

# Shaping a Healthy Supply Chain for an International Consumer Business

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**velocity**

CONNECT + ACCELERATE + INNOVATE

## Agenda

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- ▶ About Perrigo
- ▶ Lay of land and complexities
- ▶ Business drivers and strategic objectives: SI&OP project evolution
- ▶ Timeline / where we are today
- ▶ Implementation feedback from pilot
- ▶ Perrigo and Logility implementation challenges
- ▶ What's next
- ▶ Q&A

# About Perrigo

Founded in 1887 by Luther Perrigo in Allegan, Michigan



World's largest manufacturer of over-the-counter ("OTC") healthcare products and supplier of infant formulas for the store brand market.

Publically traded on the NYSE and TASE under the symbol PRGO

Perrigo has built a unique business model that combines aspects of a fast-moving consumer goods company, a high-quality pharma manufacturing organization and a world-class supply chain network.

Based in Dublin, Ireland, since 2013

# Perrigo Today

## CHC Americas



**Store Brand Market Leader**  
TTM Net Sales ~\$2.4B



## CHC International



**'Focused Brands' Strategy**  
**Emphasizing Self-Care**  
TTM Net Sales ~\$1.5B



## RX Pharmaceuticals



**Leading Portfolio of Generic**  
**Extended Topical Products**  
Net Sales ~\$800M\*



**~\$4.7B in Total Net Sales\***

\*Metric based on 2018 guidance provided November 8, 2018

# A Unique Branded Portfolio Across Europe

Market Position

Cough/Cold/  
Allergy

#1



France

#1

PHYSIOMER<sup>®</sup>

BE/IT/GRE

Lifestyle

#1

XL'S MEDICAL

FR/IT/BE/UK/SP/NOR/NL

#3

NiQuitin<sup>®</sup>

UK/IR/FR/POL/BE  
NL/SP/POR

Personal Care &  
Dermatology

#1



SW/NOR

#1

LACTAC<sup>®</sup>D

POL/IT/NOR/NL/BE/  
SWE/GRE/SP/POR/  
SW

Vitamins, Minerals  
& Dietary  
Supplements

#1



Netherlands

#2



Germany

Anti-Parasite

#1



SWE/NOR/UK/FR/IT/SP/  
POR/NOR/CEE/TUR

#1



UK/SP/NL

Key Brands



## CHC International: ~\$1.5B Portfolio

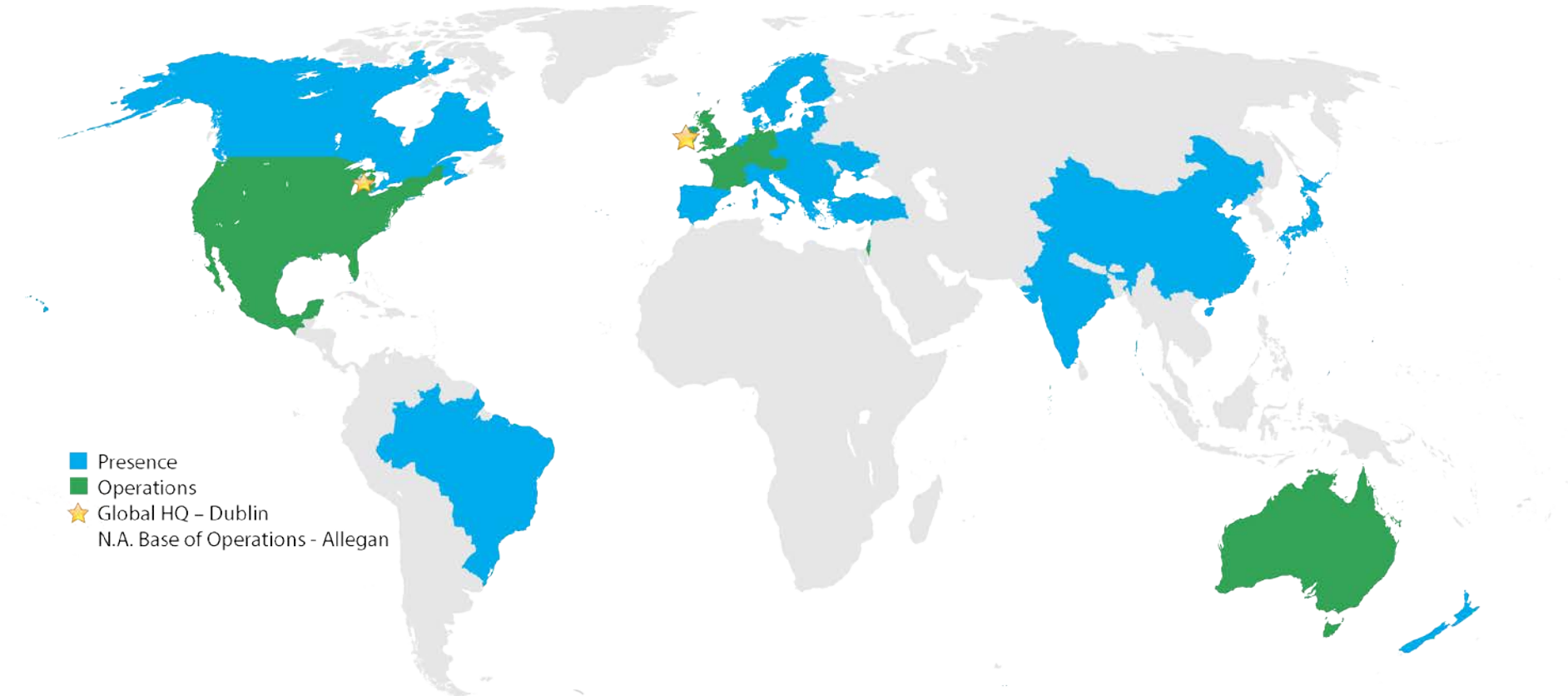
\*TTM Net Sales for CHC International segment

