

# SYSPRO Case Study

## Perfect Potion Aromatherapy Products Manufacturer



### AT A GLANCE

#### INDUSTRY

Manufacturing - Aromatherapy Products

#### PRODUCT

SYSPRO - Integrated Manufacturing and Bill of Materials

#### CHALLENGE

With a manufacturing inventory of 500 and a retailing arm of 800 products, Perfect Potion sought a flexible integrated manufacturing system that could accurately track and record everything from their Bill of Materials to sales within each of the seven stores across Australia.

#### SOLUTION

SYSPRO allows Perfect Potion to integrate everything from the Bill of Materials, raw material ordering and invoicing, to retail business operations. It ensures the Bill of Materials is capable of calculating raw materials for each order, with the ability to advise the manufacturing arm available quantities and quantities on order with suppliers at any given time.

#### RESULTS

- ▶ Improved control over planning and management of all facets of operations, including accounting, manufacturing, distribution and retail.
- ▶ Access to easy-to-view, real-time information, to respond rapidly to changing circumstances, react quickly to customer demands, reduce operating costs through streamlined processes and workflow automation and outpace the competition.
- ▶ A better understanding of exactly what is manufactured and actual costs.
- ▶ Reduced inventory stock levels and improved forward ordering.

“The new system is much more accurate providing us what we need, when we need it. Our starting goods inventory levels are the best they’ve ever been and raw materials costs have remained constant - even with 30% growth in the past year.” Rob Woodroffe, Corporate Services Manager - Perfect Potion

## In Search of the Perfect Manufacturing Model

With a manufacturing inventory of 500 and a retailing arm of 800 products, Perfect Potion required a flexible, integrated manufacturing solution to accurately track and record everything from the Bill of Materials to sales within its seven stores across Australia.

Since 20% of manufacturing costs were held in raw materials, minute errors could cost hundreds of thousands of dollars a year without an efficient ERP solution.

According to Mr Rob Woodroffe, Corporate Services Manager for Perfect Potion, the company was established as a one-man, one-store operation, with manufacturing done in a home-garage. As often happens with small businesses, success brought problems - as the business grew and more stores were opened.

“It concerned me that whilst the investment in stock was one of our highest value assets we weren’t controlling or managing it as accurately as we could have been,” said Woodroffe.

As both manufacturer and retailer, Perfect Potion needs to control raw materials and components as well as end products. Working to a one month-in-advance production plan, with raw materials and components sourced from Australia and overseas - many deliveries take up to 6 weeks from initial order date.

Perfect Potion needed to define the relationship between a manufactured item and its raw and component materials as well as the sequence of operations required to produce the item, facilitating an accurate expected cost against which to track actual production costs.

#### The Answer - A Flexible, Integrated Manufacturing System

To achieve current and future growth requirements an automated manufacturing solution was required that could be integrated into all areas of the business including Accounting; Purchasing; Manufacturing; and Warehousing; as well as enable improved communication with suppliers; and the ability to control stock and inventory levels in all seven retail stores.

The new solution’s Bill of Materials needed the capability to calculate raw materials required for each order and advise the manufacturing arm available quantities; quantities on order; and additional components needed to complete the order.

*“SYSPRO is a flexible, accurate, efficient modular manufacturing solution for our Bill of Materials, inventory and all the necessary interlocking pieces of information in accounting and retailing.”*

According to Woodroffe, an efficient MRP solution offers greater stock control of components and raw materials and the ability to determine well in advance any likely shortfalls.

#### **The Challenge for the Manufacturing Solution and Provider**

In addition to Perfect Potion's 500 manufactured products, it distributes an additional 300 products. It was imperative that the new solution automatically calculate exact costs and profit on every product sold to provide better management, control and modification of information.

“Perfect Potion creates ingredients that are made into recipes which ultimately become end products. Every product needs different raw materials. We manufacture approximately 500 products with most available in three different sizes - so the ingredients lists, recipes and the Bill of Materials is a massive undertaking,” said Woodroffe.

“We sought expressions of interest from software and solutions suppliers to find the right solution. We didn't select simply on price - achievability and functionality were integral components in the decision. Equally important was quality and reputation of the provider and whether we felt comfortable we'd get the required assistance for training, installation, implementation and back up.”

“We wanted a fabulous solution, but we also wanted to work with professional people with expertise in the selected solution and the ability to spend time with us in initial auditing and needs assessment. The company that emerged as the ideal candidate was Proactive Integrators (PI).” said Woodroffe.

#### **Stage One**

The first stage saw PI work on the audit of processes and procedures and initial assessment to ensure they were streamlined as part of the changeover to the new ERP system from SYSPRO.

PI developed import routines for Perfect Potion's ingredients listings and recipes and transferred the raw materials, components and data over to a new Bill of Materials. This included hands-on training for 25 staff which was undertaken over a period of 2 to 3 weeks. Woodroffe said, “I believe our staff were receptive to the change-over because of the quality of training. Once training was complete, our existing files were literally transferred and backed up and ‘boom’ we went live with the new system the next day without one hitch!”

#### **Benefits for Perfect Potion**

Perfect Potion has had SYSPRO for over eighteen months. It provides a cost effective, flexible and accurate manufacturing solution and has provided complete control over the planning and management of all facets of operations, including accounting, manufacturing, distribution and retail.

With access to easy-to-view, real-time information, Perfect Potion can respond rapidly to changing circumstances; react quickly to customer

demands; reduce operating costs through streamlined processes and workflow automation; and outpace the competition.

SYSPRO addresses all aspects of the manufacturing process and offers an array of features for estimating, master scheduling, finite capacity scheduling, labour performance, costing, lot and serial tracking, purchasing/receiving, back flushing, material verification, capacity and material requirements planning.

“Because we now have a fully-automated system we can tighten the rein on inventory and associated costs and have an operation that runs “dock to stock”, “LEAN” and Just In Time (JIT),” said Woodroffe.

“The new system is more accurate providing what we need, when we need it. Our starting goods inventory levels are the best they've ever been and raw materials costs have remained constant - even with 30% growth in the past year.”

SYSPRO has facilitated reduced stock levels and improved forward ordering. Perfect Potion now know what they manufacture and exactly what it costs, and since SYSPRO provides blanket purchase orders, as components arrive, they are simply taken off the master order. Triggers are also set to advise purchasers and suppliers of deliveries of components and raw materials.

Woodroffe continued, “SYSPRO takes the guess work out of ordering and inventory. As soon as our future manufacturing plans are known, we calculate projected demands based on existing plans, current unallocated stock and existing purchase orders.

The net result is a report for the purchasing officer who places orders for specific quantities of product to arrive on specific dates to suit the manufacturing schedule.

According to Perfect Potion, growing a business means developing an efficient integrated Manufacturing System that can be adapted and modified at any level and at any stage of the production process. This means reducing stock holdings, improving inventory tracking and trace systems and improving accuracy for orders, pricing and deliveries.

#### **What the Future Holds**

Perfect Potion will soon launch the planning module to ensure precise orders are received from suppliers. This will achieve 99.9% accuracy and assist with further reductions to stock holding levels. It will take the human intervention out of the min/max ROP used by the Retail Outlets to replenish their own stock levels.

SYSPRO can also extend the enterprise with sophisticated Contact Management, Factory Scheduling, and e-commerce functionality. The modular nature of SYSPRO allows Perfect Potion the flexibility to select functions needed to increase operational control and effectiveness as the business expands.