How PepsiCo Benefits from Benchmarking with SAP

Stephen Hardy & Dennis Marcinek, PepsiCo
Amit Mathuria, SAP
Today’s Agenda

- Learning points
- Return on Investment
- PepsiCo Overview
- PepsiCo’s Initial approach to Benchmarking
  - Key Learning
- SAP Benchmarking Services Overview
- How SAP & PepsiCo supported the HCM Business Case via Benchmarking
- Scaling the HCM success story across PepsiCo
  - Creating a Value Management practice
  - Plans for ongoing surveys
- Key Learnings
- Question & Answer
Learning Points

- Understand what SAP Benchmarking and Best Practice Services are available & how to participate
- Practical lessons learned by PepsiCo re: Benchmarking
- How Benchmarking supports a Value Engineering methodology to help drive intelligent investment in IT
Return on Investment

- Having a detailed, quantitative business case and financial ROI analysis for major IT spend is the #1 best practice of companies that achieve > 50% of their business case.*
- SAP Benchmarking as part of a Value Discovery phase will help provide a more detailed business case tied to meaningful KPIs.

* source: ASUG, SAP and AMR research 2010
PepsiCo Overview

- 22 Billion $ Brands
- Over 285,000 employees
- Second largest global food and beverage company
- Extraordinary go-to-market systems through Direct Store Delivery and Warehouse

...and many more
The PepsiCo SAP enabled “One Up” Vision

Unleashing the power of information to realize PepsiCo’s full growth potential and “one up” the competition

PepsiCo: Thinking, Working, Winning as ONE
Our SAP North American Journey

RELEASE 1
Indirect Procurement

RELEASE 3
Mfg & Logistics Financials
Equipment Service Management

RELEASE 5
Financial Planning

RELEASE 7
Order to Cash

RELEASE 2
Order to Cash

RELEASE 4
Integrated Supply Chain Planning

RELEASE 6
Trade - Funds, Promotions & Claims
Financial Planning
Order to Cash
ESM Upgrade

RELEASE 9
Payroll & Human Capital Management

2006
2007
2008
2009
2010 -12
Showing Value at PepsiCo from our IT Transformation

Did we achieve our business case for our SAP journey to date?
- We think so, but can we be sure?

How do we demystify the equation for future investments?
- Such as expanding the scope of Release 9: HCM?

We collaborated with SAP Value Engineering and Benchmarking Services to help us define a framework that will enable PepsiCo to answer these questions.
## Benchmarking #1 of Top Ten Management Tools for Business Excellence

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<td>Pay for performance</td>
<td>Growth strategies</td>
<td>Core competencies</td>
<td>Balanced scorecard</td>
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<td>Outsourcing</td>
<td><strong>Customer segmentation</strong></td>
<td>Core competencies</td>
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<td>Pay for performance</td>
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<td>Change management</td>
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<td>Cycle time reduction</td>
<td>Customer segmentation</td>
<td>Scenario and contingency planning</td>
<td>Core competencies</td>
<td>Strategic alliances</td>
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<td>10</td>
<td>Self directed teams</td>
<td>Core competencies</td>
<td>Knowledge management</td>
<td>Mergers &amp; acquisitions</td>
<td>Customer segmentation</td>
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Source: Bain & Company: Management Tools and Trends 2011
SAP Business Performance Benchmarking Program Overview

- **Established End of 2004**
  - Complimentary service
  - Available to SAP and non-SAP customers

- **Reach**
  - Over 10,000 participants from over 3,000 companies
  - Global program: in 2010 over 60% participants from outside NA
  - Partnerships with 7 user groups, 3 industry associations
  - Studies available in 12 languages

- **Content Coverage**
  - Over 20 business process assessments
  - Over 700 KPIs, over 1,000 Best Practices
  - Over 300 peer groups
Companies are using SAP’s benchmarking services for a variety of purposes

1. Establish Performance Baseline Value Sources
   Identify value sources in the form of KPIs

2. Opportunity Identification/Prioritization
   Identify key areas of process improvement opportunity

3. On-going Performance Management
   Comparison of current performance to past performance

Identification & Prioritization of Value Sources will be Key Activities for Building a Value-Based Roadmap
Available Benchmarking and Best Practices Surveys

Financial Excellence
- Finance
- Financial Compliance
- Financial Performance and Risk Management
- Public Sector: Finance
- Finance Shared Services

Responsive Supply Networks
- Supply Chain Planning
- Warehouse Mgt.
- Transportation Mgt.
- Retail: Integr. Demand and Replenishm. Plan.
- Oil and Gas: Primary Distribution
- Fashion: Supply Chain Planning
- Professional Business Networks

Strategic IT
- Business Intelligence
- Enterprise Information Management
- High Performance Analytics
- Enterprise Mobility
- Total Cost of Ownership
- Best Run IT
- Value Management
- Enterprise Architecture
- Implementation Services

End to End Processes
- Enterprise Healthcheck - Manufacturing
- Enterprise Healthcheck - Services
- Public Sector Healthcheck
- Order to Cash
- Fashion: Order to Cash
- Retail: Merchandising
- Private Equity: Operational Assessment

Superior Customer Value
- Sales Effectiveness
- Customer Contact Center
- Customer Service and Support
- Consumer Products: Trade Promotions Mgt.

