Oracle PLM for Private Label Retail

Jeff Moran
Sr. Sales Consultant
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Innovate to Differentiate

• Poor New Product Performance
  • > 80% of new products launched failed to meet their goals
  • < 2% of new consumer products became $100MM brands

• Lack of Breakthrough Innovation
  • 56% of new products launched were line extensions

• To Gain Competitive Advantage, Retailers are Becoming Innovators and Launching New Brands
  • Lack of innovative products from consumer goods producers is driving Retailers to launch new brands & ranges
  • Private label brands are a competitive differentiator
  • Innovation is a major competitive differentiator
  • Retailers are better positioned to sustain consumer loyalty from aisle to aisle, store to store

Growth of Private Label in Retail

There are three scenarios for growth of private label over the next five years:

- Low-growth assumes flat and private label will grow 2.8 share points
- Medium-growth assumes Wal*Mart expands private label and leading chains bring private label to main-banner level to gain another 3.4 share points
- High-growth assumes Wal*Mart will push very aggressively which will lift private label by 9.8 share points
Why is Product Lifecycle Management Important for Private Label?

- Private Label Management (PLM) enables the Design and Source processes of Private Label retailers.
How Critical is PLM in Private Label?

- The value of PLM becomes more critical as retailers manage their own specifications, formulations and manufacturing operations.

<table>
<thead>
<tr>
<th>Stage 1</th>
<th>Stage 2</th>
<th>Stage 3</th>
<th>Stage 4</th>
</tr>
</thead>
<tbody>
<tr>
<td>Buying fully packaged</td>
<td>Managing</td>
<td>Owning specifications and</td>
<td>Owning specifications, formulations and manufacturing</td>
</tr>
<tr>
<td>products</td>
<td>specifications</td>
<td>formulations</td>
<td></td>
</tr>
</tbody>
</table>
Impact of PLM on Private Label Processes

- PLM delivers global visibility and traceability of all product and supply chain data

**Example: customer complaint about allergen**

1. **Consumer Complaint:** Presence of peanuts in a “allergen-free” candy bar
2. **Local Plant Investigates:** “No peanut is involved in manufacturing candy bar”
3. **Supplier Identified:** Confirmation of possible presence of peanuts traces in wheat flour
4. **Label Claim Changes:** “May Contain Peanuts Traces”

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Role of PLM in Product Data Management

- PLM can capture and syndicate private label data to a single Product Data Repository

![Diagram of PLM processes and relationships]

- Procurement
- Order Management
- Supply Chain Management
- Transportation
- Distribution
- Replenishment
Innovation in Private Label Retail

The Goal

Faster, Better, More Effective Innovation

- Higher sales and margins from new products
- Higher success rate of new products
- Shorter time to market
- Reduced risk
- Reduced development costs
- More rapid innovation cycles
# Innovation in Private Label Retail

## The PLM Benefits

<table>
<thead>
<tr>
<th>Driver</th>
<th>Objectives</th>
<th>PLM Impact</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Time</strong></td>
<td>Accelerate innovation and meet launch dates</td>
<td>Reduce cycle time by 80% Improve launch date performance by 100%</td>
</tr>
<tr>
<td><strong>Cost</strong></td>
<td>Reduce total cost of innovation (process and product)</td>
<td>Decrease product cost by 15% Reduce development cost by 16% Improve productivity</td>
</tr>
<tr>
<td><strong>Value</strong></td>
<td>Increase sales and margins</td>
<td>Increase product revenue by 19% Improve margins by 28%</td>
</tr>
<tr>
<td><strong>Risk</strong></td>
<td>Ensure compliance Enhance quality and safety</td>
<td>Reduce cost of compliance Improve customer satisfaction Reduce rework and recalls</td>
</tr>
</tbody>
</table>

Source: AberdeenGroup, Profiting from PLM: Strategy and Delivery of the PLM Program, July 2007; Oracle data
Innovation in Private Label Retail

The Challenges

Innovation is a complex process involving
• Multiple internal functions
• Multiple external value chain partners
• Multiple data streams
Innovation in Private Label Grocery Retail

The Solution

One Single “Version of the Truth” for Innovation

- **SUPPLIERS**
  - ARTWORK DESIGN
    - CAD
    - Quark
    - Adobe
  - OUTSOURCED PARTNERS
    - ERP
    - SCM

- **CUSTOMERS**

- **MARKETING**
  - Project
  - Excel

- **R&D (EUROPE)**
  - Excel
  - Recipe Mgmt

- **R&D (ASIA)**
  - CAD

- **R&D (US)**
  - MCAD
  - Spec DB

- **PRODUCTION**
  - ERP
  - SCM
  - MES

- **PROCUREMENT**

- **REGULATORY BODIES**
  - Value Chain
    - LEGAL & CA
      - Notes
      - Access
      - EDMS

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**Project and Portfolio Management**

*Project and Portfolio Management* enables the cross-functional management of product launches, leveraging portfolio management capabilities to optimize results across all projects.

