

The Future of Supply Chain: Episode 35: Accelerating Supply Chain Innovation: Inside the World of SAP.iO with SAP's Sherry Li

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Sin To: So, welcome to the Future of Supply Chain podcast. My name is Sin To. I'm a marketer, blogger and podcaster in the supply chain space here at SAP. And today I'm joined by my wonderful co host, Nicole, who will also introduce our exciting guest to you. Nicole, over to you.

Nicole Smythe: Thank you for the kind words, Sin. My name's Nicole Smythe, and today we're joined by an esteemed colleague of ours, Sherry Li, to talk about an incredible aspect of SAP, SAP.iO. So, welcome Sherry, and thank you so much for joining us today. It is so great to have you on the series, and we're so excited for our conversation today. So, if you could just take a moment to introduce yourself and explain a little bit about what you do here at SAP.

Sherry Li: First of all, thank you so much, Nicole and Sin for having me here. Really excited. My name is Sherry Li and I'm the Head of SAP.iO in New York. I joined SAP in 2018 so this year is my fifth year anniversary and really happy and excited about my journey at SAP. I started with SAP Concur Corporate Strategy and then moved to a strategic partnerships before I take this role as head of SAP.iO. And, also I started my whole career with NASDAQ new listings and IPO team and working with, you know, innovative technology companies, advising them on the process of going public. So, it's all full circle. Now, I'm coming back to iO and working with innovative startups again.

Nicole Smythe: Thank you, Sherry. We're already so excited to hear everything about SAP.iO and all the amazing work that you've been doing and also happy anniversary, too.

Sherry Li: Thank you.

Nicole Smythe: But just to start off, you know, can you tell us a little bit about what SAP.iO is doing, you know, and kind of give the listeners a little bit of insight into that aspect of the company.

Sherry Li: Sure. So SAP.iO is SAP's external startup accelerator, where we source and select startups that complements SAP's technology for our customers. So, as you know, SAP is the largest enterprise software provider and, at SAP.iO, everybody wins because startups get access to SAP's customers and our customers get to know the greatest, latest innovative companies. And we were founded in 2017 and now we're about six years old. We have global presence with 11 foundries across globe in North America, Latin America, EMEA and APAC. We have over 250 startups in our portfolio who are enterprise ready, ready to scale with SAP and SAP customers. And we have facilitated over 7,000 communications between SAP customers and startups. And we're really proud of that.

Nicole Smythe: Awesome. Well, I think it's so inspiring to see too, because obviously now SAP has grown into a powerhouse in the market, but, of course, everyone has to start somewhere, you know, and to be able to go together and build these startups from the ground up and really help them along and accelerate their journey. It's so great to be able to see and hear all the work that you guys are doing.

Sherry Li: Thank you.

Nicole Smythe: Of course, what makes SAP.iO unique compared to other investors in the market that are also looking to really take up those startups, as well?

Sherry Li: Thank you, Nicole. So I think SAP.iO is unique in several ways. First, we are non dilutive, meaning startups do not need to give up their precious equity or pay any fees to join SAP.iO. So instead, we're focusing on helping startups do business development and establish their customer base and do a revenue share. And the customers are actively involved in SAP.iO program - they help select startups, coaching startups in our cohort and, eventually, adopting them. This makes sure that startups in our cohort are solving real customer problems. And, finally, we're really excited to share that like SAP.iO has a commitment to empower startups that are funded or led by underrepresented founders. So globally, 44% of the startups are founded or led by underrepresented founders. And in North America and Latin America, that number is 65%. So really proud of that. We truly believe that diversity and inclusion leads to innovation. And we want to be part of it.

Sin To: So SAP.iO, they are doing great programs as far as we can see also from the website and also what we hear internally. As we are now here in the podcast, the future of supply chain let us talk about that topic a little bit.

So, supply chain has become a hot topic for many companies, especially due to the pandemic and other events, such as a Suez canal disaster or the drought in the Panama. So currently the SAP.iO foundry in New York is running the supply chain management program with 10 very interesting startups. What makes these startups so interesting? Can you elaborate this a little bit?

