





dōTERRA

Brings the Power of Nature
to the World at a Rapid Pace

Leading Essential Oils Company Chooses SAP
S/4HANA to Support Sophisticated Business
Model with Scalable, High-Performing Systems

by Lauren Bonneau, Managing Editor

Since essential oils company dōTERRA was founded in May 2008, it has grown to serve three million customers spread across more than 100 countries. Expanding from an initial product line that offered 25 single and 10 blends of essential oils, the company now manufactures and distributes 46 single oils, 26 blends, and another 56 products containing therapeutic-grade essential oils. Each of the essential oils the business distributes has been carefully distilled from plants that were harvested by select growers around the world. The dōTERRA name, meaning “gift of the Earth,” reflects that this array of essential oils and nutritional, spa, and healthy living products would not be possible without its global network of botanical growers and distillers.

The company, based in Pleasant Grove, Utah, knew that achieving its vision and standard of bringing the world the highest quality and purest essential oils would require a team of dedicated people. dōTERRA employs approximately 2,300 people to support the millions of customers who are buying its products. About 1,900 employees conduct day-to-day operations out of a newly constructed 383,000 square foot headquarters facility — a testament to the company’s phenomenal growth and future potential — and another 400 employees work in corporate offices and distribution facilities in 17 countries around the world.

dōTERRA’s business model is a unique one because it follows a direct selling approach that allows individual distributors called “wellness advocates” to work with customers, as opposed to following a mass marketing approach. This model develops a trust relationship between the customer and wellness advocate, which is evidenced by the fact that, after joining dōTERRA, 68% of all customers regularly reorder — compared to the industry average of near 10%.



At a Glance

Goals: Improve functionality for core business functions, increase system scalability and global footprint, and enhance analytics for strategic decision making and improved business performance

Strategy: Implemented SAP S/4HANA Enterprise Management, along with other SAP solutions, in a multiwave transformation project, which has already gone live with two waves within a 10-month time period

Outcome: Improved the visibility of inventory and supply chain management processes, created more robust finance and self-service HR processes, enhanced the control of website content, and improved analytics with SAP S/4HANA

“We buy botanicals from growers and distill their essence down into certified, pure, therapeutic-grade oils, and then we sell these through a direct selling model,” says Todd Thompson, CIO of dōTERRA. “That means we have around three million customers or distributors who buy our products, some of which sign up other people to sell them — and therefore we create a natural sales team that grows the business and shares the products in more than 100 countries around the world.”

The business globally sources its botanicals from more than 40 countries where the plants are grown, and the distilling happens close to the growers. These oils are tested for purity and validated for quality at multiple production points: the chemical composition is first tested after the plant is harvested and distilled; then it is tested again when the oil is received by the dōTERRA production facility; and finally, during the filling process, the oil is confirmed to be free from contaminants and verified for efficacy before shipping to consumers.

The vast majority of these product shipments are ordered via ecommerce — and as suggested by the increase in oils sourced, the volume of orders placed is also steadily growing. “We sign up tens of thousands of new members a month,” says Thompson. “About 90% of our orders are submitted online, with the other 10% coming through a member services call center by chat, email, or phone.”

To guarantee that the growing number of consumers and distributors receive the purest and highest quality oils exactly when and where they are supposed to, dōTERRA needs to ensure its internal operations are running at optimal levels and top speeds.

From Start-Up to Mid-Market — and Beyond

When dōTERRA was first founded, it started with an outsourced IT model, running on a specialized system for start-up network marketing companies. This system provided order management capabilities — through both web- and call center-based channels — from order entry to order fulfillment. It also supported the enrollment of new members and provided the rank determination, commissions, and compensation capabilities from the back end as well. “This was a good fit for the first six years or so to help us grow and execute effectively,” says Thompson. “However, we augmented this system with a few other applications for core financials and warehouse management, and we used a lot of spreadsheets.”

Running an incredible amount of revenue through accounting software designed for small businesses and maintaining this data manually with spreadsheets was not an ideal infrastructure for the growing company. Considering that by 2009 dōTERRA had reached \$1 million in monthly sales for the first time, and that by 2012 it was performing \$1 million days regularly, the business soon recognized it would have to scale its systems to keep up with the booming growth. “By the fall of 2014, we were continuing to grow double digits, month over month, and we had already begun to outstrip our systems’ capabilities in many ways,” Thompson says. “We began to

suffer from slow performance and system outages, so the impetus to move to a scale-up enterprise solution was strong — and it continues to be so as we continue to grow.”

With the incredible growth of the past eight years potentially accelerating over the next five years as dozens of new international markets open and expand, dōTERRA needed to update its systems landscape to support this anticipated increase in scale and global footprint. The business wanted to find an infrastructure with more scalable, internally-managed systems to run its dynamic business but still maintain its small-company feel. “Our goal was to run sophisticated software while still feeling like a small company as we grow,” Thompson says. “We did not want to get into an ERP environment where we felt forced into a landscape much too complex for our needs. We wanted to keep it quick, simple, and agile — given our age, size, growth, and business.”

