



BLOCK & TACKLE

Leveraging Process *for* Results

APQC'S 2012 Process Conference & Training
October 22-26, 2012
The Houstonian Hotel, Club & Spa - Houston, Texas

APQC®

BPM Lifecycle – Case Study

Business Process Improvement Journey

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Steve Edinger

Executive Director, BPM/PMO

Introductions and Roles: Process Expertise

▲ **Tricia Stelges -**

- As head of Client Operations she identified need for process improvements and initiated the business performance project in 2007
- Has been the business champion through all the ‘ups and downs’ for Catalina’s business process transformation
- Involved in all phases: technology/vendor selection, requirements, offshore operations, communication, and change management
- Continues to lead the operations into the next phase of the journey

▲ **Steve Edinger**

- First hire in 2007 of a newly formed team 100% dedicated to “BPT”
- Served in many roles throughout the project: process engineer, business analyst, business case author, and project manager
- Continues to help drive process improvements via a business PMO, process globalization, create quality discipline, and technology platform management

Catalina Overview

- Founded in 1983
- \$600+ million annual revenue
- Privately held
- Scanner-based
 - Grocery & Mass Merchants (US, France, Italy, Germany, Belgium, Netherlands, UK, Japan)
 - Pharmacy (US)
- Behavior-based targeted marketing
 - Category marketing
 - Example - Baby Products / Diapers
 - Historical marketing based on identifiable purchase behavior
 - Example - Laundry detergent



What Will You Learn – the Process Journey

- ▲ How we defined the challenges with our process
- ▲ How to think about scope and impact of process change
- ▲ How to approach the ‘discovery’ phase
 - Current and future state
 - The business case
- ▲ How to navigate through the process journey
 - Technology
 - Process
 - People and change management
- ▲ How to measure progress along the way
- ▲ What would we do differently next time
- ▲ Where is the process journey headed in the future

The Challenge: Objectives & Landscape

➤ Strategic

- Reduce time-to-market for current and new products
- Improve customer experience and ease of use
- Clients requesting smoother interaction and “Just-in-Time” insights and results

➤ Operational

- Enhance productivity and efficiency (with addition of color)
- Maintain / Improve quality
- New products and channels (e.g. Drug/Mass, Advertising, Account Specific)

➤ Financial

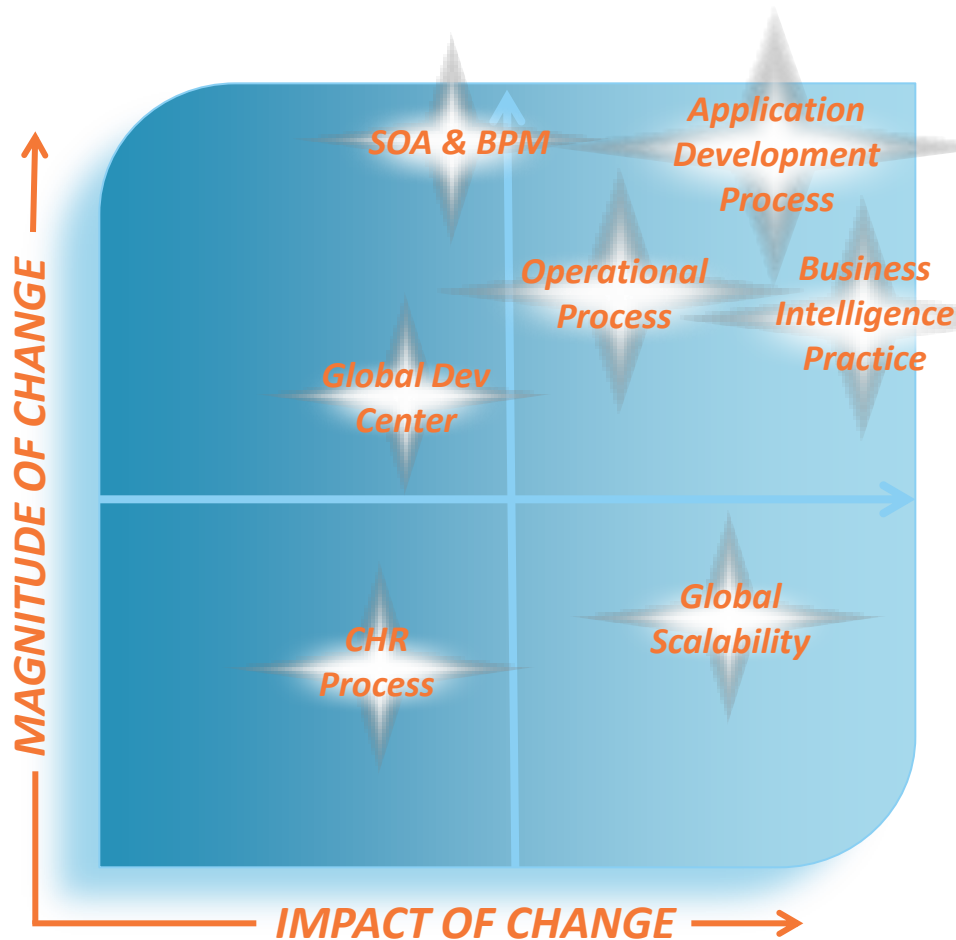
- Control and manage cost
- Enable revenue growth

Very manual organization asked to double in size from 60,000 custom ‘widgets’ that take 4-5 hours each and roughly 64% ‘first time right’ and keep costs flat.

The Challenge: Video – Current & Future State

- ▲ Please pay special attention to the ‘current state’ screen shot images embedded in the slides

