

The background of the header features a dark blue, futuristic digital landscape. It includes a glowing globe of the Earth, various data points, and abstract lines. Some of the visible numbers are 283428668, 76.303, 65.7182, 80.8344, 64.3693, 82.7887, 78.6305, and 28.9399.

Kinaxis customers link digital transformation to financial success

Executives face a daunting dual challenge every day. On one side is the need to manage the business through both steady-state operations and times of disruption. At the same time, they must create value for shareholders through financial excellence and growth. During the COVID-19 pandemic and the supply chain disruptions that occurred in the following 18 months, these challenges became even more critical. Thus, many executives turned to digital supply chain planning solutions to adapt and even find new operational opportunities for their organizations.

While these operational opportunities made possible by digital supply chain transformation are usually evident, it has been traditionally difficult to link those opportunities to financial excellence. Now, new research shows the correlation between investing in digital transformation of the supply chain and delivering financial success.

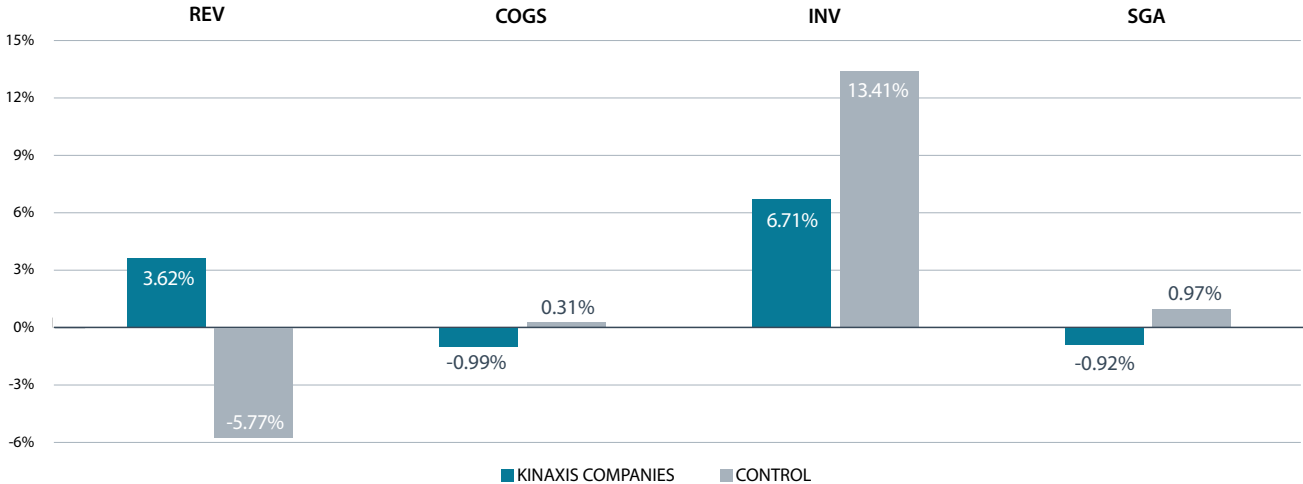
An academically rigorous, statistically significant analysis was recently conducted by Professor Morgan Swink, the James L. and Eunice West Chair, Supply Chain Management, and Executive Director, Center for Supply Chain Innovation, at Texas Christian University's Neely School of Business. Using public, quarterly financial statements for 48 publicly-held, North American companies that use Kinaxis for their supply chain planning, Professor Swink voluntarily and independently conducted what is known as a "difference in differences" analysis. He compared the performance of the companies using Kinaxis against a control group of 644 firms, which all showed similar financial performance in the 12 months pre-pandemic. The analysis is ongoing, and now spans a period from the start of 2019 to the end of Q3 2022.

The 48 Kinaxis customers represented those who have already begun their digital supply chain transformation against industry averages over the corresponding period. Furthermore, the analysis was performed as a pre/post event comparison based upon the declaration of COVID-19 as a global pandemic in Q1 2020.

Key findings

- When directly comparing against industry averages, Kinaxis customers demonstrated financial improvements across all metrics.
- In the three years since the start of the COVID-19 pandemic, companies using Kinaxis increased revenue by 9.4% more than the industry average.
- Industry average inventory levels have increased at more than double the rate seen by companies using Kinaxis.

