

PHILIPS

Integrated Business planning in Philips Consumer Lifestyle

Eelco van den Akker
Philips Consumer Lifestyle

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Agenda

Philips Consumer Lifestyle

Business Planning

Demand Planning

Financial Planning

Results

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Who we are

Royal Philips Electronics is a global leader in healthcare, lighting and **consumer lifestyle**.

We deliver people-centric, innovative products, services and solutions through our brand promise, **sense and simplicity**.



The Consumer Lifestyle sector at a glance



The IJ Tower, Amsterdam - Consumer Lifestyle global HQ

- Formed on January 1, 2008 following the integration of Consumer Electronics and Domestic Appliances & Personal Care
- CEO – Andrea Ragnetti
- Headquartered in Amsterdam
- 17,000 employees in 50 countries
- Organized around its markets, with sales and marketing coordinated by three clusters:
 - **Western Europe & North America**
 - **Growth** (including Greater China, India, Latin America, Poland, Russia, Turkey, Ukraine)
 - **International Sales** (including the Asia Pacific, Central & Eastern Europe and Middle East & Africa regions)

Making a difference The Consumer Lifestyle businesses

Television



Shaving & Beauty



Domestic Appliances



Audio Video & Multimedia



Peripherals & Accessories



Health & Wellness



Business dynamics

Demand

- Strong buying power of Retail
- Promotion driven
- Short product life cycles
- Price - mix erosion

Supply

- Global and regional flexible sourcing/ manufacturing
- Time-to-market and time-to-volume pressure
- Pressure on capacity flexibility

