the need to improve its supply chain, Cognizant offers a service known as "Executive in Waiting

(EIW).” The purpose of the EIW is to provide companies with highly qualified executive level personnel to fill the positions of EVP/SVP/VP of Supply Chain, COO, Director of Transportation, Director of Supply Chain and/or Director of Operations, etc., on a part-time strategic basis. It is our experience that many companies have the desire to staff their executive and management ranks with highly qualified supply chain experts only to find they do not have the budget to fund such expertise or are unable to find the personnel who meet their needs. By utilizing Cognizant's EIW service, Cognizant can provide top-level supply chain experts on a part-time basis to elevate strategic planning or to oversee the transition from in-house transportation services to an outsourced model. Cognizant can also provide EIW personnel on a roving basis on a semi-weekly, monthly, or any other type of rotation requested by the client.

Summary

Supply chain management is all about having the right products, at the right time, to the right customers at minimal cost. To attain industry leadership, organizations should start thinking radically about business process optimization. Senior leadership, therefore, needs to be willing and determined to embrace a new paradigm where greater operational efficiencies can be leveraged to achieve sustainable competitive advantage.

The supply chain is particularly ideal for BPO as the supply chain is among the largest drivers of costs within an organization. Moreover, as supply chains become more complex and adjusted to contend with wildly changing economic conditions, companies find that they are unable to effectively manage each and every activity. BPO is being used by a growing number of companies to remove the day-to-day management of processes, many of them manual, from their supply chain operations to enable focus on core functions that add value. In such recessionary times, focus on adding value is the key to survival.

Cognizant has the expertise to evaluate supply chain management practices as well as identify

process improvements that can best transform functional areas across multiple divisions on a global scale. Cognizant's use of traditional process improvement methodologies such as Six Sigma and Lean, which are included within our proprietary process improvement methodologies, sets us apart from our competitors, many of whom rely on a “one size fits all” approach to supply chain transformation. To Cognizant, all customers are unique and require customized attention and tools that best fit their needs.

Appendix: Case Study

Client: The client was a leading independent global provider of outbound vehicle logistics services and engaged in the provision of maritime transport and related services internationally.

Challenges:

- Multi-location processing through Legacy systems.
- No dedicated team for processing.
- Duplication of party accounts.
- Insufficient data sent by customers.

