

Are You Ready?

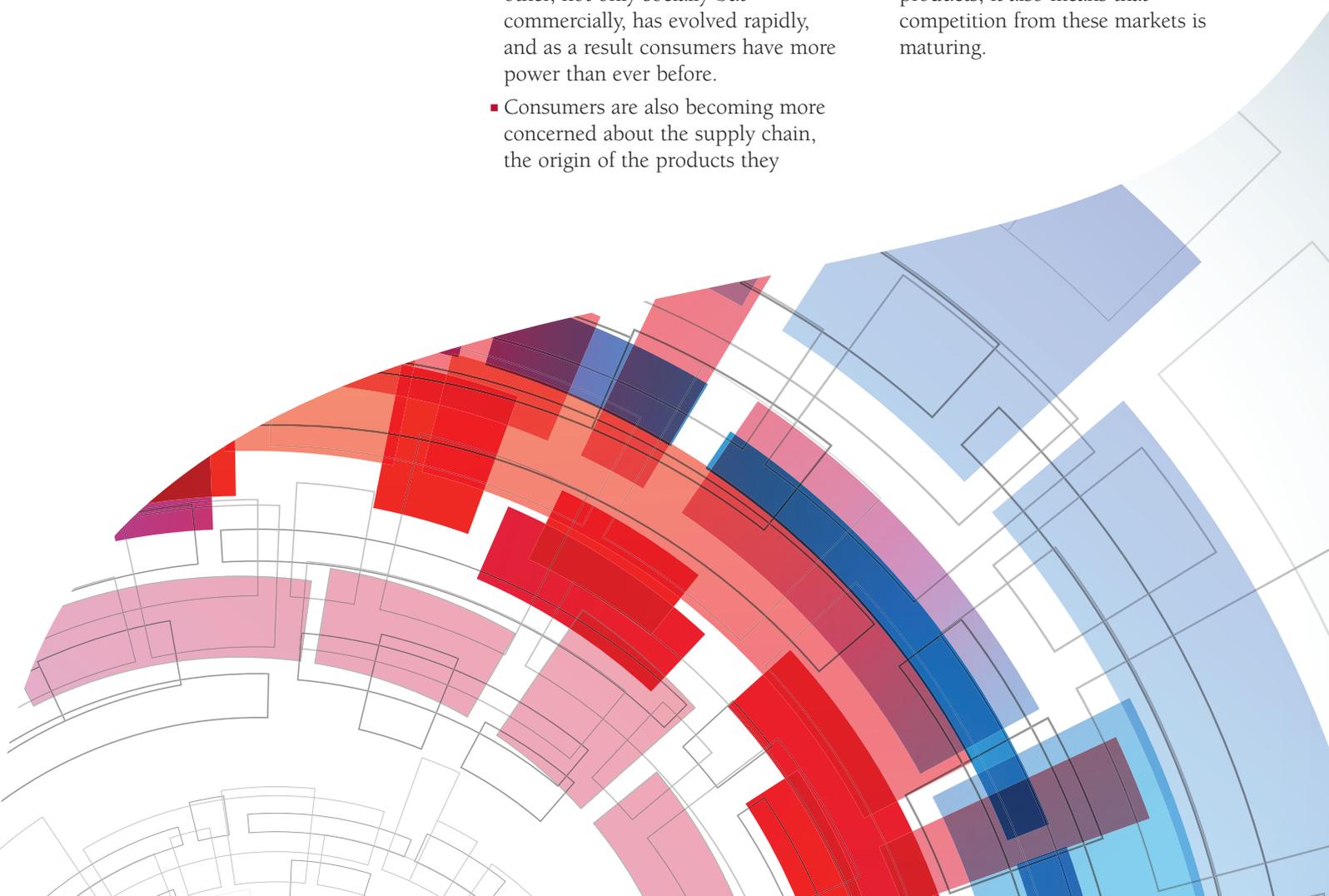
How BPO Can Help Manufacturers Manage Today's Complexities

The world is undergoing an unprecedented degree of change. The way consumers interact with each other, the way we leverage resources, the increased wealth in fast-growing economies are all impacting manufacturing companies. The following key trends are affecting the industry the most:

- Demand has declined globally, and coupled with increases in the cost of raw materials, this has put manufacturers under greater pressure to reduce costs.
- The way people interact with each other, not only socially but commercially, has evolved rapidly, and as a result consumers have more power than ever before.
- Consumers are also becoming more concerned about the supply chain, the origin of the products they

consume, and the impact those products have on the environment. They want more accountability from all the players in the supply chain and they have unprecedented transparency into these processes.

