Focus Network Agencies savors the sweet taste of success with Microsoft Business Solutions

Solution Overview

Country or Region: Singapore
Industry: Distribution

Customer Profile
Focus Network Agencies is Singapore's largest chocolate distributor and retailer.

Business Situation
Focus Network Agencies' rapid growth was fast outpacing its existing IT and financial systems.

Solution
Microsoft Business Solutions – Navision

Benefits
- Real-time inventory updates
- Instant access to inventory and customer records
- Reduced stock taking and checking time
- Reduced inventory data maintenance
- Reduced customer order fulfillment time
- Improved internal communication between domestic and export sales teams
- Business analytics including bird's eye view of entire business
- Management access to highly detailed financial and business reports made available at the click of a mouse

Singapore's largest chocolate distributor relies on Microsoft Business Solutions for continued rapid growth

Having grown at an astonishing rate of more than 25% per annum over the past few years, Focus Network Agencies determined that it needed to put in place a scalable ERP system that would support the company's regional expansion. This system also had to encompass the unique business conditions of the confectionary industry in order to deliver higher productivity and reduced wastage.

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Customer Profile

The largest distributor of premier chocolates to supermarkets and retail outlets in Singapore, Focus Network Agencies (FNA) also exports more than 22 brands of chocolates and confectionary to duty free stores throughout Asia Pacific. The company also operates 13 retail outlets in Singapore under the Cocoa Trees brand, which offer the widest range of international brands such as Toblerone, M&M's, Hawaiian Host, Ritter Sport and Swiss Delice.

Business Situation

A homegrown Singapore success story, FNA has grown rapidly since its humble beginnings as a small firm representing just two brands when it was founded by Mr Loo Lip Giam and his wife Esther in 1991. Today, FNA is Singapore's largest distributor and retailer of chocolate and confectionary products with a portfolio of 22 international brands, consisting of more than 1,000 stock items and 2004 revenues of $34 million. The company has experienced tremendous growth at a compound rate of more than 25% per annum over the past decade, and has also rapidly expanded into regional markets. As a result, FNA found that it required greater resources to cope with its fast growing business, as well as to meet future demand. The company found that its existing accounting software, which was designed for generating basic reports and financial statements, was inadequate in making sense of the vast amounts of data generated by its operations.

FNA was also facing a lot of workflow inefficiencies with its current system. The staff had to make multiple entries of the same set of data for various purposes.

"There was just too much duplication and time wastage in data entry alone. We needed a system where we only need to key in the data once and the information can be used across the board for all our needs," said Wess Wong, Financial Controller, FNA.

Another problem was with its inventory management system. The old accounting package was based on batch processing and there were big timing differences between the stock balance in the system and the physical balance in the warehouse.

The old system did not have the function to allow management to track the expiry dates of its stocks and this had to be done manually by the warehouse supervisor making regular physical inspections of the stocks in the warehouse. This meant that monthly checks of the entire warehouse of stock had to be conducted, each taking around 2 – 3 days to complete. In addition, in order to ensure that supplies sent overseas are fresh, the warehouse manager would make sure to send inventory that is at least six months away from expiry.

With so many pallets and cartons of chocolates, averaging S$4 - 5 million, it was easy to miss out on some "hidden" cartons. Many errors also resulted from the manual stocktaking process.

Fulfilling customer orders could take anything from 24 – 48 hours as workers had to manually check that there was enough stock in the warehouse for each order. Should there be a shortfall, they then needed to place additional orders with the manufacturer, leading to a delay in delivery, and higher costs as some supermarket chains impose penalties on late delivery of goods.

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> "Microsoft Business Solutions offers a cost-effective, scalable system that will grow alongside our business as we expand rapidly over the next few years."
>
> Wess Wong,
> Financial Controller,
> Focus Network Agencies

Conflicts also arose between the export and domestic sales teams as each tried to physically set aside or reserve stocks at the warehouse for their own needs. The old system was not sophisticated enough to allow for reservations and release of stocks to higher priority overseas customers or to inform users of the timing of incoming purchases and outgoing sales orders.

The company did not have a clear visibility of its inventory and this sometimes resulted in lost sales, as salesmen were unable to confirm with customers immediately if they have the requisite stocks to sell to them. The sales team had to check with the warehouse if there were stocks available to fulfill the goods ordered. The weekly or monthly records may show that the specific items were available, but another sales team could have recently booked a specific item, which would not be reflected in the stock list. The only way to be sure was to physically go down and check the warehouse. In other words, more time wastage.

"Our old system, while perfectly adequate for churning out financial statements, was simply not designed to meet the ever increasing need for information required to manage a rapidly expanding business," said Wong.

What FNA required was an entire new business management platform that could handle its entire end-to-end business operations and needs. These included accounting, inventory management, demand forecasting, purchasing and auto-reordering from its shops to sales & marketing to strategic business planning. In short, the company needed a comprehensive ERP system to help keep it growing. The company was in urgent need of a scalable IT system that could effortlessly handle the company's unique business requirements, and allow it to continue to grow at a rapid pace.

The Solution

As a rapidly growing company with regional operations, FNA decided it needed an industry leading ERP solution. Wong said that Loo Lip Giam, the company's managing director, had been looking around for a suitable ERP solution for the last 2-3 years. However, the lack of time to conduct a proper evaluation and the high cost of such systems during that time delayed the acquisition.

