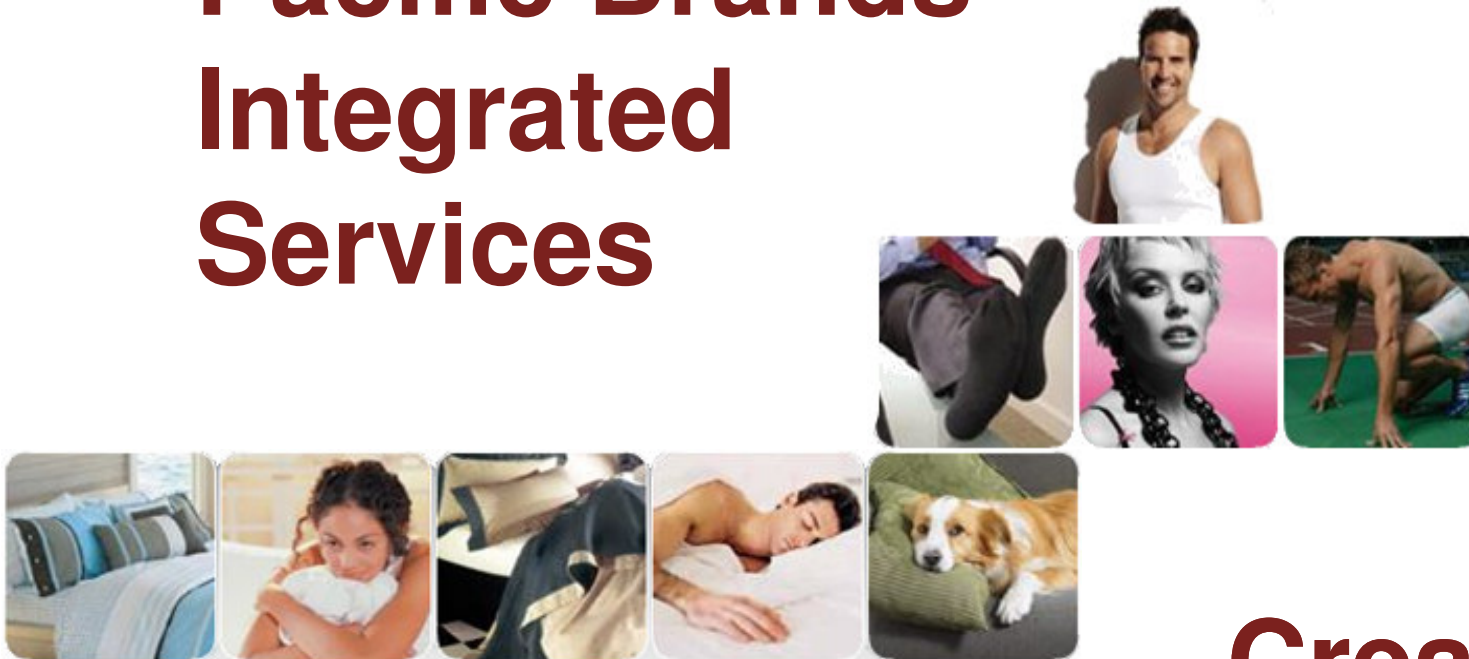


Pacific Brands Integrated Services



Creating an Agile Enterprise

Today's Agenda

- Pacific Brands and PBIS
- Stage 1 - Accounts Receivable (Project FAB)
 - Approach
 - Analysis Findings
 - The Use of Measures & Targets
 - Results to Date and Next Steps

Holeproof.

pierrefontaine

 KingGee
Established 1926

Sleepmaker

 HANG TEN

Berlei

THE ONE AND ONLY
Wonderbra

 JOCKEY.

 Simmons
Better Sleep through Science™

Candy

 AMCO

Lightning BOLT

J
Julius Marlow

M
BONDS

ANTZ
PANTZ.

Every body feels good in

Playtex

NIBLICK

TONTINE

KAYSER HOSIERY

Rio

 Slazenger.

EVERLAST
U.S.A.

