

Key Takeaways from Palo Alto Networks' Remarkable Supply Chain Performance

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POWERING THE RESILIENT SUPPLY CHAIN

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Introduction

In early 2012, a young Silicon Valley startup was preparing for their IPO. Following the significant supply chain impacts resulting from the 2011 Japan earthquake and Thailand floods, the topic of supply chain risk was at the forefront of the company's leadership team discussions.

Four years later, the next-generation security company boasts more than 30,000 customers worldwide, has grown 50% year over year while consistently beating the Earnings per Share (EPS) targets. This remarkable growth trajectory was achieved in part by the company's earlier supply chain discussions and strategy, which enabled the organization to consistently meet the ambitious growth targets set by the leadership team.

A Bold Vision and Creative Approach

In 2012, Vonnie French, vice president of supply chain operations at Palo Alto Networks, made a commitment to strategically innovate rather than perpetuate traditional, outdated modes of supply chain operations. In an interview with the Global Supply Chain Resiliency Council, French stated **"We made investments in the area of automation and looked at adding efficiencies by harnessing extensive supplier intelligence so that we could make subject matter expert based technology work for us, rather than throwing expensive resources at the problem**." This strategic decision was Palo Alto Networks first step towards building a supply chain resiliency program focused on supporting the company's growth targets.

Palo Alto Networks industry-leading (and now award-winning) supply chain resiliency capabilities continue to help the company's leaders achieve, and consistently beat, ambitious growth targets with minimal incremental resources, despite a dynamic and complex and ever changing supply chain landscape.

Extensive Supply Chain Intelligence lays the Foundation for Excellence

In partnership with Resilinc, French and her team adopted an innovative and comprehensive supply chain mapping capability focused on capturing supplier and part-level intelligence for every single one of the thousands of parts used in their products. Leveraging the power of cloud and enterprise supplier networks, French's organization directly engaged with their suppliers to consistently furnish this information. In addition to capturing basic part and supplier site information, French's team worked with suppliers and Resilinc to capture data on a supplier's alternate manufacturing sites including capacity and production ramp timeframes and capabilities.

The solution highlighted the most critical failure points and global hotspots and vulnerabilities and quantified the impact of losing a critical node or supplier or part. "We have limited resources and budget, and we really prioritize which proactive mitigations will be addressed by the team first using the analytics on single points of failure and potential impact."

Thus, Palo Alto Networks commodity managers work proactively with suppliers to establish and improve production part availability on all of the vulnerable or high risk parts – not just those with high spend.

250+ Tier-1 Supplier Sites Worldwide

270+ Sub-Tier Suppliers Identified

700+ Tier 2, 3 Supplier Sites Worldwide

1500+ Parts Mapped to Specific Sites

Finger on the Pulse of Global Disruptions 24x7

In addition to the multi-tier supply chain mapping service, French's team also leverages Resilinc's 24x7 EventWatch solution, which tracks and notifies them about global events that could potentially disrupt supply chains. This capability informs them on not only which developments have disruptive power, but pin-points exactly which suppliers, sub-tier suppliers, sites, parts, and products could be impacted. By connecting all the supply chain mapping intelligence seamlessly with the monitoring capability, French and her team are able to pinpoint within minutes if an event could lead to a supply chain disruption … in some cases, before the suppliers find out about it.

"Fast detectability is not only critical to ensure we keep supporting the business' growth targets but also a source of competitive advantage. For a young company like Palo Alto Networks, it is imperative that we are first to the table securing supply and capacity before the largest buyers step in and lock up affected inventories and capacity."

In the last year alone, Palo Alto Networks' team monitored and kept their finger on the pulse of almost 800 developments/events worldwide, and closely tracked those which could impact a direct or sub-tier supplier. With this type of robust and comprehensive event monitoring and response capability embedded in daily operations, French's team can collaborate with suppliers on response and supply assurance within hours.

Working Smarter is Doing More with Less

Palo Alto Networks leverages this comprehensive intelligence throughout every process of the supply chain organization.

Planning: Part and site level recovery time intelligence in their planning process helps set inventory levels and predict future supply constraints before suppliers can push out lead times.