In 2004, the company finally made a decision after careful evaluation of both the large enterprise and midsize ERP vendors.

"Our main considerations were functionality, ease of implementation, user friendliness and total cost of ownership. Microsoft Business Solutions came up tops in all these areas," added Wong.

Ease of use was a big plus point that differentiated Microsoft Business Solutions from its competitors. "The software is designed to work in a familiar Microsoft Windows environment, and is tightly integrated with the Microsoft Office System," said Wong. "Data can be exported to Excel documents easily to allow the user to analyse the data further or to present the data more clearly. Best of all, management and staff were able to learn and use the new software quickly and painlessly."

"Manual stock taking and checking simply took too much time, time that could have been spent talking to customers or fulfilling oerders. With Microsoft Business Solutions, the salesmen and the warehouse supervisor have instant access to inventory data that is updated in real-time."

Wess Wong,
Financial Controller,
Focus Network Agencies

The system also came with industry best practices embedded into the various work processes and controls that enhanced the ease of implementing Microsoft Navision. "90% of the features in Navision worked right out of the box. That's an impressive number. We only had to customise about 10% of the features to fit our specific requirements."

As a result, the entire implementation process was completed rapidly, an achievement due in part to the dedicated support and effort provided by FNA's Microsoft partner, Ibiz Consulting Services.

R Systems, formerly aka. IBIZCS, was appointed in August 2004, followed by a detailed mapping of FNA's business requirements in October. Training sessions for staff were conducted in November, which was immediately followed by a pilot run in December. A few weeks later, FNA had successfully rolled out its spanking new ERP system, just in time for the new calendar year.

Improvements in Inventory Data Tracking and Customer Order Fulfillment

Sales teams could now check the expiry dates and stock availability immediately on their PCs without making the trip down to the warehouse. What used to take a few days could now be completed in a few hours. Being able to keep track of expiry dates has also allowed FNA to significantly reduce wastage. Previously, expired chocolates had to be disposed of. Now, the company is alerted when certain items are nearing expiry, allowing it to hold special sales and promotions for those items instead of throwing them away at a loss.

"This timeliness of reliable information is a god send," said Wong. "Not only has

worker productivity and efficiency seen improvement, but the new system has also positively impacted our bottom line and enabled us to reduce inventory costs."

Microsoft Navision made it possible to track the sale and movement of FNA's inventory of over 1,000 different stock items. Information on the current sales and profit performance of each item is instantly available, allowing the company to decide how much of each item to order, how much retail shelf-space and marketing budget to allocate to each brand and product.

Wong noted that customers are happy because the response and fulfillment time to their enquiries has improved significantly and deliveries are always ontime, and old stock is always replenished at the right moment. Overseas customers are also happy because they receive their orders faster and at an earlier time, enabling them to plan for future demand. This, in turn, has led to higher monthly sales, as customers are able to better plan their order cycles.

"We run a lean organization in a highly competitive industry," said Wong. "By containing or reducing our costs, we are able to pass those cost savings on to customers, helping to drive sales and increase customer satisfaction."

The Benefits of Business Analytics

Demand forecasting is also one of the many business intelligence features offered by Microsoft Business Solutions. FNA is now able to create an efficient sales forecast using the information captured by Microsoft Business Solutions, resulting in a significant reduction in inventory and warehousing costs. The company's CEO is now able to drill down to the day-to-day operations or get an overview of the business instead of having to request for reports from each individual manager. The system also offers an unified reporting template that improves the user experience and makes it easier for managers to prepare and decipher reports.

"We used to manually extract and collate data from different sources to produce the reports required by our CEO," said Wong. This was extremely time consuming and by the time the report was ready, the information was already "stale" or the opportunity has slipped. Time sensitive decisions could not be made as quickly as we would have liked due to the time required to collect the information needed.

By having access to real-time information, Wong said the managers are now able to monitor and evaluate the performance of their sales teams, and adjust their strategies accordingly. A single click of the mouse button is all that is required to create an analysis of what stocks are selling well, and the demand patterns of specific customers, helping each sales team to tailor their services to improve customer satisfaction.

Improving the User Experience

According to Wong, this ability to offer specific benefits to different groups of users throughout the company is one of the key advantages of Microsoft Business Solutions. This attention to the user experience will be a key focus for the next phase of deployment for FNA.

"We're looking to incorporate greater automation into user processes like data entry, thereby freeing up more time for higher value-added tasks," said Wong. "Ultimately, it is the users who derive the most value from any ERP system, and improving the user experience through automation will benefit everyone immensely."

Besides improving the user experience, the next phase will also involve incorporating best practices into the company's business processes. Wong also plans to deploy Microsoft Business Solutions across its subsidiaries in Malaysia, as well as sister companies in Singapore and China.

Wong said he gets immense satisfaction from knowing that the system can produce real-time, reliable information on demand for the various users to manage the business in a challenging environment and that a solid platform has been established for future growth with the necessary infrastructure provided by Microsoft Business Solutions.

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For More Information

For more information about Microsoft Business Solutions, call the Microsoft Careline at (800) 852 3543 or email mbs_sg@microsoft.com. To access information using the World Wide Web, go to www.microsoft.com/businesssolutions

For more information about Focus Network Agencies, call (65) 6858 1800 or visit the website at www.thecocoatrees.com

For more information about R Systems, call (65) 64239258 or visit the website at: www.rsystems.com/apac

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