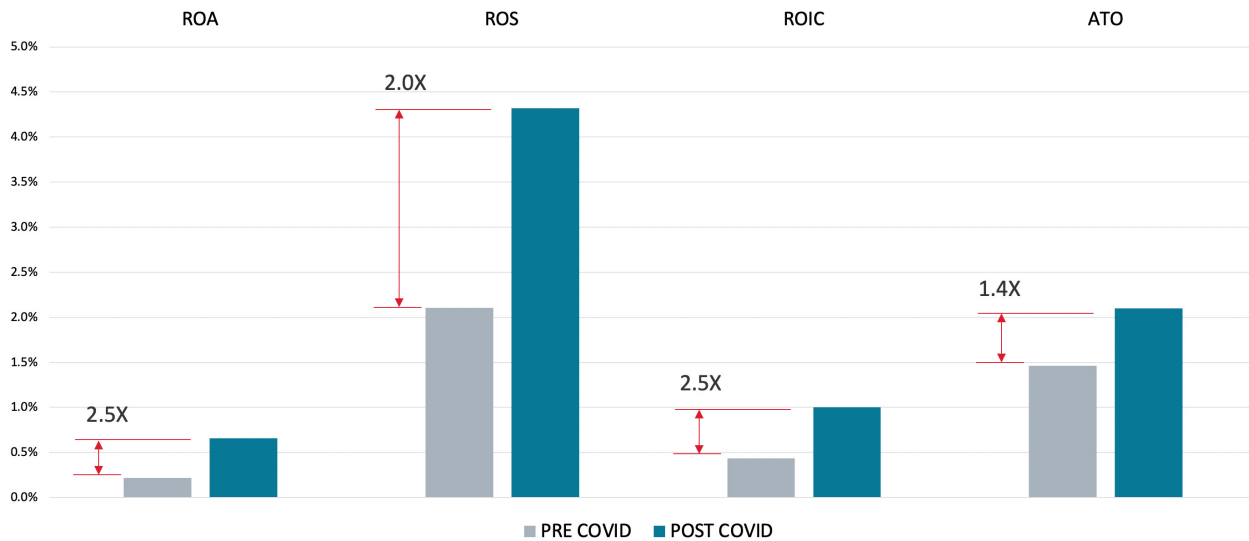
Comparison of financial performance during the pandemic



- Throughout the pandemic in Q1-Q3 2020, Kinaxis customers outperformed industry averages on key metrics, including return on assets, return on sales, return on invested capital and asset turnover by as much as 2.5x.

Kinaxis customers outperformed during the pandemic

Performance advantage for Kinaxis customers vs industry averages



- Sensing and responding capabilities were critical to the financial success of Kinaxis customers in 2020. They were able to rebound their return on assets starting in Q2 – while industry averages were still declining – and maintain their growth through 2020. Post pandemic, in 2021 and 2022, companies using Kinaxis maintained significantly higher return on assets than the industry average.

Return on assets





“If we really want to speak the language of the CFO we must think beyond those kind of specific operational metrics to think about how our choices affect these larger outcomes.”

PROFESSOR MORGAN SWINK

TEXAS CHRISTIAN UNIVERSITY'S NEELY SCHOOL OF BUSINESS

The opportunity

The results of the analysis present a significant opportunity for supply chains, which have historically struggled with translating operational capabilities and digital transformation into financial success. Benefits are typically stated in terms of tactical improvements to supply chain metrics, as opposed to the financial metrics which are most important to executives responsible for investment decisions. As Professor Swink stated, “you need to learn what those metrics are and be able to position your proposal in that language just like the other people who are competing for those funds.”

Once the metrics are identified, operational capabilities can be understood as corresponding input drivers. For example, increased visibility is highly desirable so that supply chains can sense disruptions as they occur and respond immediately. This tremendous benefit can be tied to financial outcomes such as reduced inventory and cash buffers, improved capacity utilization and lower cost resolution of demand-supply mismatches.



Going further, improved return on invested capital and improved return on assets can be tracked because digitally-enabled operational capabilities are now linked to these financial performance measures. By doing so, it aligns the reasons an investment is needed with its value to the decision-maker.

This creates a pivot point for supply chains, as Professor Swink suggests that practitioners must be able “to relate structural choices, policies, technology investments, and training and labor investments to the kinds of KPIs that show up on income statements and balance sheets.” This is crucial because, “if we really want to speak the language of the CFO we must think beyond those kind of specific operational metrics to think about how our choices affect these larger outcomes.”



To hear more about Professor Swink’s research, watch his on-demand webinar, **Translating supply chain transformation into financial success**, with Anne Robinson, Chief Strategy Officer at Kinaxis and Blaine Fitzgerald, Chief Financial Officer at Kinaxis.

About Kinaxis Inc.

Everyday volatility and uncertainty demand quick action. Kinaxis® delivers the agility to make fast, confident decisions across integrated business planning and the digital supply chain. People can plan better, live better and change the world. Trusted by innovative brands, we combine human intelligence with AI and concurrent planning to help companies plan for any future, monitor risks and opportunities and respond at the pace of change. Powered by an extensible, cloud-based platform, Kinaxis delivers industry-proven applications so everyone can know sooner, act faster and remove waste. Don’t believe us? Ask us to prove it. Learn more at **Kinaxis.com**.