



Lipstick, powder and ERP

Cosmetic manufacturer trusts slim organization and a flexible ERP system

Production in a high-wage country can be profitable - if the right approach is taken. A manufacturer of cosmetics combines a perfect organization of production and logistics with a production-oriented and flexible ERP system. The standard business software abas Business Software with extensive functions for production planning and materials management runs on Linux servers that are equipped with the latest 64-Bit technology of the Intel Itanium series. This efficient solution does not only secure already existing jobs in Germany, but is also the basis for further expansions.

More and more production companies leave Germany. Germany, as a location for business, is apparently too expensive. However, this is refuted by the British Boots Group PLC with its German subsidiary BCM Kosmetik GmbH, which operates successfully despite high costs of labor.

Only insiders know Boots or the subsidiary BCM Kosmetik in Germany. The listed corporate group produces branded products for world-wide operating cosmetic suppliers such as Yves Saint Laurent, Chanel or Lancôme and is well known in England with own brands for "Health & Beauty & Pharmacy". Therefore, the choice of the production location is even more amazing: Germany. For eight years now BCM Kosmetik has been producing beauty products in Dietzenbach (Germany). Lipsticks, eyeshadows, creams and suntan lotion are only some examples. Today, the German location is making so much profit that the English owners are expanding it even further. The powder, mascara and additional lipstick production is presently moved from Scotland to Germany. Additional jobs will then be created in Dietzenbach. Starting mid 2004, 68 million cosmetics units are to leave the factory annually.

Such a success does not occur by itself. According to the "Lean Production" philosophy, the British corporate group subjected all business processes and pool of costs to a critical evaluation. "The German management was also asked to do so," describes Klaus Lieschka, Manager Customer Service Center.

This process started around eight years ago in collaboration with Interaktiv GmbH, a consulting and project planning organization, specialized on information-oriented workplace organization as well as the implementation and use of ERP systems. The IT company is a partner of ABAS Software AG, provider of the ERP system abas ERP.



"After analyzing the company structure it became clear that the implementation of a new software solution had to go along with a company-internal re-organization," explains Walter H. Kölbl, Interaktiv executive.

BCM Kosmetik GmbH

BCM Kosmetik GmbH (Boots Contract Manufacturing) belongs to the British Boots Group PLC. The annual business volume of the listed group amounts to 320 million pounds sterling, of which 60 million are made in the cosmetics industry. About 200 employees work on 9000 square meters in the production in Dietzenbach (Germany). Another 400 people are employed in Poland. In 2003, a turnover of 31.7 million Euro was made here.



This became apparent due to the high lead times. On average the processing of a sales order, including material procurement, production and delivery, took twelve weeks! Inconsistencies when planning machine capacities and personnel resources as well as lacking flexibility when taking on express orders and warehouse stocks that were too high also posed problems.

At that time, the abas ERP system had already been implemented. Thus, processes had to be optimized and supported by abas Business Software. Interaktiv together with the BCM Management developed a new concept to organize the business more efficiently. Multiple tasks had to be solved, from the improvement of on-time delivery performance, to a considerable reduction of stock, up to a smooth company-internal processing and transport system.

Ordered chaos

The optimization of internal and external logistics played an important role in the new organization concept. Expensive raw materials ought to be ordered at short notice and processed fast without impairing the delivery performance. "We are trying to tie-up as little capital as possible," explains Rainer Gohl, responsible for the entire logistics, the strategic purchase as well as company IT.



However, a glance in the raw material warehouses is amazing, since the shelves are not sorted according to raw material – as expected – but all is in a tumble. "This is intended," explains Gohl with a smile. "We work according to the 'chaotic stockholding' principle, this means that the products and stock units do not have a fixed storage location.

Thus, we are able to easily and ideally use the storage locations - provided that all goods are recorded and managed in the ERP. abas Business Software's 'Stockholding' ensures high transparency and a faster flow of material. Any warehouse and warehouse locations can be created and managed by the user in the system. Several different products can be stored in one location. The storage locations can be found easily by using a search word. Single quantities and full quantities can be accessed using selection bars.

The BCM organization today ensures that all receipts are furnished with an ID tag, which contains all relevant information concerning the goods. "We can't do anything without abas Business Software, with it everything is fast and efficient," emphasizes Gohl.

From Germany to Poland

Not only the goods receipt location is organized according to sophisticated logistics, an intensive organization can also be seen in the packing and goods issue locations. Another business location in Poland is included in this organization. The packing of the cosmetic products takes place there. Vans from Germany to Poland are en route daily. The ERP system takes over many complex routine tasks: you can edit consignment lists, total deliveries, partial deliveries, remaining deliveries and collective deliveries quickly and easily via the dialog boxes. Packing labels, bills of loading and shipping labels are also provided by ABAS. Moreover, the automatic posting in warehouse management and financial accounting guarantees always up to date information for the responsible employees.

