

Insight into Spend Management from over 80 Operations

In 2004, Johnson & Johnson (J&J) started an NPR sourcing program in Europe. It began to implement a spend management for Marketing, Logistics, Contingency Labor & Professional Services, Construction & Facilities and Travel & Fleet. A Financial Shared Service Center 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, to include more than 80 affiliates and operations throughout Europe. In the meantime, they needed a solution to bridge the information gap quickly.

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 col-

laboration 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 and strategy consulting firm Vintura, they decided to implement SPiDRE™, a solution

Case

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

Client

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. More than 250 operating companies employ 120,500 people in 57 countries. The company was founded in New Brunswick, New Jersey, USA in 1886, and its headquarters have remained there ever since.

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

SPiDRE™

SPiDRE™ is a solution for collection, standardization, classification and analysis of sourcing and spend data. SPiDRE™ is used 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 organization), to enrich 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.

SPiDRE™ enables companies to create one version of truth on their consolidated spend.

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for collection, standardization, classification and analysis of sourcing and spend data. Two months after putting SPiDRE™ into action, the identified cost reductions mounted up to about 50 million Euros.

The Data flow

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

Usage

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. Later, also J&J Asia Pacific and Latin America linked 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.

“SPiDRE™ allows procurement staff to coordinate and manage key suppliers in different spend categories at country and regional level”, Ben Scharrenberg, Vintura consultant and project lead spend visibility, Johnson & Johnson

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.

“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”, Philippe Campagne, VP Finance&Administration Janssen-Cilag

“SPiDRE 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.” 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.”