CARS OR DIAGNOSTICS INSTRUMENTS
X-Industry challenges requiring new levels of collaboration

CIPS – Zug – May 9th 2019

Sascha Klüwer, Vice President, Global Head Diagnostics Direct Procurement
Sascha Klüwer

Procurement Leader – Change Expert – Strategic Mind

- 25+ years of experiences collected from
  - 4 major global corporations (Henkel, SC Johnson, Takeda, Roche)
  - multiple global roles within the Procurement environment
  - 4 major Procurement transformations
  - 4 countries lived and worked in so far

- Current role (since July 2018): Global Head of Direct Procurement Roche Diagnostics
  - Approximately 2.5bn CHF spend
  - Staff of 140 employees in over 5 countries (11 locations)
  - Direct Materials: Chemicals, Biologics, Packaging, Consumables, Logistics, Instruments

- Background: Business Administration, MBA
Roche is a global pioneer in personalized healthcare
Doing now what patients need next

- CHF 56.8 billion sales
- 94,442 employees worldwide
- CHF 11.0 billion R&D investment
- 30 R&D sites and 26 manufacturing sites
- Pioneer in personalized healthcare
- #1 R&D investor in healthcare*

**Pharmaceuticals**
- Developing medicines in the area of Oncology, Immunology, Infectious Diseases and Neuroscience
- 30 Roche medicines on the WHO Model List of Essential Medicines

**Diagnostics**
- World Leader in in-vitro Diagnostics**
- Industry leading portfolio across disease areas with wide range of Products, Services and Solutions

*Strategy & Global Innovation 1000, Winter 2017

**In vitro diagnostics are tests done on samples taken from the human body, such as blood, urine or tissue.
The auto market isn’t growing at unmanageable rates, but the electronics in cars are. The automotive industry, like aerospace and defense, is beginning to use more commercial off-the-shelf parts. Automotive companies are competing with major consumer electronics manufacturers for components. The Apple’s and Samsung’s of the world are winning that battle.

George Whittier, COO at EMS company The Morey Corp.

- In Roche Diagnostics, this means critical supply situations for
  - Memory
  - Standard Semiconductors
  - Passives – Capacitors (MLCC – Multi-Layer Ceramic Capacitors) & Resistors (thick film)
- In 2018, over 300 material shortages across all relevant sites
- All Roche Diagnostics instruments were impacted (over 80 PCBAs)

„Allokation“ oder „Wenn C-Teile zum Problem werden“

Electronic Components Shortage

*Trying to mitigate the impact by very closely collaborating ...*

---

*Call for Action ...*

- Approval of new sources (incl. 2nd tier suppliers) for as many components as possible
  - Global market screening, buying capacities
  - Re-thinking our components strategies
- High frequency collaboration- and escalation meetings with key suppliers
  - Re-thinking our SRM* strategies
- Smart buy … “most urgent” components first
  - Re-thinking our planning strategies
- Broker buy
- Forecasting changes
  - Extending forecasting period

---

*SRM = Supplier Relationship Management*
Establishing a new x-functional level of collaboration…
...by putting a new Operating Model in place

**Global Direct Procurement Transformation**

- New Operating Model to support journey towards our vision
  - Category & Business Partner centric
  - Mindset of “Procurement Entrepreneurs”
  - Dedicated Business Partner roles
  - Strong focus on “Digital Intelligence” to enhance SRM, Risk Monitoring and Predictive Analytics

- Transformation started August 2018; go-live of new Operating Model planned for August 2019
  - All roles change: more focus and specialization
  - Buy-in of stakeholders and employees is paramount
Technology enhancing Collaboration

SRM to fundamentally change going forward?

Let’s think about this: Strategic Procurement tomorrow?

- Available capacities are transparent through IoT; AI will constantly monitor changes and evaluate risks, negotiations no longer have an element of bargaining
- Sourcing based on predictive demand management is initiated automatically
- POs are obsolete, entities are connected, deliveries are initiated based on demand management and payments are released automatically

➢ The one thing that will be a competitive advantage and that will foster the GOODWILL of our suppliers is how confident suppliers are about the effectiveness & robustness of the relationship ...

➔ Supplier Relationship Management
Technology enhancing Collaboration

Where “Digital” will help us going forward

Data Analytics & AI to inform Business Strategy

Roche Data  External Data

Data Analytics

Business Strategy  Sourcing  Value Initiatives  Reporting  Annual Plan

Category Strategies  Risk Monitoring

End-to-End Transparency & Real-time Data Availability
Conclusion

The right collaboration model is likely to be a differentiating factor

- Test the robustness of your supply chain
- Clarify, challenge and test expectations
- Does your Operating Model support the right level of internal and external collaboration?
- Explore where technology can be of help in your process and emphasize the importance of data transparency
- It’s all about Mindset
Doing now what patients need next