Dunlopillo®



HUSH PUPPIES®

THE AUTHENTIC
Malvern Star
SINCE 1901

 DUNLOP
sport

Clarks

Ultra-Fresh™
TREATED

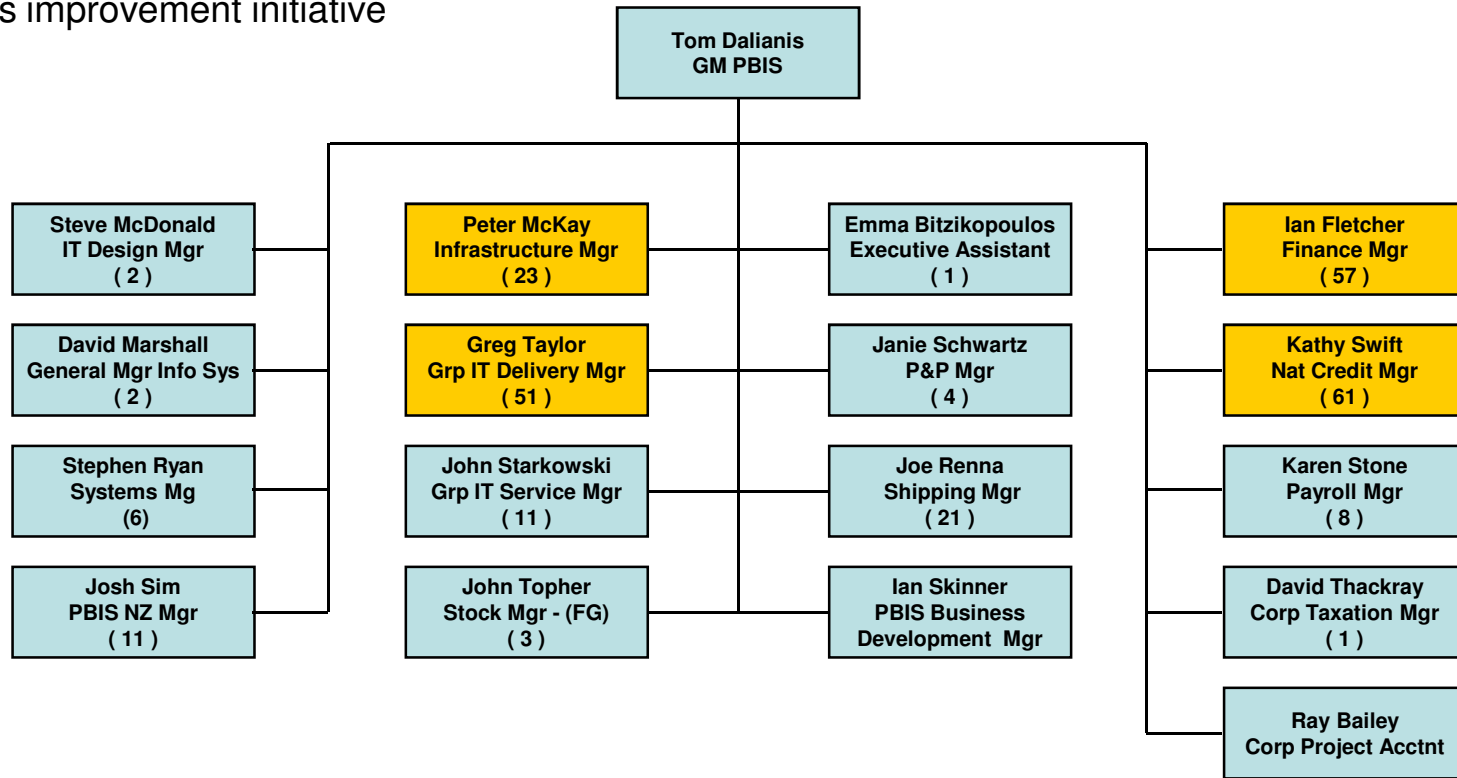
 Grosby

Pacific Brands – Key Statistics

- ❑ 9000 employees
- ❑ 47 leading brands
- ❑ 1st Half 08 Financials
 - \$1,098 mil Net Sales (26.5% Growth on first half 07)
 - \$1,114 mil EBITA (21.8% Growth on first half 07)
- ❑ Market Capitalisation \$962 mil (30th April 08)
- ❑ Recent Acquisitions – Yakka & Brand Collective

PBIS Org Chart

75 % of PBIS staff in scope of process improvement initiative



The program was setup with 5 key components

1. **Process Improvement** – to find the time to deliver more value
2. **Management Workshops** – to drive business excellence both now and in the future
3. **Fact Based Analysis** – to ensure solutions are correct and sustainable
4. **Measures and Targets** – to provide the necessary focus and alignment
5. **Agile IT** – to change the mode of delivery to suit the business environment

□ The Key Objectives

- Increase the amount of time staff have available to “re-invest” in value add activities
- Liberate staff time to enable more transactional work to be completed with the same level of resources (important during acquisitions)
- Maximise service level provided to the businesses served by PBIS
- Eliminate duplication of effort between the businesses and PBIS
- Improve cross team collaboration
- Build internal capability