<table>
<thead>
<tr>
<th>Enablers</th>
<th>Benefits</th>
</tr>
</thead>
<tbody>
<tr>
<td>• One place for managing all innovation projects globally</td>
<td>• Shorter innovation cycle times</td>
</tr>
<tr>
<td>• Portfolio management and analytics</td>
<td>• Higher success rates and lower development costs, leading to increased revenues and margins</td>
</tr>
<tr>
<td>• Configurable best-in-class stage-gate framework</td>
<td>• Global organizational visibility of all innovation projects</td>
</tr>
<tr>
<td>• Global visibility of all innovation data (e.g. consumer requirements, product brief, formulations, packaging, labeling, suppliers)</td>
<td>• Enabling global consistency with local adaptability</td>
</tr>
<tr>
<td>• Ideation management</td>
<td>• Improved cross-functional productivity</td>
</tr>
<tr>
<td>• Roll up of metrics from activities to projects to portfolios for executive decision-making</td>
<td></td>
</tr>
</tbody>
</table>
Specification Management

*Specification Management* streamlines collaborative business processes for managing product data creation, integration, localization, taxonomy and workflow - across the enterprise and with value chain partners.

<table>
<thead>
<tr>
<th>Enablers</th>
<th>Benefits</th>
</tr>
</thead>
<tbody>
<tr>
<td>• One “version of the truth” for all product data, pre-configured for the Private Label Grocery Retail industry</td>
<td>• One single “version of the truth”</td>
</tr>
<tr>
<td>• Connected model allowing rollup of data from raw materials to finished products</td>
<td>• Traceability of product data through best-in-class connected data model</td>
</tr>
<tr>
<td>• Available in all languages and cultures</td>
<td>• Specification re-use and rationalization</td>
</tr>
<tr>
<td>• Workflow automation enabling review and approval</td>
<td>• Improved compliance, quality and safety</td>
</tr>
<tr>
<td></td>
<td>• Reduced rework and recalls</td>
</tr>
<tr>
<td></td>
<td>• Decreased inventory and inventory holding costs</td>
</tr>
<tr>
<td></td>
<td>• Increased productivity</td>
</tr>
</tbody>
</table>
Supplier Management

Supplier Management provides companies with a collaborative business process for managing supply chain entities and sourcing relationships as far upstream in the supply chain as needed.

<table>
<thead>
<tr>
<th>Enablers</th>
<th>Benefits</th>
</tr>
</thead>
<tbody>
<tr>
<td>• One “version of the truth” for all supply chain entities and sourcing relationships</td>
<td></td>
</tr>
<tr>
<td>• Automated management of Approved Supplier List (ASL) based on cross-functional criteria</td>
<td></td>
</tr>
<tr>
<td>• Supplier collaboration around specifications</td>
<td></td>
</tr>
<tr>
<td>• Sourcing efficiencies through global visibility of supply network</td>
<td></td>
</tr>
<tr>
<td>• Direct material spend savings</td>
<td></td>
</tr>
<tr>
<td>• Improved compliance and safety through supply network</td>
<td></td>
</tr>
<tr>
<td>• Improved supplier collaboration</td>
<td></td>
</tr>
<tr>
<td>• Increased productivity</td>
<td></td>
</tr>
</tbody>
</table>
Formulation and BOM Management

*Formulation and BOM Management* enables the rapid prototyping, evaluation and optimization of formulations, with tracking of the real-time impact of process and BOM changes on product costing, compliance, nutrition and ingredient labeling.

