S&OP Role in Innovation and Successful Product Launches

Leveraging the S&OP process to Optimize Success and Minimize Damage of New Product Launches.

Presentation Agenda

- Brief introduction to DuPont
- DuPont S&OP Process Grounding
- New Product Innovation and Launches integrated into the S&OP process
- Q&A
DuPont is a Market-Driven Science Company

To be the world’s most dynamic science company, creating sustainable solutions essential to a better, safer, healthier life for people everywhere

DuPont Vision

- Food / energy / protection trends
- New products and applications
- Building on our success in developing markets

DuPont Long-Term Growth Profile

7% Sales CAGR

- Food / energy / protection trends
- New products and applications
- Building on our success in developing markets

2011 Sales $388

12% EPS CAGR*

- Innovation
- Differential management
- Ongoing productivity
- Margin expansion

Earnings per Share*

2008 2009 2010 2011

$2.78 $2.03 $3.28 $3.93

* Excludes significant items. Refer to company website for detailed reconciliations of non-GAAP measures.

**Innovation**
- Competitive advantage through science
- Applied to food, energy, protection
- Innovation Centers help drive growth globally

**Differential Management**
- Aligned with growth trends
- Resource allocation (R&D, CapEx, M&A)
- Systematic managing processes

**Productivity**
- Continued momentum
- Clear targets
- Disciplined processes

S&OP’s Conceptual Mission within DuPont

S&OP capability is fundamental to aligning decisions, plans and execution within the Enterprise so that we more rapidly advance our performance in both absolute and relative terms.
DuPont’s S&OP (DIBM) Process
5 Key Steps

1. Deploy Strategy:
   - Growth through:
     • Innovation
     • New Products
2. “Operate” the business
3. Connect mid-term planning with long term and execution level actions

DuPont S&OP Structure

- OCE/CEO
- Major Segments
- Strategic Business Units
- Reporting Unit S&OP Processes (Foundational 5 step Processes)
DuPont S&OP Progress

- 2011 YE:
  - > 60% “Capable” or Higher (2012 YE target > 85%)
- 2012:
  - > 60% Plans in place to move through Sustainable to Advanced

Integration of Innovation and New Product Launches into the S&OP Process

- Innovation and subsequent New Product Launches are often critical to the Future Success of a business.
  - Yet, 75% of Consumer Packaged Goods and Retail Products fail to earn even $7.5MM during their first year of sales.*
  - Yet, One major flaw of New Product Launches is that Company’s can’t support the level of demand for the new product!*
- Effective Sales and Operations Planning includes managing processes to facilitate effective New Product Launches through integration with Demand, Supply, Financial Planning and Executive Decision Making.

* April 2011 Harvard Business Review: Why Most Product Launches Fail; Schneider/Hall.
Some Common Issues...

- New Product Launches occur earlier or later than originally planned but changes are not communicated.
- New Product Launches are not integrated into Operational plans (volumes, capacity requirements, revenues, inventory plans, ...).
- Gaps or overlaps exist in the demand plan related to new product launches.
- Slow moving or obsolete inventory is generated related to early product development activities.
- After launch, demand exceeds supply resulting in large customer back orders and lost opportunity in the market.
- After launch, supply exceeds demand resulting in excess inventories; causing significant cash flow or write-off issues.
- New product profitability is lower than anticipated due to high costs incurred related to attempting to meet unexpected high demand.
- Minimal risk management and contingency planning occurs at the business level due to a lack of scenario planning.

The S&OP Process can help!

- Product Review:
  - New Product Development and Launch Status:
    - Early/Late projects highlighted and communicated.
    - Implications of new product launches on Business financial performance on achieving business goals:
      - New or replacement
      - Impact of changes in timing, adoption.
  - Requirements of New Product developments and launches on Demand (Sales and Marketing) planning and resources and Supply (Manufacturing, Supply Chain) planning and resourcing.
    - Resources, activities
  - Readiness of organization to implement the Product Launch:
    - No surprises on launch day
Making the Connection

The main aim of the Product Review Step is to convey the outlook for changes in the product portfolio over the 24 month horizon and management of changes vs. the previous plan, and gaps vs. commitments.

Product Master Plan & Metrics are essential tools to enable Product Review Meetings

Product Master Plan

The Product Master Plan communicates priority, status and impact of product-related activities to meet the business need.
Which projects should be in the Product Master Plan?

- Requires plant trials
- Involves coordination with sales, i.e. sales promotions, customer communication or trials, transitions.
- Impacts Demand and Supply and needs to be integrated with their plans
- Require qualification of products (new assets, tolling, new raw materials, etc.)

**Anything that impacts demand, supply or finances over the mid-term planning horizon**

* Once a project has “launched”, some businesses continue to monitor status through the PMP for 6 to 12 months afterwards.

