eBECS

Esselte

Manufacturer cuts costs and gains global insight with business management solution

Overview

Country: Multi-country

Industry: Manufacturer and Distributor of Office Supplies

Customer Profile

Office supply manufacturer Esselte comprises four operating divisions that service customers in more than 120 countries. Esselte Americas, Esselte Europe, the Creative Division, and Asia Pacific together account for annual worldwide sales of approximately U.S.$1 billion.

Business Situation

Esselte's 12 disparate enterprise resource planning (ERP) solutions were not integrated and offered little visibility of information across the global business. It was difficult to get global reports.

Solution

Esselte engaged the help of Microsoft® partners including eBECS, to help roll out Microsoft Dynamics™ AX.

Benefits

- Upgrade costs significantly reduced
- Deployed to seven countries for $U.S. 1 million
- Data is up-to-date and accurate
- Stock replenishment is timely and cost effective
- Rapid deployment across the company

> **"Using Microsoft Dynamics AX, we are able to immediately see demand. Therefore, we can carry fewer items and replenish stock quicker. We also have the flexibility to respond to extra orders."**
>
> *Joe Horvath, Vice President of Apollo Program Office, Esselte*

People at office supplies manufacturer Esselte were struggling to track and report on stock in disparate IT systems to gain global insight on inventory. Esselte wanted to consolidate 12 global enterprise resource planning (ERP) solutions and nine warehouse management systems used across 30 countries with one integrated, scalable solution. The aim was to improve the visibility of data across the global business. With the help of Microsoft® partner eBECS and various other partners, Esselte rolled out Microsoft Dynamics™ AX.

By standardizing on one solution and streamlining processes, the employees at Esselte have better access to critical data to monitor sales figures, manage orders, and predict stock needs quickly and efficiently. Esselte increased efficiency throughout the organization, assisting the company to reduce inventory by 50 per cent in its transition to becoming a lean manufacturer.

Situation

The people at Esselte charged with the responsibility of tracking and tracing sales orders and stock control used to struggle with difficult systems. The crux of the problem was 12 disparate and fragmented enterprise resource planning (ERP) systems and nine warehouse management systems that were incapable of sharing data. The daily task of monitoring, tracking, and ordering new stock from other countries or business divisions was increasingly difficult. Not only were these systems not integrated, many were existing legacy systems inherited through acquisition, including an ERP system from SAP, a solution from Baan, and some small custom-built solutions. So it had become increasingly difficult and expensive to maintain separate systems.

Esselte has been involved in the office supply business since 1913, when it was 13 Swedish businesses joined together to form a company called SLT. Today, the global business has expanded through numerous acquisitions and organic growth to become one of the leading suppliers in the world. Esselte comprises four operating divisions that service the office supplies of customers in more than 120 countries. Its core activities include everything from book binding and paper manufacturing, to printing stationery, playing cards, maps, forms and securities, including share certificates and bonds.

As it grew through acquisition, Esselte operated with a business strategy that allowed every business and country to operate independently, as long as it was profitable. While the strategy gave each subsidiary lots of flexibility, it also greatly increased sales and general administration costs. For example, the company had no standardized system for stock keeping unit (SKU) numbers, which are given to each product to track sales, shipments, and inventory. Esselte makes numerous products, ranging from file folders and staplers to printer supplies, but tracking them with no standardized SKU number system was an extremely difficult task for its employees.

Being in the office supply business, Esselte understands the value of organizational systems to operational efficiency, such as the potential negative impact to productivity when employees are not able to find the information they need, when they need it. With this in mind, Esselte decided to consolidate its ERP systems and standardize on one easy-to-customize, scalable business management solution across the globe for more than 3,000 concurrent users.

Joe Horvath, Vice President of the Apollo Program Office, Esselte, says: "We needed a solution that would assist us to consolidate our reporting efforts, so we could make global predictions, as well as drill down to view information country by country. The solution also needed to grow with the company so that we wouldn't have to keep buying new software."

Esselte also required a solution that could be customized quickly and affordably, and implemented seamlessly with a low total cost of ownership (TCO). Furthermore, Esselte is undergoing a transition to a complete lean manufacturing process to improve quality, flexibility and on-time delivery, and reduce costs.

The solution needed to replace its disparate systems with one worldwide implementation. As part of this, the solution needed to provide regional functionality—to handle many different languages, currencies and local trading laws—with global functionality. This would give a true, and unprecedented, global insight into the Esselte business that would assist the office supplier on its path to becoming a lean enterprise.

Pascal Kouknas, IT Director Dynamics AX and Asia Pacific at Esselte, adds: "We were looking for a comprehensive solution, which could provide all of our key business functions the ability to perform their functional requirements simply and easily—a solution that could meet our short and long term electronic and business needs."