Operational Excellence
- Manufacturing
- Procurement
- Fashion: Procurement
- Lean Enterprise

Best People and Talent
- HCM
- Talent Management
- HR Shared Services

Product and Service Leadership
- Product Lifecycle Mgt.

High Performing Assets
- EH&S Compliance
- Enterprise Asset Mgt.
- Utilities: Optimized Asset Mgt. and Operations
Look into Value Management Center
Without establishing the right Value Management framework we jumped into the deep end of benchmarking in late 2010. We completed 13 surveys across 6 functions and multiple Business Units in a short timeframe resulting in:

- Limited buy-in by senior leaders
- Front line did not fully understand the mission
- Results were published vs. collaboratively discussed – no dialogue
  - Emphasis seemed to be around quantifying opportunities for improvement in $ savings and solutions deployed vs. strategic direction
- New proposals did not utilize the data to help build an achievable business case
Doing it differently: HCM expansion project

- In 2011 we had the opportunity to assist in the development of the business case to expand our R9 HCM solution to the Pepsi Bottling Company
  - As newly minted graduates of the SAP Value Academy we were eager to participate in the Human Capital Management Survey. This time we made sure we had:
    - Executive sponsorship – SVP, CPO of HR
    - Front line buy-in
    - Access to SAP Benchmark data and SAP Value Engineering
      - By virtue of our 2010 participation
  - We were able to tailor our Benchmark to see:
    - How we measured up against our Industry – CPG peer group
    - How we compare internally – by completing different surveys by Business Units
    - If there was an economy of scale opportunities based on employee size as related to HCM.
      - Normally the HCM survey would compare PepsiCo to CPG and large scale companies working with SAP we were able to choose an additional peer group by # of employees
## Example: Solution Scale Opportunities

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<tr>
<th>Type</th>
<th>Metric</th>
<th>PBC US &amp; Canada</th>
<th>US – ex PBC &amp; Canada</th>
<th>Peer Group P1 (10,000 - 50,000 employees)</th>
<th>Peer Group P2 (&gt;50,000 employees)</th>
<th>Effect of scale: Delta - Peer 2 to Peer 1</th>
<th>Business Case Opportunity?</th>
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<tbody>
<tr>
<td><strong>Effectiveness</strong></td>
<td>Employee Engagement (1-low, 10-high)</td>
<td>7.0</td>
<td>7.0</td>
<td>7.0</td>
<td>7.0</td>
<td></td>
<td>N/A</td>
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<td></td>
<td>Employee Turnover (in %)</td>
<td>25.0</td>
<td>25.0</td>
<td>11.7</td>
<td>11.0</td>
<td>-6%</td>
<td>N/A</td>
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<tr>
<td></td>
<td>Employee Referral Rate (% of external hires)</td>
<td>25.0</td>
<td>25.0</td>
<td>18.8</td>
<td>10.0</td>
<td>-47%</td>
<td>N/A</td>
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<td></td>
<td>Payment Errors (in %)</td>
<td>0.10</td>
<td>0.80</td>
<td>0.78</td>
<td>0.74</td>
<td>--5%</td>
<td>Maybe- can we quantify?</td>
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<td>Time Spent by Managers on Employee Administration (in %)</td>
<td>26.0</td>
<td>27.0</td>
<td>11.8</td>
<td>10.6</td>
<td>-10%</td>
<td>Maybe- can we quantify?</td>
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<tr>
<td><strong>Efficiency</strong></td>
<td>Employees per HR FTE</td>
<td>142</td>
<td>106</td>
<td>117</td>
<td>92</td>
<td>-21%</td>
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<td></td>
<td>HR Cost per Employee</td>
<td>1,539</td>
<td>3,542</td>
<td>1,183</td>
<td>1,354</td>
<td>+14%</td>
<td>Maybe – external cost reduction due to common solution?</td>
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<td>HR Staff Allocated to Transactional Activities (in %)</td>
<td>35.8</td>
<td>46.9</td>
<td>47.9</td>
<td>38.3</td>
<td>-20%</td>
<td>Yes - e.g.: 10% reduction ~ $1MM</td>
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<td>Time to Hire (in days)</td>
<td>60</td>
<td>60</td>
<td>35</td>
<td>46</td>
<td>+31%</td>
<td>Would Position Management solution help?</td>
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<tr>
<td></td>
<td>Cost per Hire</td>
<td>1,000</td>
<td>10,000</td>
<td>3,478</td>
<td>4,628</td>
<td>+33%</td>
<td>??</td>
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On average about a 20% savings in 1 efficiency KPI:
HR Staff allocated to transactional activities
Scaling our success: factors to ensure successful benchmarking