Bevington were chosen as the transformation partner, but a key initiative in this program was to build in-house capability

- ❑ In house capability was built during the first phase
 - Involved formal training of PBIS staff
 - Involved mentoring on all aspects of process transformation:
 - Data collection
 - Analysis
 - Solution generation
 - Implementation planning and delivery
 - Establishing measures and targets
 - Delivery of solutions and realisation of benefits

- ❑ Operation excellence training was provided to key staff within PBIS to ensure they understood the principles around:
 - Approaches to Drive Organisational Productivity
 - Strategic Clarity
 - Targets
 - Organisational Culture
 - Organisational Design
 - Supporting Infrastructure
 - Continuous improvement methods
 - Measures of productivity, quality, health, change
 - Capability Development

Tasks and activities are analysed for the degree of value add by using a CSDN framework

Code	Definition	Example	
Noise <small>25%+</small>	Non-value adding activities which cost the organisation money, reduce service levels and waste staff time. Usually symptomatic of process failure	<ul style="list-style-type: none"> • Rework/recovery from error • Duplicated activity • Request sent to wrong location • Wrong Information • Activity performed at wrong point 	}
Discretionary <small>10%</small>	Activities that manage risk to the organisation and/or introduce management approval/checking steps. Usually their frequency or level is adjustable and is at management's discretion	<ul style="list-style-type: none"> • Checks • Approvals/ delegation signoff • Audits • Reports 	}
Support <small>60%</small>	These activities enable efficient delivery of a current service – they represent the normal, actual work being done right	<ul style="list-style-type: none"> • Processing • Data entry (the first time!) • Make payment • Answer query 	}
Core / Value Driving <small>5%</small>	These few activities directly increase service, reduce cost or enhance capability. They positively change the status quo to <i>drive</i> performance improvement in the organisation	<ul style="list-style-type: none"> • Core delivers organisation objectives • Often that which enhances efficiency, effectiveness or revenue 	}

Non Value Adding

Policies

Automation Opportunity

DNA of Business and BCIs

Today's Agenda

❑ Pacific Brands and PBIS

❑ **Stage 1 - Accounts Receivable (Project FAB)**

- Approach
- Analysis Findings
- The Use of Measures & Targets
- Results to Date and Next Steps

A Rose by any other name – “PROJECT FAB”

Pre- “FAB”