- Supply chains have become more complex, increasingly relying more on partnerships than on in-house supply.
- The developing economies of India, China and Brazil continue to grow at a rate far faster than the established economies, and while this will open up potential new markets for products, it also means that competition from these markets is maturing.



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Faced with these changes, manufacturers continue to look for solutions to help them understand and manage the complexities of this new way of working. Increasingly, manufacturers are turning to Business Process Outsourcing (BPO) to help address their challenges.

BPO has also evolved. No longer are organizations just looking for low-cost transaction processing or labor arbitrage; they also want solutions that can deliver business outcomes and effectively support them in addressing these challenges.

Addressing 10 Key Challenges for Manufacturing

This paper highlights 10 challenges for manufacturing and looks at how BPO, supported by wider specialist capabilities, can help you address these issues.

1 Cost Pressures

Recessionary pressures are easing, however uncertainty still exists. As a result, manufacturers remain focused on reducing their operating cost base, with a specific emphasis on selling,

general and administrative (SG&A) costs. From recent trends, it is clear that SG&A costs, including Finance, Marketing and Customer Service, are not reducing at the same rate as revenue. Organizations are not structured to be flexible enough to respond to changes in revenue. A BPO approach can address this challenge with several key levers:

Balanced Delivery Model:

Outsourcing, leveraging a nearshore/offshore delivery mix, can deliver significant cost savings through labor arbitrage. Leveraging locations such as India, China and Eastern Europe, business processes can be delivered at significantly lower cost than current onshore operations.

Ongoing Productivity Improvement:

With resources dedicated to continual improvement and projected savings underwritten by the commercial model, a BPO model can drive best practices, thereby sharing the cost savings.

Commercial Flexibility:

Mature pricing models reduce the impact of stranded costs, enabling resourcing and pricing to be adjusted to meet changes driven by economic conditions.

2 Agility and Flexibility

While some manufacturers are rationalizing and divesting non-core assets, others are opportunistic and looking to acquire. Manufacturers want to maximize the benefits of integrating these acquisitions. BPO can help companies get the right structure in place to improve their agility and flexibility. They can do this in three ways:

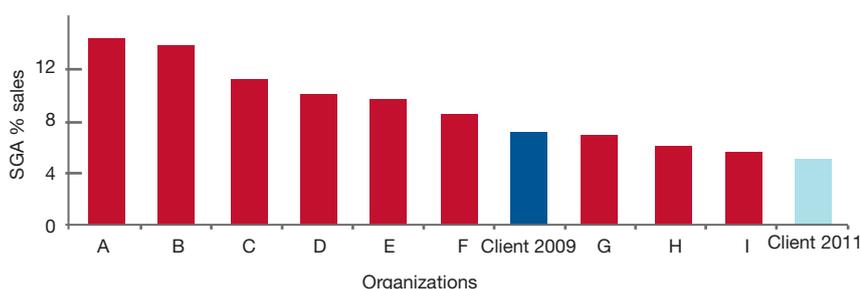
Reactivity: Through scale of delivery, resources can be dynamically reassigned to react to temporary and permanent business volume changes or fluctuation.

Focusing on Reducing SG&A Costs

A Nordic industrial products company was struggling with rising raw material prices and a flagging global market. While restructuring efforts had improved performance, SG&A costs were still high compared to sales.

BPO was seen as one of the ways to not only reduce SG&A costs, but also to move to a more flexible back-office delivery model. Capgemini worked with the company to implement a BPO solution. Through a transition that delivered a 20% savings in the finance function within 18 months, the company expects to have one of the lowest SG&A costs in its industry.

SG&A Costs to Sales (%)



Source: Capgemini

Flexible Delivery: A flexible delivery model and Software-as-a-Service options make it easier to adapt to changes in your organization.

Capability: With wider organizational or alliance networks, most BPO partners can provide a wider breadth of experience in managing business processes with the ability to bring the right capabilities to the fore as and when required.

3 Sustainability

As legislation is introduced requiring companies to be more accountable in their use of resources, manufacturers are looking for support to implement and manage the necessary solutions. There is an increasing awareness that some natural resources are becoming scarce. Consumers are also demanding more accountability about the sustainability of the supply chain, and BPO provides three main levers that address sustainability:

Supply Chain Management: Outsourcing supply chain management allows not only for a more efficient supply chain but a more sustainable one, through aggregation of loads and the use of the most “green” option. Manufacturers are also recognizing that green supply chains can lead to reduced costs.

Logistics Aggregation: With a multi-client BPO model, high-volume logistics customers have the opportunity to aggregate their common supply routes by leveraging business analytics.