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Philips Consumer Lifestyle

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Business Planning

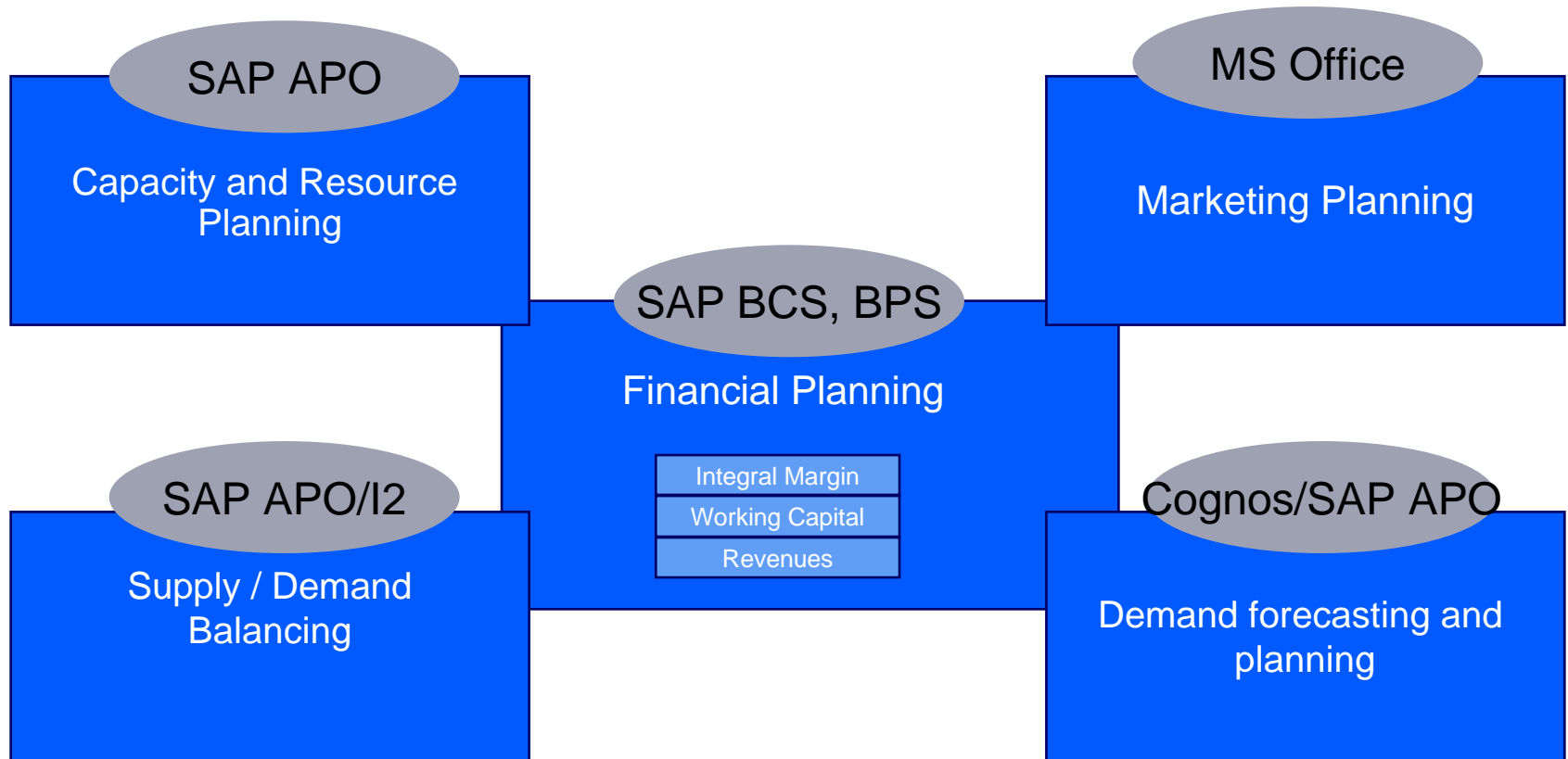
Four layer business planning process

- Strategic Review: annual - long term direction setting
- Budget (“AOP”): annual - management commitment for the target year
- Rolling Forecast: quarterly - health check against AOP and basis for corrective actions
- “SIOP”: monthly - operational demand planning and supply balancing

Scope of improvements

- Global harmonization of demand planning process
- Link demand planning and supply balancing (One Plan)
- Simplification, extension and integration Financial planning processes
- Integration Consumer Electronics and Domestic Appliances in new sector Consumer Lifestyle