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Solution

Esselte evaluated a number of business management solutions from leading vendors, including SAP and Baan. Esselte was already familiar with SAP because it had been using the applications to process orders and run its factories in Europe for many years, but not on a global scale.

While Esselte had many requirements for a business management solution, the decision came down to one key factor: TCO. Esselte found that the TCO for standardizing and rolling out other solutions to be more expensive than Microsoft® Dynamics™ AX.

Hovarth explains: "Maintenance costs for upgrading and customizing the solutions were not the same, because the architecture of the solutions was different. For instance, making a change to SAP's solution would have required financial resources and a team of consultants. Testing was time-consuming and detailed, and led to further expense from consultancy fees."

The office supplier engaged Microsoft partners' including eBECS to form a consortium for this large-scale project. Based on a TCO evaluation of each solution, comparing the cost of customization and upgrades, Esselte chose Microsoft Dynamics AX, the multi-language, multi-currency business management solution.

One of the main reasons the Microsoft solution proved more cost-effective was because it provided a high-level of customization allowing different country sites to run the software configured to meet their local requirements. For instance, the solution supports foreign languages and currencies, so it complements the plans Esselte has for new financial and factory operations. While utilizing these core capabilities, Esselte can also easily adapt the application to the rich way it conducts business globally.

Esselte has three main geographical divisions—North America, Europe, and Asia Pacific. For the implementation, Esselte, together with the team of partners, established regional data centers in each of these three key territories. Esselte has taken advantage of the unique layer structure of Microsoft Dynamics AX, which allows it to deliver a core solution for global operations, overlay any regional differences, and then add on any local country requirements. Microsoft Dynamics AX provides four code layers—BUS, VAR, CUS, and USR—that Esselte could control throughout the whole process.

Esselte chose to organize its four layers in a way that mirrors its global business structure. So modifications that apply to all global users are placed in the BUS layer, while regional localizations for language, currency, and regulation are put in the CUS layer, and the USR layer is used to isolate system adaptations that vary from country to country. The company deployed the global version of Microsoft Dynamics AX in each of these three centers, and within each one of those, there was a customized layer to suit the region, and another layer again for the individual countries.

To further maximize its return on investment (ROI), Esselte opted for a Deluxe Support Services plan, the highest level support plan available for Microsoft Dynamics AX that provides customers with a personalized support relationship. The support plan includes a one-hour guaranteed response time on requests, 24 hours a day, seven days a week. Esselte receives unlimited electronic or telephone support during business hours. Most importantly, Esselte receives the support of a Trusted Services Account Manager (TSAM) from Microsoft, who provides the focused attention Esselte needs for existing and future projects.

The solution is also far easier to deploy than the SAP alternative. According to Esselte estimates, it takes three to six months to implement the Microsoft Dynamics AX solution per territory on average, as opposed to up to four years for SAP. Today, the global manufacturer has managed to implement the solution across seven of its country sites in record time, and will continue with its global roll out plan as it continues on its journey to a lean enterprise. This demonstrates the scalability of the Microsoft Dynamics AX solution as the Esselte implementation is one of the largest deployments undertaken of the software, yet it could easily scale to suit the complex requirements of a billion-dollar manufacturing business operating in multiple countries around the world.

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Pascal Kouknas, IT Director Dynamics AX and Asia Pacific

Benefits

Employees at Esselte can now gain access to real-time information to assist decision making faster than before. The successful implementation, with support from Microsoft and a consortium of partners, shows the scalability of the Microsoft Dynamics AX solution as it assists Esselte to service its customers worldwide. As a result, Esselte has progressed in its path to become a lean manufacturer.

Affordable adaptability

The IT people at Esselte found that Microsoft Dynamics AX provided them with the best combination of rich functionality, high adaptability, and low TCO. These capabilities span many years and multiple product upgrade cycles. In particular, the object-oriented Microsoft Dynamics AX architecture can be modified quickly and inexpensively because it breaks business logic into many small objects rather than huge monolithic modules.

Kouknas adds: "Microsoft Dynamics AX will allow us to efficiently and effectively manage our business going forward. It allows us to continue to develop an environment that is cost effective without the functional limitations we had to contend with previously."

Esselte found the very high adaptability of Microsoft Dynamics AX to be of paramount importance to its business.

Hovarth explains: "Microsoft Dynamics AX provides an unprecedented degree of flexibility that does not come at great expense. The Microsoft Dynamics AX object-oriented layered architecture allows us to deliver a global build of the software that contains core business processes for Esselte. On top of that we overlay any regional differences, and another layer of any national differences. The global core dictates how the system will be structured. The greatest aspect of this structure is that it allows us to make changes to each layer, without impacting the rest of the solution. We are free to add, modify, or swap out any of these, without worrying about the impact on other objects. This wasn't possible with SAP."