Carbon Accounting: Through “process as a service” offerings, BPO providers are beginning to offer tools and processes to manage the complexities of recording and reporting carbon accounting.

BPO Sustainability Enables Reliable and Efficient Data Management

A technology company had set a number of challenging corporate environmental objectives around carbon emissions, energy efficiency and waste, and wanted to measure and report progress against these, as well as supporting environmental improvement projects with sufficiently reliable data for operational and investment decision making. But the complexity and intensity of gathering and processing approximately 3 million data items a year from almost 30 disparate sources with varying ownership, formats, levels of detail and reporting cycles each month, proved a challenge to handle internally.

The client was seeking a way to make the process of handling and reporting key sustainability data more cost effective and cost rigorous. The sustainability data management service from Capgemini BPO was selected. Capgemini BPO Sustainability is a comprehensive Managed BPO Service for Energy Carbon & Sustainability Data Management & Reporting, which provides both the back-office services and the Software-as-a-Service (SaaS) technology platform. The solution provided by Capgemini, using the CA Technologies ecoSoftware platform, was configured to match the company’s requirements and tailored to meet organizational and specific reporting needs.

The project resulted in significant improvement in data quality and reporting, having identified and rectified a number of gaps and inconsistencies during the data review process.



4 Access to Skills

Organizations are looking at ways to reduce the cost of required specialist skills as an alternative to more expensive consulting or accounting resources. BPO can offer:

Experienced Delivery Skills: Delivery teams with the right mix of transactional and analytical skills can ensure that issues are not just identified, but dealt with efficiently.

Business Insight: As processes are consolidated, and the business environment is better understood, specialists can be deployed quickly on an as-required basis to address specific business issues.

5 Master Data Management

Manufacturers are more aware than ever of the value of their Master Data, from innovation, through the supply chain and into business support functions. Gaining control will not only reduce costs, but potentially drive revenue. A BPO approach provides several opportunities to address this issue:

Balanced Delivery Model: A more effective delivery mix can quickly release savings from the management of reference data without significant changes. Those savings can then be directed towards transformation of the Master Data function.

Global Process Model: Through best-practice processes and tools, quality assurance of reference data becomes standard.

Master Data Strategy: With an improved understanding of the Master Data requirements, a BPO model can help a manufacturer determine strategy and policy, and implement the tools best placed to manage the data.

6 New Markets

As growth in mature markets slows, developing markets in China, Brazil and India continue to grow.

Supporting Entry into a New Market

Capgemini worked with a company that designs, manufactures and delivers high-performance electric systems for global residential, commercial and utility power plant customers. The company's solutions deliver up to 50% more power than their competitors' solutions, more power on a smaller footprint, and the most energy per square meter, compared with other leading solar products.

With its entry into Europe, the company was looking for a partner with the tools, the capability, and flexibility to deploy a customer service solution to support its European operations. Within six months, the helpdesk was fully operational with 80 FTEs in Poland supporting five languages, allowing the company to focus on its core business while delivering quality customer service.

Manufacturers are looking for solutions to help them enter these markets and provide services. Moreover, this involves moving production and also shifting focus to the consumers in these markets. BPO can assist companies as they make the move into these new markets, while at the same time helping organizations extend their operations in mature markets with:

Flexible Delivery: As new markets open up, outsourcing – using a scalable delivery model – can quickly adapt to take into account changes in your organization. Being able to leverage this scale, as well as language and industry-specific skills allows a manufacturer to deploy resources in line with organizational changes.

7 Evolution of Social Media

The relationship between manufacturers and consumers is changing quickly. The rapid adoption of social media over the past five years has driven a significant shift of power to the consumer. Traditional marketing strategies are being rethought to include a greater link between customer service and the marketing process. How do traditional bricks-and-mortar companies leverage these new developments to remain competitive?

A customer operations management approach leveraging BPO can provide companies with an end-to-end solution incorporating customer services, order management and content management. This type of integrated approach that combines “social listening,” business analytics and market research services offers greater insight into your customers, your products and the markets in which you operate. There are three prongs to this strategy:

Customer Operations Management: This approach provides the process and technologies to effectively manage multi-channel contact management.

Social Analytics: Tools and processes enable effective analysis to help companies keep up with the dynamic state of social media technology.

Architecture: Integrated frameworks that bring together the best-of-breed tools can deliver customized Web services reducing the cost of implementation and maintenance.

8 Information Overload

Companies are producing terabytes of information, but are struggling to understand the value of this data, as well as the external information

available from customers, suppliers, products and markets. BPO can help companies make sense of the information overload through:

Business Analytics: Sophisticated business analytics tools enable companies to filter and analyze these data sets and provide meaningful analysis to support business objectives.

