CSCMP 2017 edge
SUPPLY CHAIN
CONFERENCE & EXHIBITION

CSCMP — Council of Supply Chain Management Professionals

Unlocking Growth in the Supply Chain with Differentiated Consumer Experiences

EDGE Session 3

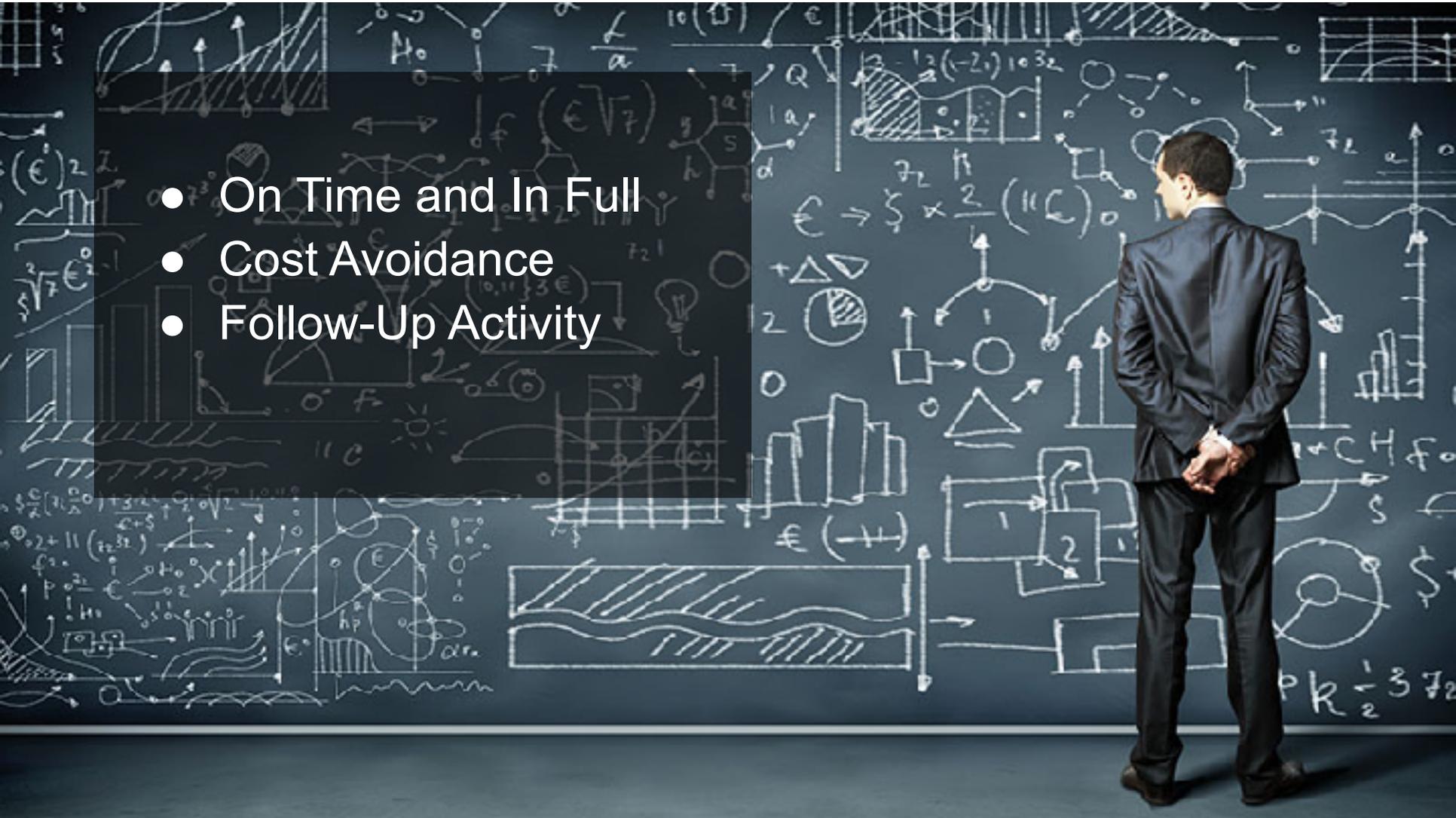**Barry Stewart**
VP of Supply Chain Operations
L'Oréal

Jason Tham
CEO
Nulogy

Why Are We Here?

