



Making Technology Work for You

Oracle Software, Services and Support

Value Assessment Diagnostic – Forest Products

Delivering sustainable economic benefit to stake holders

SMI Company History



SMI is one of the longest serving providers of Supply Chain Execution and Supply Chain Planning companies in the Pacific Northwest with some of the most experienced consultants.

Founded in 1987

Dedicated Pacific Northwest JD Edwards Practice

Oracle/JD Edwards Solutions Partner since 1991

Clients include small/large, private and public companies

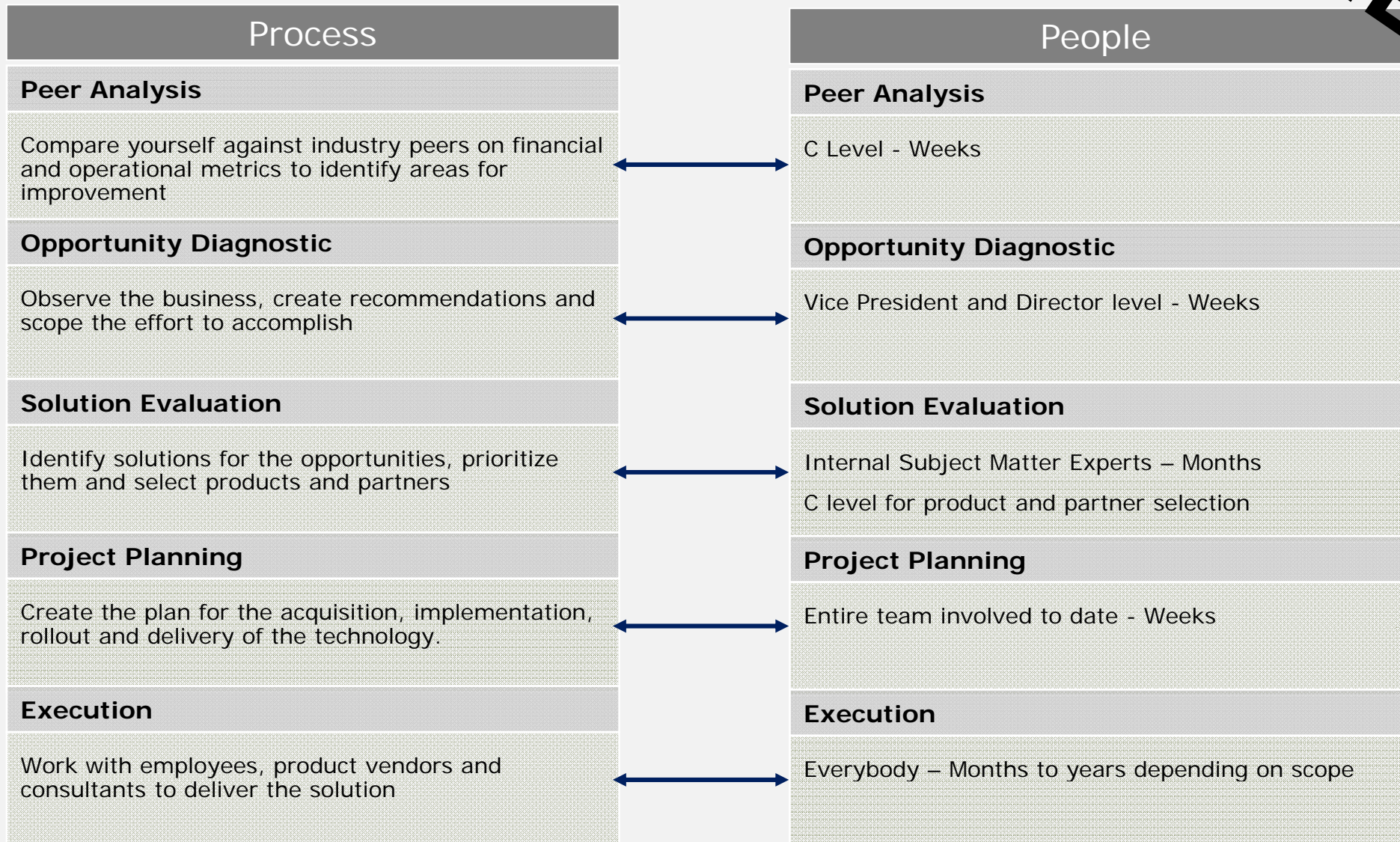
Average employee has 19 years industry experience

Value Assessment

- What is Value Assessment?
- Initiating Value Assessment
- Peer Indicators (4 samples provided)
- Summary Analysis
- Forest Products Value Chain
- Understanding Forest Product Trends

What is Value Assessment?

A facilitation of people using processes to identify areas of improvement, implement solutions and derive economic benefit