Sherry Li: Yeah. Thank you so much, Sin. So, first of all, let me start by talking about why we have a theme and how we define a theme. So basically SAP.iO is cohort based and every foundry, each year, we'll host the one cohort. And that cohort is five month long, and it has a predefined theme, and to recruit startups that's doing innovative stuff around that topic. So, we define a theme from a kind of a two ways: inside out and outside in, meaning we're talking to SAP internal stakeholders, like SAP Product team, SAP Customer Success team, Go-To-Market team to really understand where is the white spaces within SAP product portfolio and what customers are looking for. Then, we also talking to external stakeholders, like investors, more importantly, SAP customers, and also industry analysts to understand what's the trending topic, what customer are looking for. And then we come define a theme. So this year we decided on supply chain because, for obvious reasons, one is, our customers has dealing with operational disruptions these years. For example, factory shutdown, extreme weather, lack of inventory due to increase of natural disasters, pandemic or political unrest. So our customers are looking for innovative solutions to help mitigate that risk and build a more sustainable supply chain. And that's why we decided to work on this topic and recruit startups that help customers solve and innovate in that area. And then talking about innovative startups, I can talk about it all day long because these 10 startups are selected from over 500 companies by SAP customers, by investors, and by SAP stakeholders that I've

mentioned before. So it's a really competitive selection process. And I'm very confident to say that every startup in my cohort are building something really interesting and they're solving real customer problems that customers are willing to try and eventually pay for. So I can start with, you know, two examples. One is, say you are a cell phone manufacturer and you make cell phones in Asia and you need parts, you need to source for your screen, source for the batteries, and you need to work with your tier one suppliers. However, your tier one suppliers need to contact their suppliers to source for the material to make the parts, to make the screens or battery. And this create a network of suppliers at multiple levels. The problem is that, that manufacturer lack visibilities throughout the entire network and a risk, for example, small factories shut down when bankruptcy or extreme weathers or pandemic or forced labors can add unforeseen risk in your supply chain that leads to delay or suspensions of the production. So, there's a startup in our cohort called Versed.AI that provides the dashboard and scorecard that help manufacturers to see where could be the potential risk and plan ahead. Another example is say if you are a consumer goods company, and you have your soda maker, and you have warehouses across the globe and multiple warehouses. And, you know, each warehouse has different activities that requires touch points or handoffs. And say if a truck is scheduled to deliver your inventory at 10am and that delivery got delayed because of the traffic or extreme weather, the whole worker's schedule, at that warehouse, are interrupted. So, there's a tool in our cohort called AutoScheduler.AI that will provide the capabilities to reschedule or relocate the resources at almost real time at warehouse level.

Sin To: Wow, these are great examples. you also released a partnership announcement with Everstream Analytics.

Sherry Li: Yes.

Sin To: So do you mind to tell us a little bit about that partnership?

Sherry Li: Well, Everstream Analytics is part of our cohort and it's doing extremely well by collaborating with SAP's Product team and Go-To-Market team. They have received a strong interest from internally SAP and SAP Go-To-Market team. So they are providing the technologies to make sure that supply chains become smarter and more sustainable, and with the risk mitigate factors and a more robust end-to-end supply chain management tools, and they really compliments SAP really well. We had a successful Demo Day and Everstream was part of it and we're so excited for this partnership and can't wait to see where the future unfolds.

Nicole Smythe: I've been at a few events in Newtown Square, I'm based right outside of Philadelphia, and Everstream has been able to be a part of a few of those Info Days around supply chain and everything. It's so exciting to see the work that we can all do conjoint together, you know, because it's a journey, it can't take one person and one company. It's really great just to see the evolution of what both companies have been able to do together. So it's awesome. I'm so glad that they're joined with us.

Sherry Li: Yeah. And then Everstream has a amazing leader, Julie, who's their CEO and used to be from SAP and we really enjoy working with the team and thank you so much for the partnership, the whole SAP team.

Nicole Smythe: Yes, for sure. So, you know, you've talked about a lot of the companies now that are in the cohorts. But of course, we want to ask about some of the graduates, as well,

and some of the exciting startups that you've been involved with over the past couple of years. So, could you share a few examples of those success stories of the graduates that have gone through the iO, and really come out of it a new way?

Sherry Li: Absolutely. So, as I mentioned, we have over 250 startups in our portfolio, and all of them are enterprise ready and ready to scale with SAP. The majority of them are really, really successful and building a promise in collaborations with SAP. I'll give you some examples today. For example, Paradox.AI is HR solution based on conversational AI, and they are integrated with SAP SuccessFactors. What they do is they provide the technologies in order to recruit talents, and interact with talents through WhatsApp or SMS. Just want to give you a sense of scale - last year they are one of the best performing partners in terms of sales volume within SAP. And we're really excited for them. And the next example is called Clarifruit and they leverage computer vision technologies in order to do quality controls on vegetables or fruit. So what they do is they scan the product in order to decide if it's good to sell or not. And SAP has a customer called Dole Sunshine, and they used to hire labors to do those quality controls, and as you know, there's human error and turns out humans are more strict on quality controls and throw away unnecessary produce actually can be sold on the store. So, by partnering with Clarifruit, not only they are decreasing the labor cost, but also, you know, saved unnecessary waste that could be throw away. And, they have expanded a partnership from just scanning pineapples to also including scanning bananas. So really excited for that. And another really successful startup in our cohort is called Zoovu, they do sophisticated searching on e-commerce. So, one of our customer called Bosch is working with them, has been a really successful partnership. For example, if I'm going to buy a drill from the store, and without much of knowledge, I would not know how to search that online because there's drills for the wall, there's drills for the wood, there's drills for the brick. And how did you know? You almost want to talk to a store assistant. So Zoovu give the capabilities to help you do sophisticated, complicated search online. And by working with Zoovu, Bosch have seen over 65% increase in customer engagements on their website. And finally, I can go this all day long... there's another startup called Queen of Raw. So it's founded by a amazing female founder, Stephanie. So what they do is, they are basically providing this marketplace that, integrated with SAP Inventory Management, to help fabric or retail companies to manage their inventories of fabric or textile. For example, if you are Ralph Lauren, and you buy a lot of fabric to make clothes, and after your cut, there's a lot of fabric, just leave it there in your inventory, which you would never use. And that really hurts the company's bottom line. And by integrated with Queen of Raw, the CFO have access to see how much is my access inventory? What should I do with it? Should I sell or exchange with other retailers? To better use of the, leftover fabrics and save a lot of energies and waters for the world. I can go over all day long, but, I'll stop here.