NOTE: Ranking position in multiple countries is calculated using the weighted average ranking position by net sales

NOTE: BE – Belgium, IT – Italy, GRE – Greece, FR – France, UK – United Kingdom, SP – Spain, NOR – Norway, NL – Netherlands, IR – Ireland, POL – Poland, SW – Switzerland, SWE – Sweden, CEE – Central & Eastern EU, TUR – Turkey

# Global Presence

*Positioned to Support Expanding Global Healthcare Needs*



■ Presence  
■ Operations  
★ Global HQ - Dublin  
★ N.A. Base of Operations - Allegan

**>80**

**Markets**

**>30**

**Operating  
Locations**

**>12K**

**Employees**

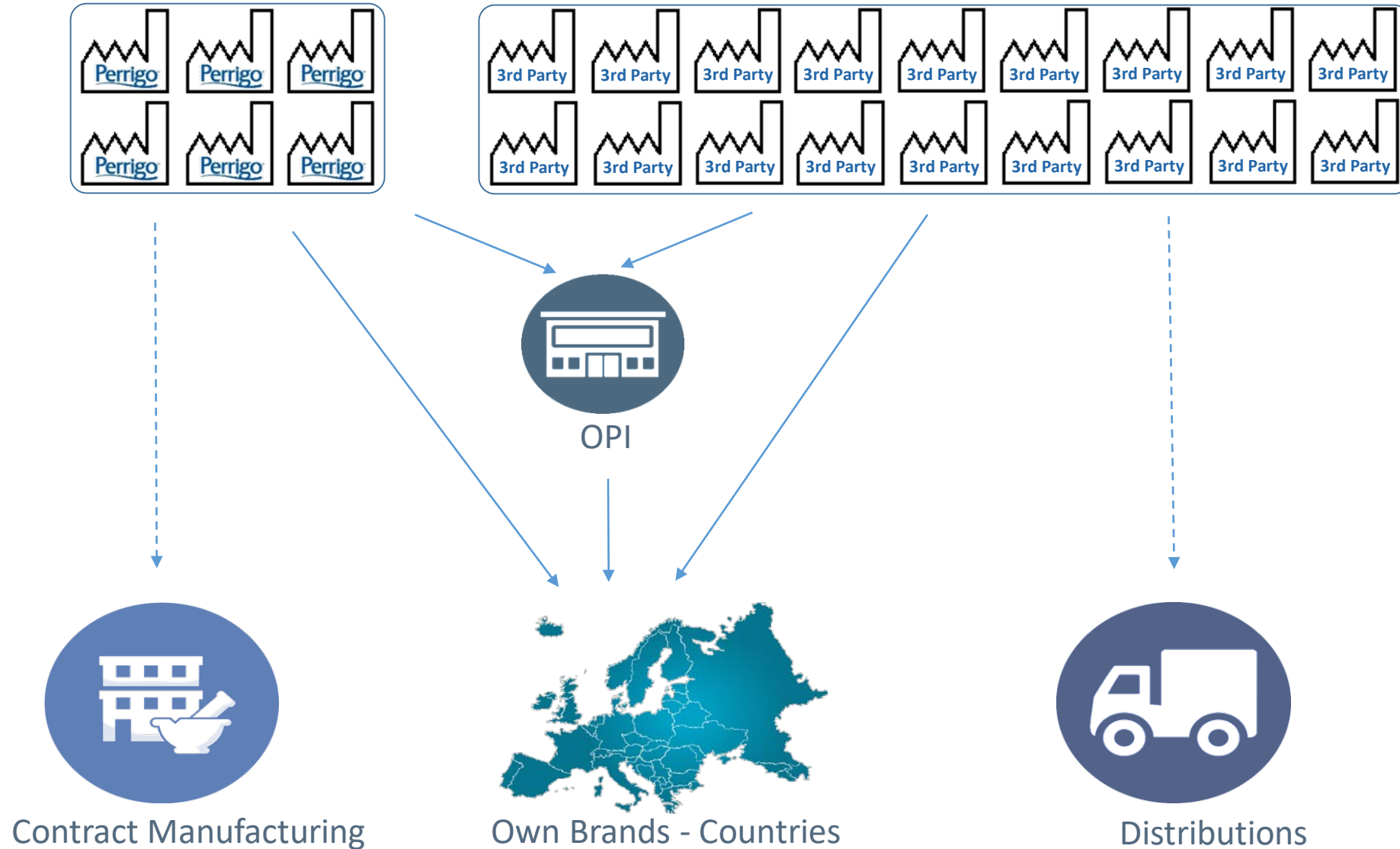
**>26K**

**SKUs**

**>11K**

**Formulations**

# Various Product Flows Throughout European Business



# Evolution of Change: Kick-start of SI&OP

BCH historically had **no** consolidated SI&OP

**2016:**  
Obsolescence of nearly **30M€**  
Gross inventory high above **240M€**

Worked locally with markets to build SI&OP processes & implemented monthly consolidated reviews

