



Revlon

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Oliver Wight
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Customer profile

Global transformation is more than just cosmetic

When cosmetics giant Revlon decided to implement Oliver Wight's Integrated Business Planning, the organisation wanted to make sure that change was not just superficial. Dramatic results in Europe prompted a global roll out and new processes are being embedded across all regions.

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US cosmetics giant Revlon was founded in 1932 by Charles Revson. The New York-headquartered business has a rich history of bringing innovations to market which have revolutionised the cosmetic and beauty care sectors in which it operates.

The company's first product was an opaque long-lasting nail enamel. A decade later, Revlon broke new ground by producing lip colour and matching nail enamel; in the 1950s, it was the first business of its kind to develop seasonal cosmetic colours to match fashion trends. This drive for innovation continued throughout the years and Revlon is now a \$1.3bn global business, with market-leading brands in cosmetics, skincare and personal care. Its products are sold in over 100 countries globally, it has factories on four continents, and raw materials and components are sourced across the world.

The organisation has a clear strategic framework built around five overarching strategies: building strong brands, developing organisational capability, driving the company to act globally, increasing operating profit and cash flow,

and improving capital structure. These main strategies feed through the business and are strengthened by its tactics of growth, globalisation and developing people. The ultimate goal is to achieve profitable business growth.

Revlon's brands are market leaders across the world. The company sells to multiple channels, depending on location; its products can be found in major retailers such as Walmart (Asda), Boots, Target, A.S. Watson, Walgreens and CVS. All routes to market have very short lead times – orders are turned around in one to three days – so Revlon has to ensure its inventory levels are sufficient to cover variability of order patterns but lean enough to maximise cash flow. It's a highly complex business: one cosmetic product display 'wall' or merchandising unit can contain up to 500 SKUs, and the units vary by store and by region. "The

cosmetics market is driven continually by new products,” explains Simon Worraker, Revlon senior vice president. “In any year, 15% to 20% of the category’s sales are from products introduced that year.” The pressure on the supply chains can be immense, he says, with the latest fashion colours demanding new cosmetics to match. This can only be achieved successfully and efficiently with meticulous planning.

Worraker is part of the Revlon Global Senior Executive Team which has been driving change throughout Revlon, starting in Europe and now rolled out globally. The British-born executive currently serves as general manager for Canada; five years ago he was working in the UK and was part of the team that decided to bring in business improvement specialist Oliver Wight.

At that time, the UK organisation was undergoing significant change. The operation was being consolidated in London (from Wales) and the supply chain and warehousing model was changing; there were also many new people, particularly in finance and operations, as those departments had moved from Wales. Processes were disconnected and not very well documented, Worraker admits. The result was high levels of inventory and deteriorating service.

So, in May 2005, Oliver Wight was called in to advise the UK operation. Consultant Peter Hill spent some time with the business, but advised the local management team that the organisation was not yet ready to begin the Integrated Business Planning (IBP) programme. He did, however, identify some clear tasks and actions to help Revlon build a foundation for future improvement, and a timeframe for achieving those.

By March 2006, significant progress had been made. Oliver Wight’s Hill returned and spent two days with Revlon’s UK leadership team to educate them about the principles of IBP and to ensure they understood the key attributes and aims of the programme. By October that year, Revlon UK had appointed its own IBP manager.

The appointment helped the programme to pick up pace. A series of meetings took place to design templates and processes, focusing on the KPIs that Revlon needed to measure. Accurate data was vital and the Revlon team

spent time fixing data reliability issues before moving further ahead. The business also appointed an expert demand planner.

“By that stage, we had started to talk about one set of numbers – we were very focused on data integrity,” Worraker recalls. “We started to see dramatic improvements in SKU reduction and in overall inventory level reduction. New product development was smoother and more launches were achieved on time. That early progress gave us the confidence to continue and reinforced our belief that we were moving in the right direction.”

Spectacular results

Revlon UK set up its IBP sequence with Oliver Wight’s recommended five-step review process – reviewing product, demand and supply, before integrated reconciliation and, fifth step, management review. The sequence focused on a business unit, with the regional reviews wrapped around that. The first business unit was the UK – also the regional hub for Europe. This was up and running quickly which, again, enabled the business to enjoy early wins. The Company also expanded the five-step cycle to include an extra weekly supply review meeting, chaired by the supply chain manager and facilitated by supply planners. The meeting reviewed month-to-date sales and service, identifying variances throughout the month and enabling appropriate actions to be taken. The results were nothing short of spectacular. Between the end of 2006 and 2009, the European region reduced inventory by 50%. Stock turns rose from 1.6 to 3.5 and ‘SLOB’ rates – the percentage of stock which is slow moving or obsolete – dropped from 35% to 15%. It has since dropped to single figures.

Speed to market

“We made massive cuts to our SKUs both in real terms and via data clean-ups, and they fell from 7,500 to 810,” says Worraker. “That really helped us and was a key achievement. We also increased harmonisation – our term for stock standardisation – which was an important step in reducing inventory. By late 2009, we had 73% harmonisation, versus 43% when we embarked on IBP.”