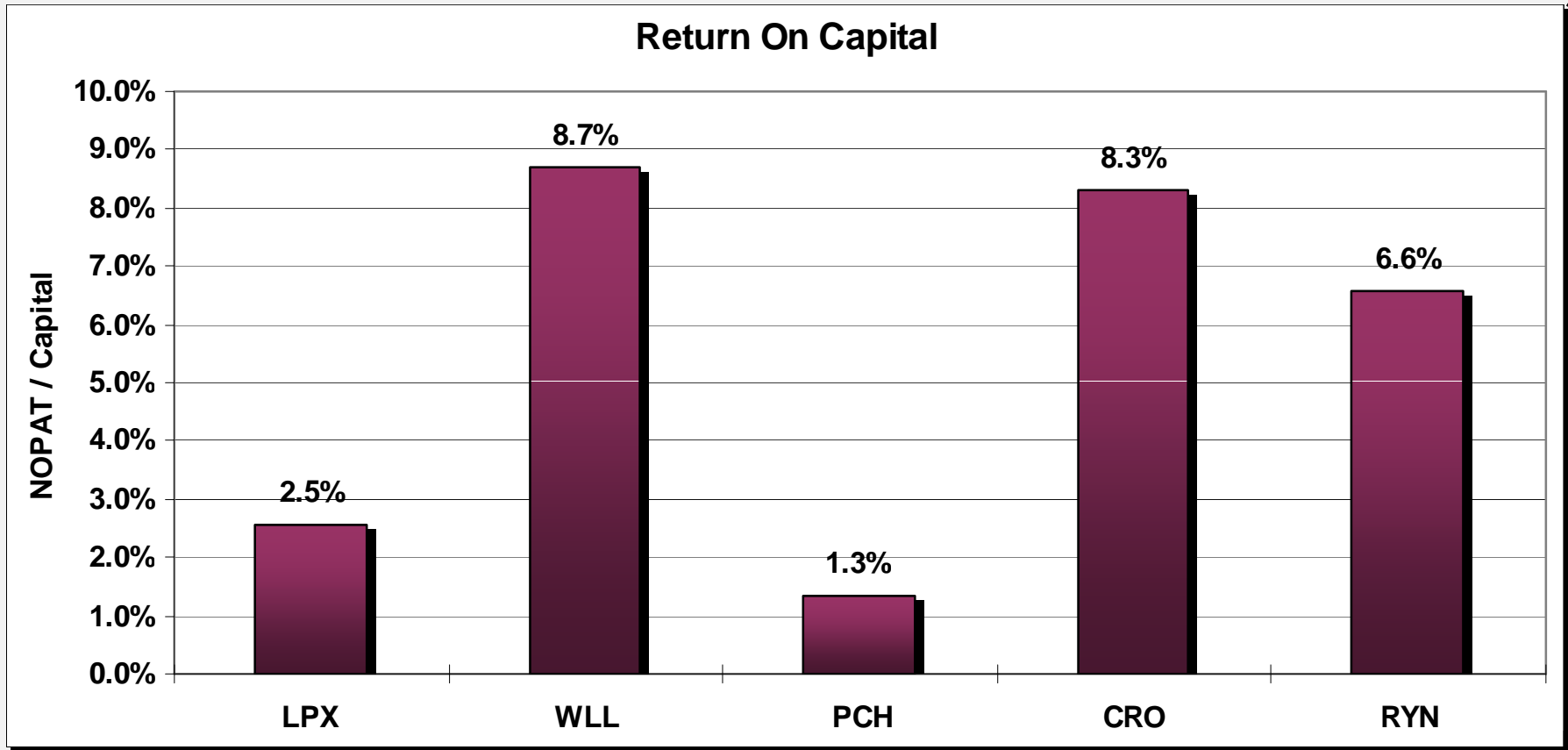
Initiating Value Assessment

Identify industry peers for comparing specific financial and operational metrics.

Company	Revenue (Billions)	Employees (Thousands)	Building Materials	Pulp & Paper	Own Forest
Louisiana Pacific	\$3	11	Yes	Yes	Yes
Willamette	\$4.6	15	Yes	Yes	Yes
Potlatch	\$1.8	6.5	Yes	Yes	Yes
Crown Pacific	\$0.8	1	Yes	No	Yes
Rayonier	\$1.2	2.3	Yes	Yes	Yes

Return on Capital

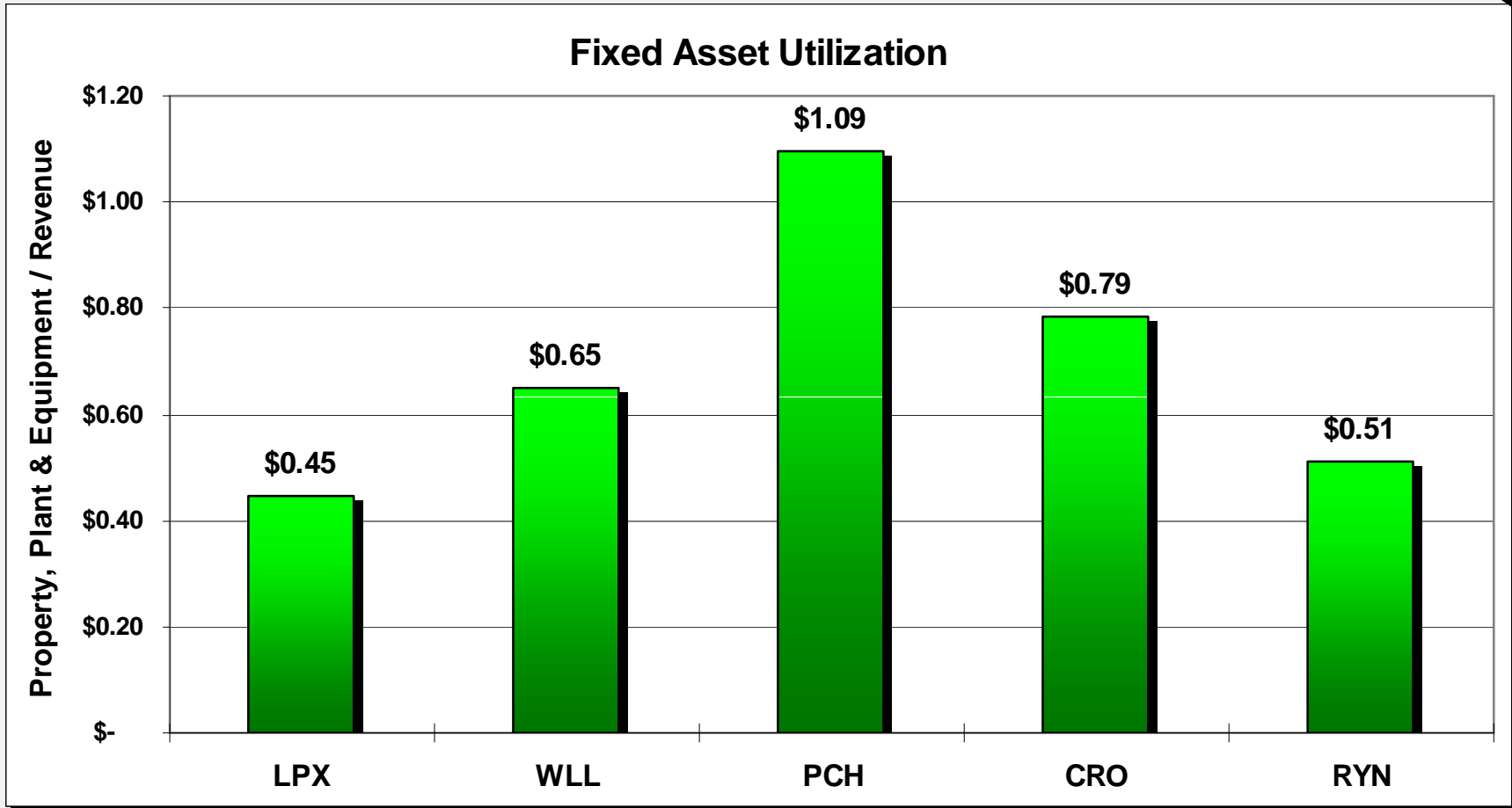
Key Peer Indicator One - ROIC



Note: This is a sample Peer Indicator and may not be relevant to your individual Value Assessment