L'Oréal Supply Chain Operation Key Metrics

- On Time and In Full
- Cost Avoidance
- Follow-Up Activity

AGENDA

1. Introducing L'Oréal

2. Key Supply Chain Insights to Make L'Oréal's Business Successful

3. The Path to a Thinking Agile Supply Chain

4. L'Oréal's Progress To Date & Transparency Achieved

5. Nulogy's Platform for CPG Brands

L'ORÉAL **A GLOBAL LEADER**

89,000
EMPLOYEES

#1
BEAUTY COMPANY
WORLDWIDE
PURE PLAYER IN BEAUTY

25.8
BILLION
SALES

7Bn
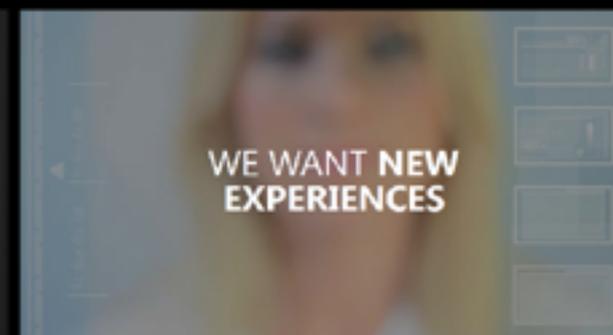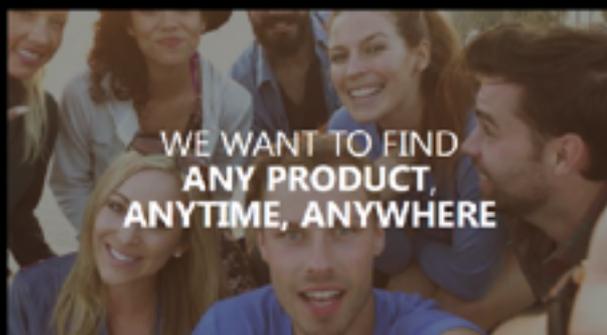PRODUCTS
SOLD

1.7
BILLION
E-COMMERCE SALES
(+33%)

140
COUNTRIES

2016 key figures – L'Oréal Annual report

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CONSUMERS TODAY

WE ARE **HYPER-CONNECTED**

WE ARE **ECO-CONSCIOUS**

WE WANT **SAFE PRODUCTS**

WE WANT TO FIND **ANY PRODUCT, ANYTIME, ANYWHERE**

WE WANT PRODUCTS **THAT MEET OUR SPECIFIC NEEDS**

WE WANT **NEW EXPERIENCES**

L'ORÉAL
OPERATIONS

THEY WANT ANYTHING, ANYWHERE, ANYTIME

ALL BEAUTY PRODUCTS

ALL DISTRIBUTION CHANNELS

ALL PURCHASING BEHAVIORS
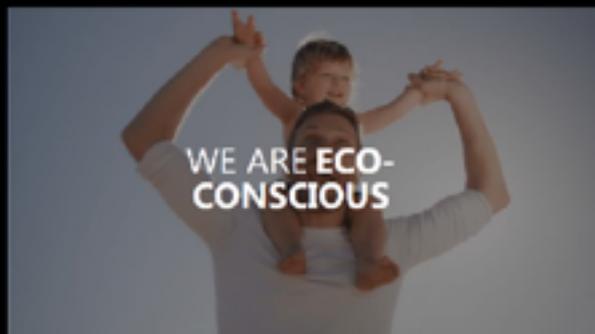
L'ORÉAL
OPERATIONS

OPERATIONS' **MISSION**

We contribute to L'Oréal's growth, from product development, sourcing,
and production to distribution of all the Group's products: an **integrated** VALUE CHAIN.
As the ALLY OF BUSINESS, we develop and always seek out the most agile, innovative,
efficient and responsible solutions **to** MEET THE SPECIFIC NEEDS AND DIVERSITY OF CONSUMERS.

