

# SAP User Insights

At TAC Insights, we speak with leaders in the global SAP ecosystem on a daily basis.

Via our events, webinars and content platforms, we aim to keep you informed and updated with the very latest insight and learning directly from SAP users.

Microsoft  
COMPANY

1 Microsoft Way,  
Washington, U.S.  
HQ

Approx  
182,000 (2021)  
EMPLOYEES

Software development,  
computer hardware, consumer  
electronics & cloud computings  
INDUSTRY

SAP Integrated Business Planning,  
SAP Ariba Supply Chain Collaboration,  
SAP Solution Manager  
SAP FOOTPRINT

## Transforming to an **Intelligent Digital Supply Chain**

How Microsoft harnessed the power of big data, machine learning and IoT to achieve a connected, predictive, digital supply chain



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From the humble mouse in 1983 to the first iteration of the Xbox in 2001, Microsoft has a long history of developing the consumer electronics we know and love. As well as a long history, the “devices” or hardware branch of the Microsoft business model also has an incredibly complex supply chain with more than 35,000 active stock keeping units (SKUs) and 33 management and distribution centres serving over 122 countries.

2014 marked the start of a significant growth in the number of devices Microsoft were bringing to market and lead to a lot of uncertainties in how the business could effectively scale up to meet this need. Within a highly competitive business environment, Microsoft experienced pricing and margin pressures which lead to them having to take a closer look at their manufacturing, sourcing, fulfilment and after-sales costs.

**“With our manual processes and disconnected systems it was no longer possible for us to handle these challenges and it was imperative for us to start a digital transformation.”**

UJWAL JETAGI, MICROSOFT

And it wasn't just the costs which needed to be managed, explains Ujwal Jetagi, Principal Software Engineering Manager at Microsoft, “In today's era, where there is free shipping, free returns, white glove services... there are also increased customer services expectations which add to the pricing pressure.”

Microsoft describe their supply chain's digital transformation story as a series of three waves. The focus of wave one was on connectivity. Jetagi: “we wanted to connect all the systems within the landscape to get an end-to-end view of the business.”

The second wave focussed on becoming predictive rather than reactive, with the help of big data, machine learning and IoT. The third wave was all about utilising algorithms to make quicker and faster decisions and to reduce manual activities.

## **The Best of Both: The Power of SAP and Microsoft Combined**

Crucial to achieving success in all three waves of their transformation was the migration of almost all their planning functionality to SAP Integrated Business Planning (IBP), used alongside the SAP Ariba Supply Chain Collaboration tool and Microsoft's own Azure platform and tools.

The impact on the role of the planner at Microsoft has been huge. Three years ago, in order to create a realistic plan, planners were working throughout the week, capturing data from different legacy systems and multiple

excel worksheets. Collaborative work was all done offline with activities between suppliers and customers being tracked through manual spreadsheets. The implementation of SAP IBP allowed Microsoft's planners to generate and compare various scenarios as well as creating simulations to generate more realistic plans, thus freeing them up from firefighting exercises and moving from a reactive to predictive mode in creating plans to better satisfy their customers' needs.

Given the reluctance in some companies to embrace new technologies, what did Microsoft do to ensure user adoption of IBP? The inclusion of the Microsoft Excel Plug-In must have helped? Jetagi laughs, “the Excel Plug-In was certainly a plus for us – it's our product and our baby – and it was a huge plus to be able to go back to our business community and tell them, you don't have to move away from your front end UI which you are familiar with and the same time you will benefit from this add-on of back-end connectivity.”

In addition, Jetagi attributes the smooth transition to IBP to the strong partnership between SAP and Microsoft, “we were able to supplement a few of the scenarios that were specific to Microsoft and our industry without having to wait for the roadmap items within the product and were able to build bridge solutions to address those needs and thereby continue with our journey without having to wait and pause our transformation.”

# Supply Chain Planning as a Strategic Tool for Business Growth

The benefits arising from Microsoft's digital transformation are impressive: there has been a 100% increase in products/ SKUs alongside a substantial reduction in their finished goods inventory. Microsoft were able to plan the vast majority of their products through cloud applications and their own Azure platforms as well as being able to track real time execution activities, including getting insights from the factory and logistics teams.

Drilling down further into the benefits, Suresh Michael Raja, Senior Manager of Product Management at Microsoft Supply Chain Engineering, reveals that system integration time has greatly reduced by approximately 75%. Can you give us an example?

"Three years ago" he shares, "when we had various legacy systems to hand off the demand signal from one environment to another it used to take up to 48 hours, this is now done in less than four hours."

Another key benefit has been the reduction in the planning cycle time which, through automation and a reduction of manual adjustments, Microsoft was able to reduce from five days to less than one day. Finally, Microsoft saw a substantial increase in on-time planning (measured by the number of POs created, transmitted and confirmed) leading to a reduction in unconfirmed orders and a corresponding improvement in customer experience.



"This partnership between SAP IBP and Microsoft Azure has given us the power to grow from a completely disconnected system to a fully connected, fully predictive... truly cognitive supply chain."

SURESH MICHAEL RAJA, MICROSOFT SUPPLY CHAIN ENGINEERING

## The Microsoft Digital Supply Chain Team



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## Want to hear more?

Ujwal Jetagi, Principal Software Engineering Manager at Microsoft and Suresh Michael Raja, Senior Manager of Product Management at Microsoft Supply Chain Engineering, joined us at last year's SAP Digital Supply Chain Live to share their story.