Fixed Assets Utilization

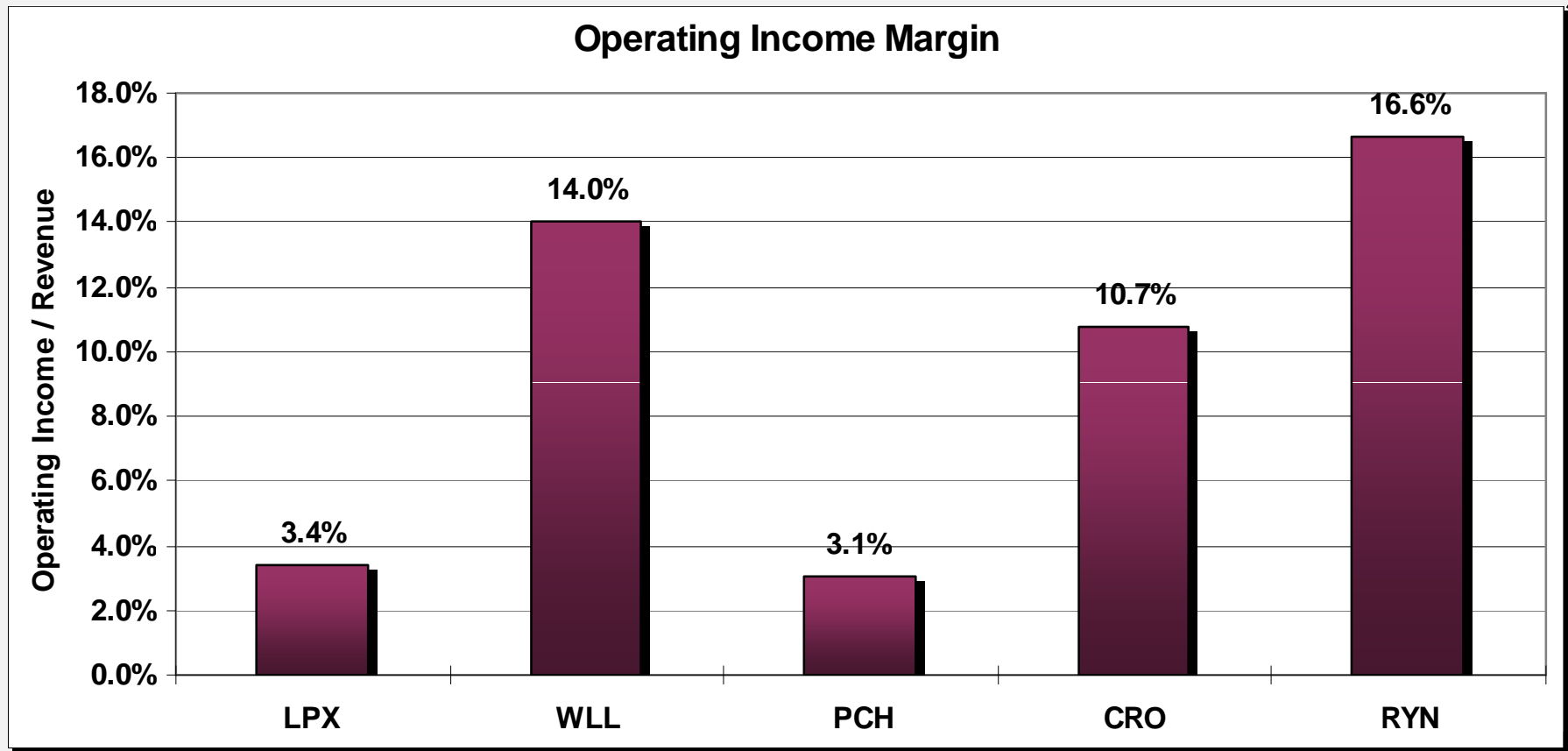
Key Peer indicator Two – Fixed Asset Utilization



Note: This is a sample Peer Indicator and may not be relevant to your individual Value Assessment

Operating Income Margin

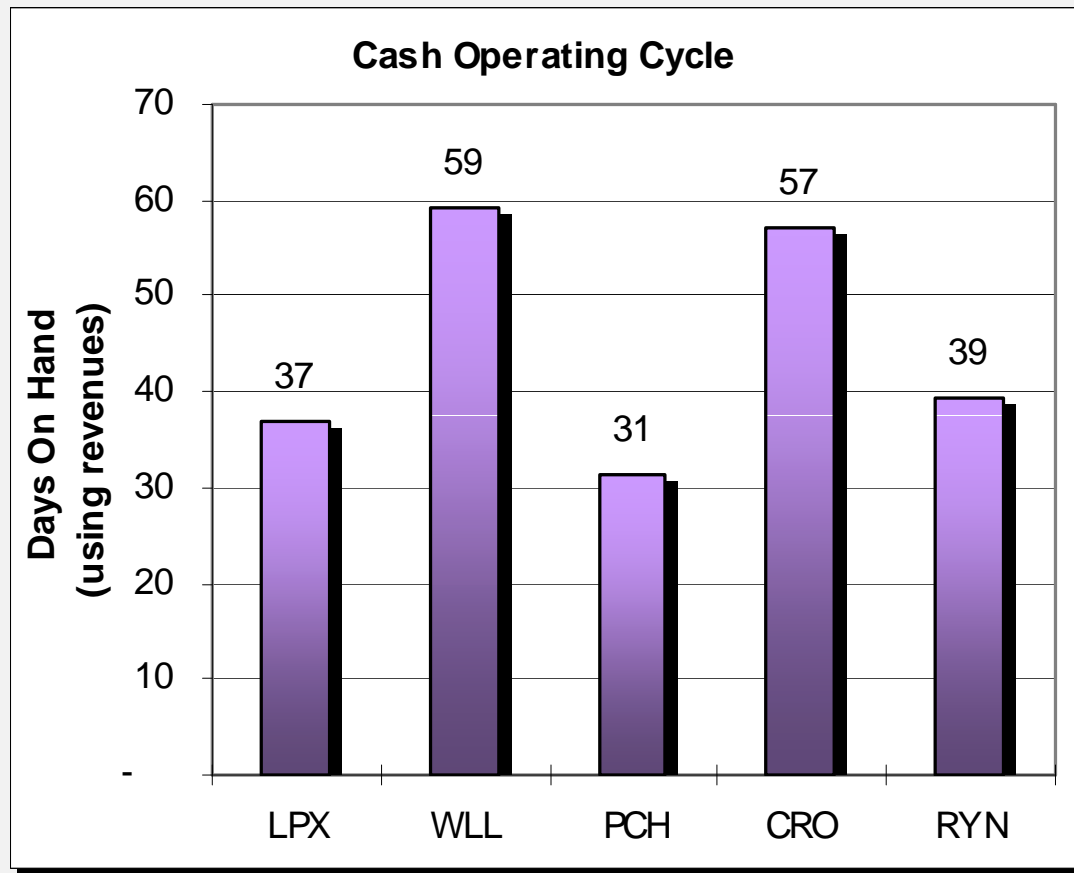
Key Peer indicator Three - Margin



Note: This is a sample Peer Indicator and may not be relevant to your individual Value Assessment