Industrialization: A BPO approach industrializes the data analysis activity ensuring benefits are sustained, trends are captured and information is managed cost effectively.

9 Service Management

Service is becoming a vital component for manufacturers as they look to provide a greater level of service to the end user. Turning products into an annuity creates a greater intimacy with the customer. While it is clear that manufacturers see greater value in after-sales servicing of products, they do not always have the capabilities in-house to provide the infrastructure to move to this new business model. BPO can help companies make the shift to service management without losing focus on their core manufacturing operations with:

Customer Services: A customer operations management approach can provide a comprehensive solution for customer support across multiple channels. Such a global platform reduces the need for capital investment and shortens the implementation cycle.

Supply Chain: An outsourced supply chain, based on sustainability principles, can ensure that a company is fully supported with no impact on the core manufacturing processes.

Finance and Accounting: A move to services will see additional requirements for finance and accounting; outsourcing is a mechanism to scale up quickly as and when required.

Global Order Management Services for Nokia Siemens Networks

Nokia Siemens Networks (NSN) is a leading global enabler of telecommunications services. With its focus on innovation and sustainability, the company provides a complete portfolio of mobile, fixed and converged network technology, as well as professional services including consultancy and systems integration, deployment, maintenance and managed services. It is one of the largest telecommunications hardware, software and professional services companies in the world. Operating in 150 countries, its headquarters are in Espoo, Finland.

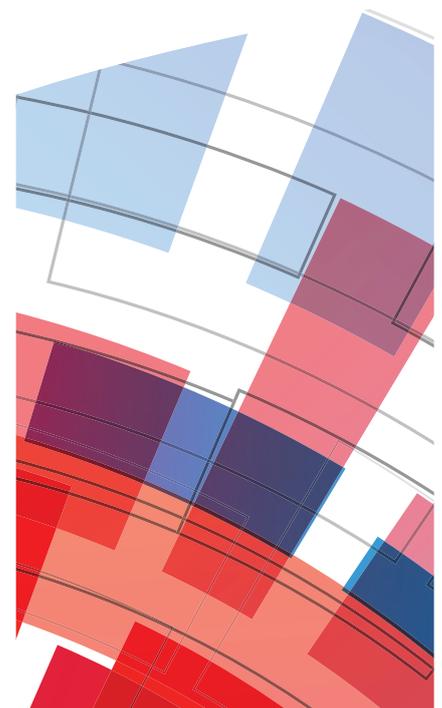
Capgemini was selected to support the company's global order management operations. This involves:

- 7-year-plus contract from 2010
- Scope: Order Management including preparation for delivery, customer order management, distribution and customer invoicing
- 750 employees and contractors from 14 countries (410 NSN employees and 340 external contractors)
- Countries in scope: Germany, Finland, Brazil, India, US, China, Egypt, Pakistan, Belgium, Argentina, Chile, Colombia, Mexico, Panama, Peru, Venezuela, Indonesia, Poland, Spain, Thailand, Vietnam and UK
- Languages supported: English, French, Arabic, Russian, Spanish, Portuguese, Mandarin, Japanese, Thai

"Capgemini's excellent reputation and proven track record of maximizing efficiency in business processes, along with its global delivery model, were major factors in our decision to select them as our partner and future employer of our logistics experts."

– Johannes Giloth, Global Head of Supply Chain, Nokia Siemens Network

Business Process Outsourcing can help manufacturers better manage innovation through the product lifecycle.



BPO Delivers World-Class Technical Content Expertise

Bombardier, the world's third largest civil aviation manufacturer, turned to Capgemini's technology, consulting and outsourcing expertise to implement world-class technical content management through a BPO solution.

To achieve this goal, Capgemini assembled a highly skilled team of technical content management professionals with a wealth of technical experience in engineering, manufacturing and design. These professionals drew on their subject matter expertise and ability to present complex information clearly and concisely to help Bombardier achieve excellence in customer satisfaction.

- 14 of the largest auto manufacturers and 13 of the largest tier-one suppliers
- Eight of the largest networking and telecom equipment manufacturers
- Eight of the top 10 consumer electronics manufacturers
- Seven of the top 10 aviation, aerospace and defense companies

We combine our manufacturing industry knowledge with extensive experience in BPO. For more than 14 years, Capgemini has taken a leadership role in delivering innovative BPO solutions. We have undertaken more than 70 BPO implementations for companies such as Danfoss, International Paper, SKF, Syngenta, Unilever and Zurich Financial Services. Manufacturing companies account for approximately 60% of our BPO client base.

