A fresh approach to Inventory and Supply Planning

• Demand-driven solution puts S&OP in the driver’s seat
  – Sets planning parameters that segment inventory and resolve constraints
  – Then flexibly executes production within those ground rules

• Founded in 2002, headquartered in UK

• Multi-lingual, multi-cultural solutions used around the globe
  – Consumer goods
  – Food
  – Electronics
  – Industrial products
  – Pharmaceutical

• Low cost, SaaS approach is implemented in weeks and delivers epic change in supply chain performance

• Certified compliant by Demand-Driven Institute
Agenda

• PZ Cussons – who we are

• Supply Planning Journey
  – Thailand
  – Gold
  – UK

• Focus on UK project and results
PZ Cussons PLC

- Operating in 14 countries covering Europe, Africa and Asia
- Diverse global markets
- Over 11,000 people worldwide
- UK Business 200 employees
Categories and Key Brands

Baby Care
- Cussons baby
- Cussons first years

Personal Care
- Carex
- Imperial Leather
- Charles Worthington
- Original Source
- Robb
- Premier
- Luksja

Beauty
- St. Tropez
- Radiant
- Sanctuary
- Fudge
- Ushio
- Prem

Home Care
- Morning Fresh
- Nivea

Food & Nutrition
- Nutrip

Electrical Goods
- Haier Thermocool
- THERMOCOOL ENGINEERING COMPANY
- Thermo
- Olympic
- Nunu
- Duck

© PZ Cussons Ltd. - 2012 - Developed in Partnership with StrataBridge
ICL Factory

• Built in Jan 2008 ICL Factory is part of the PZCussons Innovation Centre – A global flagship Personal Wash site with R&D & Perfumery (Seven Scents Ltd)

• Key brands manufactured at ICL
  – Imperial Leather – Top UK Shower brand
  – Carex – UK’s no 1 and favourite Hand Wash brand
  – Original Source – UK’s funkiest Personal Wash brand
  – Morning Fresh washing up liquid
PZC & Orchestr8

Scoping
- Thai – UK VMI
- SC Improvement Project

Global project
- Gold
- Phased roll out

UK
- Advanced launch
Thailand – UK VMI

- Thai SC improvement programme May 2009

- Key Objectives
  - Reduce UK stock £500k within 6 months of go live.
  - Establish a process model for Supply of finished goods from one OU to another – This will be Demand Driven VMI for most items and push for promotional or NPD items.
  - Reduce UK involvement in the planning of the Thai Supply Chain
  - Stream line Invoicing and booking in process
  - Reduce volatility in the Thai factory

- O8 selected to support delivery.
Thailand – UK VMI

- O8 system installed in Thailand in the summer of 2010

- The planning parameters changed to VMI in November 2010

- O8 system influenced stock levels in the UK from January 2011

- Customer Service levels increased

- Automated booking in and invoice matching process.

<table>
<thead>
<tr>
<th></th>
<th>Cases 000s</th>
<th>Pallets</th>
<th>Value %</th>
<th>Weeks Stock</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jan 11</td>
<td>337</td>
<td>2,965</td>
<td>100%</td>
<td>5.6</td>
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<tr>
<td>May 11</td>
<td>181</td>
<td>1,797</td>
<td>65%</td>
<td>4.3</td>
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<tr>
<td>Var</td>
<td>-155</td>
<td>-1,168</td>
<td>-35%</td>
<td>-1.3</td>
</tr>
</tbody>
</table>

1. Stock reduced to target using standard internal safety stock optimisation led to decreased service levels
2. Stock levels returned to original level to solve service issues
3. O8 implemented: Service remains high whilst stock levels drop
Project Gold

- Objective – To deliver a holistic, optimised, standardised Business Planning solution to all OUs within 3 years (by end FY14)

- By creating solution toolkits for
  - People and Process
  - Applications (Supply and Demand Planning)

- A Programme delivered by working with local teams on an OU by OU basis, providing a structured journey.
Business Planning Solution

Agreed Consensus Plan

Optimisation and Business Planning
Options and agreed plan

Agreed Supply Plan

Demand

- Statistical Forecast
- Marketing
  Marketing Plan
- Sales Management
  Sales Plan
- Finance
  Revenue Plan
- Demand Planning
  Demand Plan

Consensus
Unconstrained Forecast

Supply

- Inventory & DRP
- Production & 3rd Party
- Materials Planning

RCCP

Data to and from MFGpro, GMIS and TM1

- Product Master Data
- Sales History
- Inventory Open Orders
- Supply Parameters
UK Objectives

- Integrated ‘systems’ solution for FG planning
- Target 10% reduction in FG inventory
- Maintenance of customer service levels >98.5%
- More stable production plan
- Capacity Planning
- Reduction in obsolescence
UK O8 Implementation

Benefits Case & Costs
Process Mapping
Project Scope
Resource Plan

Simulated Plans

Approval process (Sept 2012)
UK O8 Implementation

Data Mapping & UAT (Oct 12 – Feb 13)

Interface Mapping
System Set Up
Testing
Master Data Update
UK O8 Implementation

User guide / training manual
Team Training
Go Live (aligned with planning cycle)

Training & Go Live (Feb 13 – Mar 13)
Monthly process sets up the supply chain

- Save forecast in 08
- Recalculate rules and targets (FGs)
- Run forward simulation
- Review capacity plan & identify issues: feedback to demand planner
- Amend targets or create event where necessary
- Produce complete supply chain projections

- **MTO**
  - Call-off / Make-To-Order (CTO / MTO)
  - ROC: Re-order Point (RoP) - Poisson distributions

- **ROC**
  - Promotions Management
  - MRP: Forecast Error Percentage Safety Factor

- **Rate**
  - Kanban - Multi-level
  - Kanban - Re-order

**Average Usage / Demand Per Day**
Inventory & Operational Planning

- Daily work to report
- Checks both Material & Capacity availability
- Contains requirements of items which have fallen below the re-order point within the inventory target
- Orders generated at leadtime
- Shortages will be identified
- Shortages and Excess identified
Impact - Summary

- 25 – 30% Inventory Reduction
- Service Improvement to 100%
- Less manual planning – more exceptional planning & challenging parameters.
- Stricter adherence to processes & master data maintenance
- More stable production plan with no change to operating process & parameters
- Opportunities to maximise NWC further
- Proven platform for Global roll out