- “Credit to the Team” – Continuous Improvement element

General Issues

- Adhoc approach
- Driven by team interest in a topic

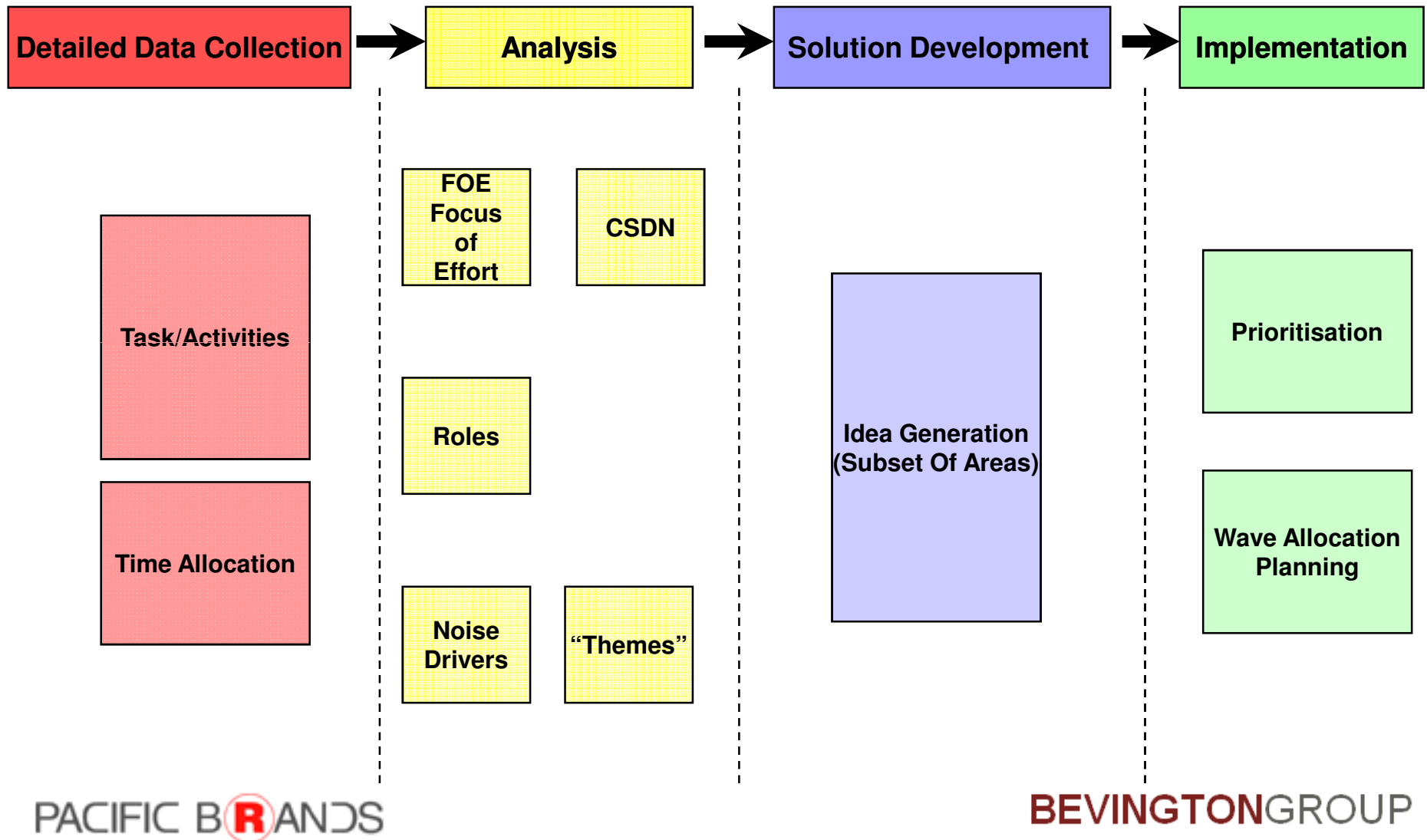
Project FAB

- Structure & Methodology
- Build in-house capability
- Cross-team collaboration
- Prioritise based on facts
- Further improve our staff and culture

Today's Agenda

- ❑ Pacific Brands and PBIS
- ❑ **Stage 1 - Accounts Receivable (Project FAB)**
 - Approach
 - Analysis Findings
 - The Use of Measures & Targets
 - Results to Date and Next Steps

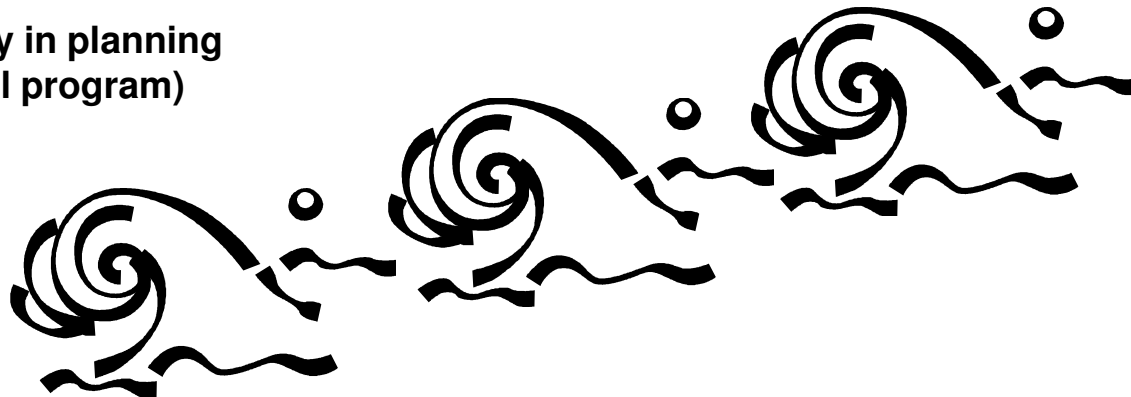
Transformation Approach in Accounts Receivable



A “Wave Implementation” approach

- ❑ Wave 1 (Quick Wins) – Sept 07 → November 07 (complete)
- ❑ Wave 2 – October 07 → January 07 (complete)
- ❑ Wave 3 – January 07 → May 08 (in progress)

Waves 4 & 5 are currently in planning
(Not part of the original program)



Today's Agenda

- ❑ Pacific Brands and PBIS
- ❑ **Stage 1 - Accounts Receivable (Project FAB)**
 - Approach
 - Analysis Findings
 - The Use of Measures & Targets
 - Results to Date and Next Steps

High noise in AR

Approx 30-35% of noise is directly controllable by Pacific Brands
Approx 25% of noise is Customer influenced

Discretionary:

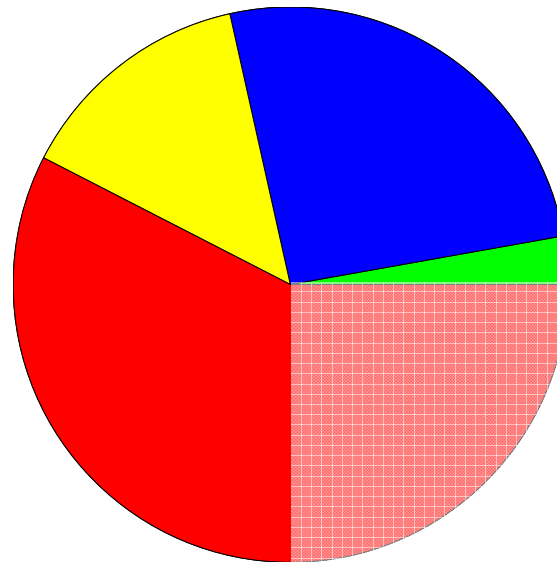
- Monthly reports
- Meetings
- Approvals

Discretionary 14%

Support 26%

Support:

- Processing claims
- Making collection calls



Core 3%

Noise:

- Providing customers with invoices / PODs
- Resolving claim issues
- Manual formulation of reports

Core:

- Prioritising collection calls
- Coaching staff to better performance
- Process improvement
- Adding insight to reports

Noise 58%

From Analysis to Ideas

- ❑ From our analysis we indentified the key themes – or drivers of noise
- ❑ Each theme constituted a “Project Stream”
- ❑ Project Leads selected
- ❑ Idea generation focussed on tackling these issues

Today's Agenda

- ❑ Pacific Brands and PBIS
- ❑ **Stage 1 - Accounts Receivable (Project FAB)**
 - Approach
 - Analysis Findings
 - The Use of Measures & Targets
 - Results to Date and Next Steps

We setup a framework of key business measures to set targets and to measure progress

Business Performance Measures

Business Performance (4 measures)

- DSO, 60 / 90 days, % collection



Process Measures

Customer Measures

- No. of copy invoices / POD's
- No of credit applications requiring rework

Efficiency Measures

- Speed of claim resolution
- End of Month Processing Time
- # unallocated payment

Health Measures



Change Measures

Change KPI's

- %Time in the business

Behavioural Change

- Coaching v issues in one on one
- # Proactive calls
- # Collection calls per month

PACIFIC BRANDS

BEVINGTON GROUP

Estimated savings were then calculated based on reaching the nominated targets for each of the major measures

Direct cash benefits

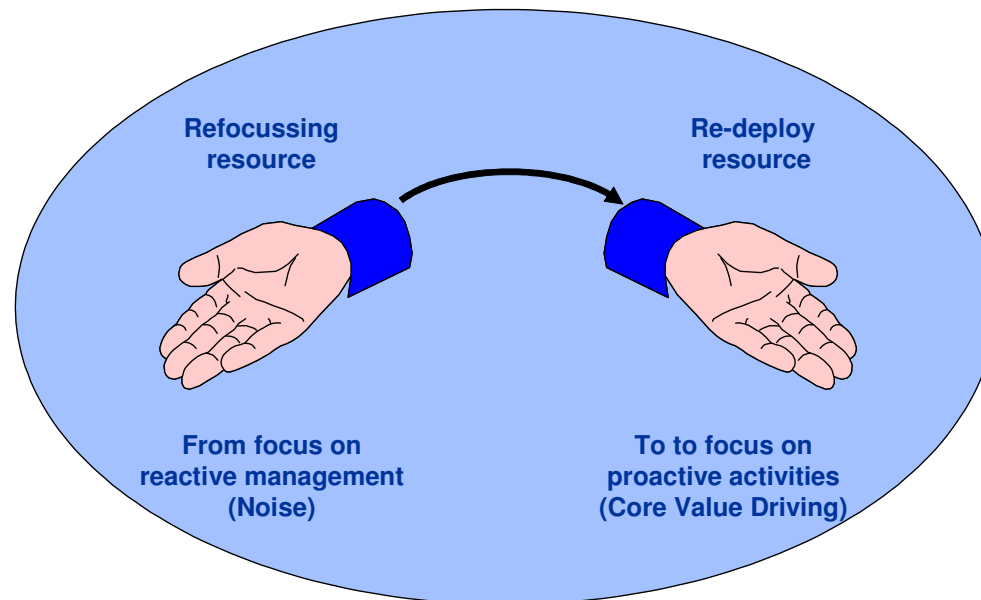
- % collection improvements
- 60 day debt reductions
- 90 day debt reductions