**2017:**  
**30%** decline in obsolescence  
**11%** Gross inventory reduction YoY

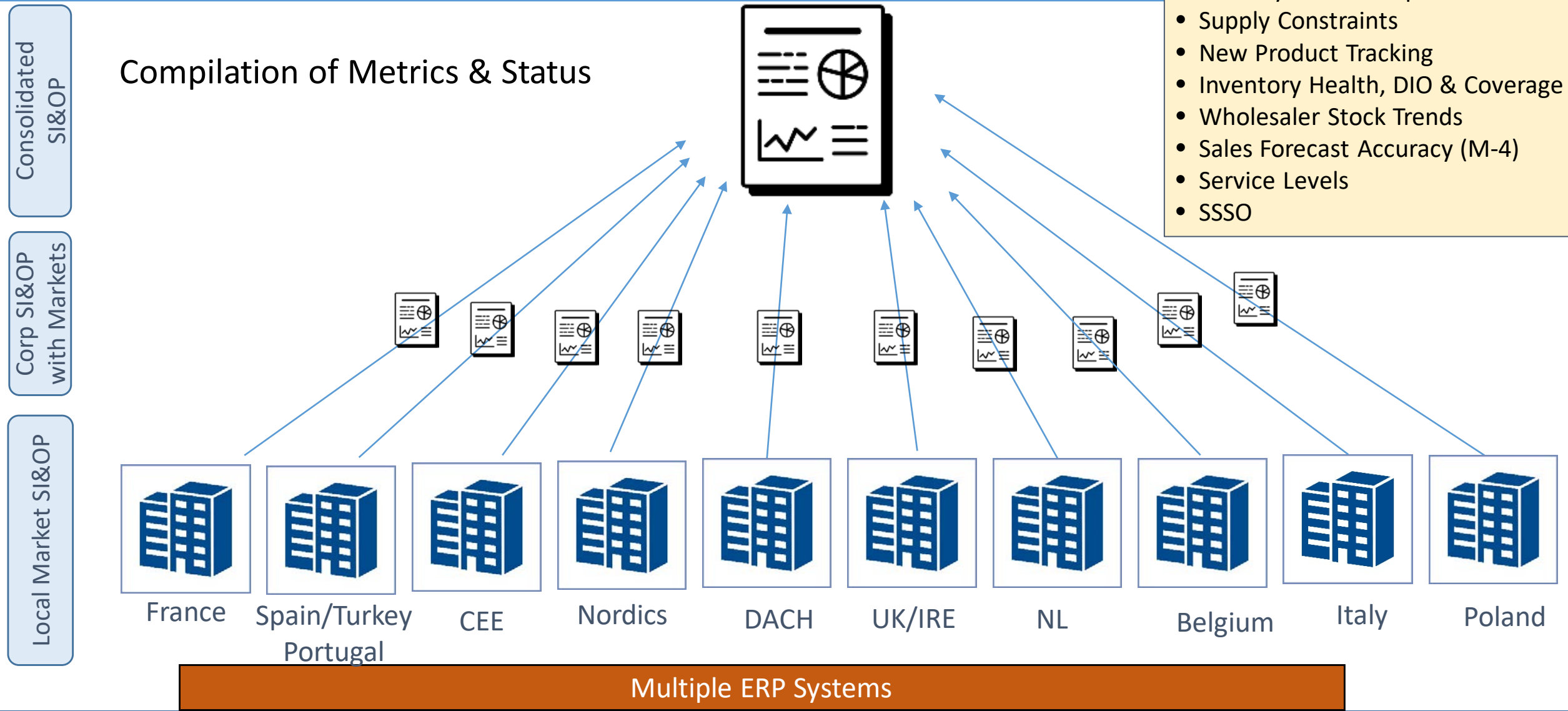
**2018 LOGILITY Kick-off:**  
1) Demand & Inv Planning  
2) Mfg Planning  
3) Inv. Optimization

**2018:**  
Obsolescence improvement of **18% YoY**  
**10%** gross inventory reduction YoY

Develop and implement consistent SI&OP processes across CHCI for local markets as well as a consolidated review. Implement a software tool to drive data consistency and transparency, providing support and efficiencies across the business.



# Current State SI&OP – Monthly Consolidated Review



# SI&OP Strategy and Deliverables

*People are the foundation of success on which our strategy builds consistent KPIs, to drive the right behavior, structured processes and common tools.*

KPI: Areas of Improvement	LRP Target
Reduce inventory coverage	Reduce inventory coverage by 14-30 days
Improve customer service levels	Increase overall service level from 94% to 97%
Maximize sales opportunities with stock availability	Eliminate sales losses driven by non-quality related supply issues
Reduce SSSO	Achieve SSSO at 1% of net sales
Reduce operating expenses	Reduce supply chain FTE expense by up to 20%



## Logility Voyager Tool

Specialized, common supply chain planning tool for CHCI Europe

- ✓ Visibility of short to mid-term, bottom-up volume based demand plan
- ✓ Single source of all planning data
- ✓ Aggregated view by product group
- ✓ Enhanced demand planning process utilizing statistical forecasting
- ✓ Improve resource efficiency



## Centralized Planning

Streamline supply chain processes, resources, and communication flows

- ✓ Balance master supply plan to demand plan
- ✓ Full visibility on procurement needs
- ✓ Central inventory optimization
- ✓ Reasonability check on demand plan
- ✓ Faster review and execution process
- ✓ Improve capacity planning