From a business driver and strategy standpoint, dōTERRA aimed to improve functionality for core business functions — specifically in finance, operations, human resources (HR), order management, web enrollment and commerce, and customer relationship management — as well as enhance analytics for strategic decision making and improved business performance.

Making the Selection and First Steps

When identifying what ERP system dōTERRA would implement for its transformation, the project team, which was made up of both IT and business-side people, underwent a formal selection process that involved thoroughly analyzing requirements and reviewing documentation from a number of different software providers. The team had each provider come to company headquarters for on-site workshops to demonstrate how its software would fit the business. “We also made sure they were knowledgeable of our business so they were not proposing in a vacuum,” Thompson says. “We took them on tours through the entire facility and introduced them to a day in a life of a call center agent so they could understand the business before sending in their proposals.”

After a rigorous in-office and out-of-office negotiation process, dōTERRA selected SAP as its software provider. The decision was to run one global instance of SAP S/4HANA Enterprise Management, hosted by a managed services provider at an off-site data center. “We chose SAP S/4HANA for our transformation journey because we believe in the power of the entire SAP HANA suite,” Thompson says.

The overall project plan included implementations of additional SAP solutions such as SAP Fiori, SAP SuccessFactors Recruiting, SAP Hybris Cloud for Customer, SAP Hybris Product Content Management, SAP Hybris Commerce, and SAP Hybris Marketing. The transformation project kicked off in June 2015 and is scheduled to be completed by the close of 2020. The timeline was broken down into multiple phases: The first wave went live in April 2016 with the SAP Hybris Product Content Management application for managing static website



dōTERRA

Headquarters: Pleasant Grove, Utah

Industry: Essential oil manufacturing and distribution

Revenue: \$1 billion+ (2015)

Employees: 2,300+

Company details:

- Privately owned, founded in May 2008
- Ships products to customers in 100+ countries
- Corporate offices located in 17 countries
- Has 3,000,000+ wellness advocates distributing products
- Sources botanicals from 40+ countries
- Reached more than \$1 billion in yearly sales in 2015
- www.doterra.com

SAP solutions:

- SAP S/4HANA Enterprise Management, SAP SuccessFactors Recruiting, SAP Fiori, SAP Hybris Product Content Management
- SAP Hybris Cloud for Customer (in progress), SAP Hybris Commerce (in progress), and SAP Hybris Marketing (in progress)



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— **Todd Thompson**, CIO, dōTERRA

data — this static website content included over 5,000 pages of information about the company, its products, its advocates, and so on. A month later, the second wave rolled out back-office SAP functionality for finance and controlling, logistics and operations, and HR functionality in the US — and also included an implementation of SAP SuccessFactors Recruiting.

The third wave, which is currently about halfway through development, will go live in the summer of 2017 with SAP Hybris Commerce for online shopping and enrollment in the US, as well as SAP Hybris Cloud for Customer for customer relationship management. At that point, online browsers and shoppers will have a total ecommerce experience at doterra.com — from enrolling as new members to browsing items and adding them to carts to completing checkout transactions — all delivered through SAP Hybris solutions. The final wave is currently in the blueprinting phase for a global rollout of all the solutions, going live starting in the middle of 2018.

Once the software vendor was selected, the next piece was to choose an implementation partner. The team quickly assessed and narrowed down a list of several partners. After the prospective new team members took an on-site tour of the dōTERRA business and offered a deep dive of their proposed solution to assist the SAP implementation, Deloitte was ultimately selected. According to Thompson, SAP Hybris was an important element in driving the selection of SAP as the software provider, and Deloitte’s proven experience of successful SAP Hybris deployments was the deciding factor in choosing the implementation partner. Another key factor was the cultural fit. “Something clicked with the Deloitte team from the start,” he says. “It was easier to connect with them interpersonally to develop an open, team-oriented dialogue and debate, and the partnership truly feels like we are doing this together.” (For more information about Deloitte’s role in the project, see the sidebar at the end of the article.)

Thompson says that Deloitte’s assistance has been hugely helpful in managing the project’s hybrid agile and waterfall methodology and driving the implementation team’s learning. The team is staffed in a one-to-one

manner so every member of the core team has a learning responsibility while a teaching responsibility rests on every Deloitte team member. “We wanted the team to walk away from this project fully capable to handle the next upgrade or implementation,” he says. “We have knowledge-centric plans, which are a specific curriculum that every team member has to check as we progress through the project, and that major focus in our transformation effort has been crucial in retaining and growing the team.”