The fast-paced cosmetics and personal care sectors require speed to market. “Getting new products on to shelves in time is critical to our success. Our OTIF for new products



improved from 40% to 95%; forecast errors halved and service levels rose to 98.5%. It was huge progress for the organisation.”

The results were impressive enough to prompt a roll out of the IBP programme into Europe. Despite the challenges of extending this into a much larger operation – with the difficulties of language and local complexities – the programme took hold across the region and it, too, started to pay early dividends in terms of organisational visibility, planning and better integrated processes. The key was the IBP product review. “We have a global product portfolio and for us, ‘Step One’ is critical; we recognised we had to get that right if we were to be successful,” explains Worraker. Installing dedicated demand planning resource in key markets was important, as was not cutting corners with the IBP education. “You can’t do it yourself and take a softly-softly approach; it doesn’t work.”

After the European roll out began, Revlon appointed a new general manager to head up its US region. He had come from the EMEA region, so was familiar with IBP and had already worked with Oliver Wight. He could see that the

US was experiencing many of the issues that had originally affected the UK –, and no formal sales and operations planning (S&OP).

A dedicated IBP manager was appointed for the US region: he began to roll out the essentials and worked on the basic principles, documenting business plans and the assumptions behind them. “We weren’t doing IBP, but we were laying the foundations on which IBP could be launched,” says Chris Elshaw, Revlon’s Chief Operating Officer.

Revlon’s intended launch of IBP in the US coincided with a separate move by Revlon to increase globalisation. Elshaw and his team knew that IBP could help the business to achieve true globalisation, but first Revlon needed to fully globalise the IBP programme itself - product planning and supply chain lacked global connectivity - which meant expanding the roll out around the world.

“The most important step was to secure buy-in from the very top,” Elshaw says. A handful of top global leaders, together with Revlon’s Operating Committee, met Oliver



Wight's Peter Hill in September 2009. This paved the way for senior level buy-in, with CEO Alan Ennis commenting: "Now that I understand it, why wouldn't we do it?"

In November 2009, a two-day session took place with the Operating Committee, the five regional general managers and the newly appointed global IBP leader. This resulted in four key elements: senior level recognition and commitment; definition of a global framework; a commitment to resource IBP in each region where resource did not already exist; and a commitment to appoint demand planning specialists in each region. "We also put global IBP into the corporate objectives and operating framework for the year," says Elshaw. "To put IBP at the centre of this document sent a clear message to the worldwide organisation that this was going to happen and it was supported from the top."

The top 50 leaders from around the world embarked on a three-week training programme in February 2010. The first week comprised training sessions; the second and third weeks were spent designing templates and processes. After training the top 50 leaders, the IBP programme was ready to go global. The process began to roll out to the five

regions – EMEA, Asia Pacific, Latin America, the USA and Canada – during April and May 2010, driven by the global IBP leader and assisted by Oliver Wight. Elshaw makes the point that it was harder to change existing practices than instil new ones, "but it was important to push global IBP through to ensure a common standard and approach throughout Revlon worldwide."

As a further sign of its commitment to the cause, Revlon has hired IBP leaders and demand planners for each region. Local implementation started in May 2010, with education for regional and national leadership teams led by the global IBP manager and Oliver Wight. This was followed by design of regional and local processes and templates.

Excellent progress

The Revlon global organisation has made excellent progress against its milestones. Processes and routines are all in place and the business is forecasting eight quarters ahead. Visibility and communication are helped by Microsoft SharePoint, which Revlon is using for exchange of IBP information and as a means to transfer knowledge.

The IBP structure is solid, says Worraker: "The foundations are laid and the frame of the house is in place. Now we are working on the internal layout."

It is crucial, says Elshaw, to keep senior management focused on the longer term – four to 20 months – and use another mechanism to manage the short term. Benchmark outputs against the strategic plan to provide confidence that the change programme is on track, he says. Above all, create a sense of urgency about the longer term: "For me, this is what it's all about," he says.

Revlon's global IBP journey is still in its infancy, but change is already taking root beneath the surface of the business. "It is a big challenge and we have set ourselves aggressive goals. But Oliver Wight has been there supporting us all the way. They are like a mountain guide, showing you the route to the summit and helping you on the steeper parts."

Revlon is taking Integrated Business Planning to a truly global level – and global integration is already enabling efficiency, productivity and, importantly, profitable growth.



When you talk to Oliver Wight about improving your business, we'll assume you want results, not just better processes - things like increased revenues and margins and greater market share. If you have the ambition, it is possible to make improvements that truly transform the performance of your organization and create more fulfilling roles for the people within it. We believe this can only be delivered by your own people. So, unlike other consultancy firms, we transfer our knowledge to you; knowledge that comes from nearly 50 years of working with some of the world's best-known companies.

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