Upgrade costs reduced

The real power of these layers comes into play at upgrade time. Previously with SAP, the only way for Esselte to preserve customizations during an upgrade was to go line by line through millions of lines of code to painstakingly reapply these to the next version. Today when Esselte is ready to upgrade, it simply runs the Microsoft Dynamics AX upgrade manager tool, which highlights the customized objects and compares them to the new version. In most cases, an IT worker can simply point and click with the mouse to indicate whether to keep the customized object and suppress the new object, or vice versa.

The architecture of Microsoft Dynamics AX has also resulted in future cost savings for Esselte, when it faces its next upgrade cycle. Hovarth calculated that to perform an upgrade of its SAP platform in Germany alone, it would have cost more than U.S. $1 million. "With Microsoft Dynamics AX, Esselte can upgrade all seven countries for a quarter of that amount," he says.

"Before, each country had to maintain its own ERP system, with modifications often duplicated in every country to meet Esselte's global requirements, which was a costly operation," Horvath says. "Now, with three hubs, modifications are significantly easier to undertake."

Flexible solution adapts to business needs

Traditionally with packaged business applications software, companies faced a dilemma: they must decide between either tailoring the package to suit their business practices—which could result in great expense and make future upgrades difficult—or changing their business practices to exactly conform to the software package.

The rich functionality of Microsoft Dynamics AX removes this dilemma because modifications made to one version can be merged into upgrades without requiring any additional programming. In this way, Esselte can preserve its initial investment in customization, further reducing the TCO of the platform.

Hovarth says: "The flexibility and easy programming capabilities of Microsoft Dynamics AX are ideal for Esselte because the solution needs to scale to meet the complex requirements of our manufacturing businesses operating in multiple countries around the world."

Rapid deployment with one solution

With the help of eBECS, Esselte has built one global platform of Microsoft Dynamics AX to replace 12 fragmented legacy systems.

Hovarth says: "Microsoft Dynamics AX provides a cohesive, seamless network infrastructure. Once the core configuration

Benefits *continued*

was completed, we managed to deploy across seven countries in only eight weeks. We expect to continue to make rapid, concurrent deployments at each of our sites over the coming months. We have a state-of-the-art system. It has helped us to keep the system as 'vanilla' as possible, so any upgrades that come through are not compromised by the number of modifications."

Single view on data across the global business

As a result of implementing one global platform, Esselte will be able to capture up-to-date business data that is easily accessed and reused across the entire business. The sales team can enter the details of an order and the technology immediately tells them if the necessary stock is available before processing the order for production.

With all production information processed daily, accounts and payroll are handled quickly and efficiently in a much shorter time. Working with up-to-date, accurate information rather than historical data, gives the business insight into future sales trends and the ability to make critical business decisions.

"It is now possible for us to get the data we need to react to changes and effectively manage the business in a timely fashion. The system allows us to track an individual item by group or by its specific part number. This gives us the visibility we need over the global operations," says Hovarth.

By consolidating its core systems, Esselte will meet many of the most pressing IT challenges facing global corporations today, including inconsistent data, overly complex business processes, duplication of IT operations, and excessive administrative effort.

The Microsoft Dynamics AX solution will also provide the manufacturer with greater visibility into global data and processes.

"The system has given us a greater insight into the finer details of our business. Using this data, we can monitor sales figures, and manage our orders. Users work with the same data, from the accounts department to the production team. Our SKU numbers are now standardized, thanks to Microsoft Dynamics AX, so we can track sales, shipments, and inventory easily across the globe."

Deluxe support for business

Esselte gained maximum return on investment, through its Deluxe Support Services plan to support Microsoft Dynamics AX. With a TSAM from Microsoft, who provides direct support and assistance, the office supplier can plan for tomorrow. Hovarth says: "We really value the support, especially the rapid one-hour response time. We felt the solution was backed by Microsoft itself."

Just-in-time stock saves costs

Controlled inventory is essential for a manufacturer to remain efficient and keep costs down. Using Microsoft Dynamic AX, Esselte has a more granular control of its inventory, with the resources to foresee the levels of stock required so that it can be turned around quickly without under or over-stocking. By moving to a lean management system that bases manufacturing runs and procurement on what it sells, Esselte expects to reduce inventory by 50 per cent, which in turn leads to reduced costs.

Benefits *continued*

Hovarth says: "Our goal was that when one of our customers sells a product, we want to immediately know that we need to make another product to replace that demand. Using Microsoft Dynamics AX, we are able to immediately see demand. Therefore, we can carry fewer items and replenish stock quicker. We also have the flexibility to respond to extra orders or changing customer preferences should back-to-school sales of our customers run well. In this way, we have removed waste and unnecessary steps out of the processes, which results in a more efficient business."

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