Processing time savings

- Reduced end of month processing time
- Reduced time spent producing copy invoices
- Reduced time spent producing proof of deliveries
- Improved claim resolution (speed & effort)
- More accurate credit applications
- Improved payment allocation

Targets had to be adjusted taking into account FTE re-investment

- ❑ FTEs re-invested into “right area” of focus
 - Proactive collection calls made
 - Standard collection calls made
 - Spending more time within the businesses
 - Continual process improvement
 - IT development associated with the program



Today's Agenda

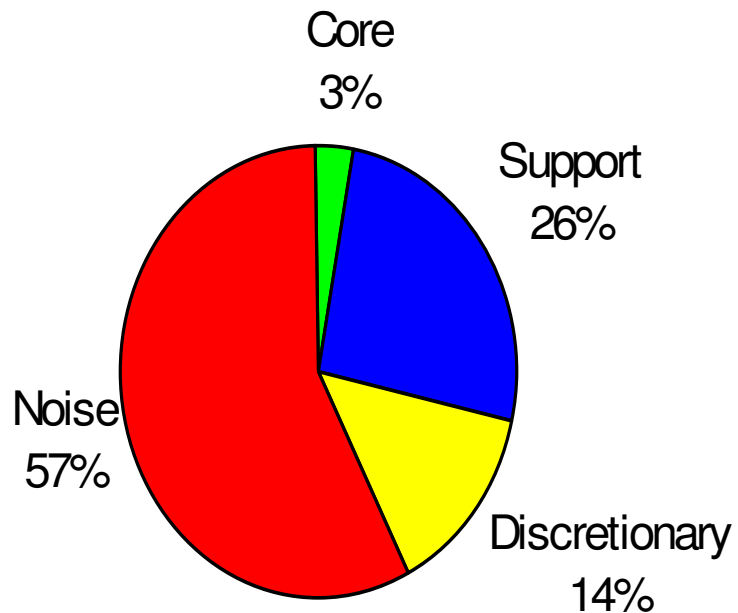
- ❑ Pacific Brands and PBIS
- ❑ **Stage 1 - Accounts Receivable (Project FAB)**
 - Approach
 - Analysis Findings
 - The Use of Measures & Targets
 - Results to Date and Next Steps

Key Solutions Implemented

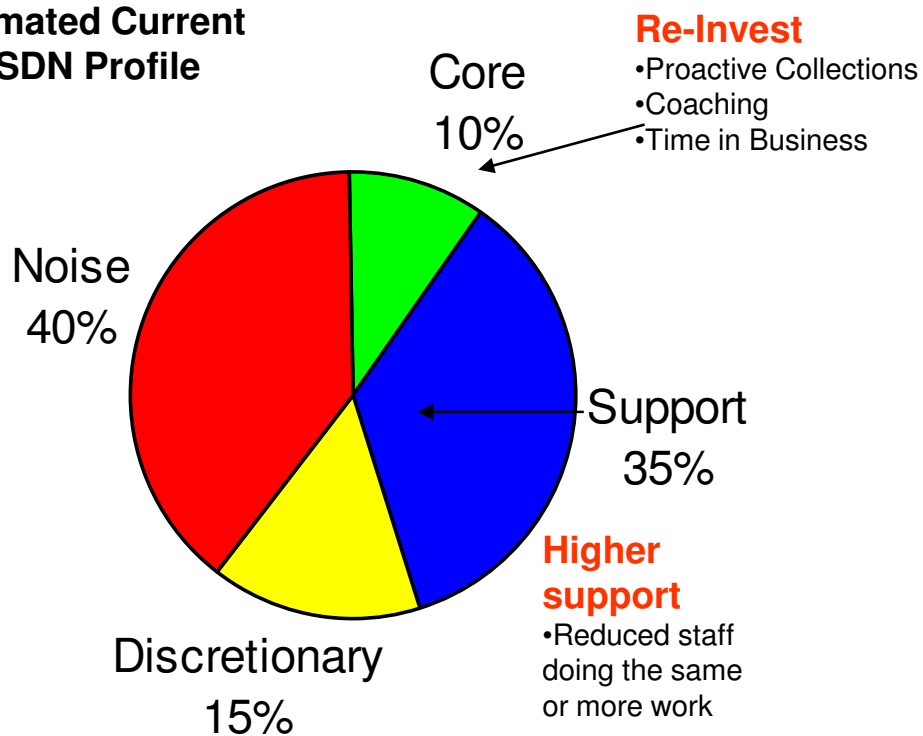
- ❑ Claims Workflow to Web
- ❑ Credit Application Cheat sheet – assisting customers in completing forms correctly – reduce rework
- ❑ Automated/improved data collection for EOM reporting – ensured all teams using correct reports/collection options
- ❑ Improved process for bank reconciliation
- ❑ Improved callback reminder process
- ❑ Reduced need to run reports through on-screen views of data