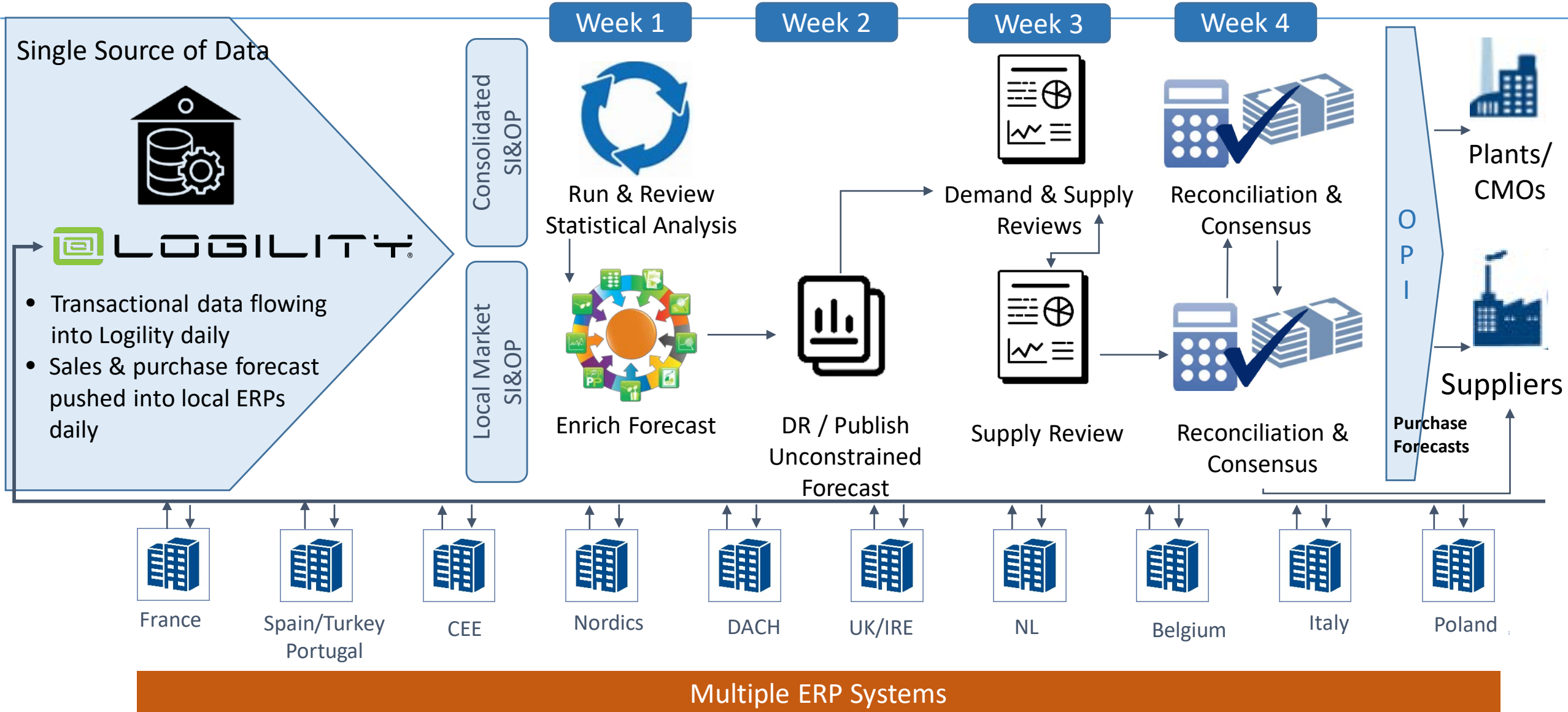


## SI&OP Process

Structured monthly reviews to drive business excellence

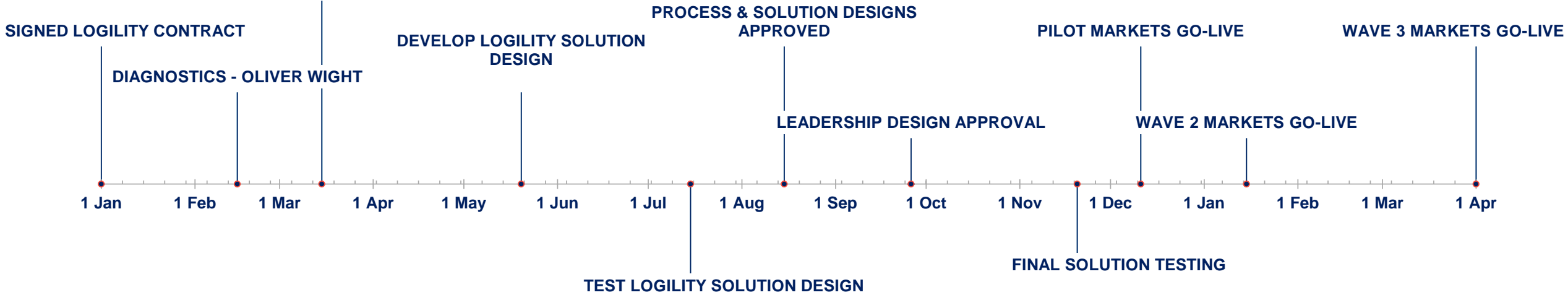
- ✓ Drives accountability and ownership
- ✓ Enables adherence to the Plan
- ✓ Improves the quality of the forecast by engaging cross-functional teams
- ✓ Allows for timely consolidated reviews
- ✓ Mid and long-term mitigation of potential sales gaps

