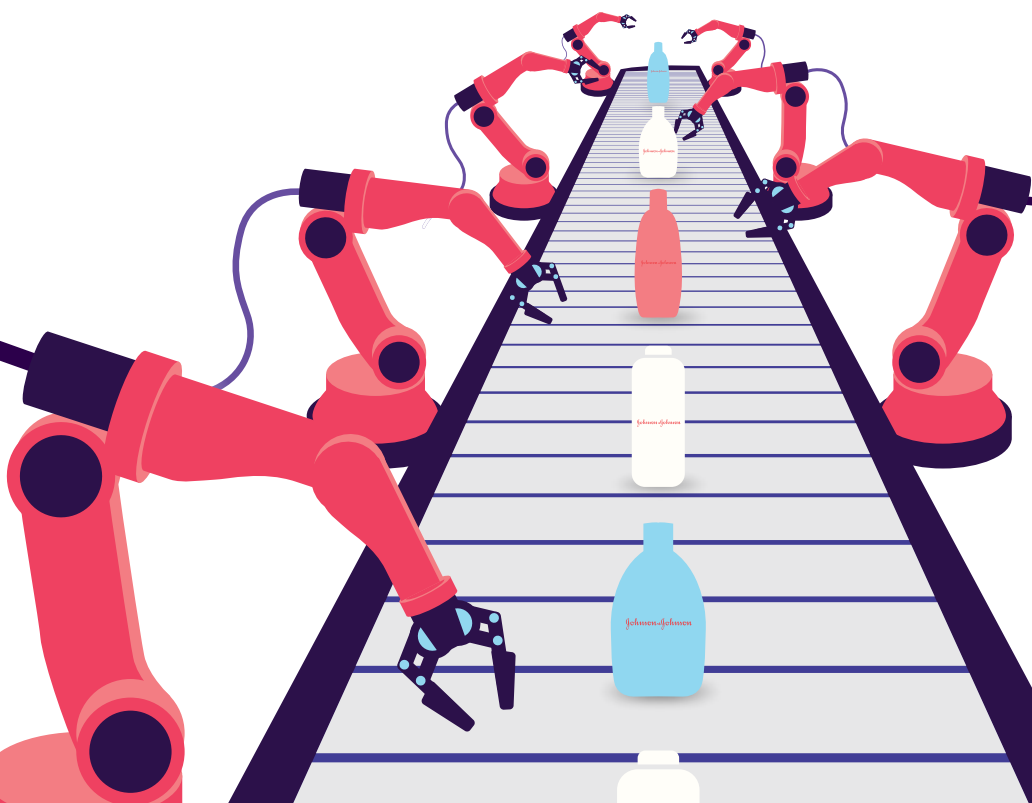![Capgemini | Johnson & Johnson]

Johnson & Johnson transforms its demand planning and external manufacturing processes

Johnson & Johnson works with Capgemini to design and implement a new operating model for demand planning and external manufacturing processes based on a proven process delivery framework powered by advanced data science.

Meeting customer demand more effectively

Since its foundation in 1886, Johnson & Johnson has operated according to its belief in a shared responsibility to its customers, employees, stockholders, and the communities it serves. The organization constantly strives to deliver the highest quality products and fulfill customer orders promptly, while reducing costs in order to maintain reasonable prices and support its suppliers' ability to make a fair profit. This determination to support the various members of its community motivated Johnson & Johnson to pursue an enhanced customer experience.

In order to excel in an extremely competitive market, Johnson & Johnson recognized that it needed to satisfy customer demand quickly and deliver a best-in-class customer experience without exceeding its inventory targets. The organization looked to transform its demand planning function so that it could predict the needs of its customers faster, improve its forecast accuracy, and optimize its external manufacturing operations to maintain the correct level of stock availability. This transformation intended to improve Johnson & Johnson's forecast accuracy and Unit Fill Rate (UFR), which measures how many orders are filled via the available inventory.

Overview

Client: Johnson & Johnson

Region: Europe, Middle East, and Africa

Sector: CPRD

Client Challenge: Johnson & Johnson was looking to optimize its demand planning and external manufacturing processes to improve forecast accuracy, reduce inventory, and enhance the customer experience.

Solution at a glance: Johnson & Johnson partnered with Capgemini to create a central planning hub for running certain critical operations within its demand planning and external manufacturing processes.