<table>
<thead>
<tr>
<th>Enablers</th>
<th>Benefits</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Formulation and re-formulation of products, incl. definition of manufacturing process and BOM</td>
<td>• Enabling more effective formulation and re-formulation of products to capitalize on market opportunities</td>
</tr>
<tr>
<td>• Real-time visibility of impact of formulation changes on cost, compliance, nutrient data and ingredient labeling</td>
<td>• Higher product development velocity</td>
</tr>
<tr>
<td>• Formulation optimization based on complex set of Food and Beverage-related factors</td>
<td>• Real-time visibility into formulation changes</td>
</tr>
<tr>
<td>• Integration of formulations with review and approval process for rapid adoption</td>
<td>• Formulation optimization</td>
</tr>
<tr>
<td></td>
<td>• Re-use of existing raw material specifications</td>
</tr>
<tr>
<td></td>
<td>• Tracking of all experimental formulas for traceability and reuse</td>
</tr>
<tr>
<td></td>
<td>• Reduced product development costs</td>
</tr>
</tbody>
</table>
Packaging and Labeling Management

Packaging and Labeling Management streamlines and accelerates the packaging and labeling development process by leveraging a single version of the truth and facilitating the cross-functional annotation and approval process

<table>
<thead>
<tr>
<th>Enablers</th>
<th>Benefits</th>
</tr>
</thead>
<tbody>
<tr>
<td>• All packaging and labeling data in one “version of the truth”</td>
<td>• One single “version of the truth”</td>
</tr>
<tr>
<td>• Traceability of data used for product labeling</td>
<td>• Acceleration of packaging and labeling innovation process</td>
</tr>
<tr>
<td>• Electronic review and annotation process, including 3D viewing</td>
<td>• Integration between packaging, labeling and product processes and date</td>
</tr>
<tr>
<td>• Internal and external collaboration</td>
<td>• Electronic packaging collaboration, annotation and review</td>
</tr>
<tr>
<td></td>
<td>• Reduced rework and recalls</td>
</tr>
<tr>
<td></td>
<td>• Decreased inventory and inventory holding costs</td>
</tr>
<tr>
<td></td>
<td>• Increased productivity</td>
</tr>
</tbody>
</table>
**Compliance and Quality Management**

Enables companies to ensure quality, safety and compliance right the first time, and to maintain conformance through the supply chain.

<table>
<thead>
<tr>
<th>Enablers</th>
<th>Benefits</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Compliance traceability and compliance screening</td>
<td>• Minimized risk in the areas of quality, compliance and safety</td>
</tr>
<tr>
<td>• Quality conformance integrated to specifications</td>
<td>• Higher consistency in quality and food safety</td>
</tr>
<tr>
<td>• Label claims determination</td>
<td>• Compliance traceability and screening</td>
</tr>
<tr>
<td>• Supplier conformance to specifications</td>
<td>• Consistent sensory evaluations</td>
</tr>
<tr>
<td>• Nutrition surveillance integrated with specifications</td>
<td></td>
</tr>
</tbody>
</table>

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Data Syndication

*Data Syndication* enables companies to synchronize specification data with internal systems

**Enablers**
- Data harmonization with internal systems
- Data syndication fully integrated within specification development process
- Workflow-enabled syndication with full support for bi-directional messaging

**Benefits**
- Harmonization and cross-referencing with internal systems
- Reduction of data errors between internal systems
- Increased productivity
PLM Value Proposition in Private Label
Financial Metrics, Operational Initiatives and PLM

- **Revenue**
  - Increase time-to-market
  - Improve success rate of new products
  - Accelerate packaging, labeling and formulation

- **Cost of Goods**
  - Re-use and rationalize raw materials
  - Facilitate regional/global sourcing
  - Consolidate supply base
  - Enhance compliance
  - Maintain quality conformance
  - Optimize products
  - Reduce rework and recalls

- **Profits**
  - Improve global information visibility
  - Increase productivity
  - Improve collaboration with trading partners
  - Optimize R&D costs across new products
  - Reduce manual data errors
  - Harmonize product data across all internal systems

- **G&A**
  - Reduce number of raw materials
  - Consolidate number of vendors
  - Decrease reworks and returns

**PLM Impacts all financial metrics**

- **Shareholder Value**
  - **Financial Metrics**
  - **Operational Initiatives**
  - **PLM Enablers**
    - New Product Development & Introduction
    - Specification Management
    - BOM and Formulation Management
    - Packaging & Labeling Management
    - Compliance & Quality Management
    - Supplier Management
    - Data Syndication

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PLM Value Proposition in Private Label