# Future State SI&OP



# Where are we today?

PROCESS DESIGN / EDUCATION

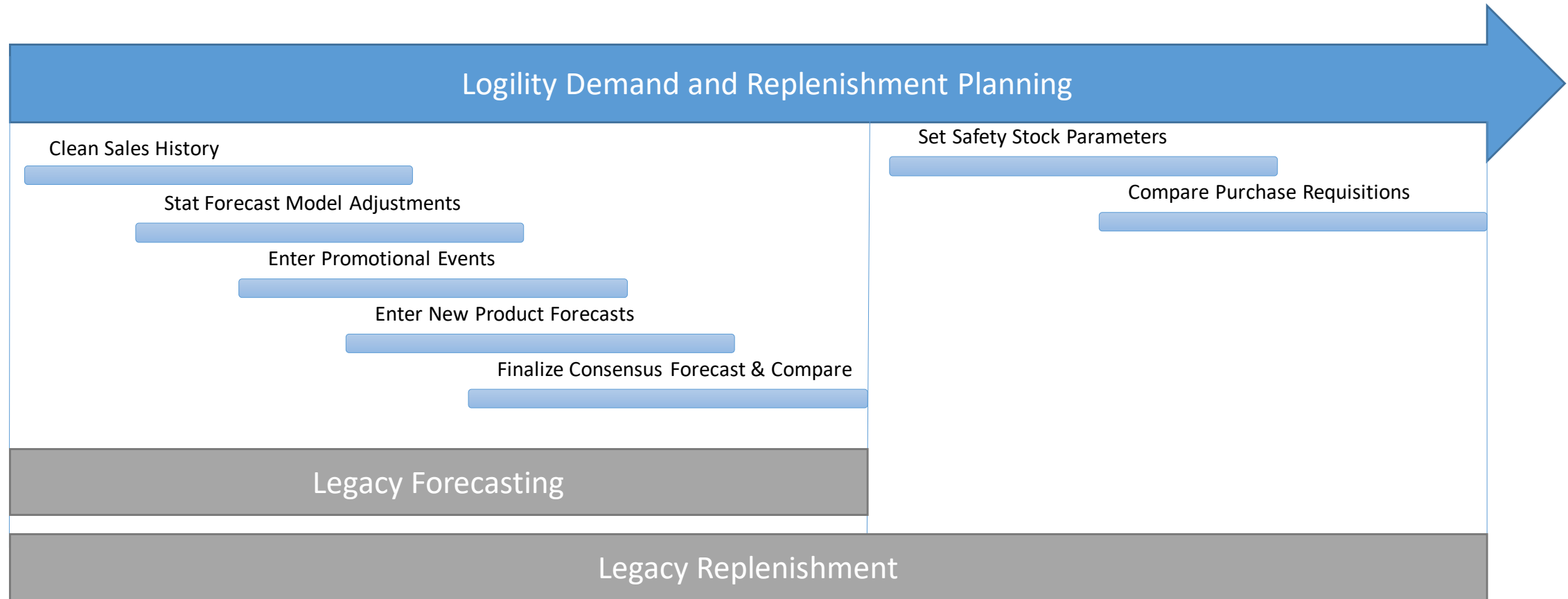


# Logility Training and Phase 1 Go-Lives Waves 2 & 3

*Soft go-lives with parallel running to allow live data cleansing, enrichment of forecasts, and to allow users to become familiar with the tool*