Integration of plans is key in business planning



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Philips Consumer Lifestyle

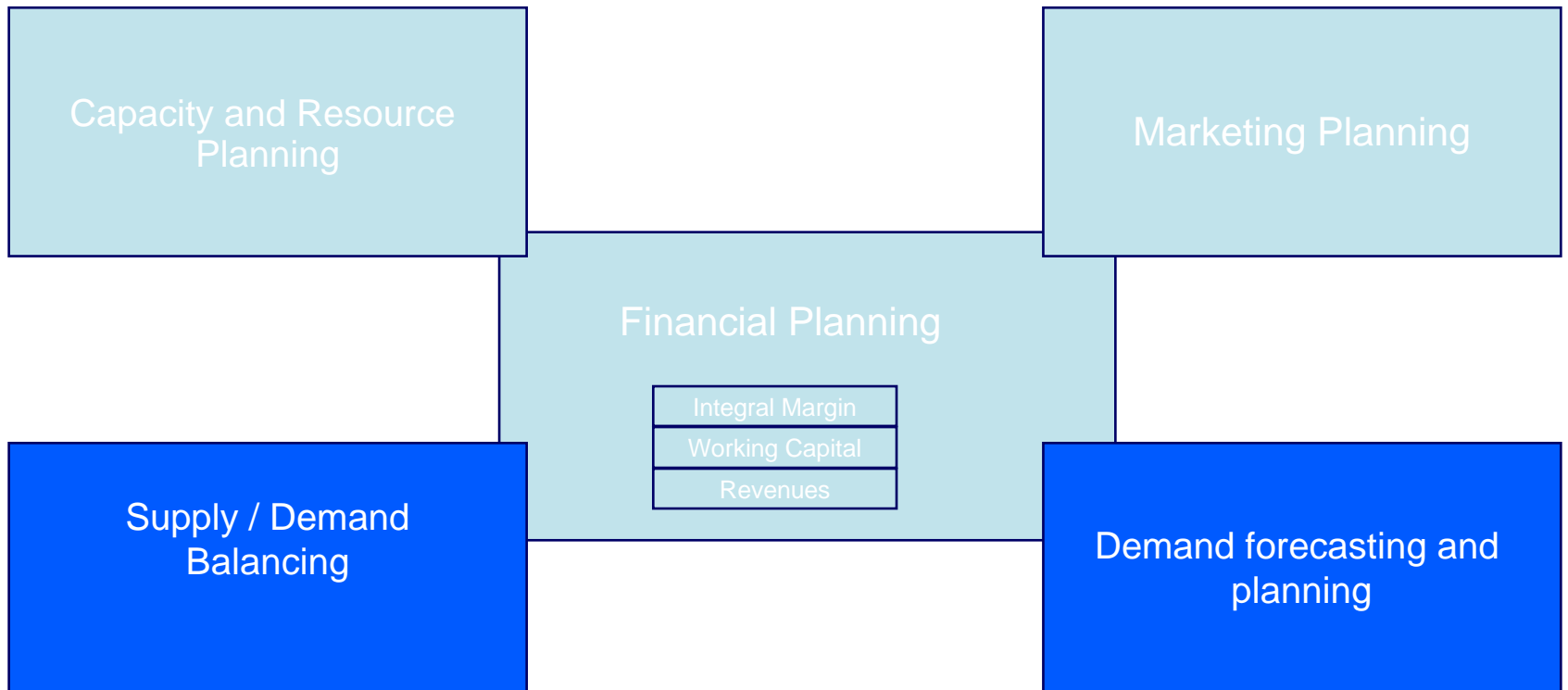
Business Planning

Demand Planning

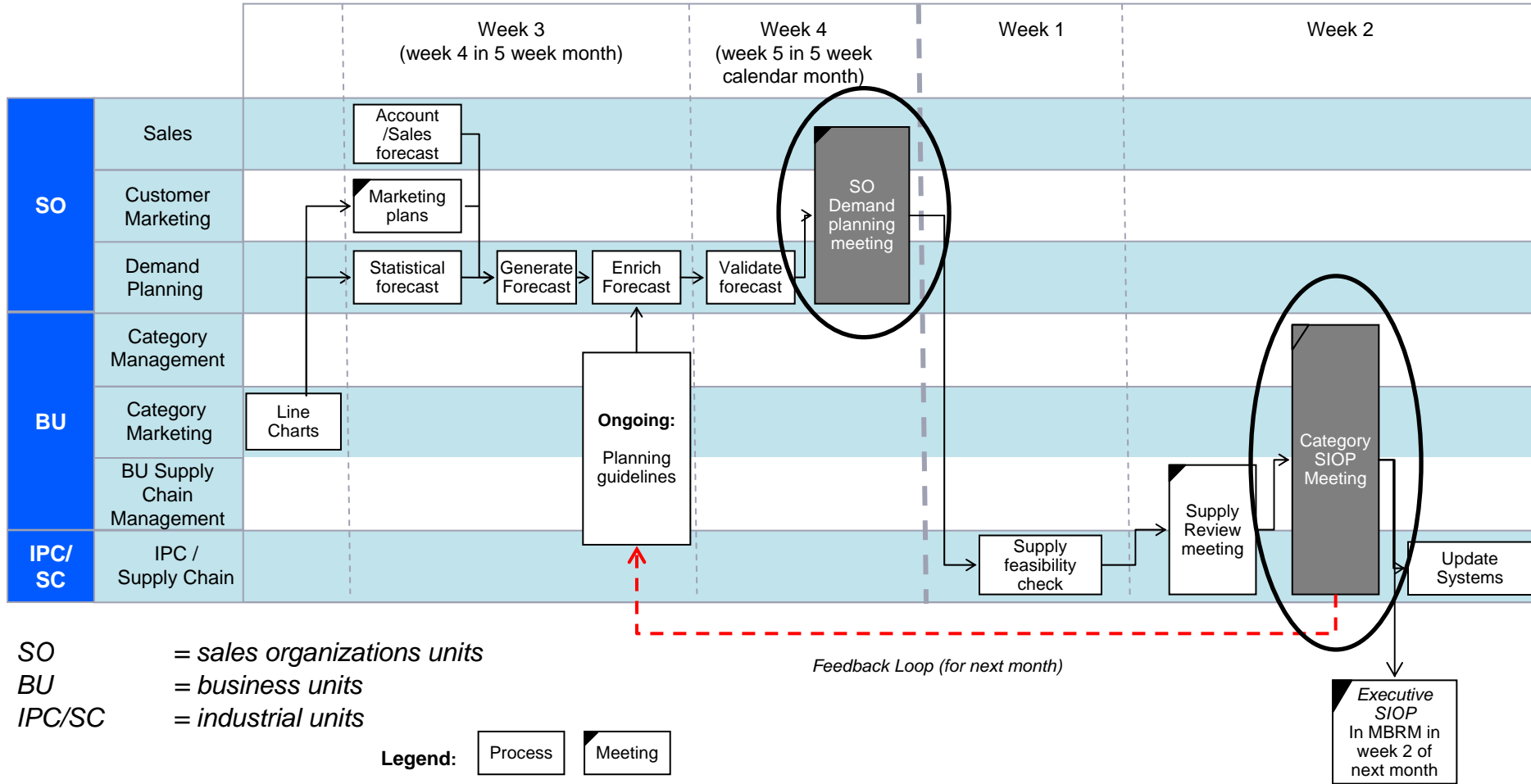
Financial Planning

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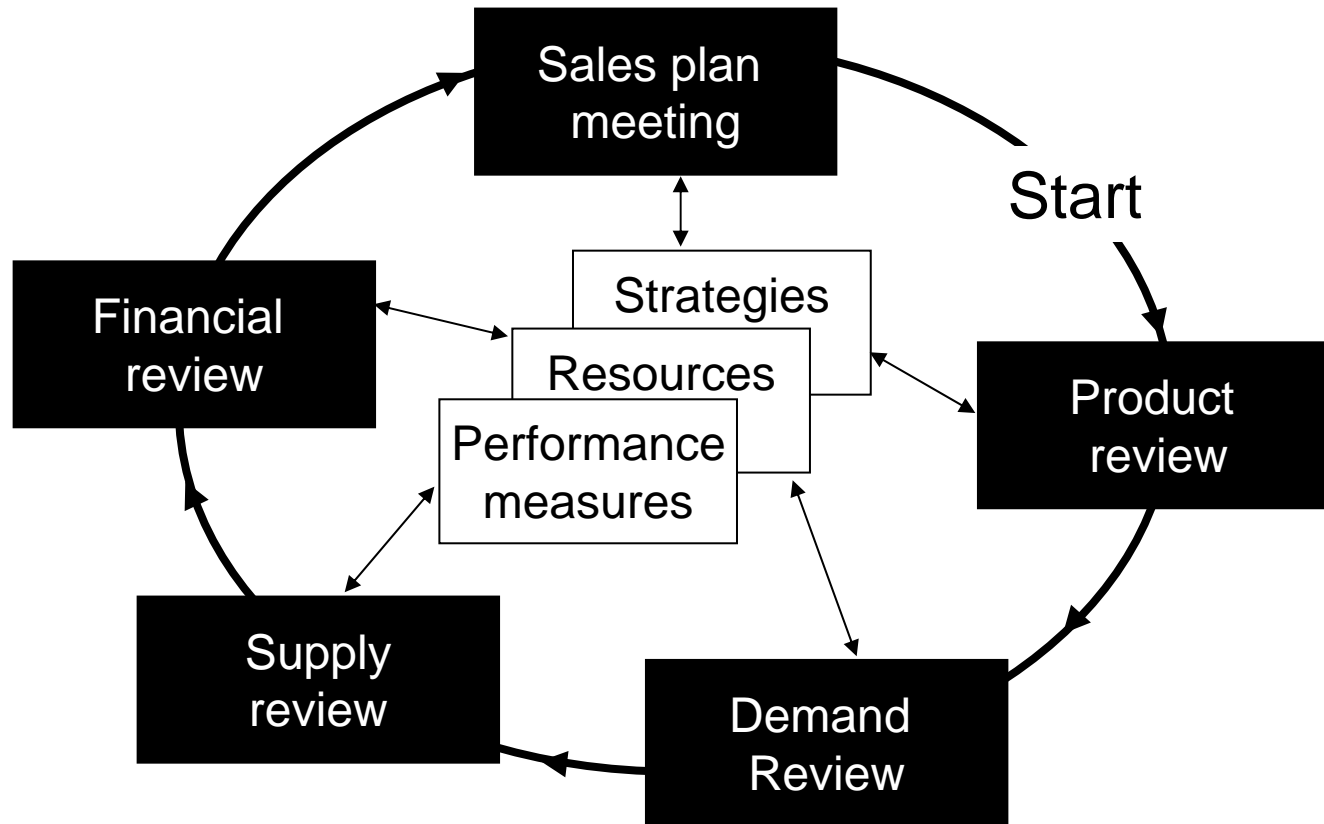
Integration of plans is key in business planning



Sales, Inventory and Operation Planning (SIOP) drives operations



Basic steps in integrating plans



Starting points in demand forecasting and planning

- Plan 1:1 link between volume and financial facts (“Q*P”)
- Planning on SKU level, rolling to higher aggregation levels
- Market driven plan drives supply and financial value chain
 - Sales organizations own and sign off demand plan
 - Business Categories use plan for analysis and corrective actions
- One planning template leading to a transparent view for the business on volume, sales and margin revenue on global level
- One planning timetable leading to synchronized views on agreed moments
- Focus to 4 quarters (rolling) forward planning to show future directions with serve as input to the rolling forecast reporting

Benefits from integrating Demand Planning with Supply / Demand Balancing

Process improvements ...