Benefits:

Demand planning:

- Up to 15% relative improvement in forecast accuracy across product lines
- Increased process rigor
- Over 98% accuracy of master data
- Harmonized process for demand planning across EMEA
- Improved visibility and decision-making
- Reduced distributor stock

External manufacturing planning:

- 97% Unit Fill Rate (UFR) and a significant increase in Supplier On Time In Full (OTIF)
- 98% adherence to the external manufacturing process, including purchase order management, planning, and vendor collaboration
- Over 98% on time completion of master data requests
- Improved communication flow between suppliers and client through a structured and proven collaboration framework

To achieve these objectives, Johnson & Johnson opted for a dual-pronged approach:

- **Improve demand planning accuracy –** expanding on its existing statistical forecast models, introducing exception-based forecasting, enhancing the quality of master data, and increasing market collaboration across all EMEA markets would enable Johnson & Johnson to deliver a more accurate view of customer needs. This would also promote more effective utilization of time through exception-based planning driven by strong process rigor and forecast value add

- **Enhance demand planning and external manufacturing planning management –** introducing standardized operations in line with industry-proven best practices would empower Johnson & Johnson to enable enhanced processes and reduce loss of knowledge due to turnover.

Johnson & Johnson engaged Capgemini to establish a partnership based on its experience with global transformation projects and data science expertise. In addition, Capgemini's "One Team" approach ensured alignment between the two organizations in terms of core values as well as a thorough understanding of the needs and challenges associated with the delivery.

Innovation drives demand planning

Capgemini and Johnson & Johnson designed and implemented an innovative demand planning solution that features:

- A central demand planning (CDP) hub composed of demand planning and data science experts to increase the forecast accuracy of its baseline. The CDP team utilized high quality, closed loop planning reviews driven by forecast value add and exception-based planning

- A demand planning workflow based on more than 25 algorithms to extend the choice of statistical models and create a baseline review pack, supporting effective collaboration between the CDP team and local demand planning teams

- A three-tier demand planning operating model to bring focus and expertise in various dimensions to the demand planning process

- A transformation office to focus on continuous improvement and identify and deploy transformation projects, ensuring that Johnson & Johnson would benefit from innovation after the conclusion of the project.

This solution provided a larger pool of data to draw from, resulting in a more precise baseline forecast. The team also improved the quality of Johnson & Johnson's master data, which provided an accurate set of expectations for the organization's manufacturing and delivery capabilities.

By combining this improved prediction capability with the new processes implemented in the various clusters, the CDP team ensured that Johnson & Johnson benefited from a stronger forecast while also equipping its local teams to better use and build on that prediction through process re-engineering.

Optimizing external manufacturing for improved demand satisfaction

Capgemini also worked with Johnson & Johnson to develop a new set of standard operating procedures for external manufacturing, including requirements planning, master data, purchase order management, and collaboration with regional supply planners and external manufacturers. This introduced standardization into Johnson & Johnson's external manufacturing operations, ensuring the optimal inventory level to satisfy customer demand. Employee churn was managed by creating a comprehensive knowledge repository followed by a simplified process for quicker planner on-boarding and a structured training.

By transforming the external manufacturing processes, Capgemini enabled Johnson & Johnson to gain greater control over its inventory levels. This ensures that the organization can more effectively meet customer demand without exceeding its inventory targets. Johnson & Johnson now enjoys a more effective supply planning process that has resulted in an enhanced UFR performance. All in all, the solution has improved Johnson & Johnson's demand and manufacturing planning, optimized its inventory, enhanced its visibility, and fueled superior collaboration with its external manufacturers.