Scope: Magnitude and Impact of Change

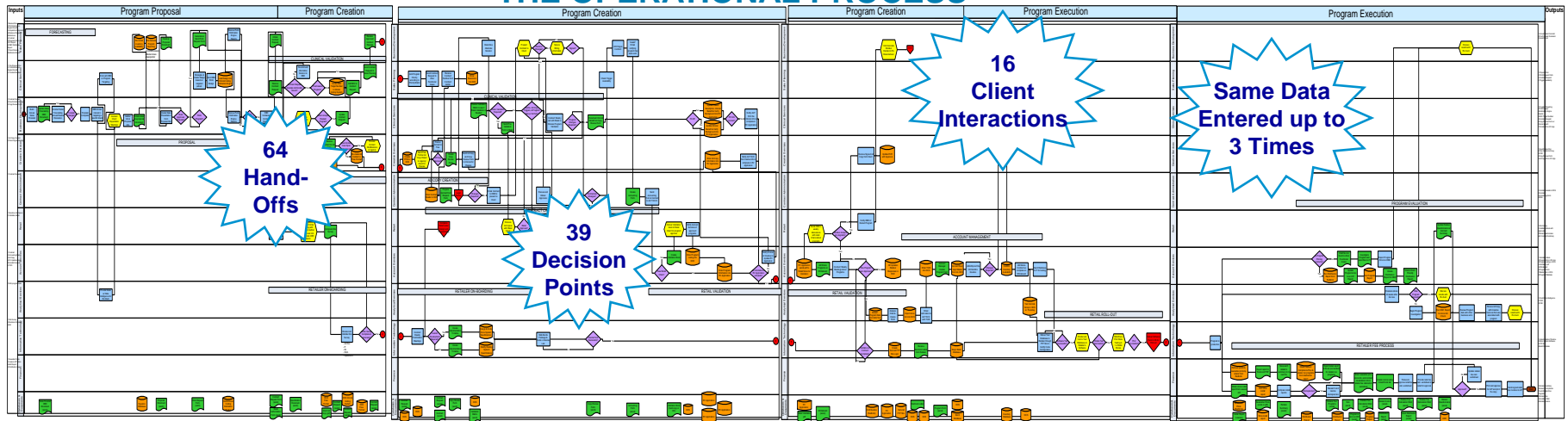


Change Item	Magnitude of Change	Impact of Change
Business Intelligence Practice	Revolutionized Sales' ability to access our data with existing BI team	Millions in incremental revenue
SOA & BPM	Ability to 'detach' from 10-15 year old legacy applications	Service- Oriented Enterprise
Application Development Process	Rigorous new Software Development Lifecycle	New talent with new skills
Global Development Center	Drove formulation and augmented IT with 25+ resources	Size, speed, and quality of application development
Operational Process	Focus on process, efficiency, new initiatives, supplemented with BPO	Ability to absorb 200% growth in revenue and MCLUs, with flat FTE and SG&A
CHR Process	End-to-end online workflow for CHR Processes	From prospecting to contracting, to approval, through program management
Global Scalability	Insights extension to CMJ and CME BPT	New technologies at a fraction of cost and time to implement independently

Discovery Phase – Current State

227 Process Steps Documented

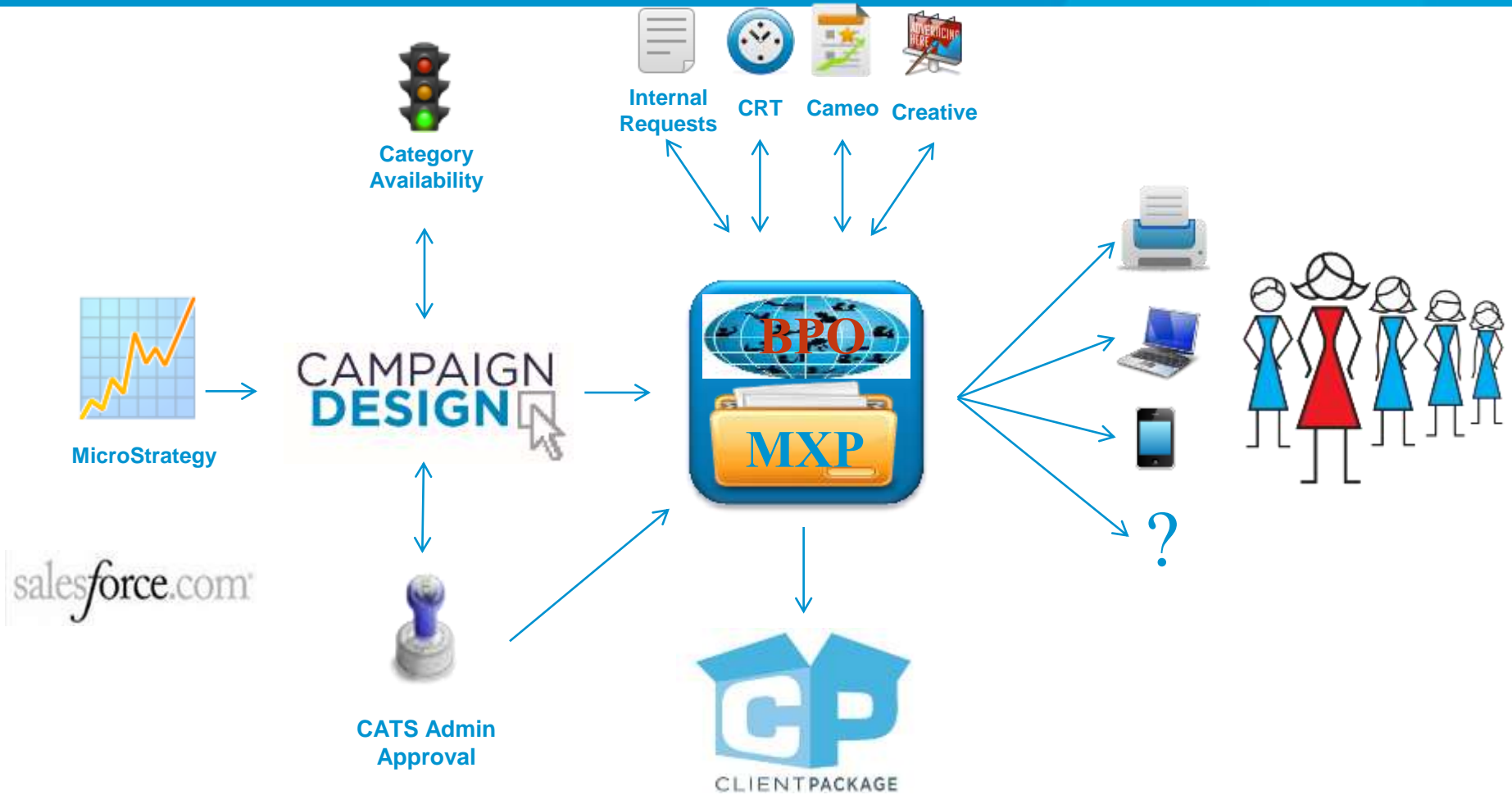
THE OPERATIONAL PROCESS



35 Excel/Word Forms & 13 Different Systems

50% of programs require rework
40% of sales time is spent on non-value added activities
33% of operations time is unproductive
Little visibility in where programs are in the process

Discovery Phase – Future State



The Business Case

BPT Goals:

- Streamline and standardize operations – est. 30% productivity gain
- Increase sales force effectiveness – est. 3.5% improvement
- Provide scalable platform for growth
- Online client approvals improves wait time
- Speed to market improvement – est. 30%

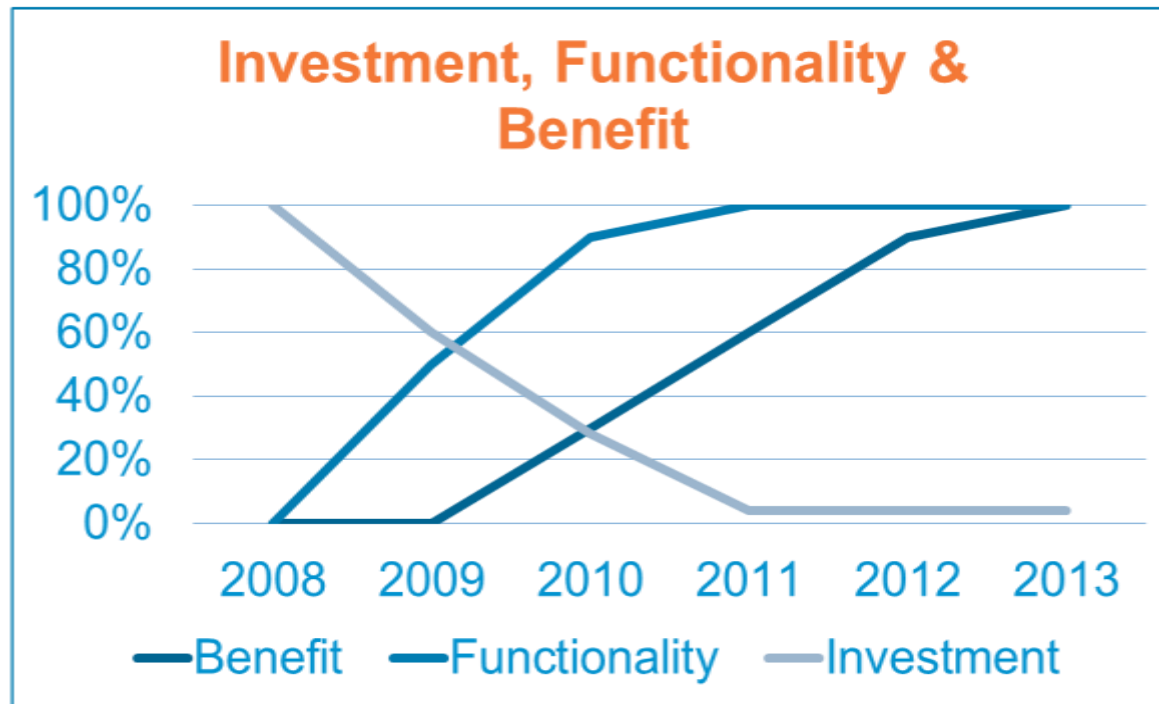
For every dollar invested in BPT a 3X return is expected and the Internal Rate of Return (IRR) hurdle is 20%