1. Have business and IT sponsors, core team and SMEs identified & aligned with the approach.
   • engaged from start to finish
2. Pilot and focus on a single area before trying to roll out on a large scale
3. Only survey the information we will use in benefits identification
4. Ensure survey data is completed and validated by the right people
5. Tailor SAP survey content for PepsiCo sponsors and core team
6. Discuss results with PepsiCo sponsors and core team vs. simply distribute presentations

Use Benchmarking as an integral part of a Value Management Framework
Value methodology definition approach

**Key Objectives**
- Model after industry best practice
- Minimize cost to PepsiCo
- Minimize PLM overhead

**Evaluation**
- Gather and analyze external and internal value methodologies
- Evaluate process, tools, and services for best fit

**Recommendation**
- Partner with internal PepsiCo International SAP Value Management team
- Develop and rollout common methodology and toolset across global SAP functions
Value Management is applied across entire Value Chain

Value Discovery
- Benchmarking
- Enhanced
- Business Case
- Model

Value Design
- Value Mapping
- KPI Measures
- Value Reviews
- Update Business Case

Value Realization
- Post Go-Live
- Assessment
- Benefits
- Tracking

Delivering Benefits
- Right Projects
- Right Way
- Result
- Continuous Improvement
- Sustain Our Asset
- Simple and Efficient
- Promote Efficent
- Global Portfolio

Real Experience. Real Advantage.
A high-level overview of the methodology

**Value Diagram**
- Leverage KPI improvements and benefit modeling as an input to understanding the expected ROI of the investment

**Benchmarking**
- Conduct annual survey to measure performance of key KPI's/metrics against internal and external peers for opportunity identification

**Business Case**
- Develop a business case with measurable financial and operational KPI's that are tied to business objectives

**Value Map**
- Identify the business process changes within the solution design and how the changes are linked to the business case and value

**Value Review**
- Assess whether the solution design supports the business case and will deliver on the expected benefits

**Validate Business Case**
- Update business case to ensure baseline measurements and expected benefits are accurate based on the solution design

**Benefits Tracking**
- Maintain a commitment on realizing expected benefits by conducting quarterly reviews for one year after benefits realization

**End-User Adoption**
- Ensure high-percentage of end-user adoption of business process and implemented capability

**Value Discovery**

**Value Design**

**Value Realization**

**Value Management Methodology**

Real Experience. Real Advantage.
Value Management roles and activities at a glance

**VALUE MANAGEMENT ROLES**

**BUSINESS TEAM**
- Sponsors project
- Business Case & CAPEX
- Value Map
- Value Review
- Business Case Update
- Track Benefits

**BENEFITS OWNER**
- Owns a benefit and is responsible for tracking its progress
- Elaborate and Approve Business Case & CAPEX
- Assigned specific benefit to own after go-live

**PROCESS TEAM**
- Responsible for ensuring completion of solution enablers and chg mgmt
- Completes Value Map
- Reviews Value Map and updates
- Review Business Case to examine baseline and update
- Monitor user adoption and track benefits on scheduled basis

**VALUE ENGINEER**
- Owns the value aspect of project and responsible for Value Reviews
- Business Case
- Leads the Value Map process
- Tracks Benefits
- Monitor user adoption and track benefits on scheduled basis

**GLOBAL PORTFOLIO MANAGEMENT (GPM)**
- Capture
- Qualify
- Prioritize
- Manage

**PROJECT LIFECYCLE MANAGEMENT (PLM)**
- Capture
- Project Prep
- Business Blueprint
- Realize Design
- Realize Construct
- Realize Test
- Final Prep
- Go-Live & Support
- Project Closure

**SUSTAIN**
- Support and CI
The Business Case deliverable (PP2)

The Business Case identifies the benefits and financial impact of an (AOP) BIS initiative

The benefits identify:

- Nature of the benefits (either Business or BIS benefits)
- Description of the benefit
- Whether the benefits have a financial impact or not
- Benefit owner
- Key assumptions
- Financial and operational KPI’s to measure the performance of the business or BIS process targeted
- Timeframe and/or phasing of when benefits will being to be realized (after Go Live)

The financial analysis sections of the Business Case allows for capturing the projection of financial benefits for the life of the project and calculates key financial metrics
The Value Map deliverable (BP40)

The Value Map identifies the process changes which will enable the targeted benefits, as well as key performance measures to monitor and validate benefits attainment

Identifies solution design components such as a best practice, capability, or enhancement to the solution (e.g. RICEF) that is developed as a part of the construction phase

Establishes Change Plan components such as specific training, role or organizational changes

Completion of the Value Map for the project will enable successful new process adoption so benefits can be realized

The Value Map is complimentary to the Business Case document completed in AOP
The Value Review process

During the Value Review process any changes to the solution design made during realization, or changes to the change plan must be reviewed and the Value Map updated accordingly.

Purpose

- Impacts to enable the benefits due to changes in the Realization phase must be analyzed
- Identify ways to mitigate the impact in order to still achieve the targeted benefits
- Significant financial impacts will provide early warnings of Business Case risk

Procedure

- Conduct at the end of Realization Test phase
- Review changes to solution design or change management plan
- Update Value Map to ensure changes are documented and accounted for
The Business Case Update process

Update Business Case to ensure baseline measurements and expected benefits are accurate

Objectives

• Verify baseline measurements are still relevant (must change if not), and identify gaps to value realization

• Assess current solution’s positive and negative impacts to the Business Case
  – New sources of value, larger than anticipated favorable impact, scope changes, lack of solution design and enabler execution…

Procedure

• Conduct at the end of Hypercare/Project Closure activities period

• Assess level of Business Case support of the by the total solution; systems and processes

• Identify ways to mitigate negative effects to achieve targeted benefits

Impacts to Business Case presented by Benefits Owners to Project
Our Current activities

Initiate benchmarking as part of refining the Beverage application strategy

- **Q1** focus on Finance area
  - Benchmark and build business case
  - Refresh IT strategy and costs for Finance
- **Q2** Supply Chain
  - Benchmark key areas (Supply Chain Planning, TPM, Warehouse Management)
  - Refresh remaining IT roadmap and costs
- **Q3** Complete remaining benchmark surveys
  - Manufacturing, Transportation, Management, Procurement, Sales Effectiveness, Order To Cash, IT Excellence
  - Refresh business case

Make benchmarking an annual exercise to understand improvements and identify new opportunities

- **Q4+**
  - Annually refresh benchmark surveys across all functions
  - Use systematic approaches to collecting benchmark data to streamline process
Collect information by business segments to gain further insights

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<th>Segments surveyed</th>
<th>Insights gained</th>
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<tr>
<td>1. PBC</td>
<td>• Internal benchmarks</td>
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<tr>
<td>2. Tropicana, Gatorade, PBA</td>
<td>• PBC vs. non-PBC</td>
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<td>3. Quaker Foods</td>
<td>• Foods vs. beverage</td>
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<td>4. Corporate</td>
<td>• Corporate vs. divisions</td>
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<td></td>
<td>• External benchmarks</td>
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<td>• Benchmark company of Trop, Gatorade, PBA scale vs. same sized peers</td>
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<td>• Benchmark combined scale vs. peers</td>
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<td>• i.e. see scale opportunities</td>
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## 2012 Timeline

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**Pre-Work**  
**Conduct**  
**Compile**  
**Evaluate**

- Revised finance business case and implementation costs

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**Pre-Work**  
**Conduct**  
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- Revised bottler business case and implementation costs

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**Move up?**
Key Learnings / Best Practices

1. Benchmarking works best as an integral part of an overall Value Management Framework
2. ASUG/SAP are acknowledged leaders in the depth and breadth of Business Process focused Benchmarking services
3. You got to get in to get out – however participation is free
4. Senior sponsorship and business alignment is key
5. Use survey results to support Value Discovery and build compelling business cases
Contact Information

Stephen.Hardy@pepsico.com
Dennis.Marcinek@pepsico.com
Amit.Mathuria@SAP.com

Benchmarking information:
ASUG & SAP Benchmarking and Best Practices

SAP Value Management Center Product Demo
http://www.sap.com/asset/index.epx?id=7551db5e-1854-46bf-a078-4b76a448a83f&name=

SAP Value Management Center
https://valuemanagement.sap.com/#!
Questions
Thank you for participating.

Please remember to complete and return your evaluation form following this session.

For ongoing education on this area of focus, visit the Year-Round Community page at www.asug.com/yrc