Sin To: Yeah, it's incredible to hear and also to learn about those great success stories, about those startups that are in your cohort and doing such great things. So, earlier in our conversation, you mentioned the SAP.iO Demo Days in New York. And amongst the guests was also Brian from REFASHIOND Ventures who also was one of our guests back in June in our Episode 16. So that is really great to see these connections like SAP.iO working or having REFASHIOND Ventures also as a guest at your event. So, do you see any differences in the startups participating the SAP.iO Foundry and the ones participating in REFASHIOND Ventures?

Sherry Li: Yeah. So let me first of all talk about SAP.iO Demo Day, which was a really successful event. We hosted the Demo Day, Thursday, October 19th, and the demo day is

basically the graduation event where our startups will showcase their solutions and more importantly, their partnership with SAP to our audience, including SAP customers, SAP employees, and also like other startup founders.

So, we basically kick off the celebration at New York Stock Exchange in the morning and the startups were hosted by Head of Capital Markets, Head of Listings at the New York Stock Exchange trading floor. And, they got educated by New York Stock Exchange colleagues on the process of how to go public. And that was really inspiring because every single entrepreneur want to be able, one day, to exit and go public. So, we're really excited about that. And later on, we went back to SAP office to host Demo Day event, and we have received overwhelming interest and demand. We had over 550 registrations, and due to the capacity, our team have to select the most relevant audience to attend the event that we have over 200 people attended, and that was really, really exciting, including over 100 investors and also about 50 customers, they all have expressed interest in learning more about our solutions. And that once again, shows that the startups that we are supporting or we are working with are solving real customer problems and people in the tech industry really want to understand, their solutions and their partnership with SAP. And then Brian, has two startups that's in our cohorts: one is Transmute and the other is Partsimony. And Brian has been amazing investor, and he's also a strong supporter of SAP.iO. He's there to support his own portfolio companies, but also trying to see what's out there, what other startups we are working with. I think from the fundraising stage and size perspective, Brian and REFASHIOND Ventures are more focusing on earlier stage startups from pre-seed to seed or occasional Series A. Their firm's focusing on startups that solving problems in supply chain areas. But for SAP.iO, we have a theme every year and that theme could be different. So, this year we're working on Digital supply chain and next year it could be something else that's relevant to SAP's business. In addition, we're also looking for startups that's probably a little bit later stage, we're looking at startups that from Series A to Series C. So startups have to have achieved a product market fit, at least working with two or three enterprise customers. So, I think that's a little bit difference in terms of the startup size. In addition, we are probably industry agnostic as well. We work with supply chain startups, but we also work startups that's, you know, relevant to SAP customers and SAP has over 150 customers. So you know, that we are almost everywhere that working with startups that are enterprise SaaS companies.

Sin To: If a company or a customer wants now to work with one of these startups, how do they manage it? Do they also need to have SAP integrated at some point to have the connection to the startups? Or how does it work?

Sherry Li: Well, we work with SAP customers all the time, and they are really an important stakeholder for SAP.iO. So, for example, once we define a theme for next year, I will scan the market for 500 to 600 companies, and then I will try to narrow down to 15 to 20 companies. And that process of selection and narrowing down is by working with SAP customers and SAP internal stakeholders. So, for example, if define a theme that's, you know, supply chain, I will find customers that are currently using SAP Supply Chain products and how they want to innovate on top of the system that are already using. So we'll invite them to have the discussion, hearing their thoughts and insights and help narrow down to 15. And once we have that 15 companies, we'll invite the customers and investor over to really hear the startups demos, and it could be a 6 to 8 hours of demo pitch, and each stakeholders will vote and help select the most relevant startups to form a cohort. That's how we engage with customers and the customers, of course, are invited to join our Demo Day, as well. And throughout the program, they offer coachings, opportunities, and to help us really shape the growth of those startups and make them successful.