Watch outs:

- Clearly state all assumptions, e.g. business growth
- Scenario analysis: best, likely, and worse case
- Use a discount factor on your scenarios
- Get Sales commitment for any revenue assumptions

Business Case – Benefit Inflection Point

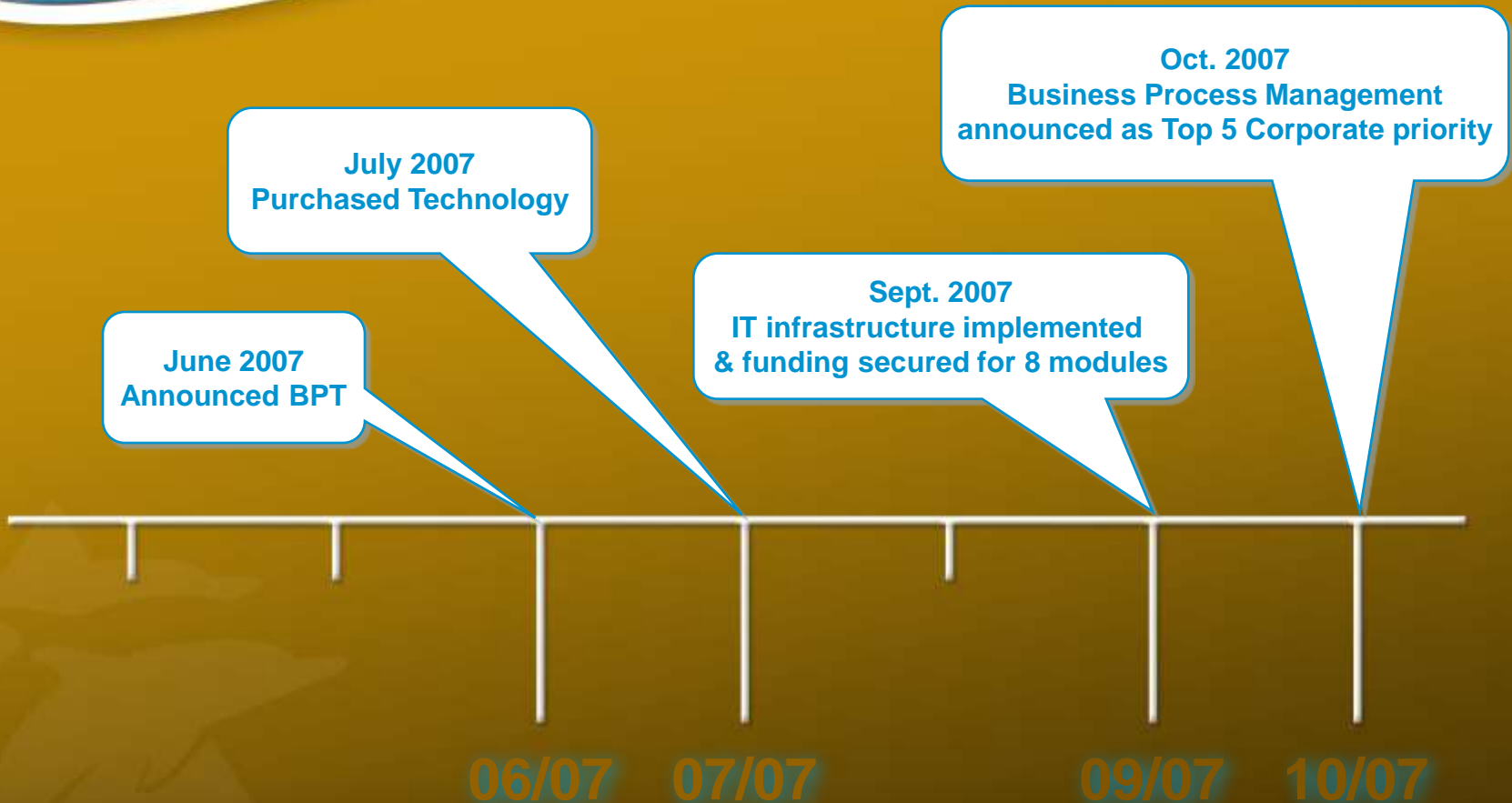
- Benefit Curve is Yr1=0%, Yr2=30%, Yr3=60%, Yr4=90%, Yr5=100%
- Used just 15% of revenue benefit assumption as likely case



