

Supply Chain

We make SAP work for you

Customer SUCCESS story:

▶▶ THORN LIGHTING

The Company

Thorn Lighting, a specialist manufacturer of lighting solutions, has over 75 years experience in the design and manufacture of lighting products for industrial, outdoor and commercial lighting applications.

With over 300 employees across multiple sites in Australia and New Zealand, providing lighting solutions for commercial, industrial and infrastructure projects generates the majority of Thorn Lighting's business.

Grappling with ever-increasing customer service costs, struggling to identify profitable customer and product segments and increased resource time being spent on working capital management Thorn Lighting embarked on, and is successfully, completing a restructuring plan to drive up profitability and efficiency with the region.

The Challenge

In early 2001 the Thorn Lighting management team highlighted the need for an improved business management system to continue growing its business, whilst meet increasing customer service and cost pressures.

"The driving force to revamp our business systems was two fold. We had an existing Symix system that was over 10 years old and with existing hardware failing we needed extensive software and hardware upgrades. In addition, our customer's requirements were becoming more complex and to enable future growth and business synergy within our Australian and New Zealand operations we needed a more comprehensive management platform," said David Lambe, Thorn Lighting Australasia.

The Thorn Lighting management team evaluated several systems including SAP, J.D. Edwards and an upgrade to Symix. SAP was selected as it was the only system that provided the complete functionality required by Thorn Lighting. It was also fully comparable in cost to the other systems when implemented across



▲ Christies Beach SLSC

several business locations, all of which were running different legacy software systems which needed to be upgraded.

Supply Chain Consulting, a leading Australian owned SAP implementer, was then engaged by Thorn Lighting to provide business process and project implementation expertise.

The project scope outlined by Supply Chain Consulting was to deliver an end-to-end system running financial, manufacturing and stock systems across different locations in Australia including the head office, factory and six sales offices. The SAP solution needed to deliver integrated and common high-level business processes, which would be rolled out at a future date to Thorn Lighting locations throughout Australasia.

"We knew with a relatively small business like Thorn Lighting we would be pushing our resource boundaries. In hindsight it was easier than we had anticipated due to Supply Chain Consulting's industry experience and comprehensive project blueprint document, both of which were critical to implementation success and tight budget control."

"Once fully implemented the SAP solution allowed us to restructure our business based on a clear view of profitable customer and market segments and improved manufacturing and Supply Chain Consulting operations. In addition significant working capital improvements were also realised"

The Solution

Complex Supply Chain

"Thorn Lighting's project consulting expertise means real business value is provided for clients up front in the complicated quotation, specification and negotiation processes with architects and lighting design consultants. However, complex supply chain processes are also needed to deliver large scale projects and Thorn Lighting was continually working to improve our back-end customer delivery performance."

Thorn Lighting's unique 'design and engineer' projects span a combination of different material sources and manufacturing processes. Manufacturing components to specification, sourcing finished and semi-finished products from European and China subsidiaries and then local assembly were key processes that need to be streamlined to ensure on-time and in-full delivery for large projects.

Supply Chain Consulting was a great cultural fit with the Thorn Lighting dedicated project team, providing functional and business domain expertise, not just SAP technical knowledge. The joint team was committed to designing the right solution and delivered the project on budget within just six months.

"As a result of the SAP implementation on-time and in-full delivery rates are now up and currently performing in excess of 95% to the promised delivery dates agreed with the customer. Thorn Lighting's more reliable delivery performance in turn has reduced costs to wholesalers, contractors and developers."

Pricing and Margin Control

With no quotation management system in place, pricing control for large projects was a key issue for Thorn Lighting executives who could not track quotes against orders or easily compare previous quotations. In addition, standard costings coded into the manufacturing system were often outdated making gross margins for each project inaccurate.

"Overall gross margins have improved since implementing the SAP system. An improvement in selling margins on all products has been the result of a new price control mechanism setup to assist sales staff. Enhanced reporting tools have also provided greater scrutiny in many facets of the business, including monitoring of 'quotation versus order' strike rates and real-time project margin tracking."

Forecasting and Production Planning

The introduction of SAP's Advanced Planning and Optimisation Module module has enabled Thorn Lighting to carry out structured sales and operations planning, reducing stock levels by over 15% and rationalising the master product portfolio down by 40% in terms of product SKU's.

Previously, over-the-counter product stock levels were determined twice yearly in a manual spreadsheet based on history and service levels without consideration of promotions and new product launches.

With no production tracking or prioritisation of orders in the system, factory staff were often responding directly to the demands of sales staff and using manual system work arounds. With all factory staff now using the SAP system stock and order processes have been automated and a reduction in many rework situations has further improved customer service levels.

Manufacturing Efficiencies

Using the SAP system Thorn Lighting has greatly improved visibility into production and warehousing costs and has been able to more efficiently manage commoditised product ranges. Thorn Lighting's Smithfield (NSW) factory was the first manufacturing facility to implement SAP and this factory is now used as the model for

assessing production efficiencies for all off-the-shelf products competing with cheaper overseas producers. Thorn Lighting is reviewing production strategies for further automating production in Australia, moving production to its China operations and outsourcing operations that are not part of its core business offerings.

The Results

"The difference in our business is like chalk and cheese. As a direct result of the SAP implementation Thorn Lighting now has the right tools to measure customer service and greatly improved visibility of costs and margins."

"Through a dedicated implementation team and change management program the project has delivered to Thorn Lighting a well-trained and more highly skilled workforce with a high level of acceptance and confidence in the SAP system. It has created a challenging and innovative working environment for our staff, who in the past were working with outdated practices."

Thorn Lighting SAP Project - Summary of Results:

- Improved gross margin by 2-3pp
- Reduced debtor days by 15%, lowest in 5 years on month to month comparison
- Improved on-time and in-full delivery rates to 95% or above
- Reduce inventory levels by 15 %
- Reduce pricing breaches and exceptions in the system to minimum levels

The Future

"SAP has been fundamental to our business restructuring and 12 months down the track we are starting to get full leverage from the new business model and processes we have created. SAP provided the platform for future business change, the capability to centralise a number of operational functions and a template for future rollout to other Australasian operations. SAP will be used as the platform for all shared services and consolidation of manufacturing operations, including moving \$10 million of production of commoditised products into China."

Supply Chain Consulting is a premier provider of SAP services and solutions in the Asia Pacific region. Supply Chain Consulting offers a range of services, from business analysis to system integration and support, as well as a number of qualified mySAP™ All-in-One solutions. The company has performed over 300 SAP implementations and more than 80 upgrades.



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