P&L Impact

This is a typical P&L for a Private Label program

<table>
<thead>
<tr>
<th></th>
<th>Average P&amp;L per $1B in Revenue</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>$1,000</td>
</tr>
<tr>
<td>COGS</td>
<td>$500</td>
</tr>
<tr>
<td>Gross Profit</td>
<td>$500</td>
</tr>
<tr>
<td>Gross Profit Margin</td>
<td>50.0%</td>
</tr>
<tr>
<td>SG&amp;A</td>
<td>$340</td>
</tr>
<tr>
<td>SG&amp;A %</td>
<td>34.0%</td>
</tr>
<tr>
<td>Operating Income</td>
<td>$160</td>
</tr>
<tr>
<td>Operating Income Margin</td>
<td>16.0%</td>
</tr>
<tr>
<td>Sales increase</td>
<td>1.00% 1010</td>
</tr>
<tr>
<td>COGS reduction</td>
<td>-1.00% 500</td>
</tr>
<tr>
<td>SG&amp;A reduction</td>
<td>-0.50% 342</td>
</tr>
</tbody>
</table>

Sales increase by 1%

<p>| | |</p>
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<tr>
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<tbody>
<tr>
<td>Sales increase</td>
<td></td>
</tr>
<tr>
<td>COGS reduction</td>
<td></td>
</tr>
<tr>
<td>Value</td>
<td></td>
</tr>
</tbody>
</table>

Average Revenue $1,000

COGS $500

Gross Profit $500

Gross Profit Margin 50.0%

SG&A $340

SG&A % 34.0%

Operating Income $160

Operating Income Margin 16.0%

Sales increase by 1%

<p>| | |</p>
<table>
<thead>
<tr>
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<tbody>
<tr>
<td>Sales increase</td>
<td></td>
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<tr>
<td>COGS reduction</td>
<td></td>
</tr>
<tr>
<td>Value</td>
<td></td>
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</tbody>
</table>

COGS decrease by 1%

<p>| | |</p>
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</thead>
<tbody>
<tr>
<td>Sales increase</td>
<td></td>
</tr>
<tr>
<td>COGS reduction</td>
<td></td>
</tr>
<tr>
<td>Value</td>
<td></td>
</tr>
</tbody>
</table>

Productivity improvement by 0.5%

<p>| | |</p>
<table>
<thead>
<tr>
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</thead>
<tbody>
<tr>
<td>Sales increase</td>
<td></td>
</tr>
<tr>
<td>COGS reduction</td>
<td></td>
</tr>
<tr>
<td>Value</td>
<td></td>
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</tbody>
</table>

A bottom line gain of $8MM!
New Product Development

- NPD consists of the following components:
  - Stages and Gates
  - Ideas
  - Projects
  - Activities
  - Templates
  - Strategic Briefs
  - Portfolio Management
  - Metrics
Private Label Project Template

- Example: “New Platform” Project

(Stages)

- Ideation
  - Project Schedule
  - Concept Definition
  - Sales Forecast
  - Program Setup
  - Review Project Team
  - Team Discussion
  - Preliminary Item Spec
  - Sourcing Strategy
  - Project Budget

- Concept Development
  - Project Schedule
  - Packaging Requirements
  - Test Design
  - Develop Prototype
  - Collect Syndicated Market and Consumer Data
  - Pricing/Price Book Strategy
  - Promotion & Advertising Plan
  - Supplier Questionnaires
  - New Item Requirement Worksheet
  - Supplier Sourcing
  - Team Discussion
  - Consumer Research
  - Project Budget

- Product Development
  - Project Schedule
  - Supplier Selection
  - Create Printed Packaging Specification
  - Request Samples from Co-Packer
  - Request Packaging Artwork
  - Route Keyline
  - Evaluate Samples
  - Team Discussion
  - Product Approval
  - Pricing Analysis
  - Revise Planograms
  - Project Budget

- Scale-Up
  - Project Schedule
  - Co-Packer Printing and Production
  - Distribute Samples to Test Stores
  - Review POS Data in Test Stores
  - Readiness Sign-Off
  - Team Discussion
  - Review Category Plan
  - Project Budget

- Launch
  - Project Schedule
  - Update Store Assortment Plans
  - First Production Review
  - Review Store Allocations
  - Scale-up Across Stores
  - Download New Pricing to Stores
  - Team Discussion
  - Project Budget

(Activities)

- Pre-Screening
- Screening
- Validation
- Audit
- Post-Audit

(Gates)
Global Spec Management

• Food & Beverage Spec Genealogy:

- Master Specifications
- Printed Packaging Specifications
- Packaging Material Specifications
- Ingredient Specifications
- Packing Configuration Specifications
- Delivered Material Packing Specifications
- Labeling Specifications
- Trade Specifications
- Process Specifications
- Nutrient Profiles
Trade Spec Hierarchy

Tropical Fruit Cooler Trade Spec Hierarchy

• Pallet
• Shrink Wrap
• Banding

TU 5080486-001
Pallet, Mixed (48 CS)