DESIGN & DEVELOP   **SOURCE**   **MANUFACTURE**   **SERVE**

SUPPLIERS

CONSUMERS
RETAILERS

SAFETY & SECURITY   **QUALITY**   **SUSTAINABILITY**

Protect our People
& our Assets

Protect Consumers
& our Brands

Protect our Environment
& Communities

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L'ORÉAL
OPERATIONS

2016 **OPERATIONS' KEY FIGURES**

~20,200
EMPLOYEES

130
NATIONALITIES

47%
FEMALE

53%
MALE

>90%
SITES WITH
DISABLED
ACCESS
WORLDWIDE

10,000
3D printing
product Mock-ups

88
Packaging
& Processes
Patents

>70,000
Suppliers

>63,200
People benefited
from Solidarity
Sourcing Program

42
Manufacturing
plants

>20%
Additional
production capacity*

8
Types of distribution
channels

>500,000
Delivery points

15 Carbon-neutral sites

7 BILLION PRODUCTS SOLD

L'ORÉAL
OPERATIONS

*Stable industrial footprint

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AT THE HEART OF ALL BRANDS

SUSTAINABLE PERFORMANCE

Contribution to the Group's commitment

2016 vs 2005

☁ CO₂

-67% Reduction of CO₂ emissions

15 Carbon-neutral sites

🚰 WATER

-48% Reduction of water consumption

🗑 WASTE

-35% Waste generation

0 Waste to landfill

2020 TARGETS

-60%

-60%

-60%
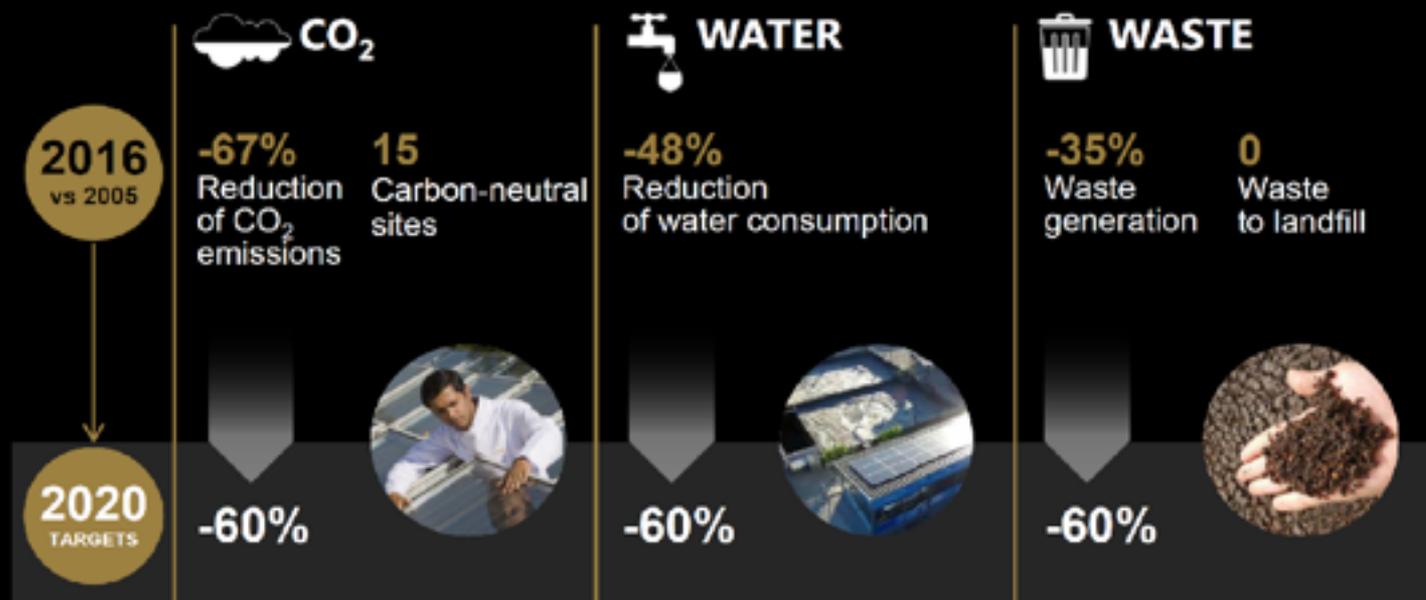
SHARING BEAUTY WITH ALL
THE L'ORÉAL SUSTAINABILITY COMMITMENT

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L'ORÉAL
OPERATIONS

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PACKAGING AT THE CORE OF **CONSUMER EXPERIENCE**

FIRST POINT OF CONTACT WITH CONSUMERS

FORMULA PROTECTION

CONSUMER SAFETY

BOOSTER OF **PERFORMANCE & EXPERIENCE**

DESIGN & INNOVATION FOR PERCEIVED VALUE

PRODUCT INFORMATION LEGAL-COMPOSITION-USE

BRAND'S CODES **& IDENTITY**

PRODUCT TRANSPORTATION

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L'ORÉAL
OPERATIONS

CUSTOMIZATION BEYOND THE PRODUCT

L'ORÉAL
OPERATIONS
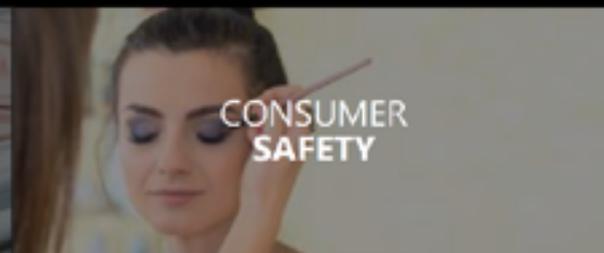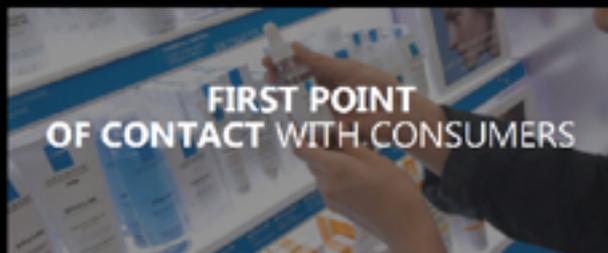
SERVING CONSUMERS WORLDWIDE