The program is delivering benefits - Conservatively the program has delivered >100% ROI

Original CSDN Profile



Estimated Current CSDN Profile

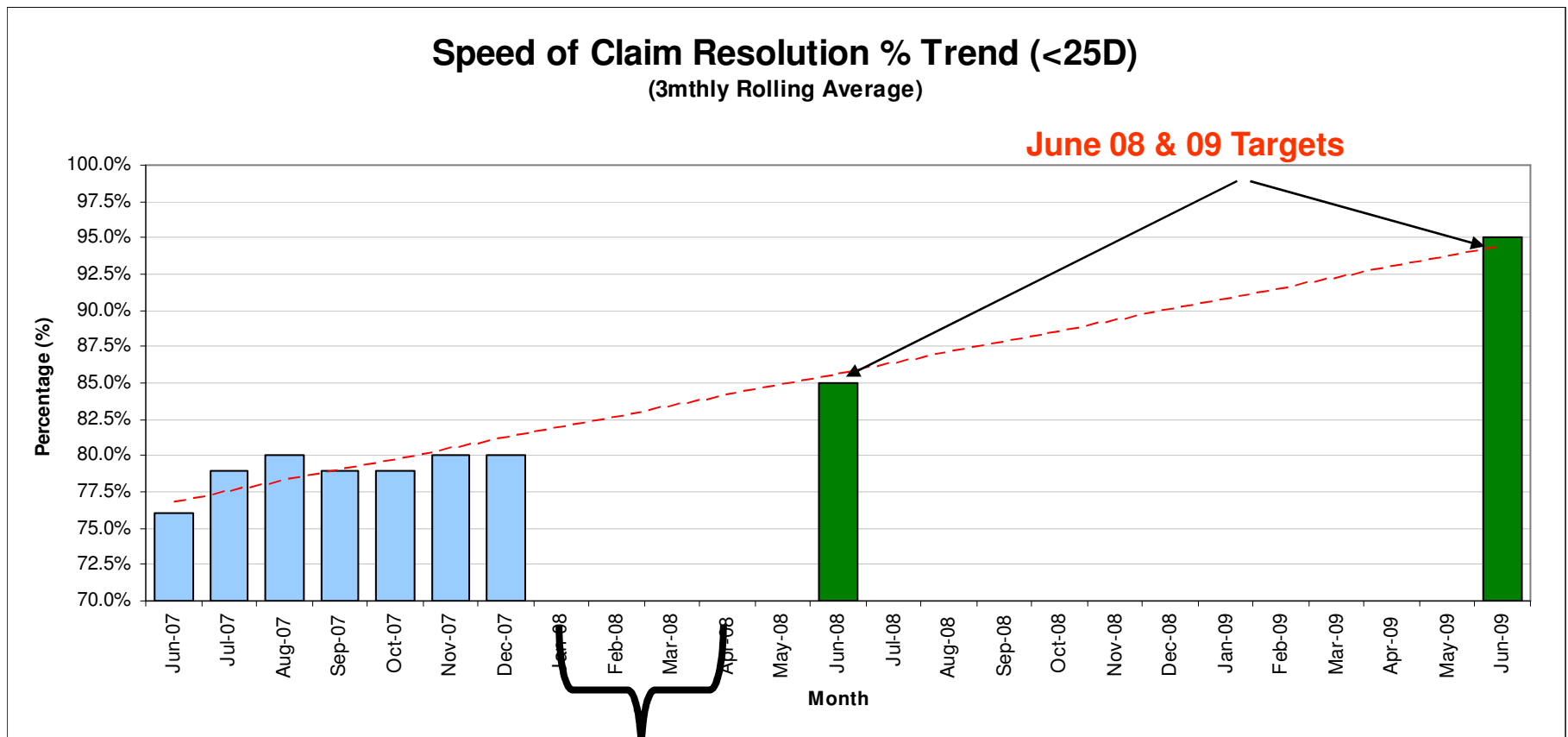


Further benefit is still expected as Wave 3 ideas are yet to be fully delivered

WIP

- Claims Reporting from Web
- On-line Credit Applications
- Improved retrieval of invoices from system to speed up the “copy invoice” process
- Auto-processing of payments to ERP via our web-based system (Brandsnet)