In every case, we work with our clients hand-in-hand to drive tangible value, reduce risks and optimize the company's capabilities. Most importantly, we draw on our experience and capabilities to

10 Managing Innovation

As the pace of change increases, manufacturers are under constant pressure to innovate, not just in the products they sell but also in how they manufacture and support those products. BPO can help manufacturers better manage innovation through the product lifecycle via:

Innovation Management: A robust innovation management process combined with a balanced delivery model will help manufacturers maximize their R&D investment, by focusing on innovation itself and not day-to-day project management.

Content Lifecycle Management: The right platform and processes to manage technical content will allow organizations to be more responsive and react to change.

Product Lifecycle Analysis: By leveraging business analytics with ongoing product profitability analysis, companies can benefit from objective recommendations.

How Capgemini Can Help

Capgemini leverages deep industry expertise to help manufacturers navigate this increasingly dynamic and complex marketplace. Our global team includes nearly 20,000 practitioners with specific expertise in manufacturing. We have longstanding

relationships with many of the industry leaders. We work with:

- 70% of the largest diversified manufacturers
- 90% of the largest manufacturers and suppliers in the high-tech industry



diagnose the specific challenges your company is facing, and then show you how to transform your support functions through BPO to find the right balance of control, compliance, value and savings.

BPO with Business Insight

Capgemini BPO solutions deliver excellence in bottom-line optimization but also apply insight processes, intelligence tools and extensive domain knowledge for customers to benefit from the simultaneous improvement in operational performance together with a positive impact to the top line.

Our BPO services range from traditionally outsourced processes to those at the core of the business. Services include Finance and Accounting, Procurement, Customer Operations Management, Supply Chain Management, Human Resources, Product Design and Development, and Sustainability Services that comprise both back-office solutions as well as energy, carbon and sustainability data management and reporting.

What Makes Us Different

A number of aspects differentiate Capgemini's approach to BPO.

How We Deliver

- **BPO Rightshore® Global Delivery Network of Centers:** Capgemini's global delivery model helps add value while using resources more effectively. We bring together our best talent from the right balance of onshore, nearshore and offshore locations and work with you as a unified team. This balance enables us to deliver the optimum solution for your business needs. Our mature global BPO operations, including 16 interconnected centers located in 10 countries (Australia, Brazil, Canada, Chile, Guatemala, India, Philippines, Poland, Sweden and US), can provide back- and middle-office support while you focus on your core operations.

- **Global Process Model®:**

Capgemini's Global Process Model serves as an "Operating Manual." It represents global and industry best practices driving toward top-level process maturity, delivering world-class services in the shortest possible time, maximizing the value from investment in technology, while reducing risk and IT support costs.

- **Command Center Model:** This model is a proven "fast track" to visibility, consistency and control in managing geographically dispersed contact centers.

- **Capgemini Immediate:** Our Immediate platform brings together best-of-breed tools in an integrated framework to deliver customized Web services. Immediate is a tried-and-tested cloud services management platform that brings security, control and accountability to federated services provision. This comprehensive solution works by managing an ecosystem of third-party technology suppliers to provide services seamlessly. Our integrated model enables you to shift your focus from technology challenges to business outcomes.

How We Accelerate Solutions

- **"Enterprise in a Box":** Capgemini can provide you with the tools required to quickly develop your strategy for new, developing markets, and understand the building blocks for a risk-free start-up, no matter if this is establishing a new factory or a European services organization. This is coupled with our extensive experience in these countries.

- **CHROME:** Capgemini's Manufacturing Center of Excellence provides a number of tools and accelerators to help companies deploy technology environments to new and existing operations quickly, at lower cost and with less risk.

BPO can provide the platform for manufacturers to manage in rapidly changing economic and social conditions. Either by leveraging lower-cost delivery models to release costs in the back-office, or through access to skills or technologies with reduced investment, manufacturers can better position themselves to meet these challenges.

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About Capgemini and the Collaborative Business Experience

Capgemini, one of the world's foremost providers of consulting, technology and outsourcing services, enables its clients to transform and perform through technologies.

Capgemini provides its clients with insights and capabilities that boost their freedom to achieve superior results through a unique way of working, the Collaborative Business Experience™. The Group relies on its global delivery model

called Rightshore®, which aims to get the right balance of the best talent from multiple locations, working as one team to create and deliver the optimum solution for clients. Present in 40 countries, Capgemini reported 2010 global revenues of EUR 8.7 billion and employs around 110,000 people worldwide.

More information about our services, offices and research is available at www.capgemini.com.

For more information on our BPO for Manufacturing solutions, please contact:

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