TECHNOLOGY JOURNEY

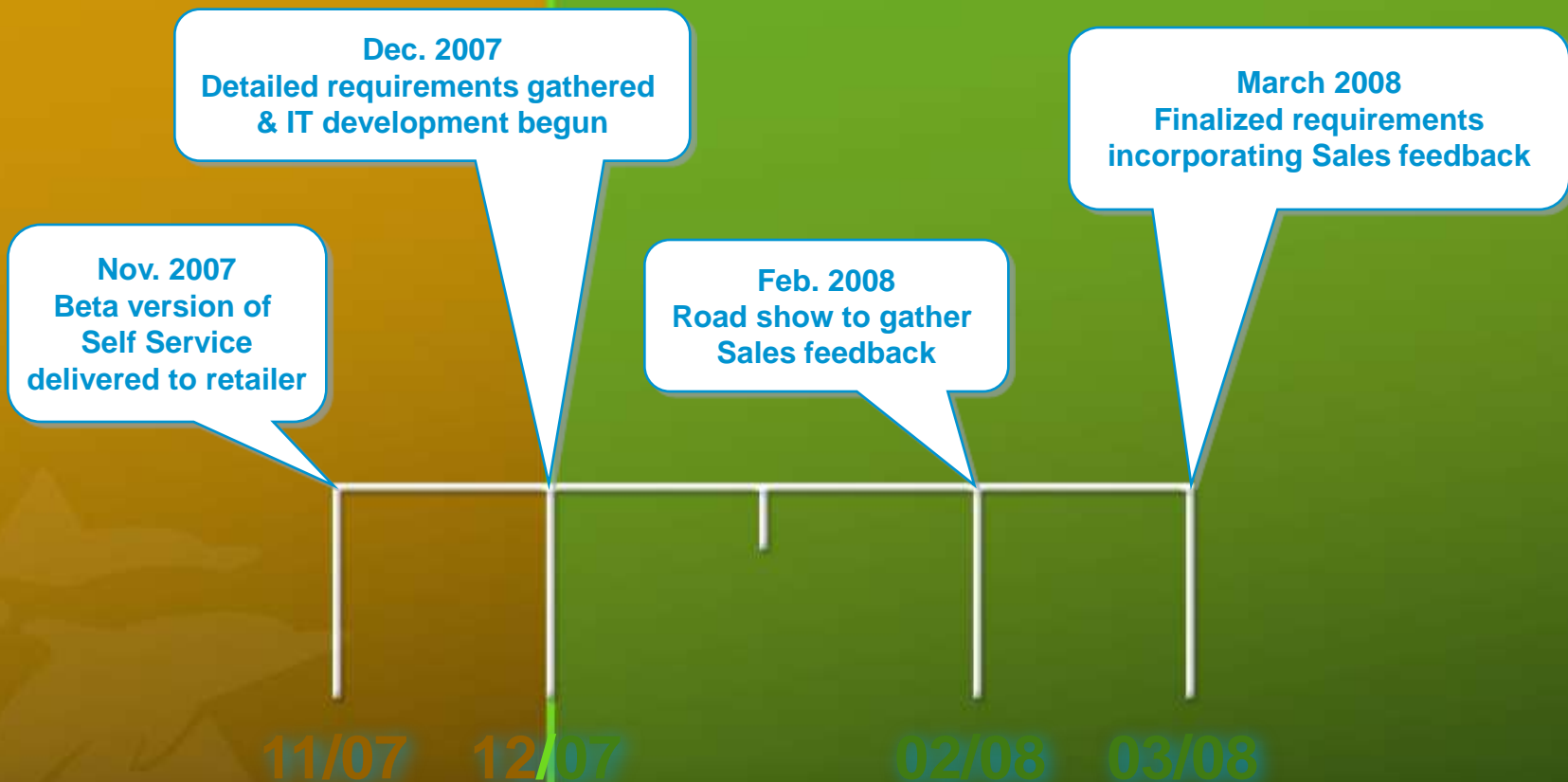


Current 3 Year Plan: CMS Operations BPT





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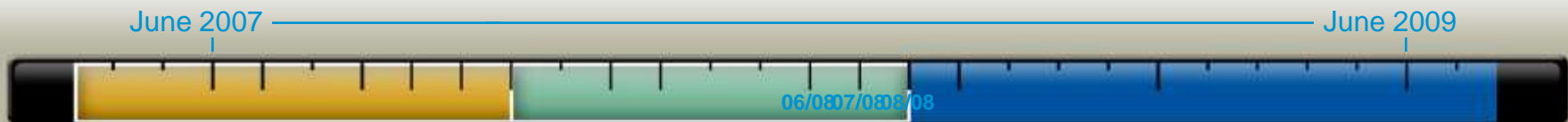
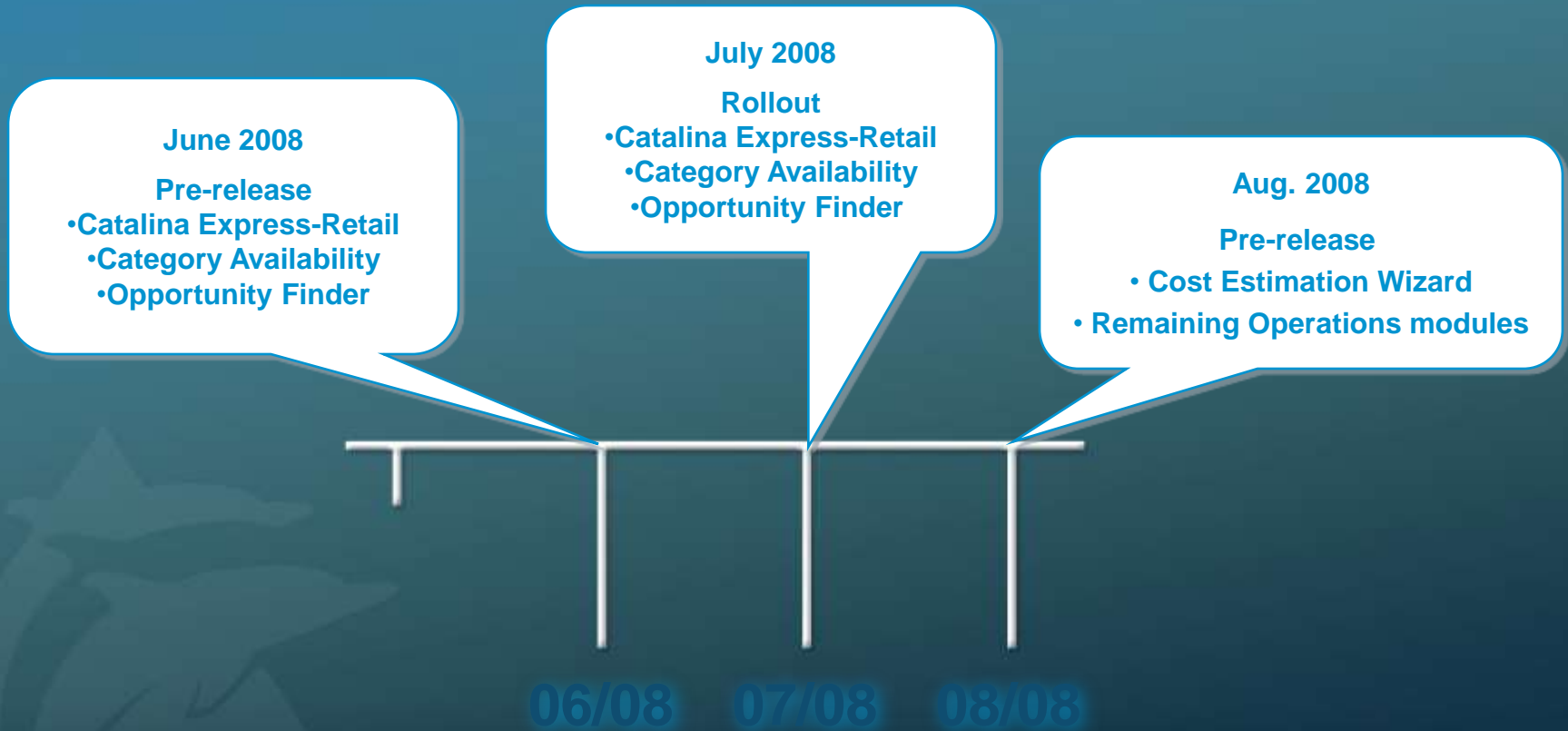
June 2007