- A worldwide harmonized process with clear steps, a strict timetable and agreed responsibilities
- A sales forecast that is consistent and transparent over the total value chain
 - market developments drive operational plans and thereof Rolling Forecast projections
 - aligned with the business objectives of Consumer Lifestyle
 - across all functional disciplines

... are improving bottom-line results

- Transparency in financial consequences of sales plan changes
- Better margins, higher sales volume and value
- More balanced stock positions

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Philips Consumer Lifestyle

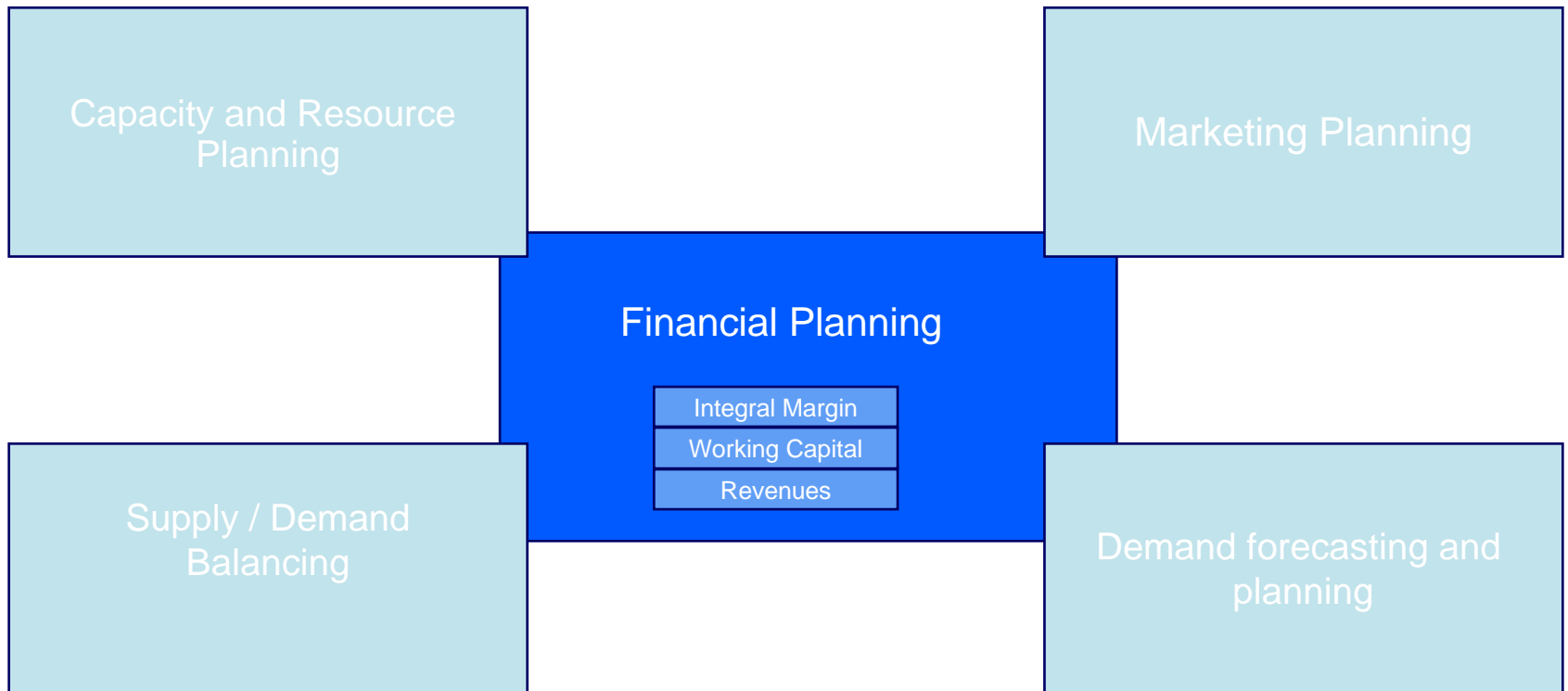
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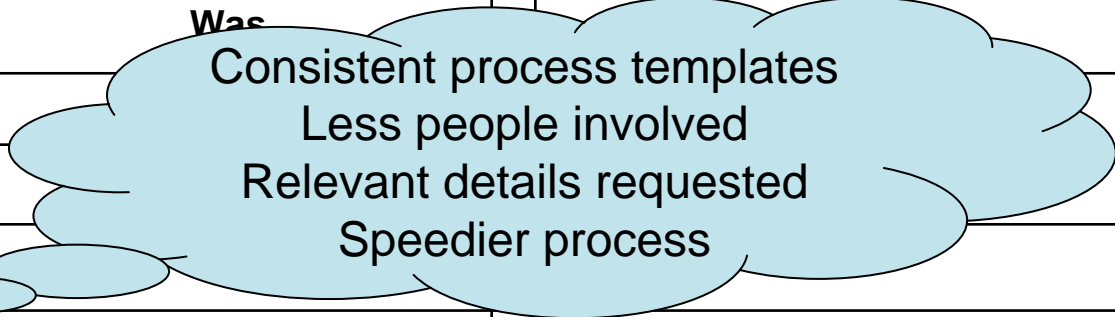
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Demand planning linked to Financial planning