8 types of distribution channels

HAIR & BEAUTY SALONS

DEEP TRADE

ECOMMERCE

TRAVEL RETAIL

SUPPLY CHAIN

MASS MARKET

DEPARTMENT STORES PERFUMERIES

PHARMACIES DRUGSTORES MEDISPAS

BRANDED RETAIL

1 ORDER

SHIPPED EVERY 2 SECONDS

to > 500,000 DELIVERY POINTS

L'ORÉAL OPERATIONS

A **BUSINESS DRIVER** SUPPLY CHAIN

Deliver the best experience and services to retailers and consumers

▶ **OMNICHANNEL**

Product availability
Consumer experience

▶ **CUSTOMER CARE**

Tailored services
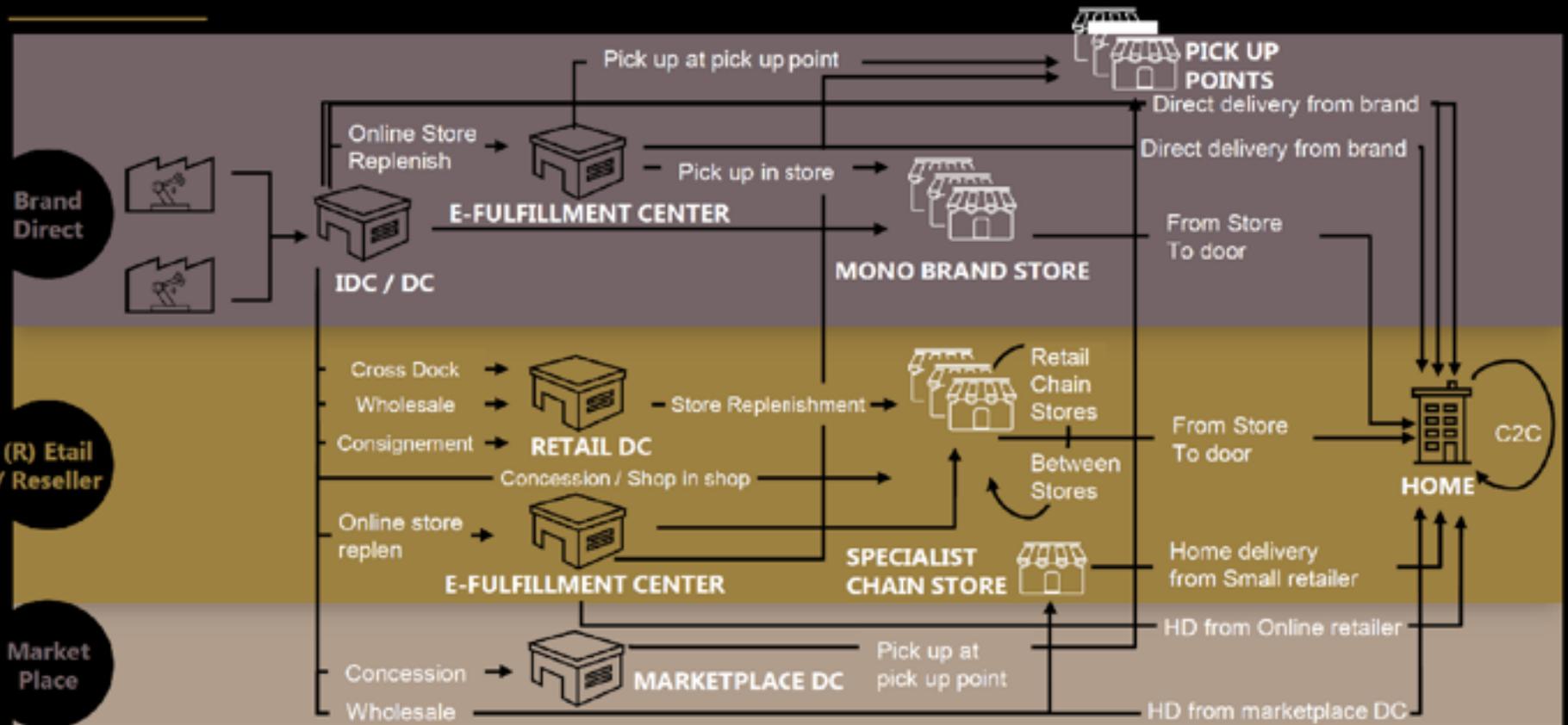24/7 retailer interaction

▶ **DATA**

Real time analysis
Information management
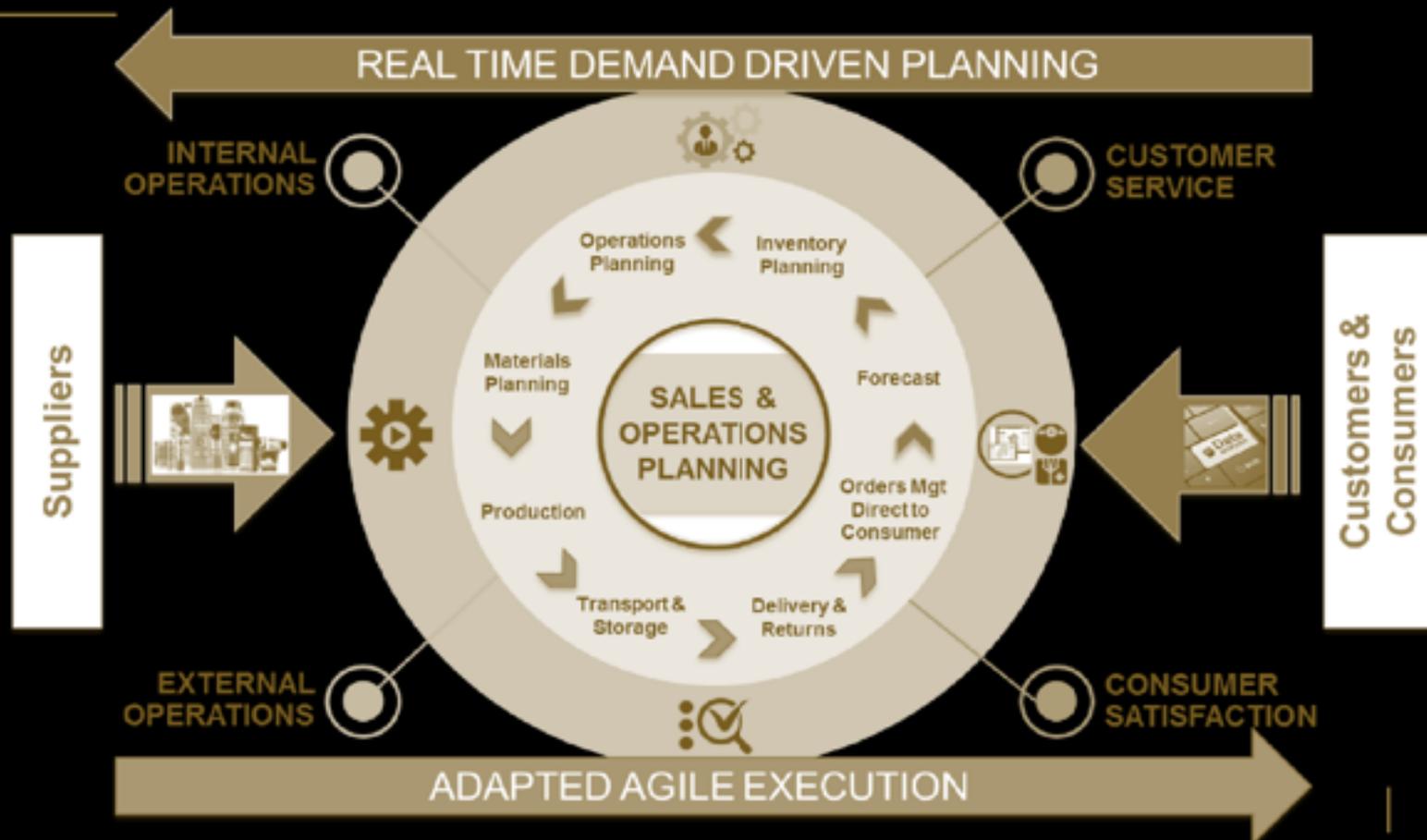Social networks & Points of sale