Cash Operating Cycle

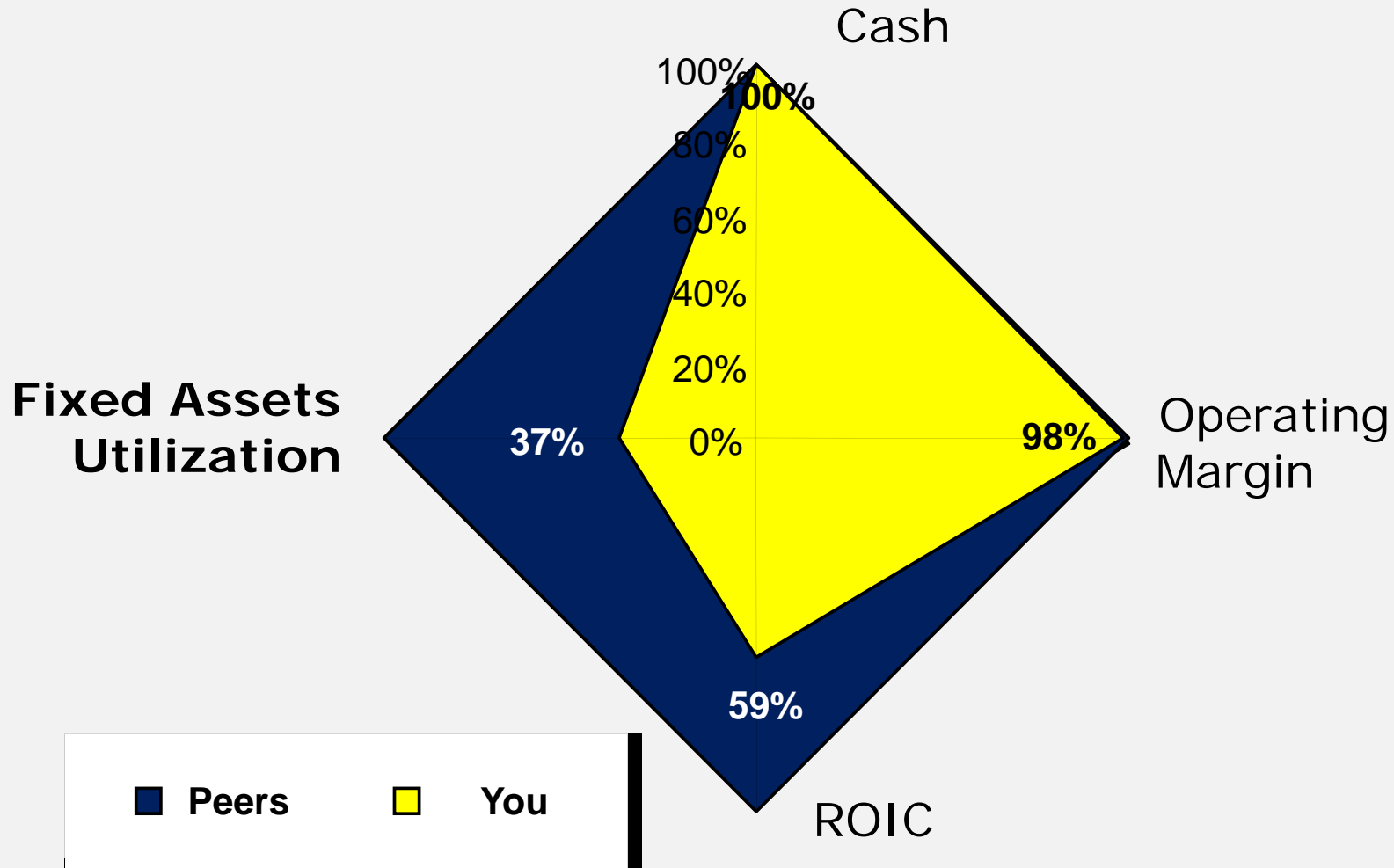
Key Peer Indicator Four - Cash



Note: This is a sample Peer Indicator and may not be relevant to your individual Value Assessment

Summary Analysis

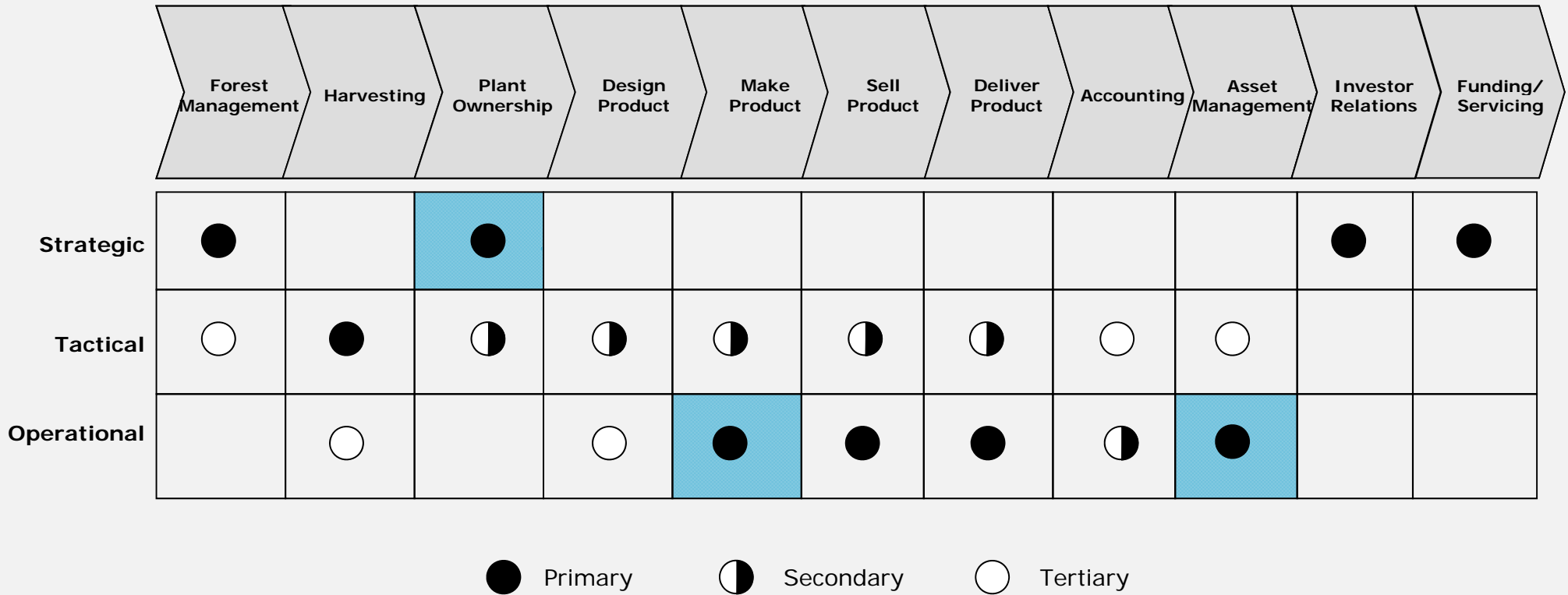
Key peer indicators are used to highlight areas of improvement and how much improvement is possible.