“Claims Resolution Process” Benefits expected in the coming months

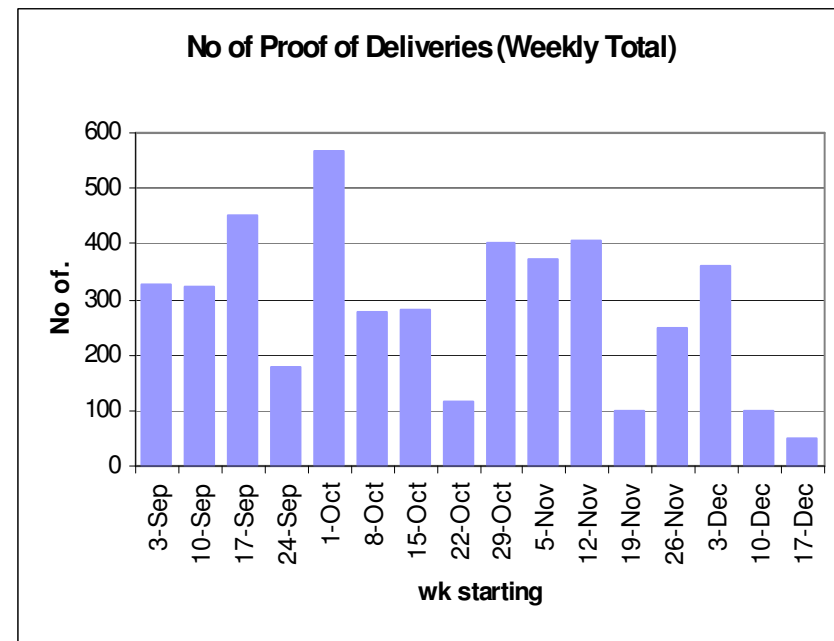
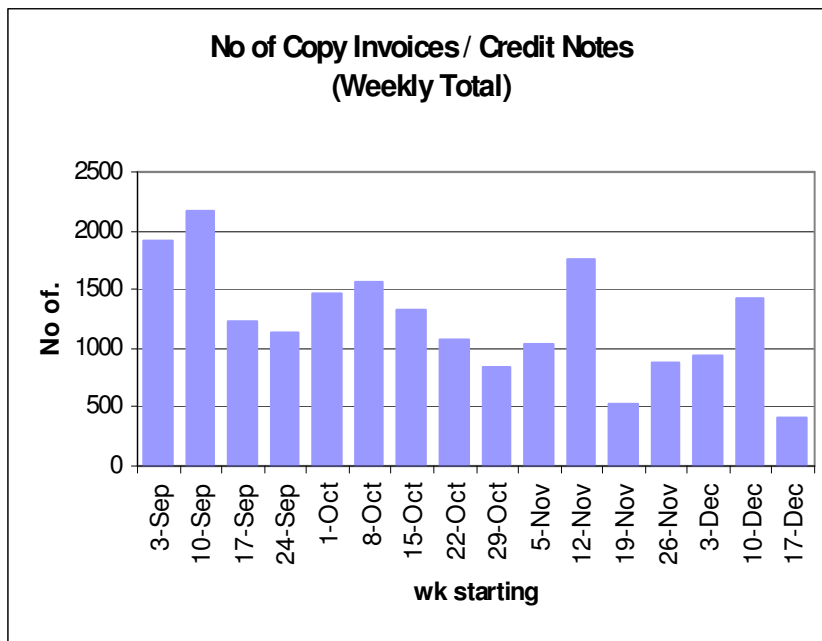


The focus has been on the new system so the reporting suite has been delayed!

Some of the Behavioural Change Indicators showed that the ideas we implemented were not effective enough

Wave 4/5 Idea - Self-serve retrieval of invoices, credit notes and PODs as on-line functionality for customers.

Reduce impact rather than try to eliminate!



The Journey is CONTINUOUS

Waves 4 & 5

- Automation of Credit Note process linked to ERP from web-based claims workflow system
- Auto-matching Claims to Credit Notes on ERP system.
- Allow selection of data based on AR Rep. Improve focus on individuals KPIs and customer issues.
- Self-serve retrieval of invoices, credit notes and PODs as on-line functionality for customers.

The Team Impact of Project “FAB”

- ❑ Initial concerns – time
- ❑ Ideas Generation – buy-in to project
- ❑ The importance of the “Drum Beat”
- ❑ Increase motivation to continue the journey
- ❑ Celebrating success – “WAVE Party”
- ❑ Team “WANT” to be involved

“Project Work” is no longer a dirty word in AR