Sourcing: Analytics and intelligence prioritize which parts to second-source, which suppliers to collaborate with to ensure alternate site availability, and ensure every single part at the product level has a risk mitigation strategy in place. To achieve supplier and revenue continuity, they partner with suppliers to leverage each other's strengths, resulting in stronger supplier collaboration. According to Resilinc, which monitors company performance and speed of response to global events, Palo Alto Networks'

supply chain team is one of the fastest to initiate the assessment and recovery process once notified of a potential disruption.

Manufacturing and Logistics: Every part is critical on the factory floor. As such, they use their 24x7 monitoring and impact capability to determine within minutes which supplier may be shipping parts from the vicinity, which parts originate there, and which products could be impacted by the event. On their mobile app, they access supplier contact/mapped information to immediately initiate collaboration with confirmed impact suppliers.

Risk Transfer and Contingent Business Interruption Insurance: An important benefit of the investment in an end to end supply chain resiliency program and supply assurance process was the confidence that French and her team were able to build in the eyes of their insurance underwriters. Their annual insurance renewal process included a review of the robust supply chain resiliency best practices in place with the key underwriters and brokers. This review resulted in the team securing the desired level of CBI coverage at lower premiums with improved deductibles.

Design for Resiliency - Truly Best in Class

Palo Alto Networks most significant implementation of this intelligence was in the area of Design for Resiliency. French's team is included in the early product design and is able to run new products through the resiliency process during the design stage. This enables the team to identify suppliers/parts with potential problems early on and integrate mitigation strategies as part of Palo Alto Networks new product introduction processes.

"Whether you are an old or young company, start now. Ingrain it into the culture and DNA of your company to always think about risk and design it out of anything you do."

- Rachel Yabut, Senior Manager, supply chain operations

Says Rachel Yabut, Senior Manager, supply chain operations at Palo Alto Networks, regarding Palo Alto Networks design for resiliency practices, "At the design stage, we have the most supplier cooperation, and it is easier and more cost effective to implement risk mitigation strategies than after going live. Additionally, the earlier we catch a problem, the more time we have to fix it properly. Our goal is to embrace the technology and innovation goals of our engineering experts and ensure that we wholeheartedly support their supplier and part-design choices. We are able to work with our suppliers and our design teams to ensure we have robust mitigation solutions and plans already in place so that when our product goes live and ramps up quickly, we don't encounter those problems we could have foreseen if only we had made the effort. Whether you are an old or young company, start now. Ingrain it into the culture and DNA of your company to always think about risk and design it out of anything you do."

Award Winning Capability

In February 2016, Palo Alto Networks won recognition from the Global Supply Chain Resiliency Council, receiving the prestigious Resilient Partner of the Year Award. This is the award that goes to the company that does the best job of bringing together people, processes, and technology to achieve supply chain risk and resiliency performance excellence. In the awards presentation, French and her team were recognized for the early adoption of supply chain resiliency best practices and embedding them into the very DNA and culture of their organization, and in the process, building a resilient and enduring supply chain.

About Resilinc

Resilinc helps CEOs and Chief Supply Chain Officers consistently achieve their revenue goals despite supply chain disruptions worldwide. Resilinc's platform provides companies access to advanced multi-tier mapping and part origin intelligence, collected from over 35,000 suppliers across more than 65,000 factories globally. Industry leading companies like IBM, General Motors, EMC, Amgen and Western Digital rely on Resilinc's supplier intelligence repository, combined with analytics regarding vulnerabilities, risk scores and revenue impact to predict the critical failure points in their supply chain. This helps them to prioritize and proactively mitigate supply chain risks before they manifest into major problems. What's unique about Resilinc is the deep supply chain expertise of the team, the ability for customers to accelerate meeting their resiliency goals without hiring large teams or investing in IT projects by leveraging the full suite of supplier and customer facing services, gain high quality data from an ISO certified data operation and also gain tremendous benchmarking and help throughout their maturity journey. Resilinc is the solution of choice for Chief Procurement Officers who want to be in control of their supply chain and sleep better at night knowing they will be able to consistently meet their revenue goals without needing to hold extra inventory or pay expedited raw material or freight costs.

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