Running Mature and Sophisticated

Moving from simplistic systems, spreadsheets, and manual processes to more complex SAP software requires significant maturing of business processes to handle the added intricacies. And the more people that use the new software, the more business processes will require maturation. So far, the SAP software has been rolled out to around 200 users in the first two waves. By the time wave three is complete, that number will climb toward 1,000 — and the global rollout will reach close to 2,000 users.

The operations users who have gone live to date have realized better visibility into inventory as well as an improved ability to manage the supply chain. Previously, manual processes for inventory management and planning — such as managing receipts, shipments, and material request transactions — were simple and broad. More accurate and detailed planning around how materials data is managed is helping drive better procurement workflows and decisions. More robust finance processes have improved budgeting, cost and cash management, and financial reporting. Enhanced HR processes, such as employee and manager self-service capabilities, have improved access to HR data. dōTERRA has consolidated more than 30% of its websites and has better control of the content. The business had its first glimpse at the power of SAP S/4HANA, which has spurred ideas for more advanced analytics, which are currently in the works.

While the additional capabilities introduced so far in finance, operations, content management, and HR were much-needed and gladly accepted, they also created a challenge for business stakeholders at times. “We have

tried to keep it as simple as we can as we move to work in a more structured and integrated fashion,” says Thompson. “The change has been great, but it also certainly involves some uplift in skills. With more sophistication available now, we need to significantly mature back- and front-end business processes as we scale and grow — and in many ways, SAP software has facilitated that. For instance, we do costing on products with more granularity than we used to now that we have cost elements in the material master.”

One aspect that is visibly more sophisticated to business users is their graphical user interface. Employees are pleased with the new look SAP Fiori brings and are enjoying the simplicity of their personalized screens. dōTERRA plans to enhance its front-end business intelligence environment now that it has access to more data. “We are driving toward more advanced analytics and better decision making,” Thompson says. “Our vision is for every knowledge worker in the company to have a dashboard-level view they can drill down into to see their main priorities.”

Another sophistication to be realized will affect the sourcing part of the business, which is substantial as dōTERRA buys in very large quantities. “We fulfill hundreds of thousands of line items a day at our current rate, which requires a strong focus on performance and scale,” says Thompson. “We think SAP S/4HANA will help us in the logistics area around fulfillment, given our order volume and the business-to-consumer dynamic of this volume.”

As the third wave goes live next year, SAP Hybris Commerce will be a key win of the project. “Considering that 90% of our business is online commerce, it has to work well, scale well, and perform well, and it has to provide a solid customer experience,” says Thompson. “We are confident that it will, and that is an important element to prove over the next year.”

Success Highlights

According to Thompson, a big success factor for the project is that dōTERRA has been focused on solving a business problem rather than a technology problem. The project team has hung the set of business drivers on the wall to remind everyone exactly what business metrics they are trying to achieve. “We have worked hard to invest the business into the project to help us drive those results,” Thompson says. “We have great engagement from the business at all levels — from super users to subject matter experts to our business stewards (who are vice-president-level leaders) to steering committee members — in every phase so far. We make sure they are at the table, understand what we are doing, are involved in the key decisions, and realize that the technology implementation is simply to support achievement of the business objectives. That is how the project is driven, and it has been a huge element of success for us.”

Since dōTERRA is a growing company, the learning and the maturity will not end when the project is complete. “It’s not a one-and-done and then walk away situation,” Thompson says. “We can continue to work with the system and implement functionality to have it reflect our dynamic business for years to come as we double and triple in size and grow around the world into new markets and segments.” ■

Finding the Right Fit: dōTERRA Selects Deloitte for Help on Transformation

Never underestimate the importance of a good cultural fit — especially when it comes to mammoth business transformation projects. To help transform its operations with SAP solutions, dōTERRA selected business and IT consulting leader Deloitte based in large part on the firm’s ability to work seamlessly with the client team. Deloitte’s exceptional fit with dōTERRA manifested itself on three fronts.

For one, Deloitte was able to develop a deep understanding of dōTERRA’s business, providing a common language for discussing challenges and potential solutions. Second, Deloitte was able to elevate conversations and engage in thoughtful debate thanks to the firm’s industry-specific, role-based experience — making discussions more relevant to dōTERRA’s needs and ultimately more productive. Third, Deloitte implemented solutions through the lens of dōTERRA’s culture, helping to ensure that technology worked the way the company’s people worked and supported dōTERRA’s vision of customer engagement.

In addition to bringing a “business first” approach to addressing dōTERRA’s challenges, Deloitte also brought a comprehensive understanding of SAP offerings, with a global network of more than 16,400 business and technology professionals focused on SAP solutions. Additionally, preconfigured solutions, templates, and accelerators from Deloitte have helped dōTERRA move fast on its transformation journey. “Deloitte brought very strong capabilities in addition to a better interpersonal fit,” dōTERRA CIO Todd Thompson says, “That set of strengths absolutely has been borne out with the success of the implementation.”

Please visit www.deloitte.com/SAP for more information.

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