Following successful project implementation, Capgemini and Johnson & Johnson set up a process to discuss, evaluate, and roll-out continuous improvement initiatives around centralization and automation of tasks, improved quality of analytics, and productivity improvements. This empowers both organizations to arrange additional governance, improve productivity, and reduce repetitive activities.
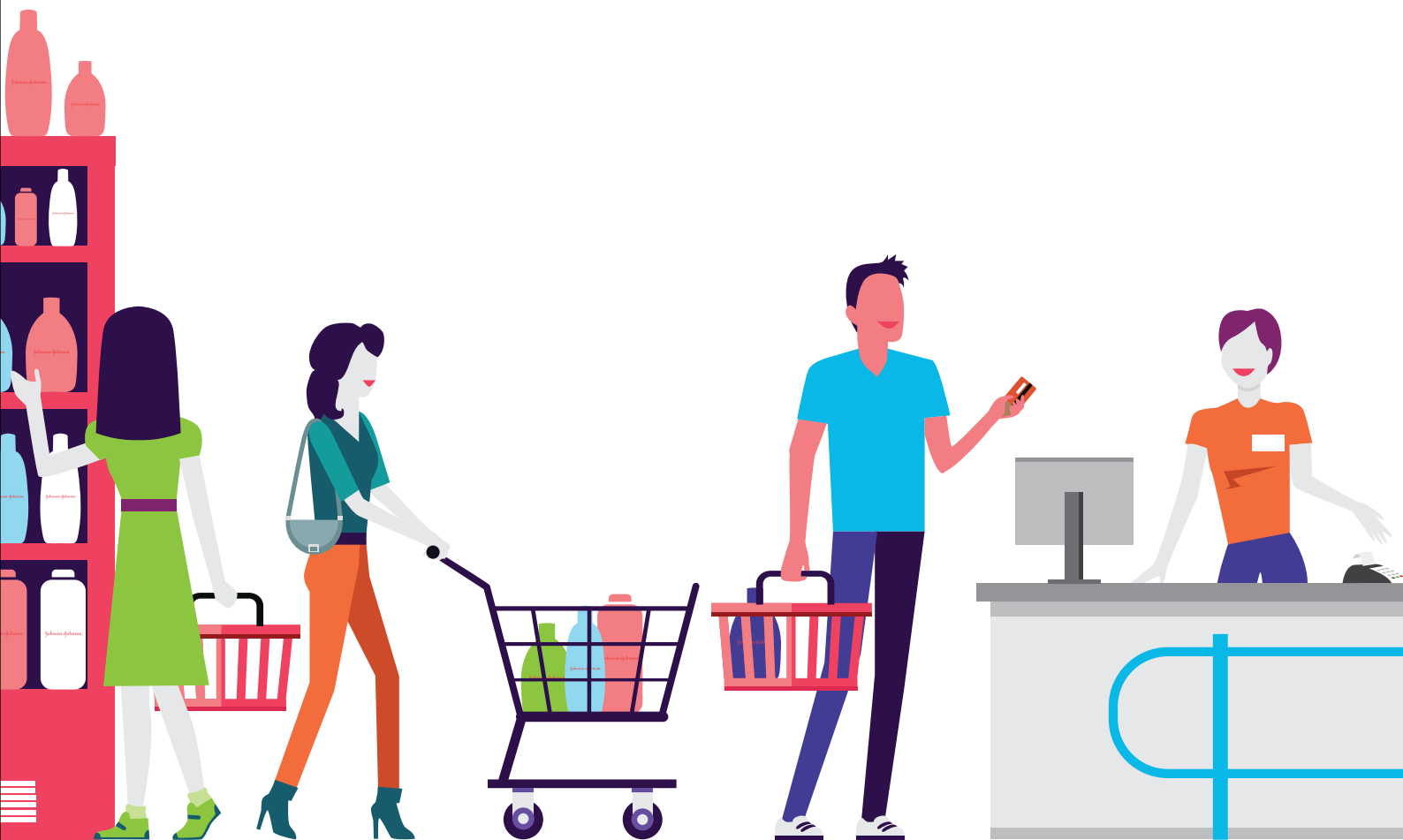
The future of fulfilling customer demand

By delivering this innovative forecasting solution, Capgemini enabled Johnson & Johnson to achieve the following results:

Demand planning:
- Up to a 15% increase in forecast accuracy across product lines
- Increased process rigor
- Over 98% accuracy of master data
- Harmonized process for demand planning across EMEA
- Improved visibility and decision-making
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External manufacturing planning:
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Capgemini and Johnson & Johnson delivered a successful transformation project that not only supports Johnson & Johnson's business interests, but also strengthens the organization's ability to serve its customers. By achieving a more accurate demand forecast, Johnson & Johnson has improved its UFR, while consistently meeting inventory targets.

The collaborative approach

Demand planning and external manufacturing planning are both critical to the success of Johnson & Johnson and require a high level of process maturity and collaboration. It was an understanding of the importance of these processes that led Johnson & Johnson to partner with Capgemini in order to transform them. By combining Johnson & Johnson's industry knowledge and innovative vision with Capgemini's substantial expertise and comprehension of the processes, the partnership achieved a level of success that was only possible through a collaborative effort.

Following this project, Johnson & Johnson has once again demonstrated its commitment to supporting its customers through constant innovation. Capgemini has proven its capacity for innovative demand planning solutions and confirmed itself as a leading partner for future predictive analytics projects. Through a structured collaboration process, Capgemini has also improved the flow of communication with suppliers, empowering them to support the business more effectively.

The partnership proved to be so effective that Johnson & Johnson has decided to roll out the demand planning solution to other geographies and has added 13 additional suppliers to the external manufacturing planning post go-live.

For more information on this project, please contact:

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About Capgemini

Capgemini is a global leader in consulting, digital transformation, technology and engineering services. The Group is at the forefront of innovation to address the entire breadth of clients' opportunities in the evolving world of cloud, digital and platforms. Building on its strong 50-year + heritage and deep industry-specific expertise, Capgemini enables organizations to realize their business ambitions through an array of services from strategy to operations. Capgemini is driven by the conviction that the business value of technology comes from and through people. Today, it is a multicultural company of 270,000 team members in almost 50 countries. With Altran, the Group reported 2019 combined revenues of €17billion..

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About Johnson & Johnson

Johnson & Johnson has worked for more than 130 years to promote good health and wellness in people of all ages and in every stage of life. Every day, the organization's more than 130,000 employees follow the company credo to provide value to its customers, communities, and suppliers. Johnson & Johnson consistently strive to blend heart, science, and ingenuity to change the trajectory of human health.

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