Precise delivery

Furthermore, the logistics concerning the customer is not only important, but also decides who will be successful on the cosmetics market. "The highest quality is compulsory, but logistics is the coronation," summarizes Klaus Lieschka. "Our customers demand on-time delivery. This is especially important when new products are introduced to the market, because it can decide about their success." Generally, the cosmetic suppliers make a lot of advertisement for their new products. However, marketing research, as well as modifications of the product and



packaging, are continuing until the very last moment. If the manufacturer is not able to deliver on-time after all, he will be out of business soon. "In addition to premium products, services are indispensable in this market," stresses Lieschka.

The good cooperation with our customers will enable another logistics feature in the near future: "We will store finished products directly at the customer site. The goods will only be invoiced after the customer has taken them out of the warehouse," explains Lieschka. The customer's warehouse stock is recorded in the ERP system, BCM provides for an always sufficient stock. If goods are taken out, an entry is made in the ERP software and the respective amount is replaced.

BCM thus manages with very little stock and is able to adjust production to ideal amounts. "We are trying to work with batch sizes of at least 2000 units. Machine run times can thus be planned better and set-up times can be minimized," says Lieschka. The 'production' module of the ERP system supports the calculation and planning of these activities as well as



the entire production flow. "If everything goes according to plan, we are following the perfect line. Deviations, i.e. conflicts between planned and target state, are shown by the abas infosystem through warning messages, which are processed by the responsible employee. This message shows the employee exactly where he has to interfere," he adds.

Master planner and operation planner

Not only logistics was newly organized, internal processes were also put to the test: the value chain was divided into three "value streams", which are controlled by so called master planners

and operation planners. The master planner and the operation planner are a team, whereby the master planner has contact with the customers and is responsible for product delivery, dates as well as stock maintenance. The operation planner supports the master planner and is responsible for suppliers as well as production control. The abas Business Software is absolutely indispensable as a basis for these tasks. All the information converges here. Especially the abas infosystem, which displays all processes in clear screens (charts and/or pictures), offers substantial help. Experienced users are able to create these screens themselves in short time. Dialog options like buttons or drill-down functions (references) can be set up quickly as well.

The infosystem at BCM Kosmetik was implemented in such a way that it automatically creates 'Supply Scheduler'. These date requirements for suppliers replace conventional orders – and that without using any paper! "Outline agreements were negotiated beforehand with the suppliers, the ERP system calculates the purchase order amount and calls up – for us this is easy, efficient and cost-saving," explains manager Lieschka. Included are the times for the procurement process and handling so that the goods can arrive on time. Slight excesses and stock shortages are also shown by abas ERP. This is very convenient: in order to react flexibly, the responsible employee has the possibility to process such items by hand. The system can even handle negative stock.

Connected systems

In the daily routine, sales orders from England are coming in and are directly fed into the ERP system. The system automatically converts the orders into requests for the supplier and for production. Then the detailed planning for production is realized in an APS system (Advanced Planning and Scheduling). This software, which is provided by Taylor, is closely connected to abas ERP. The tool plans and controls automatically and the data in the ERP system is constantly updated.



The system always monitors all processes, deviations are displayed by so called 'Action Messages'. These warning messages are triggered by the abas function 'Infosystem'. If problems occur, such as a stock shortage, the responsible employee will be informed in detail immediately.



The bottom line is that production capacities and lead times became more transparent, the order processing was considerably advanced, the raw materials stock was reduced by more than 25 percent and the semifinished product stock even by 50 percent.

Success with ERP in Germany

Efficiency and thus productivity of the individual companies in the Boots corporate group is determined and illustrated by Key Performance Indicators (KPI). These not only allow the comparison of individual company areas, but also of the subsidiaries. "Thanks to our efficient organization of the Dietzenbach location and the support by the abas Business Software, these areas have never had any problems," says manger Lieschka.

Lead times reduced

The efficiency of this company organization is proven by the reduction of lead times: "In the past we needed 12 weeks, today we only need 4," reports Gohl. The tie-up of capital and high workforce planning can be avoided by having small warehouse stocks. Furthermore, the size of the warehouses did not have to be expanded, even though production is increasing. Moreover, the communication chain became easier, because in the past up to 50 E-mail were necessary in the respective departments for processing a single sales order.

Today, all the important information is stored in the abas Business Software and can be accessed any time. The availability and fast response times of the ERP system also play an important role. "abas Business Software at BCM runs on reliable Linux servers that are equipped with the latest 64-bit technology of the Intel Itanium series. This system's performance and stability are very good," says Gohl, who is responsible for IT.

IT system at BCM Kosmetik GmbH

A DELL PowerEdge 3250 with Itanium double processor (64 Bit architecture) and four GB main memory is being used as data server. abas is installed on an external DELL hard drive system PowerVault 2205 with 470 GB capacity. SuSE Linux Enterprise Server 8.0 is installed as server operating system. The client computers are being used with 2,4 Gigahertz processors and 512 MB main memory. At present Windows NT 4.0 is used as operating system, but the change over to Windows XP is being planned.

Meanwhile, the organization of the German subsidiary is very sophisticated, so that it even attracts interest with the English owners. The philosophy, which enables the high flexibility, efficiency and profitability, is very interesting for the British corporate group.