- Business reporting
- Rolling forecast
- Margins and profitability
- Inter company transfer pricing
- Budgeting

- health check as objective
- quality info: top down & based on value drivers
- one common way of working CL/Philips
- efficient, fast
- integrated process & system
- simulations supported

	Was	
FTE involved*		
Line items		
Funlocs involved RoFo		
Cycle time		

Benefits from redesign Financial Planning process

- One source of truth in one system
 - Snapshots of sales volumes, market prices as the basis for financial drill down calculations & projections
- Less time, less effort, less people involved
- Discussion on business assumptions in stead of numbers
- Embedding of corrective actions in the business
- Focus on opportunities in sales, integral margin & profits
 - Focus on the real attractive PMC's via better insight

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Philips Consumer Lifestyle (CL)

Business Planning in CL

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Results after one year

“One Consumer Lifestyle business planning solution”

- Plan 1:1 link between volume and financial facts
 - ✓ changes in volume plan and/or price positioning immediately impact financial outlook
 - ✓ increase in demand planning discipline
- No room for “Political planning” by sales organization
 - Focus towards “sell the plan”
- Forward looking planning focuses on making a good plan rather short term firefighting
- Increased discipline on price data maintenance, leading to more accurate financial projections

Results after one year

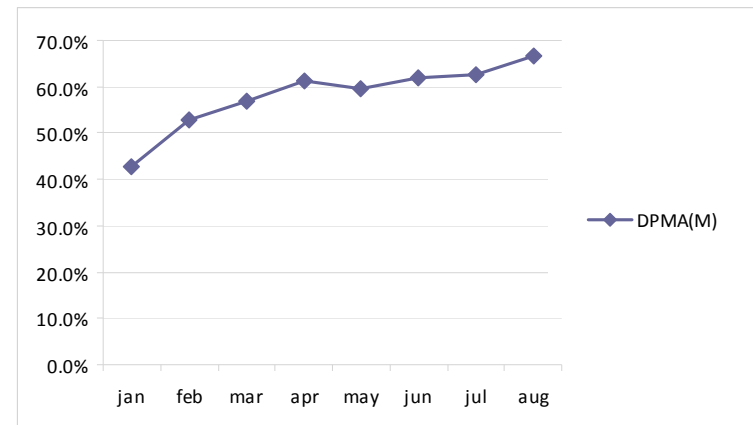
“One Consumer Lifestyle business planning solution”

- Crisis results:
 - Oct - Dec 2008 reduction of inventories with > 30%
 - Jan - Mar 2009 reduction of inventories with > 30%
 - without any significant business issues.

- Inventories as “days of future sales” reduced with >20%

- Customer Service level up with 15%

- SKU Planning reliability up from 40 % to 65%



- Contribution to improved margins and SKU portfolio decisions

Questions and Answers



