

STRATEGIC IMPERATIVES:
INCREASE PRODUCTIVITY



FOCUS ON: OUR PRODUCTIVITY JOURNEY

We are doing more by
cutting waste and building
foundational capabilities.

66

JEFF CARR
CHIEF FINANCIAL OFFICER

Improving productivity is about changing the way we work to become more efficient and sustainable, and we have done just that, all the while delivering £2 billion in productivity.



STRATEGIC IMPERATIVES CONTINUED

Improving productivity isn't just about finding savings. It's about changing the way we work to become more efficient and sustainable. It's about smart spending, synergies, doing things together better, using and reusing our assets, and sharing rather than duplicating resources.

In 2020, we launched the X-Seed Programme to drive our productivity strategy. This focuses on delivering additional value from business-critical projects to reinvest in growth, developing new capabilities that maintain the momentum for productivity improvement, and enhancing business resilience so we are better equipped to meet upcoming challenges. We initially targeted £1.3 billion in productivity gains by the end of 2022. We swiftly exceeded this and revised our target upwards to £2 billion by end-2023. By the end of 2022, we had already reached this higher figure.

The success of our productivity programme is mainly due to the energy and commitment of our people. Colleagues recognise that our responsibility for combating waste and reducing our own footprint is an integral part of pursuing our Purpose of working for a cleaner, healthier world.

The productivity programme has provided structural support for these efforts and given colleagues the right tools. Our learn and adopt approach promotes transparency and shares best practice. Everyone is encouraged to think strategically and sustainably about where we can unlock value.

X-Seed marked a step-change in our approach. We focused on areas where rethinking or refining our approach could deliver global transformation. The programme initially targeted five main areas: marketing, product costs, indirect procurement, manufacturing and supply chain optimisation. In manufacturing, for example, we developed

and implemented Reckitt Production System (R-PS), a solid set of common standards and manufacturing best practices. This reduced waste and boosted our operational excellence through continuous improvement actions and by reducing the time and cost spent on running our daily production cycles.

In our marketing productivity programme, we focus on all the major marketing spend categories and work closely with functional teams to introduce transformational initiatives to make our marketing investment work harder. Media mix modelling is just one example. We use this to make strategic decisions about which media channels specific brands should invest in for optimal return.

Delivering productivity improvements

There are three main strands to our productivity journey: foundation building, quick wins and major projects. In the initial, transformational, phase, over three-quarters of productivity gains came from globally led, foundational initiatives. Much of this work is now in place. We anticipate that local markets and business units will play a bigger role in driving future productivity gains.

The productivity team has developed valuation guidelines which use existing in-house systems to calculate and report productivity gains. Finance teams all over the world receive training in their implementation. This gives us simple, consistent productivity data and allows teams to focus on actions instead of data.

The foundation building strand aims to embed continuous improvement in our day-to-day thinking. To support this, we've been building a one-stop shop which integrates productivity tools and techniques. An estimated 20% of our gains this year stemmed from foundation building.

Quick wins accounted for around half of all productivity gains made this year. These are local- and business unit-led initiatives aligned with the Group's functional agenda. Savings are frequently realised with cross-functional and international collaboration. For instance, when we relaunched Finish tabs this year, our R&D, supply, quality, procurement and factory teams worked together to reduce production complexity. They realised multiple efficiencies; for instance, by harmonising artwork and optimising packing materials.

Bigger, transformational projects require more time and resources to implement but have the potential to deliver substantial longer-term gains. Around 30% of the year's productivity improvements have been achieved in this way. Developing an in-house content production ecosystem for marketing assets realised a total of £14 million in-year savings in 2022. The new approach improves our efficiency and effectiveness whilst preserving creativity and enables more impactful conversations with consumers.

Sustainable productivity growth and business resilience

The success of our productivity programme has enhanced our business resilience. We've been able to accelerate capital investment and reinvestment in the business. That has helped to keep our growth plans on track, despite the significant headwinds affecting all major economies over the past few years. Our increased efficiencies have released additional capital to support investments in R&D, enhanced digital capabilities, developing our centres of excellence and broadening the reach of the Dettol and Lysol brands.



ILYA SELIVANOV
SVP PRODUCTIVITY AND
TRANSFORMATION

It is amazing what true partnership and collaborative spirit between procurement, R&D, quality and commercial teams can deliver. With 16,000 productivity initiatives across the organisation, everyone has played a part.

