



High performance. Delivered.

PMI Story: How Accenture Helped PMI Achieve Inventory Optimization - Video Transcript

PMI Story: How Accenture Helped PMI Achieve Inventory Optimization Video Transcript

Introduction

Philip Morris International Inc. (PMI) is a leading international tobacco company that owns six of the world's top 15 international brands, including Marlboro, the number one cigarette brand worldwide. PMI's products are sold in more than 180 markets.

Our goals are to provide high quality and innovative products to adult smokers, generate superior returns for shareholders, and reduce the harm caused by smoking while operating our business sustainably and with integrity.

What was PMI Inventory optimization project background?

PMI main goal wanted to explore the potential of inventory working capital optimization as well as increase efficiency in inventory management processes by overcoming the current limitations of its operating model.

PMI and Accenture have collaborated together in defining and testing their inventory optimization operating model through a proof-of-concept pilot on PMI's Canada and Romania affiliates. PMI will eventually roll the model out to the rest of the PMI global network.

Accenture's proprietary multi-echelon inventory optimization tool (iPOT) was used to execute inventory optimization during this pilot phase. This work was being delivered from the Accenture Barcelona Center of Excellence and by an Accenture Digital team in the Accenture Delivery Center in Bangalore.

Why Accenture is a reliable partner?

Accenture is a long term partner for PMI, especially in the Supply Chain area, in which it has supported the design and implementation of our Planning Processes (SCIPIO) plus the enhancement of our current Inventory Policy Set-up Toolbox. Furthermore, Accenture has the right combination of consulting and technology capabilities to support PMI in achieving full visibility on the inventory network and in optimizing inventory levels while maintaining service levels.

PMI Story: How Accenture Helped PMI Achieve Inventory Optimization Video Transcript

What has Accenture delivered?

Through this pilot project Accenture has done a great job on:

- Collecting, cleansing and modeling all the data required to run the Inventory Optimization exercise
- Collaborating with the affiliates to validate the data model and understand their Supply Chain network
- Designing and developing the right optimization engine
- Running the optimization and analyzing the results
- Discussing and validating the obtained results with the affiliates
- Designing a new operating model for the Inventory Optimization and defining a roadmap to extend it to the global PMI's network, supported by a compelling business case

All these has helped us redesign the way we think about inventory policies inside our firm

What are the results of the initiatives and how were they achieved?

Considering the two Affiliates in scope, these are the results achieved validated by the Affiliates:

- Romania - 30% Inventory Value Reduction by keeping the same service level
- Canada - 11% Inventory Value and Quantity Reduction (compared to the latest Toolbox results) by keeping the Toolbox Service Level

Further scenarios have been developed to analyze the relationships between service level, forecast accuracy and Inventory levels

The results were achieved by applying the following levers:

Definition of the right size of the Inventory volumes per brand

Balance of the Inventory level by Location

The introduction of the Service Level Concept for sales agents and its link to Inventory Level is one of the key results of the initiative.

Finally, more accurate forecast disaggregation rules can drive a higher accuracy in the daily forecast and ultimately a further reduction of the Safety Stock levels.

PMI Story: How Accenture Helped PMI Achieve Inventory Optimization Video Transcript

Which are the next steps?

PMI is evaluating the opportunity to extend the Inventory Optimization approach to the top 22 Affiliates by Inventory Value

In 13 months the roll-out would be completed

The full roll out can potentially deliver a Working Capital Reduction in a range of 100 -150 M\$

Conclusions:

Accenture and PMI has been working together over some time now and with this initiative we are only further strengthening our trusted relationship.

Best thing about Accenture is that along with their high end technical capability, they also bring high performing professionals who were able to understand our supply chain complexities, they could work closely with our people.

We were able to build a trusted relationship with the onsite team as well as the offshore team in Bangalore and Barcelona, which we would like to extend during our global roll out stage.

With Accenture we have made a great step forward towards the digitalization of our supply chain and towards a data driven inventory policy deployment.

Learn more at accenture.com/analytics

@ISpeakAnalytics