Forest Products Value Chain

Applying the peer indicators to the business value chain allows us to focus on areas to conduct a detailed diagnostic review .

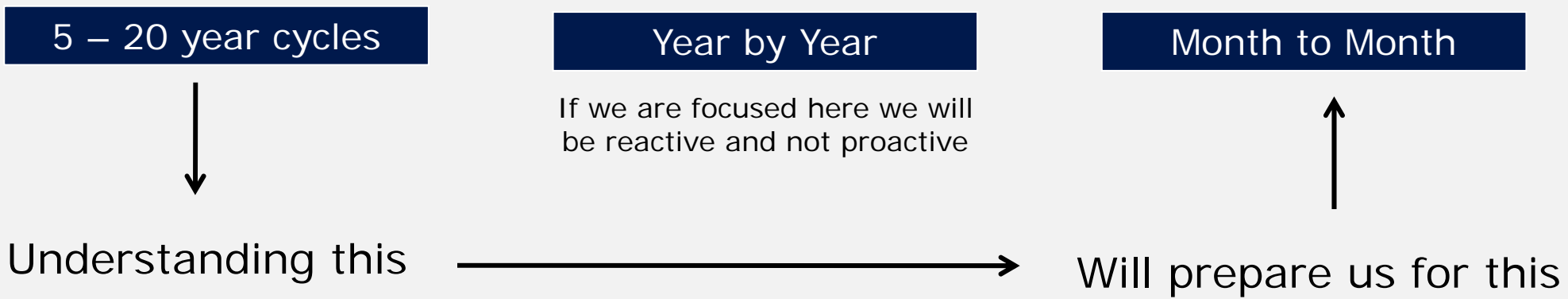
Value Chain Overview



Fixed Asset Utilization was your most pressing need which leads us to focus on strategic issues of Plant Ownership and operational activities around Make Product (the plant) and Asset Management (maintenance)

Understanding Forest Product Trends

As well as peer indicators we should understand, monitor and forecast causal factors that affect Forest Products industry trends.



The Detailed Diagnostic

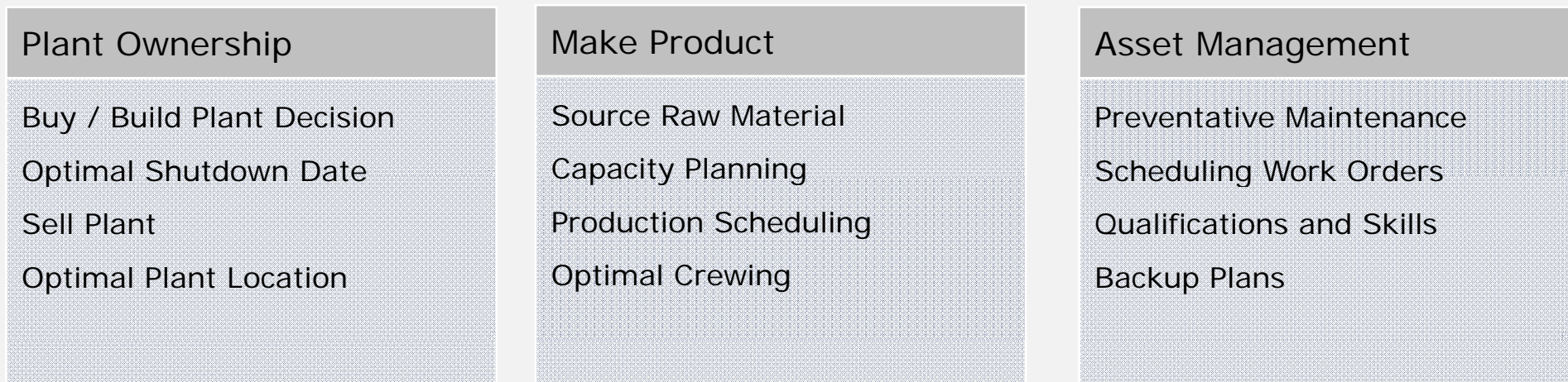
- Detailed Diagnostic Process
- Step 1. Observe
- Step 2. Recommend
- Step 3. Scope
- Determining Strategic Fit and Value
- Opportunity Quadrant

Detailed Diagnostic Process

The detailed diagnostic process is a technology agnostic review of the company's processes and performance.



Sample Process Areas to Observe based on Value Chain and Peer Indicators



Observation

The process for planning materials and capacity fluctuates by plant with varying decision maker's experience, degrees of efficiency, and down time due to errors.

Inefficient planning and execution at plants

Observations

- Observation one
- Observation Two
- Observation Three
- Observation Four

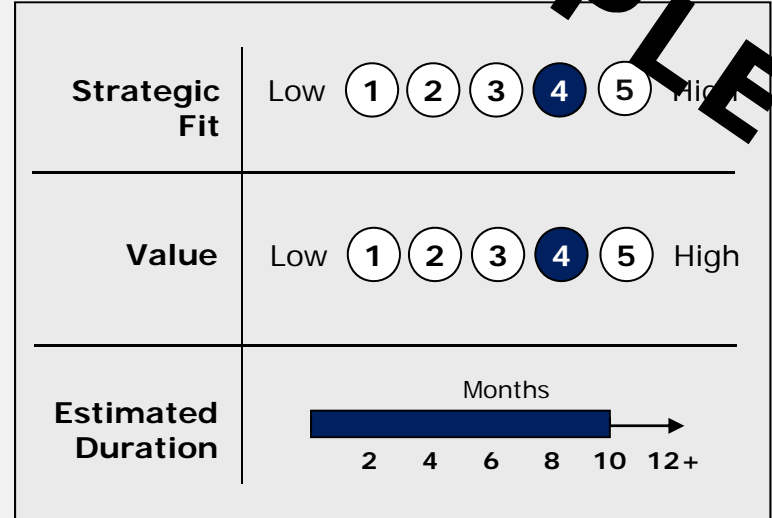
Recommendation – Implement MRP at all Plants