Wave 2			Wave 3								
January	February	March	April	May	June						
 Nordics	 Belgium	 NL	 Austria	 Poland	 Italy	 Portugal	 France	 Turkey	 UK	 CEE	 Switzerland
		Tentative timing Q1 2019: SI&OP Policy & Process overall group training session for markets on Logility				Tentative timing Q2 2019: SI&OP Policy & Process overall group training session for markets on Logility					
										Commence Phase 2 scoping for Manufacturing Site requirements	

# Parallel Rollout Approach (1 to 2 Months)



Logility  
Go-Live



Sales Forecast  
Go-Live



Replenishment  
Go-Live

# Logility Implementation – A view from our pilot market: Spain

## #WHAT WENT WELL

- TEAM (LOCAL + HQ) & Spirit
- GREAT ENGAGEMENT from local team
- Reduce burden on the baseline calculation
- Live and easy (less excel)
- AMAZING LOCAL IT TEAM (critical to have it)

## #MUST HAVE

- TEAM (LOCAL + HQ) & Spirit
- TEAM ENGAGEMENT (LOCAL MGT + Remaining teams)
- Sponsorship
- PERSERVERANCE (it will go back and forward several times on data and functionality)
- Clear role of Logility and SI&OP

## #LESSON LEARNED

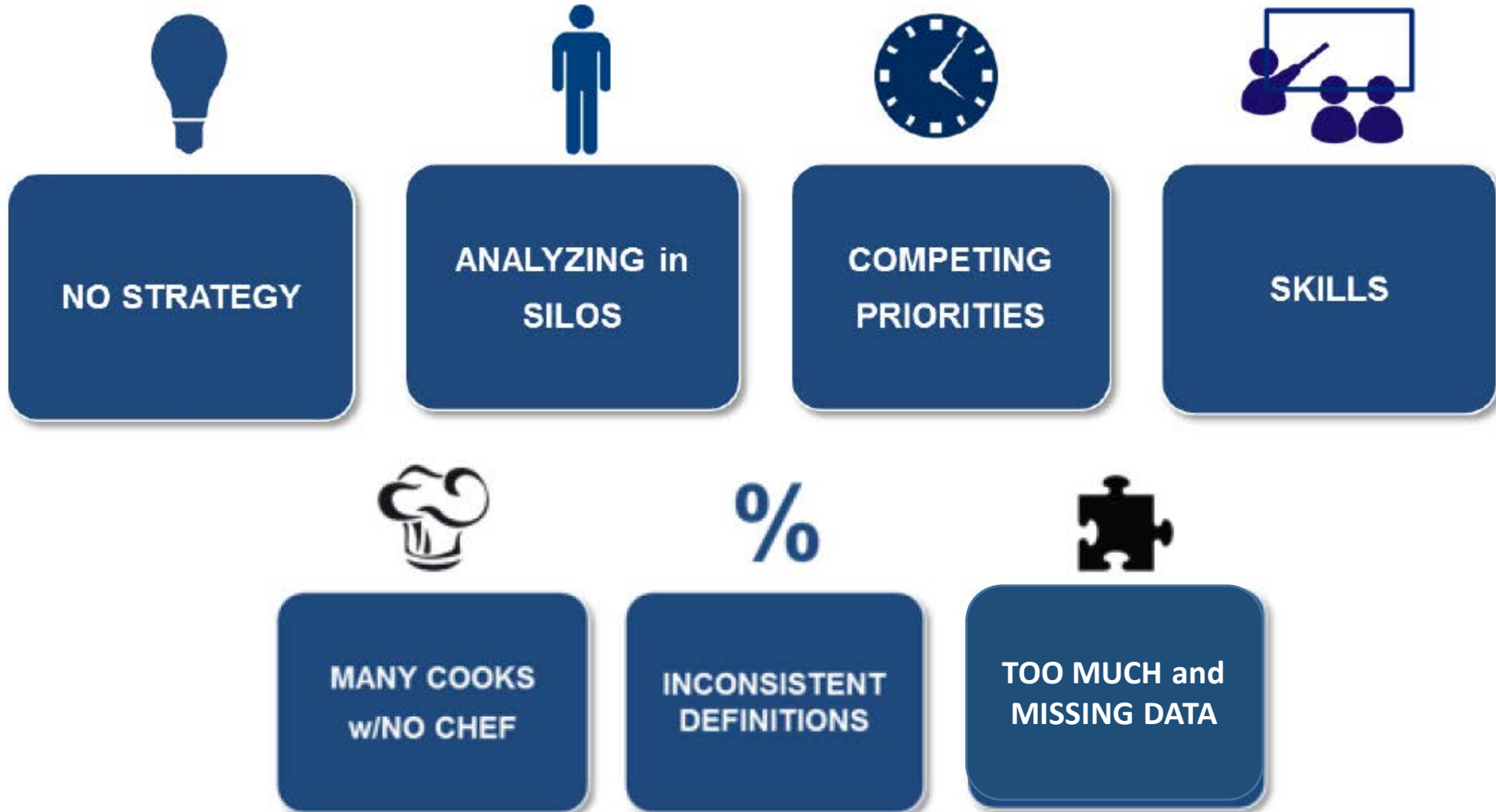
- Less is more. Don't be over ambitious (customer groups, customer level, ANSP)
- Get master data right upfront (customers, article)
- Clearly align definitions between local and corporate (Invoice, net etc.)
- Access your process and where you'll end up
- Data and functional validation is time consuming
- REPORTING NEEDS MORE ATTENTION

