



**Chazey
Partners**

A QX Global Group
Company



CASE STUDY

From Siloed to Scaled: Herbalife's Digital Transformation

Overview

Herbalife is a global health and wellness company established in 1980 and which operates in over 90 countries. Herbalife sells through a network of over 2M independent distributors who directly market to their clients and support their down channels (multilevel marketing or MLM), offering a wide range of science-backed products, including meal replacement shakes, protein bars, supplements, and personal care products. Herbalife is headquartered in Los Angeles, with over 9k employees supporting global net sales of \$5.1B in 2023.

Challenges

Herbalife experienced a significant surge in sales with the Covid pandemic, which increased the number of individuals looking to develop home-based businesses and alternative sources of income. Net profit grew, but Herbalife's operating model did not scale efficiently, and SG&A costs increased as a percentage of revenue. A bigger problem was coming; with the ending of the pandemic and normalization of the business environment, sales would return to historical trends and would be weighed down by a complex, siloed back-office structure with a relatively high cost to serve.

The Herbalife back office developed country-by-country, operating in a compliance-heavy environment with a reliance on generalists. Not only are the science and production for the nutrition and personal care products heavily regulated, Herbalife's distributed sales channel requires careful support and training to ensure compliance with policies and regulations. This led to a risk-averse, country-centric back office structure, with dispersed concentrations of staff in high-cost locations. The technology landscape had significant regional and country variations and processes were not standardized. Herbalife had started to build a Global Business Services (GBS) structure, but this leveraged a tenant/landlord model with GBS direct responsibilities generally being limited to hosting activities.

Our Engagement

Chazey started work with Herbalife in 2018 with an assessment of the existing GBS centers. This brought actionable insights to leadership and identified the benefit of completing a wider assessment to include end-to-end processes across the back and middle office. Chazey developed the Roadmap for transformation ("Project Thrive") for each end-to-end process, and provided project management, facilitation, benchmarking, business transformation, business case, and change management services, plus led the \$20m technology futurization program, and provided staff augmentation to support during this transition. In July 2024, Chazey completed their support of Thrive China, the last major active project between Herbalife and Chazey under the Thrive program.



Thrive program

The Thrive Program had two phases;



PHASE 1:

Initial phase focused on building an integrated GBS model with centers in Mexico and Poland for the major markets supported by Finance, Human Resources, and Member Services. Chazey's work enabled Herbalife to realize their new operating model with globally standardized processes, employee transition and training, a more consistent global deployment of Oracle, and implementation of ServiceNow as the global case management tool.



PHASE 2:

Expanded the GBS model to its existing centers in Malaysia and India, supporting countries globally, and moved up the value chain to build and optimize professional and technical services in Centers of Expertise, and to expand strategic business partnering capacity. At this time, a separate project was launched to focus on achieving efficiencies within Herbalife's China organization, and with a view to establishing an "in China, for China" GBS center.

Revenue now had returned from pandemic era highs and the market demanded additional margin recovery actions. Herbalife was able to point to Project Thrive's successes and expanded the functional scope across the back and middle office to include information technology, procurement, member operations, member policy and compliance, legal, supply chain, warehousing/distribution, and other elements of operations. Chazey developed, deployed, and tracked strategies including productivity, right-sizing, location arbitrage, position arbitrage, and non-wage savings, enabling Herbalife to achieve over US\$100m in ongoing, net annual savings by the end of 2024.



What We Did?

Change management and communications did not exist as a unified program, nor global strategy at Herbalife prior to Project Thrive. Previously, it wasn't always clear how Herbalife's vision for change and evolution were being communicated across the organization. Chazey worked with the various regions and teams (Corporate Communications, Marketing, Creative Services, Insights, and functional teams) to develop a comprehensive Change and Communication program and plan in support of Project Thrive. A dedicated Project Thrive Intranet page was launched, and regional intranet pages were configured to ensure a consistent brand and message. The global intranet page was updated regularly with key activities, including a "Did You Know" campaign to ensure awareness and understanding of key activities throughout deployment. Key initiatives included a global "Thrive Five" leadership campaign, where key leaders across Herbalife highlighted five highlights and/or insights related to Project Thrive. A Change Champion network engaged Herbalife's people and leveraged existing and new relationships to reinforce the messages and vision of Project Thrive throughout the organization. Cascading communications were aligned to project activities and deployments, leveraging new technologies such as mySupport on the ServiceNow platform. Change Insights pulse surveys were used to measure the success of the Change and Communication program activities, aligned to the Prosci ADKAR model.



Chazey brought a senior team to the Herbalife engagements, and this team leveraged their practical experience and extensive skillsets as former CFOs, CHROs, and leaders of GBS, enabling Herbalife to achieve the future state on time and on budget, without compromising on the quality of outcomes. Herbalife benefited from Chazey's partnership approach, enabling handover to the internal team to support tracking, maintenance, and other activities on an ongoing basis. Chazey brought its knowledge of TSLL (tax, statutory, legal, language requirements) and leading practices to the planning discussions and execution, appropriately challenging Herbalife to strive towards leading practices, and supporting Herbalife to realize the approved design. Our employee transition methodology allowed us to use the business case as an accountability framework, including translating the business case into specific employee impacts, and tracking these impacts from projections to realization.

Herbalife's new operating model is still evolving, but it is now well placed to scale efficiently with the business, supported by thoroughly documented end-to-end processes, more consistent services, performance tracking, and a leading practice Service Management Framework. The more optimized operating model is enabling Herbalife future initiatives, including creating mega-GBS centers in Mexico and India, expanding the GBS model further, and enabling the upcoming upgrade to Oracle Fusion ERP.