TU 5080482-001
Pallet, Shippers (4)

TU 5080481
Display Shipper Seasonal Promo

• Pallet
• Shrink Wrap
• Banding

TU 5080477-001
12 oz 12 pk CS

TU 5080478-001
12 oz 24 pk CS

• Corrugate
• Tape
• Case Label

TU 5080464-001
12 oz 12 pk
CU 5080470-001
24 oz
CU 5080471-001
1 L
CU 5080472-001
2 L

• Shelf Pack Carton

CU 5080479-001
12 oz 12 pk
CU 5080480-001
12 oz 24 pk

• Consumer Unit Label
• 12 oz PET bottle
• 24 oz PET bottle
• 1 L PET bottle
• 2 L PET bottle

• Shipper
• Promo Signage

Sourcing

Supplier, Co-Packer
Private Label Manufacturer
Own Manufacturing Plant
eQ and Supplier Portal

- Solicit ingredient and packaging spec data from suppliers
- 2-way electronic collaboration
- Accept and approve new GSM specs electronically
Computer Aided Compliance Screening

- Ensures compliance to regulatory, quality, and consumer constraints
- Proactively screen formulas and specs at any stage of lifecycle
- Real-time visibility

CACS Results

<table>
<thead>
<tr>
<th>CACS Attribute</th>
<th>Value</th>
<th>Constraint</th>
<th>CACS Level</th>
</tr>
</thead>
<tbody>
<tr>
<td>KTC Additive</td>
<td>Tricalcium Phosphate</td>
<td>&lt;= 0.10000 %</td>
<td>0.00000000 %</td>
</tr>
<tr>
<td>KTC Additive</td>
<td>Citric Acid</td>
<td>&lt;= 0.10000 %</td>
<td>0.00000000 %</td>
</tr>
<tr>
<td>KTC Additive</td>
<td>Allura Red dC</td>
<td>&lt;= 0.00000 %</td>
<td>0.00000000 %</td>
</tr>
<tr>
<td>KTC Additive</td>
<td>USA</td>
<td>= 0.00000 %</td>
<td>0.00000000 %</td>
</tr>
<tr>
<td>KTC Additive</td>
<td>North Korea</td>
<td>= 0.00000 %</td>
<td>0.00000000 %</td>
</tr>
<tr>
<td>Nutrient</td>
<td>Total Fat</td>
<td>&lt;= 20.00000 g</td>
<td>0.00000000 %</td>
</tr>
<tr>
<td>KTC Additive</td>
<td>Tree Nuts</td>
<td>= 0.00000 %</td>
<td>0.00000000 %</td>
</tr>
<tr>
<td>KTC Additive</td>
<td>Whey</td>
<td>= 0.00000 %</td>
<td>0.00000000 %</td>
</tr>
<tr>
<td>KTC Additive</td>
<td>Sodium Ferrocyanide</td>
<td>&lt;= 0.00100 %</td>
<td>0.00000000 %</td>
</tr>
<tr>
<td>Nutrient</td>
<td>Alcohol</td>
<td>&lt;= 0.00100 g</td>
<td>0.00000000 %</td>
</tr>
<tr>
<td>KTC Additive</td>
<td>Red 2G</td>
<td>= 0.00000 %</td>
<td>0.00000000 %</td>
</tr>
<tr>
<td>KTC Additive</td>
<td>Alcohol</td>
<td>= 0.00000 %</td>
<td>0.00000000 %</td>
</tr>
</tbody>
</table>

- Complies With
- COO
- KTC Allergen/Intol/Additive
- MNC Allergen/Intol/Additive
- AFUI BU/Country

Nutrient Constraints
Product Quality Scorecard

- Stores actual QA test results and validates to QA specs
- Measures quality conformance over product lifecycle
- Captures sensory attributes

GSM
- Testing Protocols
- Analytical Properties

SCRM
- Sourcing Facility
- Receiving Facility

PQS
- Samples
- Sessions
- Scorecards
Why Customers Choose our Solution…

Why customers select our product…

Food & Beverage Expertise
- Built from the ground up with and for leading F&B companies as an integrated PLM solution
- Usability – not a toolkit; build to support F&B processes

Lowest Total Cost of Ownership
- Provide tremendous value out of the box with a best in class data model
- Ability to easily extend the core application via powerful, user-defined attributes

Complete, Integrated Solution
- Solution is complete and integrated, allowing all functions to leverage your investment in your core product data
- Supports both outsourced private label activities and the complex needs of internal product development