Sin To: And are those startups and the products that they develop, are they mostly available on the SAP Store? Or are they somehow integrated differently in our SAP system or ecosystem?

Sherry Li: Yeah, so let me talk about the program, in general. So it's a 5 month long, and the 1st half of the program, we're really focusing on building the integration. So, we work with startups' technical team, product team, and the same time work with SAP's product team and technical team to really define what's the, collaboration synergy, where should they integrate with SAP? Which SAP API? And how does it work? And we really guide the startups in the first 2 months to make sure that, by the middle of the program, they are integrated with SAP core product. And then we'll start a Go-to market process after that. So once they're integrated with SAP, they will list on SAP Store, and once they became a SAP Store partner, we'll start a business development because when we introduce those startups to SAP customers, the first questions SAP customers will ask is, well, I'm using SAP... how is your solution integrated with SAP? So, yeah, so that's a prerequisite. So we have to make sure the startups are integrated with SAP and that's really one of the fundamental values we bring to the startups to help them navigate SAP portfolio.

Nicole Smythe: That's so great. And it sounds like the demo days were such a success. And I'm so glad that you got to meet Brian. He was such a great guy. And we're so grateful to be able to have him on the podcast episodes ago, like Sin said. And the work that you're able to do with REFASHIOND and all of these startups, it's just incredible. And the one thing about REFASHIOND itself, actually, which is really great is it's co-founded by Brian, but also Lisa Morales-Hellebo, so it's incredible to see more and more women being in these spaces and founding these companies from the ground up. But of course, you know, as a woman working in supply chain, do you see many other female founders? And if not, what do you think the reason for that is?

Sherry Li: Well, as I mentioned before, SAP has that commitment to no boundaries to empower startups are funded or led by underrepresented founders, exactly trying to tackle that problem that you mentioned. So we're really proud to share that in the supply chain cohort that I run this year, six out of 10 startups are funded or led by underrepresented founders, and among them, four startups are funded by female founders. But that's really because , we go out and be super intentional to source and scout startups that are funded or led by underrepresented founders. And, as you know, they may have harder time to access capital, and the investors may say, where is your traction? And SAP.iO's response is that come work with us - we help you integrate with SAP, help you establish customer base. And then you can go back to do more fundraising because, by then, you already have few enterprise customers in your belt and that's your traction. And that's how we add values to startups.

Nicole Smythe: That's awesome. Well, that's so great to hear. And I was just reading a Gartner study that was done, and, in the past year, women made a strong comeback in the supply chain workforce in 2023. And in C-Suite level and Executive levels, there's now 26 percent of those roles being filled by women. Awesome to hear, you know, it's growing year by year, but of course, we want that to grow more. And I think being able to see women have that traction and have that capital, it's awesome to hear. And I'm really glad that, you know, us, as SAP, are helping get them to do that.

Sherry Li: Yes. Thank you, Nicole.

Nicole Smythe: But, of course, we've been talking about all of the amazing startups, the graduates, the cohorts, the foundry, but I think the golden question here is, of course, if they want to get in touch with you, who and how can they get in touch with SAP and how can they really get into this?

Sherry Li: Yep. So to the startups out there, if you are building enterprise SaaS software companies, and you are interested in working with SAP and SAP.iO and serve our customers, please do reach out, check our website, SAP.iO, subscribe to our newsletters, and apply to the upcoming cohorts. We're excited to have you and hear from you.

Sin To: This is great.

Nicole Smythe: And we'll be sure to put all of those links in the show notes, as well, so any of our listeners can go in, read along or apply themselves. So we'll have all that information right at their fingertips.

Sin To: Exactly.

Sherry Li: Awesome, thank you.

Sin To: Sherry, as we come to the end of the podcast and the title is the future of supply chain. So if you had to summarize in one or two sentences, what is the future of supply chain?

Sherry Li: I think the future of supply chain should be shaped by at least a few trends: one is leveraging AI and data analytics to be able to improve supply chain decision making. And also another key trend is to have this connected, contextual systems that's all integrated and break down the silos. For example, unifying engineering and supply chain or unifying frontline data with your operations in order to improve the efficiency and the production. And more importantly, to have that diversity in your supply chain, because as we know, most of our customers are global companies and they're dealing with supply chain globally.

Sin To: This is great. Great summary. Sherry, thank you so much for this really fantastic conversation and also sharing your insights from SAP.iO. And thanks everyone for listening. Please mark us as a favorite and you can get regular updates and information about future episodes. Until next time from Sherry, Nicole and I, thank you for discussing the future of supply chain.