June 2009

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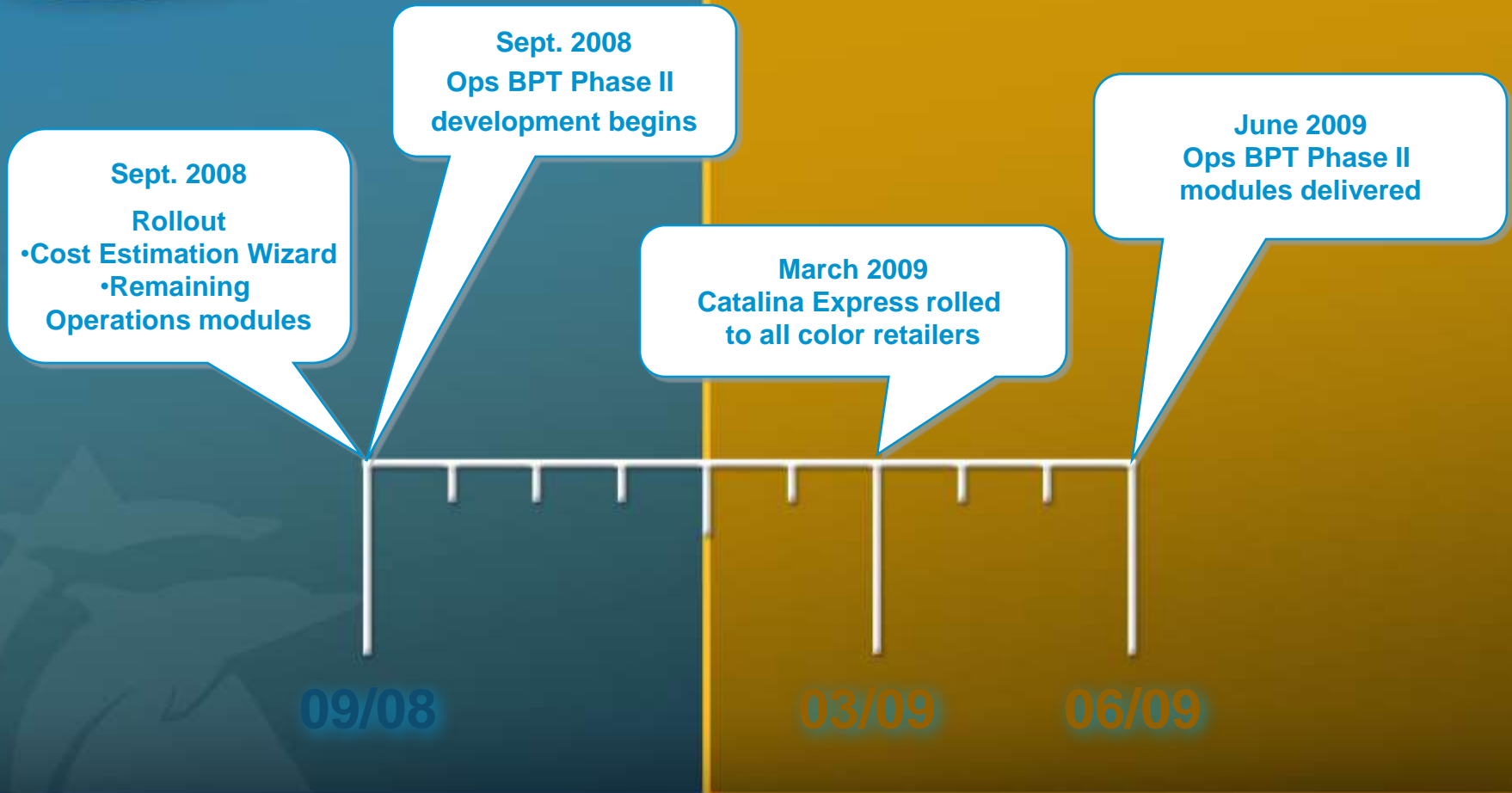


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Current 3 Year Plan: CMS Operations BPT



09/08

03/09

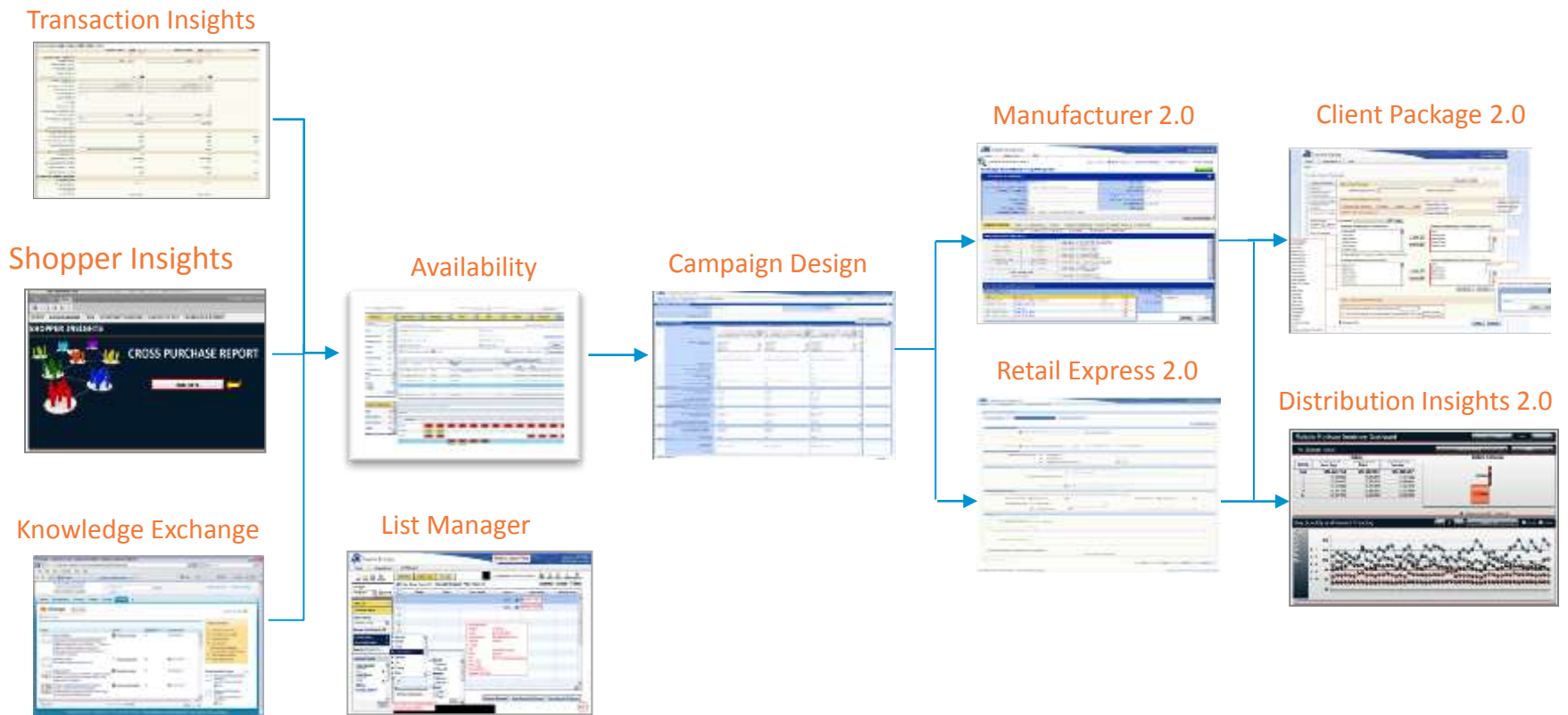
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June 2007