SAMPLE

Value Proposition

1. Increase capacity with existing asset base
2. Plan procurement of materials to synchronize with manufacturing schedule resulting in less downtime and reduced raw materials
3. Enable viability of production into sales order processing – Available to Promise
4. Streamline planning and increase accuracy and reduce headcount and errors

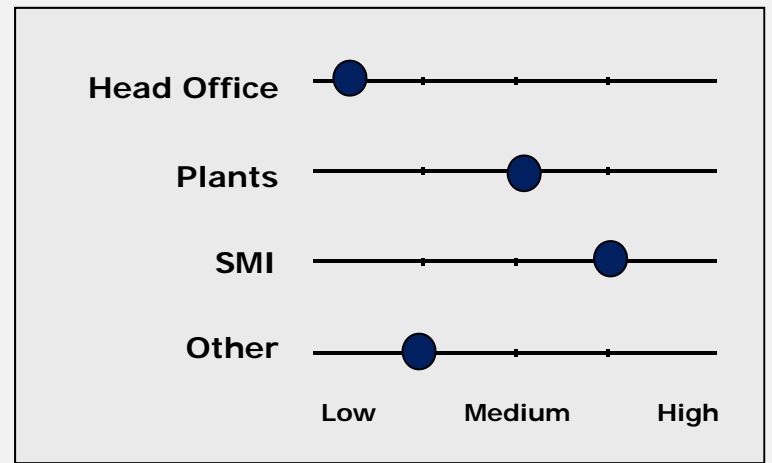
Evaluation Criteria



Action Items

1. Select the initial plant with willing participants
2. Design and Configure E1 for MRP
3. Rollout to initial plant
4. Evaluate and refine plan and configuration
5. Rollout to remaining plants

Participation to Execute



Scoping Estimate – Implement MRP at all Plants

SAMPLE

This effort seeks to improve the accuracy of raw material procurement and capacity planning.

The Process

- Step One
- Step Two
- Step Three
- Step Four
- Step Five

The Investment

- This initiative is estimated to require XXX hours of your staff's time
- Plan on XXX hours from SMI
- We also recommend that you plan on \$XXX for implementing bar-coding
- License fees are estimated to be \$XXX

Determining Strategic Fit and Value

For each identified opportunity we should use objective metrics to ascertain the opportunity's individual fit to the company's strategy and the economic value derived from it.

Strategic Fit

- Align with acquire / build / partner strategy
- Analyze against revenue improvement / cost reductions / profitability / market share matrix
- Map against time line and position in current industry cycle (top / bottom / growing / shrinking)
- Will this increase shareholder value over the long term?

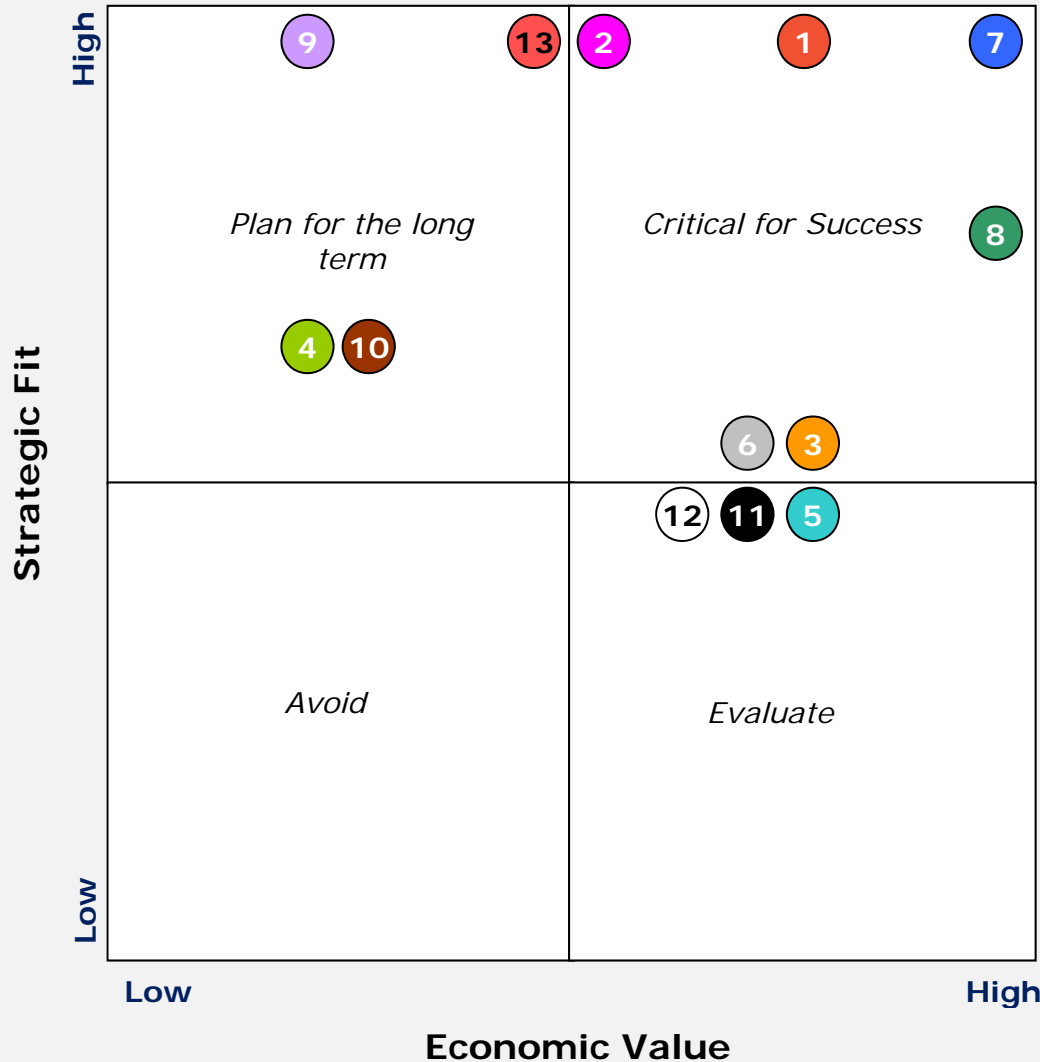
Economic Value

- Determine Total Cost of Ownership (TCO) and Implementation
- Estimate anticipated quantifiable economic benefits over time
- Create Discounted Cash Flow Forecast and determine Net Present Value (NPV)

Opportunity Quadrant

In summary, all of the identified opportunities can be aligned against each other by comparing their strategic fit and value.