Requirements for the Product Review

- **Product Master Plan**
  - All Ins, Outs and Other changes, filtered to highlight critical items in S&OP Process
  - Status of Projects, forecasts, underlying assumptions
  - Recent Product Launches

- **Milestone Adherence and Reset Metrics**

- **Portfolio-level comparison current revenue* and volume plans versus previous plans and business goals**
  - Both pre and post launch
  - Gaps identified and gap closing plans managed
The S&OP Process can help!

- **Demand Review:**
  - New Product Development and Launch Plans integrated into the Demand Plan.
  - Part of the multiview inputs:
    - Volumes, Revenues, Timing
  - Sales and Marketing Resource implications:
    - Promotions, Sales Contacts, Qualification Trials
  - Existing revenue impact:
    - New or replacement revenue; pricing.
  - Customer transition qualification timing.
  - Upside and Downside Scenario Planning and related contingency planning.
  - Range of outcomes (10/50/90):
    - Typically Larger Range of Uncertainty
  - Scenario Planning:
    - Different Demand Scenarios and impacts
  - Contingency Plans:
    - Risk Mitigation; Planned actions based on scenarios.

Multiple View Demand Planning

- Marketing Input
  - Market Plans
  - Promotion Plans
  - Pricing Plans
  - Economic Indicators
  - External Factors
  - Competitive Analysis

- Statistical Analysis
  - Statistical Forecast
  - Detailed Review and Statistical Analysis
  - Key Assumptions

- Product/Brand Management Input
  - Product Plans
  - Branding Plans
  - Pricing Plans
  - Key Assumptions
  - Development Schedules

- Customer Collaboration
  - CPFR
  - VMI
  - EDI – E-Commerce
  - Joint Projects

- Customer Input
  - Selling & Marketing Plans
  - Buying Plans and Schedules
  - Key Assumptions

- Strategy and Business Plans
  - Congruence with Key Strategies
  - Key Assumptions
  - Attainment Goals
  - Directional Goals

- Sales Input
  - Sales Plans
  - Territory Plans
  - Customer Plans
  - Incentive Plans
  - Key Assumptions
  - $ and Units

1. APICS and IBF Present: 2012 Best of the Best S&OP Conference
Demand Management Process

Demand Review Participants
- Sales & Marketing Director
- Demand Manager/Planner
- Market Segment Leaders/Marketing Managers/Sales Managers/Country Managers
- Supply Chain Manager
- Product Managers
  - Ensure product line changes are incorporated into the multi-view plan.
  - Along with SCM, ensures communication to the supply organization.
- Customer Service Manager

The S&OP Process can help!

- Supply Review:
  - Pre-Launch integration into planning:
    - Volumes, capacity needed
    - Line time for testing, development
    - Pre-launch inventory planning (build, location)
    - New raw materials, packaging, logistics needs.
  - Upside and Downside Scenario Planning and related contingency planning:
    - Range of outcomes (10/50/90)
    - Scenario Planning
    - Contingency Plans
  - Post-Launch Integration into Planning:
    - Inventory Planning:
      - Old/new inventory transitions
      - Expected inventory (FP/SF/RM) write-offs
Supply Planning Integration

Scenario Planning Integration
The S&OP Process can help!

- **IR/MBR:**
  - Require Routine Updates on Status of Key Programs:
    - New Product Development and Launch Status:
      - Early/Late projects highlighted and communicated.
      - Impact of changes in timing, adoption.
      - Readiness of organization to implement the Product Launch...
    - Impact of changes in timing, adoption.
    - Readiness of organization to implement the Product Launch...
  - Require and Review Scenario Plans and related contingency plans.
    - Understand Range of outcomes (10/50/90)
    - Validate Scenarios
    - Ensure Contingency Plans/Action plans are in place.
  - Take Action:
    - Act on issues, decisions requested
    - Provide support and resourcing as needed.

**In Conclusion**

The S&OP Process provides a solid managing process for facilitating New Product Launches through effective integrated planning:

- Start with the Product Review and a review of the Product Master Plan
- Ensure integration with Demand Planning and the Demand Review; include scenario planning with risk management and contingencies.
- Continue with Supply planning/Supply Review based on Product and Supply inputs. Provide scenario assessments with business impact, options and Action Plans to the IR/MBR process.
- Ensure that critical New Product Launches make the “radar” of the IR/MBR processes. Routinely monitor and review key project status; expect scenario plans with a range of outcomes, with related contingency/action plans for risk management. Take action on issues and make decisions needed to support the work.
Q & A

• Further Questions?
  Contact:
  Daniel.P.Meier@usa.dupont.com
  302-999-2797