June 2009

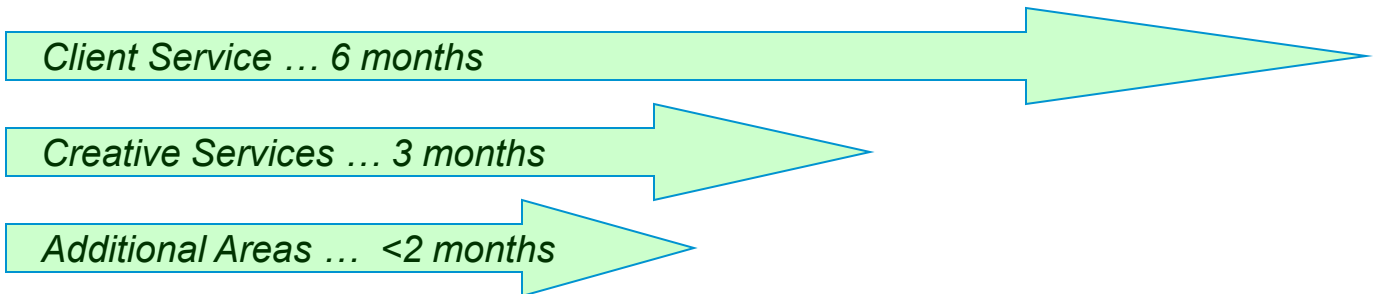
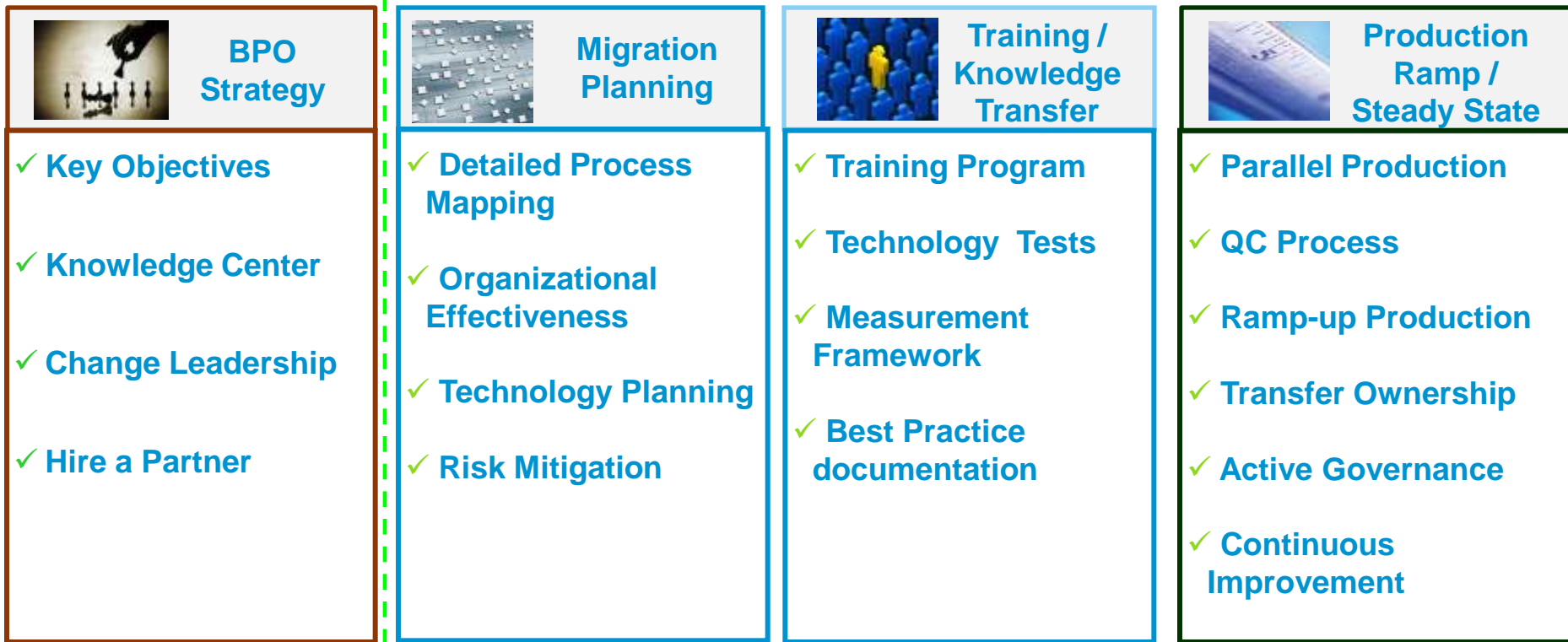