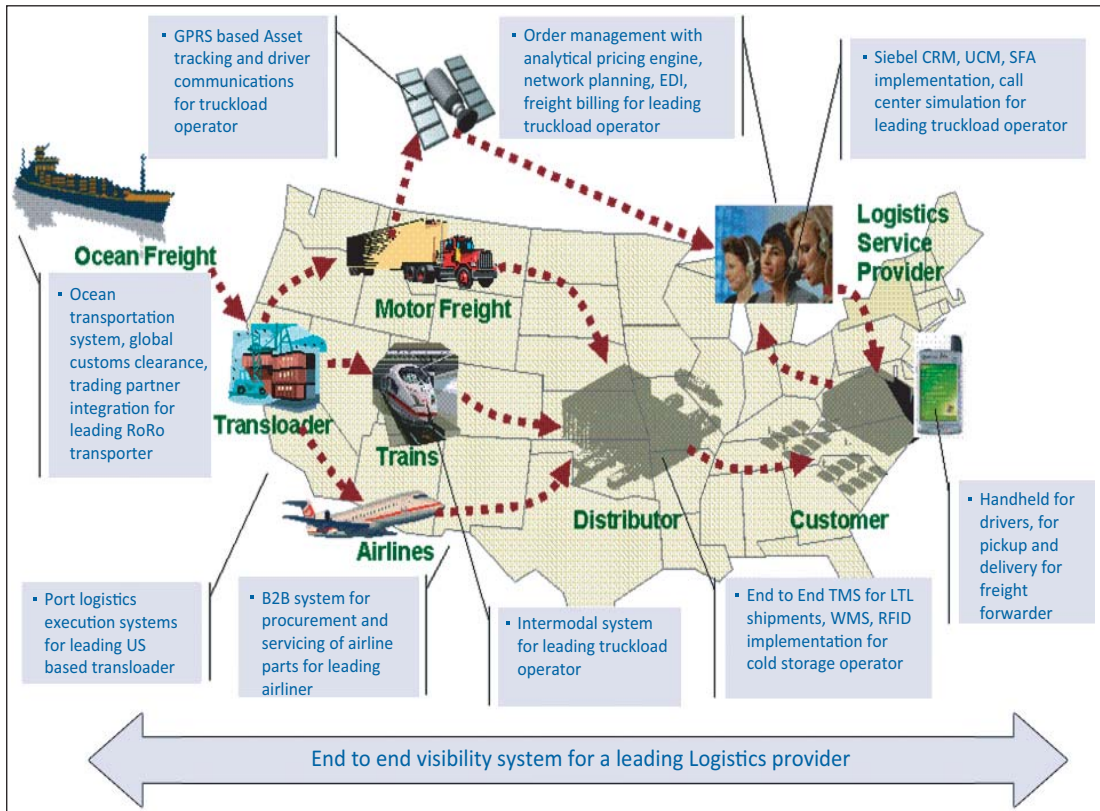
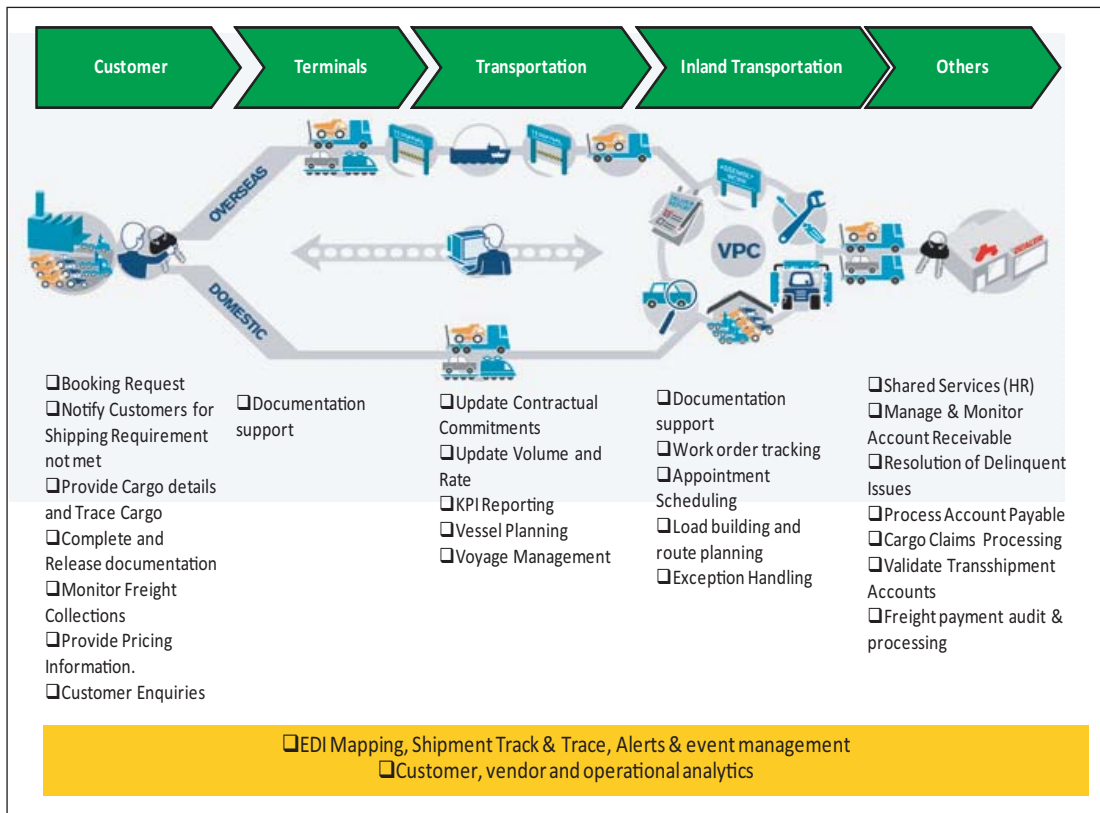
Solution:

- Replication of processes as done at the client's place.
- Cognizant developed a customized tool to reduce rework and increased productivity for processing of party and commodity maintenance data.
- Duplication back log entries reworked.

Benefits:

- Metrics on quality introduced in the client's back office for the first time.
- Base lining of the processes to set benchmarks.
- Rigor and QC through WFM and CRM.
- Greater visibility & transparency provided into operations using web based PMO.

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Appendix: Representative Case Study

About Cognizant

Cognizant (NASDAQ: CTSH) is a leading provider of information technology, consulting and business process outsourcing services. Cognizant's single-minded passion is to dedicate our global technology and innovation know-how, our industry expertise and worldwide resources to working together with clients to make their businesses stronger. With over 50 global delivery centers and 63,700 employees as of March 31, 2009, we combine a unique onsite/offshore delivery model infused by a distinct culture of customer satisfaction. A member of the NASDAQ-100 Index and S&P 500 Index, Cognizant is a Forbes Global 2000 company and a member of the Fortune 1000 and is ranked among the top information technology companies in BusinessWeek's Hot Growth and Top 50 Performers listings. Visit us online at www.cognizant.com.

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For more information on how to drive your business results with Cognizant, contact us at inquiry@cognizant.com or visit our website at www.cognizant.com.



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