## #BIGGEST CHALLENGES AHEAD

- Connecting Logility as the base for Finance Planning
- VOLUME IS KING, learning curve on changing to volume as forecast driver is critical. Not everyone is used to (SALES)
- Finalizing cleaning activities to ensure accuracy from Logility baseline forecast
- Reflecting our business volatility in Logility

# Challenges to Address

*Aligning with Master Data Governance and IT Global strategies*





## Implementation Challenges



Perrigo®

- Fragmented and decentralized ERPs
- Decentralized master data governance and management
- Different go-to-market models
- Dynamic product portfolios
- Display volume in value to get business buy-in
- Excel IS more flexible
- Inflated expectations/over-ambitious



LOGILITY®

- Data flows through Logility based on the product code
- Finite reporting capability
- Limits to data-storage
- Customer grouping should remain fixed
- Data mapping requirements
- Expiring inventory impact on the supply plan
- Only using time series

# Key Improvements by Functional Area

<p><b>Commercial</b></p>	<ul style="list-style-type: none"> <li>• Smoother budgeting process: 24-month rolling volumes based from statistical analysis</li> <li>• Constant visibility of volume and estimated value by customer group and SKU</li> </ul>
<p><b>Finance</b></p>	<ul style="list-style-type: none"> <li>• Strong, consistent base for budgeting process, providing volumes for industrial sites and transfer price calculations at an early stage</li> <li>• Real-time view of the “truth as we know it” including gaps to plan with Risk &amp; Opportunities</li> </ul>
<p><b>Supply Chain</b></p>	<ul style="list-style-type: none"> <li>• Streamlined communication flow, visibility to consolidated demand / supply requirements</li> <li>• Capacity planning improvement with visibility to 24-month rolling volume forecasts</li> </ul>
<p><b>Procurement</b></p>	<ul style="list-style-type: none"> <li>• End-to-end view of consolidated finished goods procurement requirements</li> <li>• Consolidated vendor data (i.e. total spend by vendor across CHCI Europe)</li> </ul>
<p><b>Innovation</b></p>	<ul style="list-style-type: none"> <li>• Tracking of CHCI Europe NPD net sales estimates and actuals - ability to use launch data to make decisions faster</li> <li>• SKU portfolio visibility and rationalisation opportunities</li> </ul>

## Future – What's Next

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- Continue Phase 1 Implementation & Enhancements
- Transition from SI&OP to Integrated Business Planning
- Transform Mentality and Culture
- Adapt to Scenario Planning
- Embed Central Planning
- Phase 2 Logility: Manufacturing Capacity Planning
- Phase 3 Logility: Inventory Optimization
- Enhance New Product Development
- Change Logistics Footprint
- Potential Expansion into Americas
- Continuously Manage M&A and Divestments



THANK YOU

QUESTIONS?