



INSIGHT INTO SPEND MANAGEMENT FROM OVER 80 OPERATIONS

Johnson & Johnson

ABOUT J & J :

Johnson & Johnson is a global manufacturer of health care products and a provider of related services for the consumer, pharmaceutical, and medical devices and diagnostics markets. The more than 250 Johnson & Johnson operating companies employ approximately 120,500 men and women in 57 countries. The company was founded in New Brunswick, New Jersey, USA in 1886, and its headquarters have remained there ever since. In 2006, worldwide sales amounted to USD53.3 billion; net earnings were USD11.1 billion.

Johnson & Johnson was named nr. 6 on Fortune's 2006 Most Admired Companies list. An annual reputation poll conducted in 2005 by Harris Interactive cited Johnson & Johnson for having the best corporate reputation in America for the 7th straight year, since the inception of the survey.

The company is probably best known for its products JOHNSON'S® Baby Powder, introduced in 1893, and BAND-AID®, introduced in 1920. However, Johnson & Johnson's medical device companies develop, market and sell more medical devices than any other company in the world, while Johnson & Johnson Vision Care, Inc., is the world leader in contact lenses.

Johnson & Johnson Europe wanted to cut back its spending. It needed insight into its expenditure across all operations quickly. The company now uses SPiDRE™ for spend data collection and analysis, with results that are more than rewarding. SPiDRE is built with the use of the Diver Solution.

SITUATION

In 2004, Johnson & Johnson, a major global health care company, started an NPR sourcing program in Europe and began to implement a spend management solution. The company started sourcing initiatives for categories Marketing, Logistics, Contingency Labour & Professional Services, Construction & Facilities and Travel & Fleet. A Financial Shared Service Centre in Prague was established to centralize all purchase-to-pay processes (P2P). SAP and Ariba Buyer & Category Management were selected to support P2P processes and sourcing initiatives which in time will be integrated to include more than 80 affiliates and operations throughout Europe. In the meantime, Johnson & Johnson looked for a flexible solution that could bridge the information gap quickly.

REQUIREMENTS

In order to organize its processes of cost reductions, Johnson & Johnson (J&J) had to collect and consolidate the spend across all operating groups and franchises in Europe to be able to identify and prioritize savings opportunities. Also, the company had to set up a procurement organization consisting of European category teams, local purchasing managers and country cluster managers who could keep costs under control and ensure companywide collaboration on all purchasing levels. Besides, they wanted to build a comprehensive sourcing agenda to achieve significant cost savings. At the same time, J&J had to find a solution that would give all purchasing staff and financial management insight into consolidated spending and pinpoint potential cutbacks.

After Johnson & Johnson's CFOs teamed up with COPE Purchasing Solutions and strategy consulting firm Vintura, they decided to implement a solution for collection, standardization, classification and analysis of sourcing and spend data. After putting the application SPiDRE™ into action and using it for two months, the identified cost reductions mounted up to about 50 million Euros. After the solution was used at ten affiliates for eight months, data management was outsourced to COPE Purchasing Solutions.





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- Hans Melotte,

VP Worldwide CPO Group Medicines & Nutritionals, Johnson & Johnson USA.

THE DATA FLOW

Local affiliate staff export data files from SAP and standardize their spend data with SPiDRE. COPE Purchasing Solutions (CPS) manages compliance (on extraction and standardization) and consolidation of these data across all affiliates and operations. Subsequently, CPS builds the resulting spend cube for J&J Europe. Finally, company staff have access to the spend cube through The Diver Solution.

USAGE

Johnson & Johnson uses SPiDRE for many processes: to find redundancies in vendor entries across affiliates, to classify the spend per vendor (using global products and services categorization from the global J&J organization), to enrich the data with organizational dimensions (e.g. operating group, country cluster, country, affiliate), to classify vendors (external, inter-company or employees) and to link vendors to a common parent company.

With SPiDRE, J&J Europe is able to create one version of truth on their consolidated spend. The company was able to identify saving opportunities fast, and has built a sourcing agenda easily. Because the data is refreshed periodically, sustained insight is being developed, which the company can use to align strategies and to streamline its purchase organization. In addition, J&J Europe can share its knowledge and practices with other corporate regions, like North America or Japan. Currently, J&J Asia Pacific and Latin America are in the process of linking up to SPiDRE. The company has the ability to adapt to organizational changes instantly without losing its insight into spend. The strongest advantage is probably the support that the solution provides for decisions on cost reductions and financial priorities.

RESULTS

SPiDRE has delivered essential spend insights at the start of Johnson & Johnson’s NPR sourcing program in Europe. It helped the company to prioritize on categories, countries, affiliates and suppliers. Major business stakeholders were

identified and a comprehensive sourcing agenda was build and aligned, delivering growing savings year after year, up to 50 million Euros on NPR spend in 2007. In a few years, the ERP platforms which Johnson & Johnson uses are expected to deliver insight in the consolidated spend data. In the meantime, SPiDRE has proven to be a very effective solution.

“SPiDRE has offered us an easy to use, low cost solution to map our spend across multiple and diverse businesses”, says Hans Melotte, VP, Worldwide CPO Group Medicines & Nutritionals, Johnson & Johnson USA. “This has enabled accelerated access to spend intelligence and quick wins.”

“We are currently using SPiDRE to consolidate and analyze the spend from all J&J affiliates in Europe, as these data are currently managed on several independent ERC systems”, says Philippe Campagne, VP Finance & Administration Janssen-Cilag. “The cube vision allows all kinds of sorting by nature, origin, supplier, and period a.o.”





THE DIVER SOLUTION:

A REFRESHING DIVE INTO AN OCEAN OF CORPORATE DATA

We live in the information era. Every day we are bombarded with huge amounts of data. More than ever, it's important to keep a high-level perspective. With The Diver Solution you can have the corporate intelligence you need at your disposal at all times.

THE MOST FLEXIBLE BI SOLUTION

The Diver Solution is unique because of its flexibility. Would you like to view your corporate data from a different perspective? It can easily be achieved without major modifications. With The Diver Solution, you intuitively dive into your data. You are free to ask the system any query you wish. You are able to quickly and decisively intervene. You take decisions based on relevant facts. You set measurable goals, make strategic choices and always have a real-time view on important business information. Anytime, anywhere.

INTELLIGENT TECHNOLOGY

Getting the right information from a set of data is an art. Dimensional Insight offers a smart and efficient solution. That solution is offered as a hosted service, but can also be purchased and taken into support by yourself. Whichever you prefer. With advanced tools for analysis and reporting, you will always have all relevant management information at your disposal. This allows you to keep an overview and simultaneously have access to all the underlying details.

It is very instrumental in our current initiative to approach J&J Procurement in Europe via a single cross-affiliate organization, and an enabling factor for building sourcing strategies generating synergies at regional levels."

"For years, we missed the opportunity to leverage conditions with a tier-1 supplier that delivers its services to over 15 of our affiliates. SPiDRE has helped us to start negotiations targeting a million dollar savings."

"SPiDRE is an eye-opener and driver for cross-affiliate collaboration and category management", says Ben Scharrenberg, Vintura consultant and project lead spend visibility, Johnson & Johnson. "It allows procurement staff to coordinate and manage key suppliers in different spend categories at country and regional level."

