

Allergan, Inc.

Innovative Sourcing for an Innovative Company

Challenge

Allergan, Inc., the multi-specialty health care company that discovers, develops and commercializes innovative pharmaceuticals, biologics and medical devices such as BOTOX® and RESTASIS®, realized that their indirect purchasing habits needed an overhaul. Recognizing their inconsistent, non-integrated procure-to-pay process, Allergan decided a common purchasing process for indirect procurement could maximize cost efficiencies, provide spend and volume visibility, and automate compliance across the organization.

Solution

In order to drive savings and support top-line growth without scaling overhead, Allergan sought to coordinate their indirect purchasing activities and transform how they interacted with suppliers. They turned to Clarkston Consulting to refine and operationalize their purchasing strategy and help implement an integrated electronic procurement system – designated “ePRO” - leveraging SAP’s Supplier Relationship Management (SRM) and SciQuest’s Spend Director. Clarkston and Allergan partnered to ensure successful implementation through rigorous project management, process design and deployment, and perhaps most importantly, effective communications, training, and change management.

Benefits

Allergan saw positive results almost immediately, with nearly \$40 million in spend through ePRO in the first 6 months, over \$240 million in the following 12 months, and an expected \$400+ million in the coming 12 months. They gained visibility into spend and spending trends, real-time insight into supplier performance, and the ability to manage purchasing in a fully integrated and compliant manner. This initiative provided the opportunity to design and implement a purchasing experience with unified processes that will sustain their growth well into the future.

“Clarkston’s dedication throughout the project was tremendous. This project helped Allergan mature in ways we could not even imagine at the start. It is natural for organizations to be change-averse, particularly when centralizing a process that has long been open for individual decision-making. Clarkston helped us through the sensitive nuances of the project, and we now have a very successful rollout with adoption exceeding even our highest expectations.”

Joseph Hopkins
Sr. Director of Strategic Sourcing & Procurement
Allergan, Inc.

“One Pursuit. Life’s Potential”®

Allergan, Inc. is “a global, technology-driven multi-specialty health care company pursuing therapeutic advances to help patients live life to their fullest potential”. For 60 years, Allergan has brought a spirit of innovation and entrepreneurship to the specialty pharma industry, beginning in 1948, when founder, pharmacist Gavin S. Herbert, and close friend chemist Stanley Bly, formulated ALLERGAN®¹, the first antihistamine eye drop in the United States. With continued success formulating pharmaceuticals based on customers’ suggestions, Allergan has grown through innovation and acquisition to the \$4 billion global multi-specialty health care company it is today.

Large yet nimble – Allergan prides itself on being large enough to command the resources needed to address significant patient needs, while still striving to maintain a lean and efficient operation, with the capabilities of smaller, specialty pharmaceutical companies. Double digit increases in investment year over year, along with numerous acquisitions and partnerships, generate their active pipeline for innovation. Their integrated R&D organization and global infrastructure further strengthen their ability to offer physicians and patients best-in-class treatments and a robust pipeline.

That kind of growth can often lead to inefficient local processes, as the entrepreneurial organization becomes the global leader. Of immediate concern was Allergan’s localized indirect procurement process. With 8,000 employees spread over 100 countries, each department and location used unique buying procedures – each bought different types of products and services, each used different tools/processes for procurement, each even had their own unique set of vendors. Allergan knew they had ample opportunity for significant cost savings – by standardizing their procurement process, rationalizing their vendors, and implementing standard controls – but where do you start an effort this large?

Start with a strategy

Allergan started with a business function that touched the whole company, one that was responsible for hundreds of millions of dollars in spend annually, but that had no structure – indirect purchasing. If they could centralize their indirect purchasing, design and implement processes that served their needs while reducing costs and ensuring compliance, and enable the design with appropriate technology

and training/change management, Allergan could build a foundation for growth and maximized shareholder value. With a high-level strategy in mind, Allergan turned to Clarkston to help deploy that strategy and implement an electronic procurement system. They knew Clarkston’s life sciences experience and reputation for rolling up their sleeves and investing completely in their clients’ success would enable Allergan to meet their stretch objectives.

Solution Highlights:

- *Phased rollout of centralized purchasing design, accounting for department-specific requirements and industry best practices;*
- *Cross-business functions, including Marketing, Sales, Operations, R&D, and Administration;*
- *Best-in-class procurement practices, e.g. preferred vendor program, web catalogs for best price, and electronic approval and workflow;*
- *Technology enablement: SAP SRM (Supplier Relationship Management), SciQuest Spend Director;*
- *Change management and training: customized communication, change management, and training programs designed and executed.*

Once the indirect procurement vision was complete, the rollout strategy was next, with initial focus on US operations. In order to best determine the sequence and sheer scope of the initiative, the joint Allergan/Clarkston team created a standard guideline which included criteria like department size, adaptability, number of established preferred vendors and purchasing spend, volume and complexity. cursory analysis provided the high-level deployment strategy, which was then refined function-by-function.

Through executive business impact workshops with cascading teams of management, the project team designed procurement processes that would meet local requirements while supporting a centralized purchasing organization. For example, Allergan departments needed to agree not only on the processes they would use for purchasing (web-catalogs, purchase requisitions, preferred vendors, and pre-purchase electronic approvals), they also needed to harmonize their product categories, first within Allergan, and then, not insignificantly, with their suppliers.

Changing the organization – no one likes change.