L'ORÉAL
OPERATIONS

TRANSFORMING FROM A 'MONO-CHANNEL' SUPPLY CHAIN

...TO A CONNECTED OMNI-CHANNEL ECO-SYSTEM

PICK UP POINTS

Pick up at pick up point

Direct delivery from brand

Direct delivery from brand

Brand Direct

Online Store Replenish

E-FULFILLMENT CENTER

Pick up in store

From Store To door

IDC / DC

MONO BRAND STORE

Cross Dock

Wholesale

Store Replenishment

Retail Chain Stores

(R) Etail / Reseller

Consignement

RETAIL DC

From Store To door

C2C

Concession / Shop in shop

Between Stores

Online store replen

HOME

E-FULFILLMENT CENTER

SPECIALIST CHAIN STORE

Home delivery from Small retailer

Market Place

Concession

MARKETPLACE DC

Pick up at pick up point

HD from Online retailer

Wholesale

HD from marketplace DC

L'ORÉAL
OPERATIONS

CSCMP

L'ORÉAL S&OP ON A PAGE

REAL TIME DEMAND DRIVEN PLANNING

INTERNAL OPERATIONS

CUSTOMER SERVICE

Suppliers

Customers & Consumers

SALES & OPERATIONS PLANNING

Operations Planning

Inventory Planning

Materials Planning

Forecast

Production

Orders Mgt Direct to Consumer

Transport & Storage

Delivery & Returns

EXTERNAL OPERATIONS

CONSUMER SATISFACTION

ADAPTED AGILE EXECUTION

L'ORÉAL OPERATIONS

OPERATIONS' **AMBITION**

MORE...
UNIVERSAL

▶ **CONSUMER CENTRIC**

Anything, Anywhere, Anytime
Product perceived value
Personalization
Omnichannel
Retail experience
eCommerce

MORE...
DIGITAL

▶ **OPERATIONS 4.0**

Fast prototyping
Connected products
Smart factories
Open development
End-to-end solutions
Agility
Big Data

MORE...
SUSTAINABLE

▶ **SUSTAINABILITY**

Eco-design
Water / Waste / CO_2
Transportation
Responsible sourcing
Workplace
Sustainable offices

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L'ORÉAL
OPERATIONS

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Key Supply Chain Insights to Make Our Business Successful

AGILITY

- Geopolitical uncertainty
- Shorter & disruptive innovation cycles
- More short run promotional campaigns

PERSONALIZATION

- Change in consumer behaviour
- Demographic redistribution
- Increased focus on retail experience

DATA

- Process digitalization
- Real-time analytics
- Breakthroughs in machine learning

CONNECTIVITY

- Cultural shift to digital channels
- Democratization of information
- Global exchange of IP and benchmarks