Recommendation Summary



- 1 Maximize Value in Grading Process
- 2 Implement MRP at all Plants
- 3 Optimize Plant Production
- 4 Centralize Orders and Quotes
- 5 Reduce Raw Material Inventory
- 6 Implement Yield Management Process
- 7 Reduce Transportation Costs
- 8 Improve Forecasting Accuracy
- 9 Embrace holistic CRM
- 10 Enable Capable to Promise
- 11 Standardize Costing Methodology
- 12 Strategically Optimize Supply Chain Network
- 13 Real-time Order Ship Status

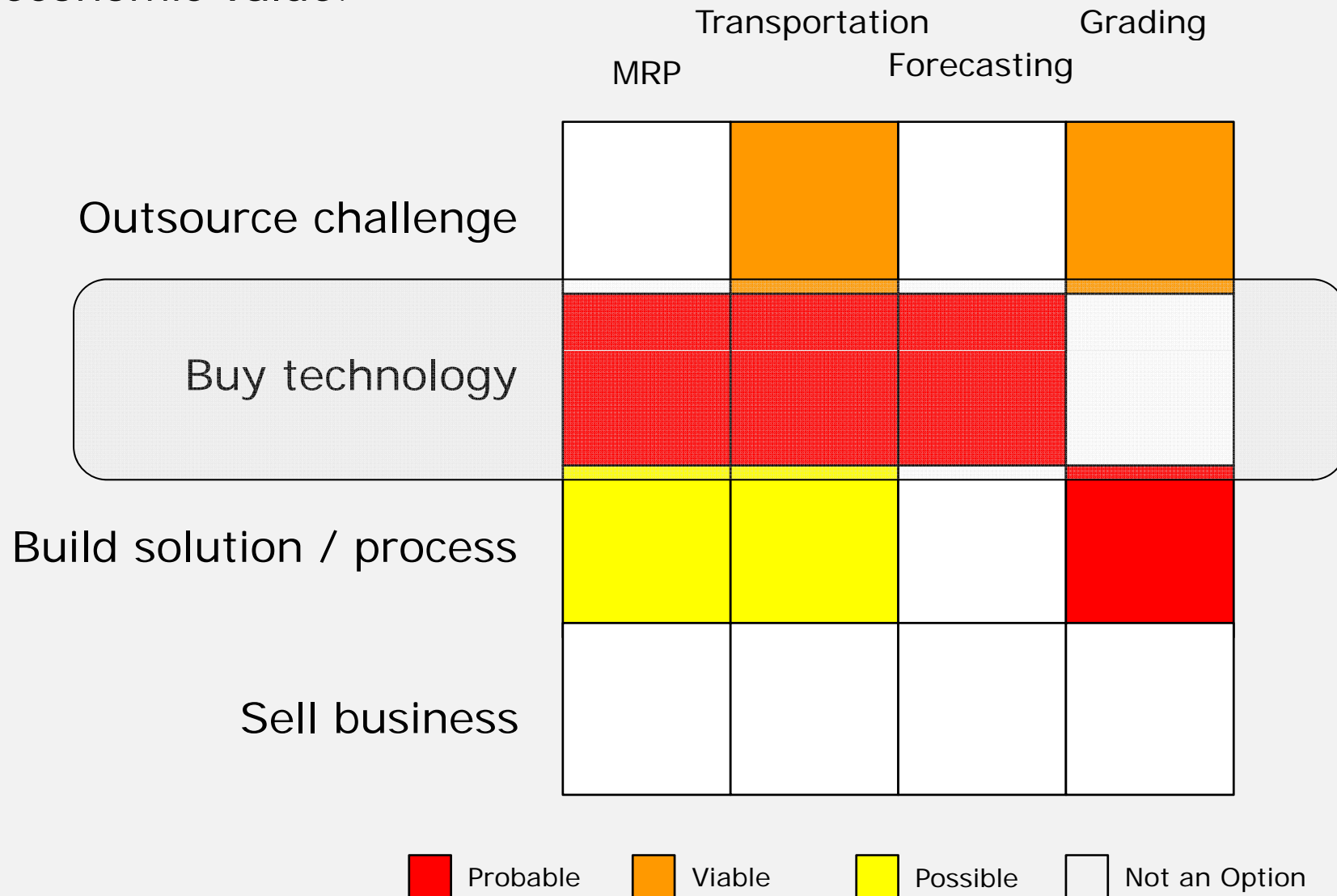
Executing the Plan

- Identify Industry Solutions for Top Opportunities
- Evaluate Technologies for Industry Solution
- Implement the Solution