Technology – What did we build

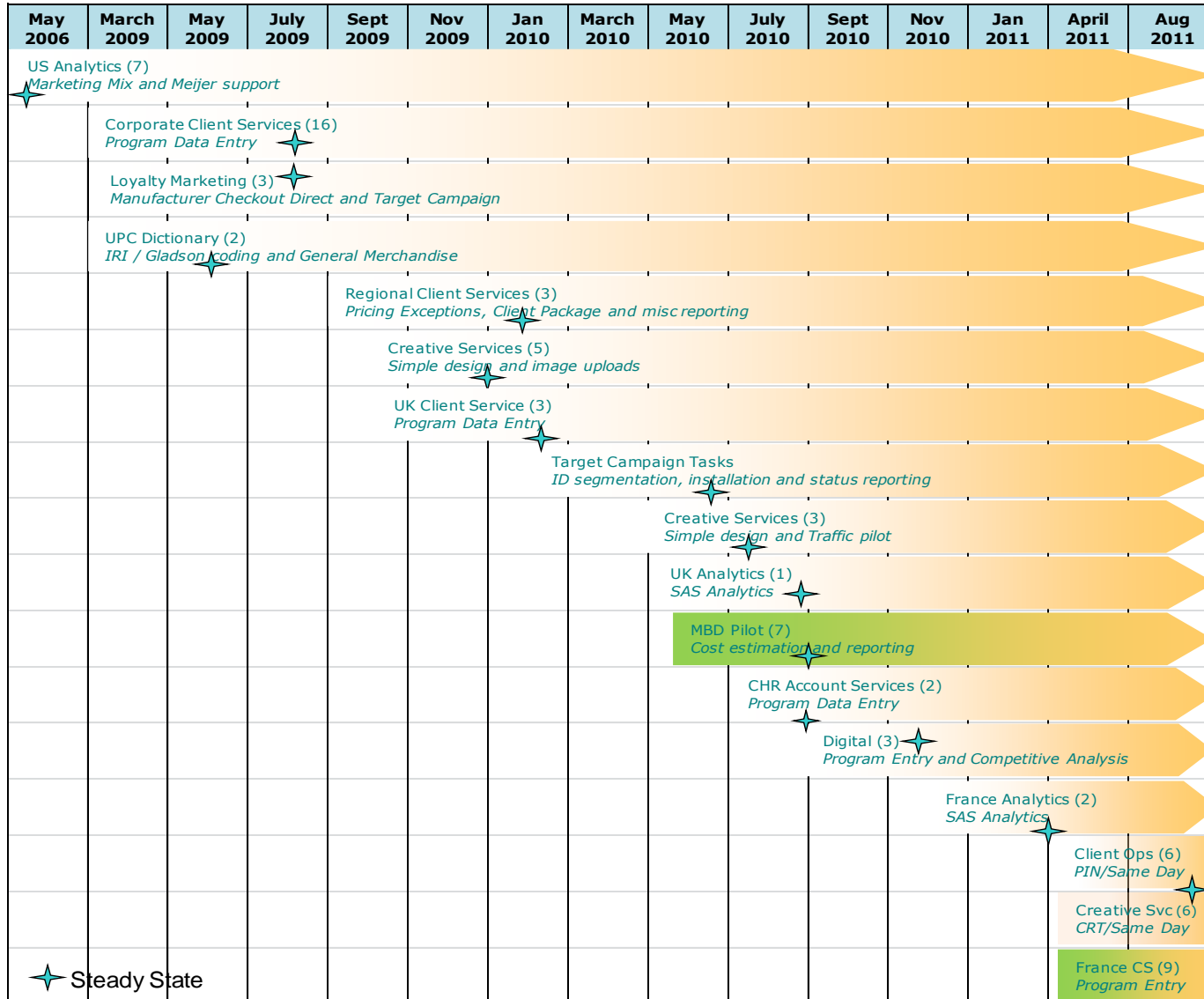


PROCESS JOURNEY

BPO Life Cycle



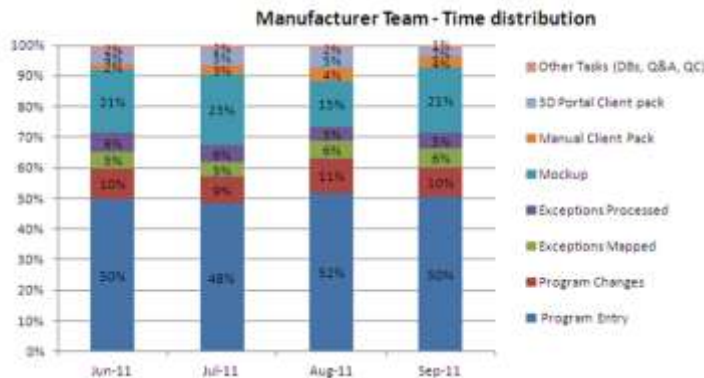
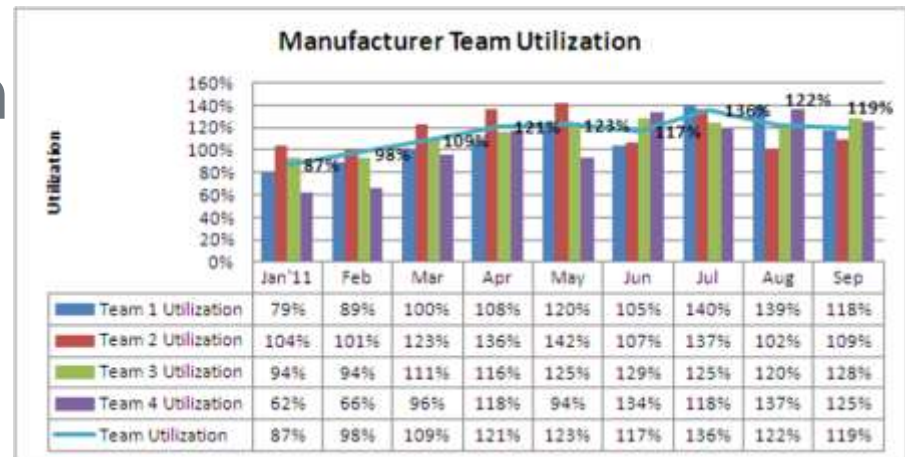
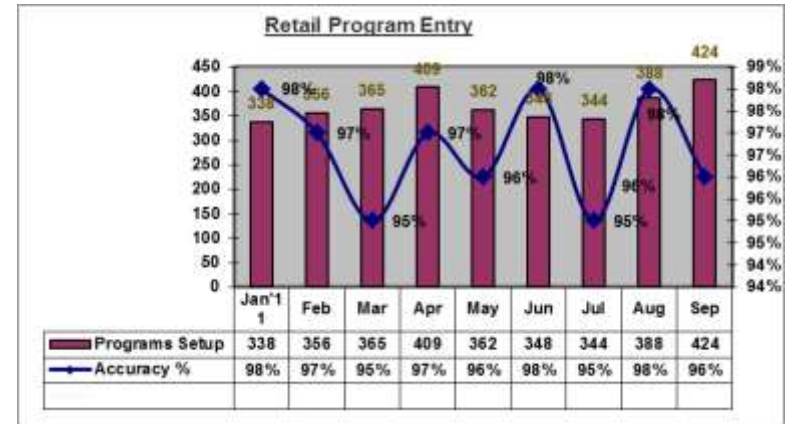
Business Process Offshoring



- 78 total extended offshore team members
- 27% - 50% labor cost reduction
- 2% - 4% Quality improvements
- 2.5 – 4.5 days Speed to Market improvements
- 5-10 hours/wk savings during Sales MBD pilot

Process Offshoring - Governance

- Three Pillars
 - Speed to Market
 - Quality
 - Efficiency
- Monthly KPIs
- Oversight & Escalation



PEOPLE JOURNEY

People and Change Management

▲ Three Phases of Change Management



People – Design & Collaboration

Designed with the business in mind

- Works the way we do
- Intuitive
- Easy to use



Collaborative approach with T&PES

- Establish entrance criteria
- Load testing to ensure optimal system performance
- Constant contact

People – Change Management

Laser focus

- Established ‘Head Coach’ team
- Implemented GSD
- Created an off-shore UAT team



Learning lab approach

- This is not just a new tool – this is a new way of doing business
- Walk before we run

People - Implementation



- 3 phases over the course of 6 months
- Initial focus will be on Manufacturer
- Retail participation in UAT and the pilot will guide our Retail roll out

RESULTS & MEASUREMENT

Results & Measurement – Did it work?

Three Major Programs

	Discovery	New Functionality	Benefits
CMS Sales	<ul style="list-style-type: none"> ➤ 50% of Sales time is “Non-Value Added” ➤ Data entered 7X, 11 systems, 9 spreadsheets ➤ 3.4 hours – 3 days wait for data 	<ul style="list-style-type: none"> ➤ Transactional Insights ➤ Shopper ID Insights ➤ Standardized Reports ➤ Sales Forecasting 	<ul style="list-style-type: none"> ➤ Direct access to data for Sales ➤ Real-Time Insights Reports ➤ 19% Productivity Gains
CMS Operations	<ul style="list-style-type: none"> ➤ Data entered 3X is the standard ➤ Process 82% sub-optimal ➤ Unable to meet growth and speed to market expectations 	<ul style="list-style-type: none"> ➤ Retail Express ➤ Campaign Design Tools ➤ Client Operation Work Flow 	<ul style="list-style-type: none"> ➤ 50% reduction in MCLU touch time ➤ 70% reduction in client approval “wait time” ➤ 50% speed to market improvement
CHR	<ul style="list-style-type: none"> ➤ 40% of Sales time “Non-Value Added” activities ➤ 50% of programs require rework ➤ 227 process steps, 35 forms, 13 systems 	<ul style="list-style-type: none"> ➤ CHR Categories ➤ Availability & Proposals Work Flow Systems ➤ Contracting & Content Approval for Retail/MFG 	<ul style="list-style-type: none"> ➤ 34% productivity gains ➤ 30% improvement in Speed to Market ➤ 7% reduction in Sales “Non-Value Added” activities

Results & Measurement – productivity gains

SG&A Cost Per Program Reduction – Year Over Year



- While MCLUs and Revenue have grown significantly, SG&A remained relatively flat
- Operations has also absorbed multiple new initiatives at current SG&A