L'Oréal's Supply Chain Optimization Project Goals

Increase speed to market

Advance reliability and agility

Promotional display customizability

Maintain high quality products and service

Develop standards to optimize Operations 4.0

L'Oréal's North Star Metrics

Service

Responsiveness

Sustainability

Inventory

Compliance

Old Methods to Overcome Supplier Challenges

Spreadsheets
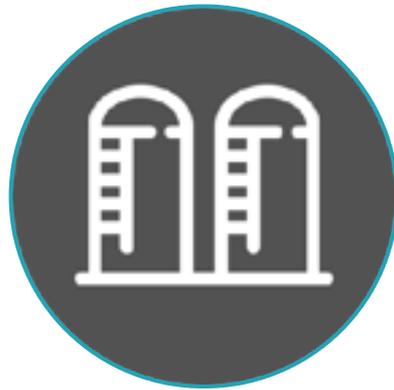
Siloed Systems

Tribal Knowledge

$$$

The Path to a Thinking Agile Supply Chain

CONNECTED	COLLABORATIVE	COMPREHENSIVE	COGNITIVE

- Intra-enterprise: Structured data from shop-floor

- Inter-enterprise: B2B integration

- Multi-enterprise collaboration and engagement

- Digitally enabled, distributed data-store

- Comprehensive analytics with scaled data governance

- Timely insights and real-time data

- Conducting decisions through data science and machine learning

- Automated and self-learning

Real-Time Metrics That L'Oréal Unlocked

PREDICTABILITY

Variance to Plan

RELIABILITY

Adherence to Plan

Base Product Available → Packaging Available → Production Complete → Production Started → Sample Approved → Sample Sent

Actionable Example: Adherence to Plan
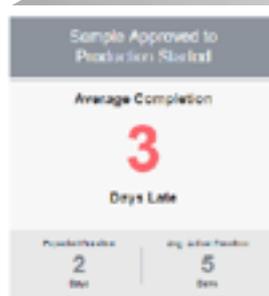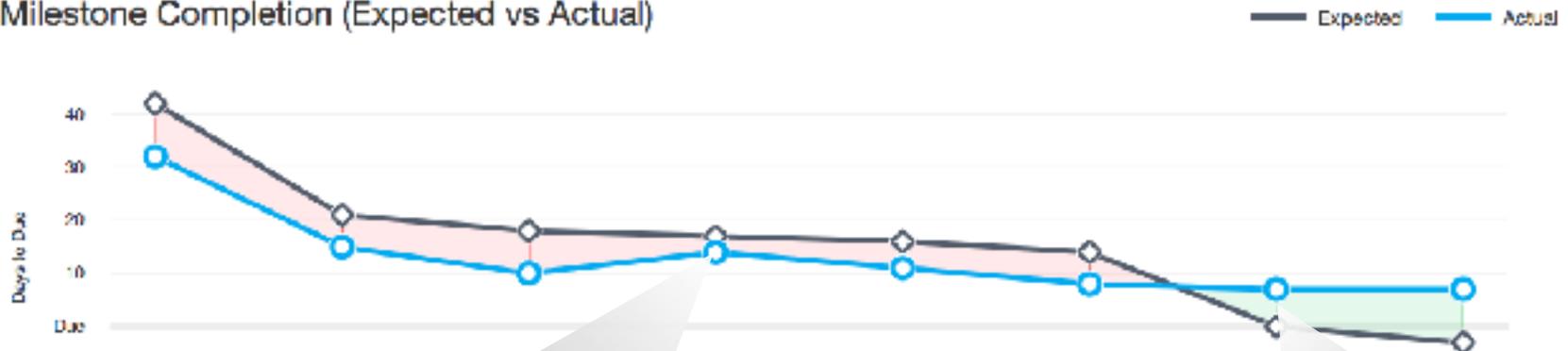
Ability to now **identify**, **understand** and **act** based on root cause non-conformance to plan.

L'Oréal's Platform for CPG Brands

L'Oréal's Platform for CPG Brands

Digitization Makes the Invisible Measurable

SUPPLIERS:

RESPONSIVENESS

AVAILABILITY / DOWNTIME

PERFORMANCE / VARIANCE

INVENTORY ACCURACY

QUALITY / REJECTS

NON-CONFORMANCES

RELIABILITY

BRANDS:

INVENTORY ACCURACY

INVENTORY AGING

QUALITY / REJECTS
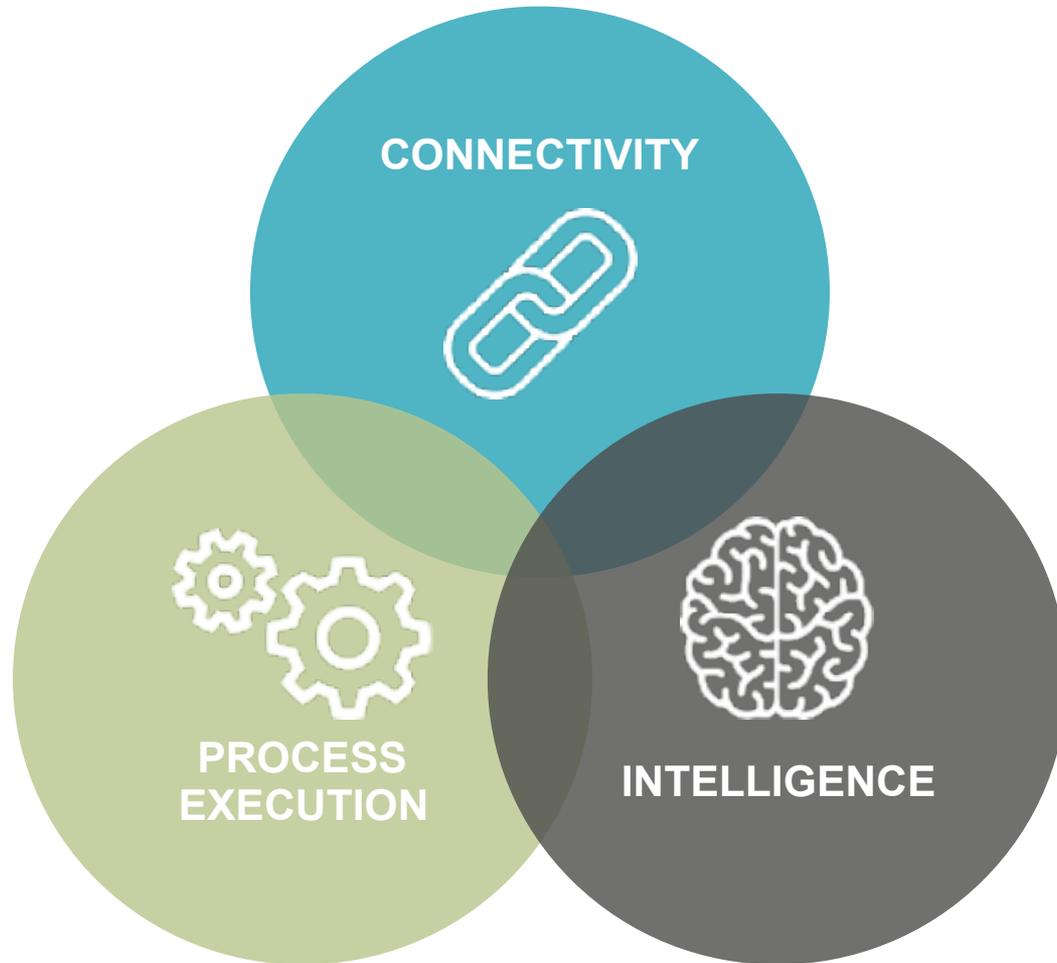
NON-CONFORMANCES

RELIABILITY
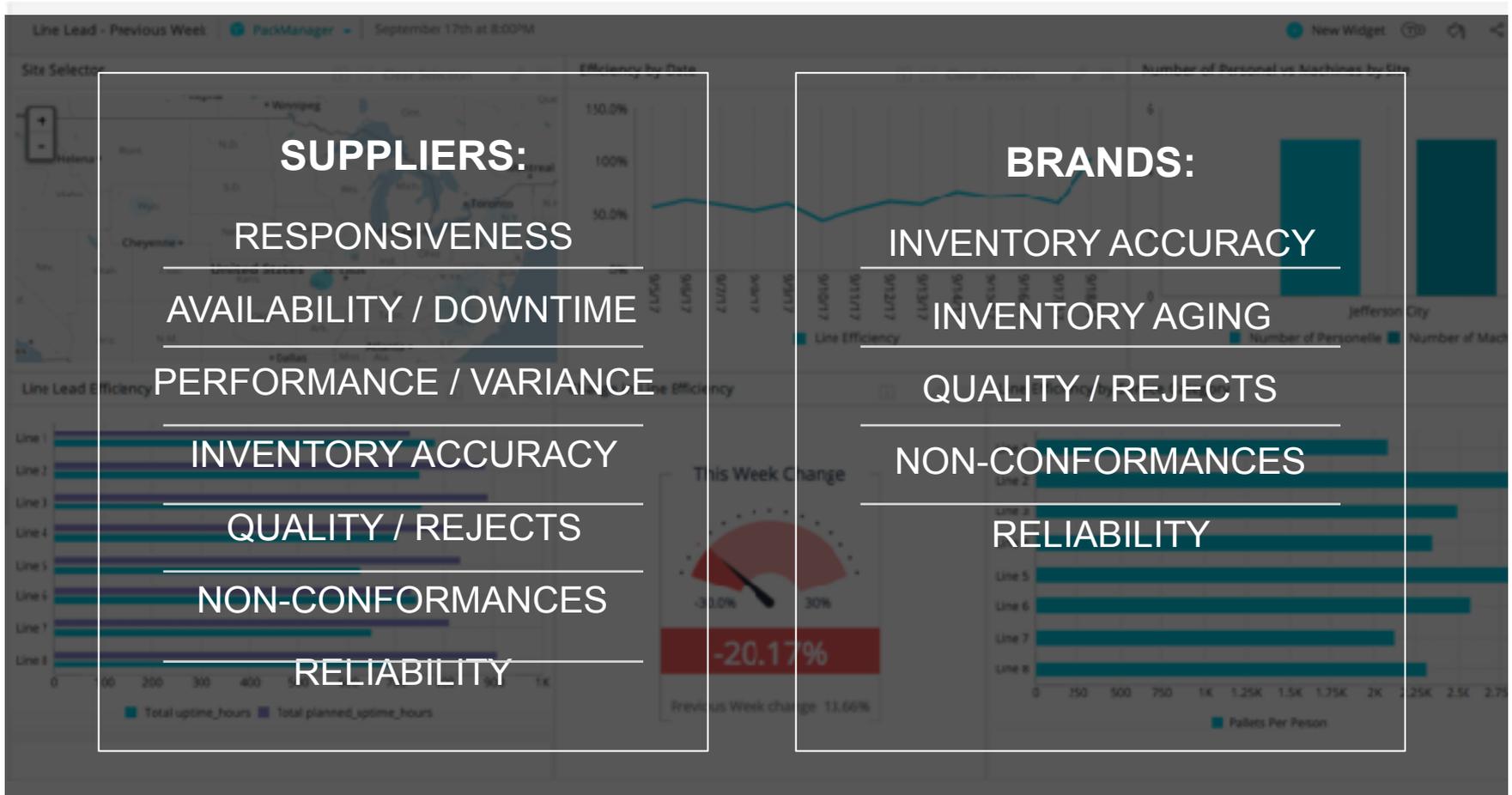
Digitization Makes the Invisible Measurable
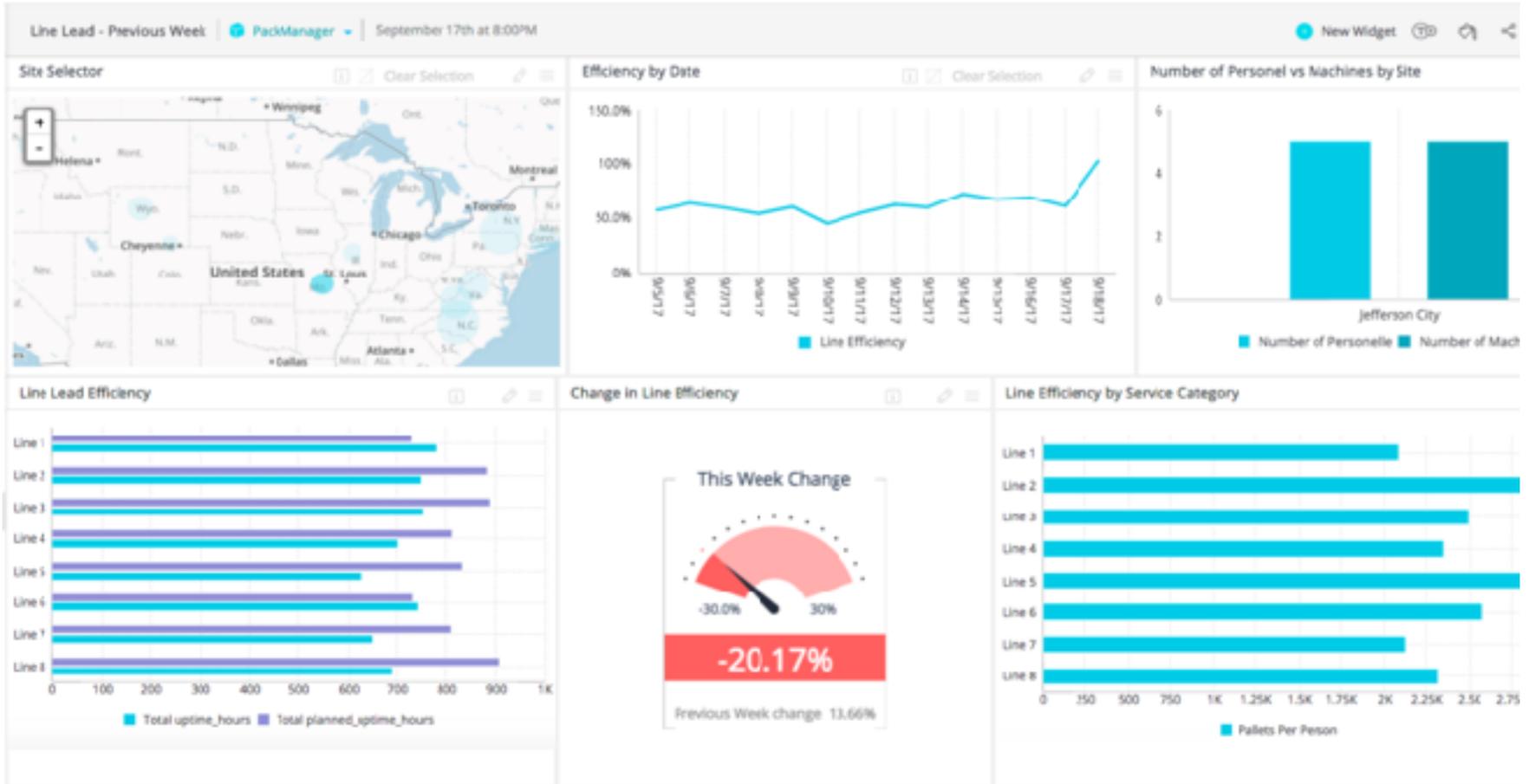
Beyond Digital Data Collection & Connectivity

Nulogy's Solutions' Platform Enables

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Connect with Us

Join us for
BBQ & Bourbon
at CSCMP Atlanta

Prime Meridian
Restaurant, Omni Hotel

Tonight at 6:30PM

Barry Stewart
BStewart@ca.loreal.com
www.linkedin.com/in/barry-stewart-2635849/

L'ORÉAL

Jason Tham
jasont@nulogy.com
www.linkedin.com/in/jasontham/
twitter.com/jdtham
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**"I shall participate, I shall contribute, and
in doing so, I will be the gainer."**
– Walter Annenberg