Evolving the organization to support a change in process that, on the face, adds work was one of the project's biggest challenges. The organization needed to gain an appreciation for the bigger picture and the corporate benefit. Business functions that did not historically have to follow any sort of procurement process – Sales, Marketing, R&D – suddenly had to do things differently, changing their everyday jobs. Simultaneously, Allergan was beginning to roll out their new electronic invoice approval system. The two projects were synchronized and shared resources in order to provide training on the entire purchase to pay process.

“Changing the attitudes and behaviors of Allergan personnel as it relates to procuring products and services has been a very challenging process. Clarkston was instrumental in working with Allergan to put together an effective communication strategy to better communicate the ePRO system change benefits, assist in devising an effective instructor led training course strategy to support end users, and assist in the implementation of a procurement services organization. As a result of this structured approach, Allergan employees have really accepted and embraced the new ePRO system in their current business environment.”

Vicki Blankenship
Manager of Procurement Services
Allergan, Inc.

Highlights of the change management strategy included:

- Project awareness meetings, which provided an effective means of communication and training for the more simple tasks, such as approving/rejecting electronic requisitions;
- Business Advisory Team (BAT) of key stakeholders who represented their functions;
- Communications plan that included placement of messages in support of the project at key executive meetings and company-wide announcements;
- Instructor led courses delivered to those who purchase as part of their standard tasks;
- Specialized role and training course established for designated “Buyers” (responsible for processing

non-catalog requisitions to purchase orders and resolving any discrepancies);

- Finally, for continued support, monthly super user sessions conducted to ensure system adoptability and issue resolution.

Technology – the foundation for the strategy

Allergan understood that leading technology would help support their vision for world-class purchasing; building on their ERP platform (SAP ECC 5.0), they chose and implemented SAP SRM 5.0, SciQuest Spend Director, and Open Text Vendor Invoice Management.

SAP SRM provided electronic approval and workflow, encouraging ‘smart’ ordering (bundle orders to save on shipping/delivery charges) and timely purchasing, and consolidated purchasing analytics. Closely connected to their ERP, SRM was seamlessly integrated for superior, real-time reporting and purchasing workflow.

SciQuest Spend Director provided hosted catalog management, allowing Allergan to focus on only the most value-added procurement activities. Allergan leveraged SciQuest’s supplier relationships to easily load pre-existing catalog content; catalog maintenance is easy and electronic.

Open Text Vendor Invoice Management was used to route incoming supplier invoices for approval based on logic outlined in the procurement process. This created a fully integrated and automated procure-to-payment process.

The new procurement experience

Successful implementation of the centralized process and technology has allowed Allergan to focus on only the most value-added procurement activities: negotiating with suppliers and managing their performance. As for the shopping experience, the solution enables Allergan users to shop for items across several suppliers all within one aggregated catalog environment. In addition to improving strategic procurement, the solution is instrumental in driving contract compliance across the Allergan eProcurement user community. Allergan has visibility across the organization into their indirect spend, the first step to reducing their costs, supporting their growth, while still remaining nimble.

Before Allergan had centralized purchasing, individual departments had individualized spending habits with no structured purchasing environment to help take advantage of their size and scale. Multiple advertising agencies, marketing materials, lab equipment, consultancies – Allergan knew the potential for cost savings was phenomenal. By successfully centralizing their purchasing, using core supporting technology and a hosted catalog solution, Allergan is seeing immediate results.

Project success equals money reinvested

Increased supplier leverage. Allergan now has the data to help take discussions with suppliers to a more strategic level.

Better leveraging available budget. With preferred supplier relationships, department managers can stretch their budgets even farther.

Visibility. Allergan can better estimate expected payments coming due, and department managers can gain greater awareness of budget performance throughout the year.

Improved controls. Forcing up-front financial approval was a best-practice that Allergan wanted throughout the organization. With approval workflow and category-based procurement, requests for chemicals and controlled substances are automatically routed for proper approvals.

Efficiencies. Allergan has gained greater visibility to spend, thus allowing spend analytics and ongoing supplier rationalization. Allergan has reduced their supplier base by 50%, and now 48% of indirect spend is through preferred suppliers, with that number still growing.

Convenience. Upfront automated e-verification and approval, and an “Allergan Marketplace” that allows users to view and compare suppliers and products from one location.

Streamlined operations. Allergan now has an integrated purchase to pay process from the point of requisition to the purchase order, all the way to the receipt and payment of the invoice.

In just the first 6 months, nearly \$40 million in spend has gone through the system. In 2009, nearly \$240 million, and in 2010 an estimated \$400+ million will flow through their tightly controlled procurement process, with visibility by management and the cost-savings inherent with preferred vendors, web catalogs, and best pricing. Allergan has now achieved their goal to decrease spend and reinvest those savings into their business.

Keys Success Factors

- Strong commitment from Allergan leadership
- Consistent engagement of all impacted functions
- System and processes aligned with company's business goals
- Open lines of communication to ensure user acceptance
- Combining rollout and training initiatives with the new electronic invoicing project
- Extensive training program, supporting educational materials, and active super user population

“Allergan took on an ambitious task through this project and is realizing the benefits of this investment. Biopharmaceutical firms have long been hesitant to insert control into the typically less structured processes of Marketing or R&D. Allergan accomplished this without impeding creativity, and now, these groups are realizing the benefits and asking for more and more support.”

Mark Ginestro
Partner
Clarkston Consulting

References

- 1 Allergan website – Corporate overview



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