Results & Measurement – speed & volume

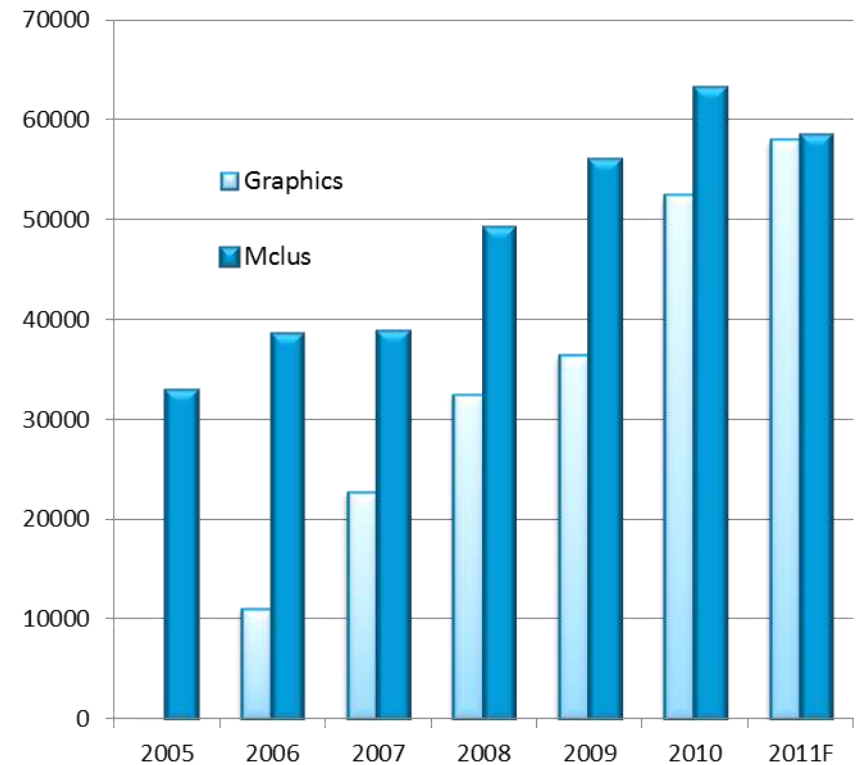
INCREASED SPEED TO MARKET

- 13 weeks in 2005 to under 7 weeks in 2011
- Goal is <4 weeks with BPT



INCREASED VOLUME

- MCLUs and Graphics continue to grow while execution timelines decrease
- Technology and Outsourcing have allowed us to scale to this demand



LEARNINGS AND THE FUTURE

If we could do over again...

One Step Backwards...

Timelines

- Accelerated timeline prematurely
- Unrealistic Expectations

Agile Methodology

- Insufficient requirements process
- Lack of SME / Sponsor participation

Resources

- Sub-optimal IT outsourcing partner
- Little to no internal BPM / SOA expertise

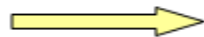
Technology

- Environment and performance issues
- BEA / Oracle conflicts

Internal Communication

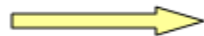
- Ineffective meetings and road shows
- Lacking in frequency and consistency

Two Steps Forward...



Realistic milestone dates established

- Requirements & Design gate implemented
- Production date committed to when design is 75%



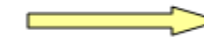
Implemented hybrid methodology

- Steering committee approves requirements/changes
- Dedicated CMS Sales sponsor appointed



Implement new outsourcing model

- GDC contract with UST Global
- Hired or contracted critical resources



Implement new support model for SW/HW

- Upgraded Cat Ex environments
- Roadmap for shared systems upgrades



New communication plan established

- Corporate communication roadmap for 2009
- New product training team

Lessons Learned – Right

- Focused on the business
- Did our homework
- Thorough POC
- Strong executive support
- Quick Wins
- Already achieving 30% reuse
- Strong buy in on measurement methodology

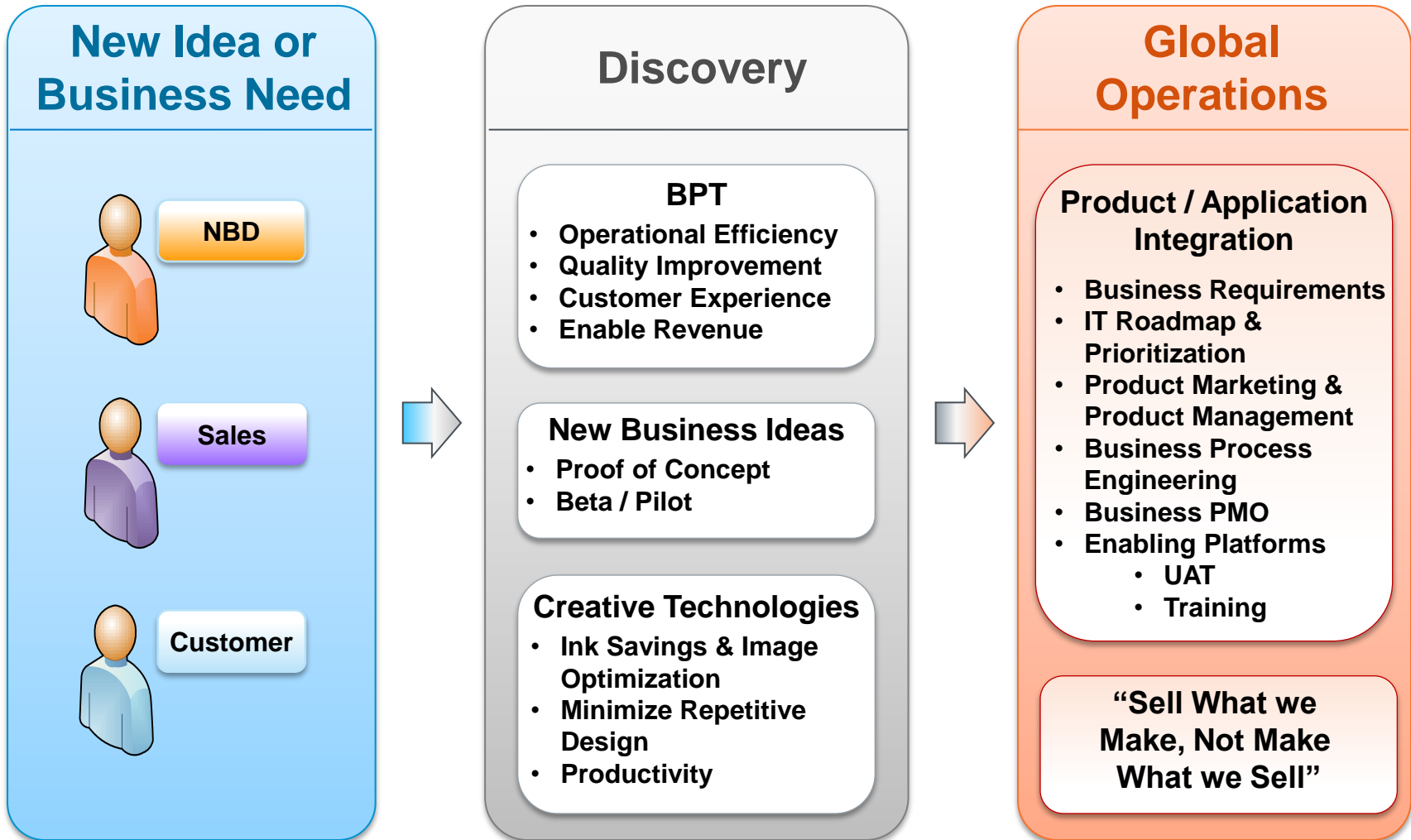


Lessons Learned – Wrong

- Not enough professional services
- Dove in too fast
- Scope creep
- Underestimated testing
- Over aggressive schedules
- Assumed BPM stack was mature
- Did not establish governance early enough



The Way Forward



QUESTIONS?