Identify Industry Solutions for Top Opportunities

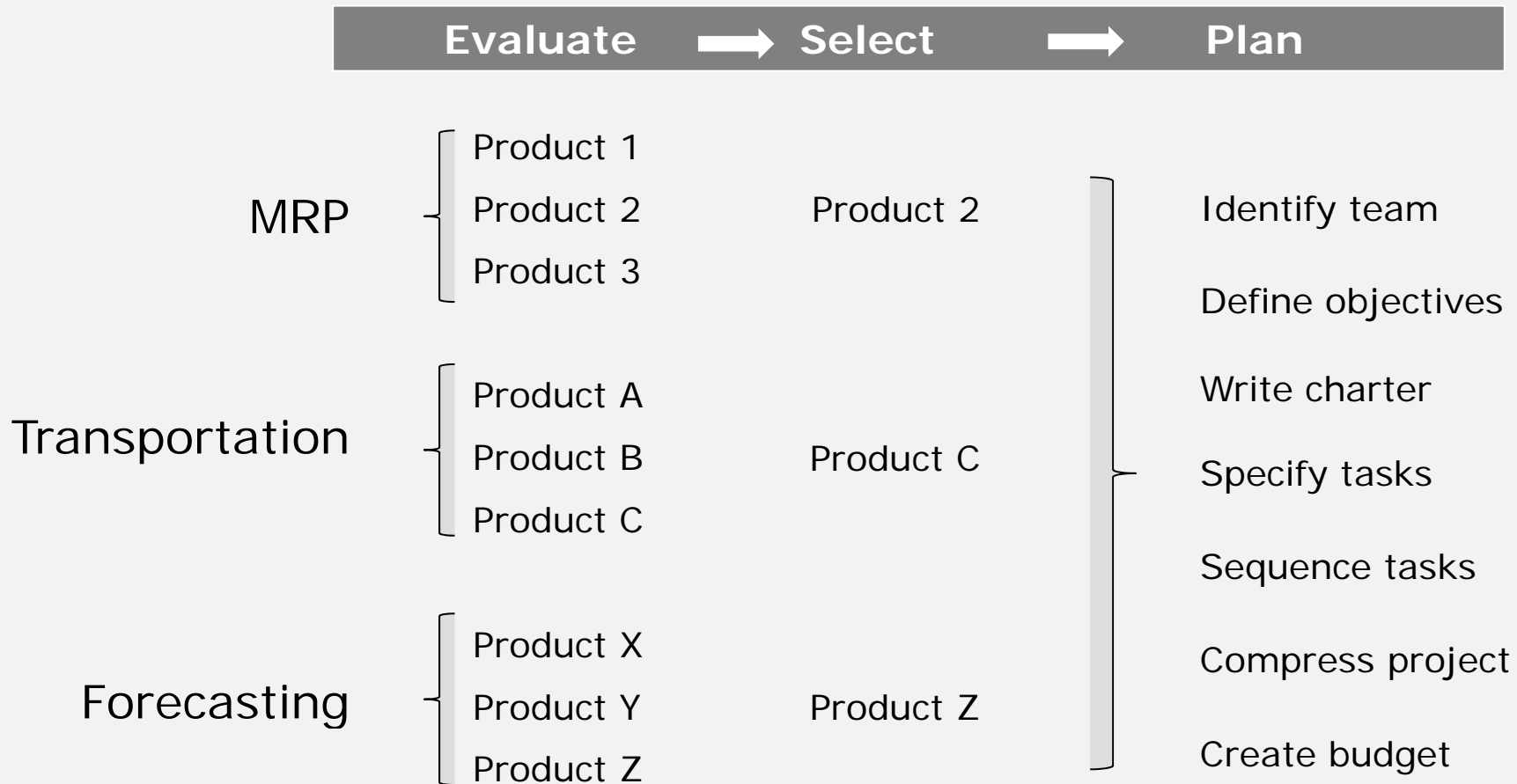


Now we have identified the top opportunities we should investigate solution scenarios that can maximize the potential economic value.



Evaluate Technologies for Industry Solutions

Opportunities that will be addressed by technology require an evaluation of the industry solutions.

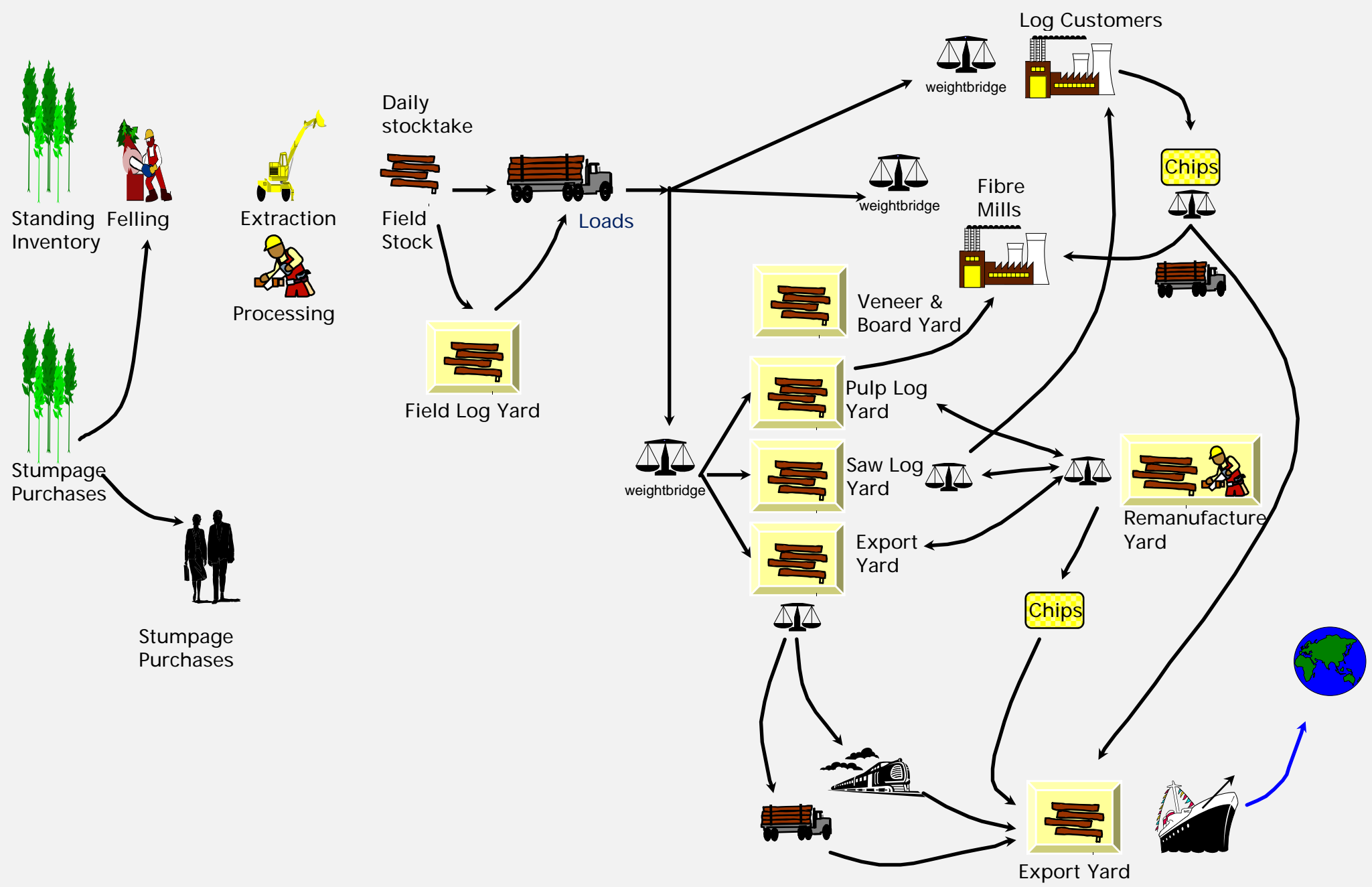


.... and then EXECUTE

Supply Chain for Forest Products (Samples)

- Forest Products – Execution Supply Chain for Raw Materials (Sample)
- Forest Products – Supply Chain Planning Time Fences
- Forest Products - Sample of Planning
- Wood Products – Planning / Execution Connectivity

Execution Supply Chain – Raw Materials



Forest Products - Sample of Planning

Realizing the impact of long-term planning on immediate decisions can have significant impact.

Sales and Operations Planning:

- » 1 year out – plan production areas to match demand forecasts

Production Planning:

- » Weekly – for a given harvest area, the best cutting strategy to match orders and optimize value realization

Log value recovery:

- » Today - Ensure every log is cut to optimize the value realized against the given cutting strategy

Wood Products – Planning / Execution Connectivity

Optimal planning and execution are tightly interwoven.

