



GLOBAL TALK

Fourth Quarter 2012

Taking Stock of 2012, and looking ahead to 2013

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William Say & Co
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Visual Load
Planning tool

Inventory
Management

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– **Chris Carroll, Managing Director, ALC**



Phil Duff, CEO, SYSPRO

Taking stock of 2012 – And looking ahead to 2013

Inventory Management, our theme for this edition of Global Talk, is a major component of the SYSPRO offering. It also plays a dominant role in our primary target market – manufacturing and distribution businesses.

Regardless of what business you happen to be in, the end of the year is a natural time to reflect on what's happened in our lives, our organisations and around the world. Although the global manufacturing sector has shown erratic and generally slow performance this year, both the manufacturing powerhouses of the US and China managed to register slight improvements in manufacturing activity in October. However, many other economies around the world suffered further contraction or flat growth across their manufacturing industries.

The European Commission published a study analyzing the important role small- and medium-sized enterprises play in creating more and better jobs. According to the analysis, 85% of net new jobs in the EU between 2002 and 2010 were created by small- and medium-sized enterprises (SMEs). Secondly, the study has shown that new firms (younger than five years) are responsible for an overwhelming majority of new jobs.

On this more positive note, I have taken the opportunity to take stock of SYSPRO's position and future direction, much as I'm sure you do at this time of the year. SYSPRO continues to keep track of what's going on in business and the implications for our customers to help us forecast future trends and potential demands for our products and services.

By listening to our customers, we have picked up on a number of trends, one of which is how people are using social network platforms like Facebook and Twitter to access information and engage with companies. While some enterprises are finding it difficult to determine the tangible benefits of being active on these platforms, LinkedIn, Facebook and Twitter as well as the SYSPRO blog have proved effective in increasing involvement with our customers and providing them with unique insights into ERP.

The potential offered by optimizing the mobile trend is increasingly being discussed at boardroom

level. If you consider the manufacturing environment, the value of the mobile device lies in the aggregation of information. A person on the factory floor can input data that can provide invaluable feedback when it comes to order processing and any possible delays in customer fulfillment.

Software is also changing to become optimized for touch devices, particularly with the recent release of Windows 8. With the touch interface set to be the norm for the next few years, tablets will become more than just entertainment devices.

Another important trend is collaboration and sharing. In the past, SYSPRO forums were used as a great repository of information for customers and staff. Everything from troubleshooting to tips and tricks was discussed and shared between members across the world. Unfortunately, there was no interface to connect these elements and allow people to publish applications in a way that could solve problems and share solutions with others more quickly.

Enter the SYSPRO App store. Through this, we are providing our customers and partners with the opportunity to add additional functionality and features that they require from our software. In this way, we are giving our users the opportunity to engage with one another and develop workable solutions that solve their specific problems, while at the same time making the same solutions available for people anywhere in the world to download.

The era of collaboration is here and enterprises need to realize that they have to embrace this changing dynamic to become part of this business evolution. While it might require a cultural shift, the long-term benefits will far outweigh the initial resistance.

Please look out for the launch of SYSPRO 7 in 2013, when we will deliver on some of the trends we have been forecasting. Right here and now, please read on for some interesting case studies which will show you how some of our customers have used SYSPRO to manage their inventory. ❖

Phil Duff, CEO, SYSPRO



Magnacharge tightens Inventory Forecasting with SYSPRO

Magnacharge Battery Corporation is a leading Canadian battery supply company. With its head office in New Westminster, British Columbia, and warehouse distribution locations in Edmonton, Mississauga and Montréal, Magnacharge provides a wide range of battery products and services to the automotive, industrial, commercial and household markets.

Established in 1964, Magnacharge began as a battery manufacturer, but evolved into a wholesale distributor of automotive batteries, deep-cycle (long life/low power) batteries, field lead-acid batteries (used primarily for standby power), industrial batteries and specialty batteries for products such as hearing aids, flashlights and cell phones.

Fourteen years ago, Magnacharge implemented SYSPRO. Ross Holdbak, Director of Change Management, says: "SYSPRO was chosen because of its accounting strength, and because it's diversified enough to be widely used in distribution and manufacturing applications."

Magnacharge buys its product from China, Korea and the United States. Prior to implementing SYSPRO's forecasting module, Magnacharge would spend three weeks to a month producing forecasts before placing its orders.

"Because we order from out-of-country, our suppliers' lead times are very long. Once the order is placed, we have very little flexibility. It takes a minimum of three to four months from the time we place the order until the day the product arrives," Holdbak says. "We have to be right the first time - that's why it's critical for us to have a very good sales estimate of the product we're going to need."

Magnacharge also needed to eliminate unnecessary and costly supply chain transfers. "In our business, moving product between branches is a necessary evil. It's very important that we have precise knowledge of each branch's inventory, but when you transfer product between locations you run the risk of skewing your inventory," he says.



Magnacharge solved its forecasting problems by deploying SYSPRO's out-of-the-box forecasting functionality. To track and minimize stock movement, it implemented SYSPRO's supply chain software.

"The first time we ran SYSPRO's forecasting, we achieved accuracy within five percent of our goal. And because the system has been implemented end-to-end across the country, our branch managers are easily included in the forecasting process. It's simple to teach them how to use the system," Holdbak says.

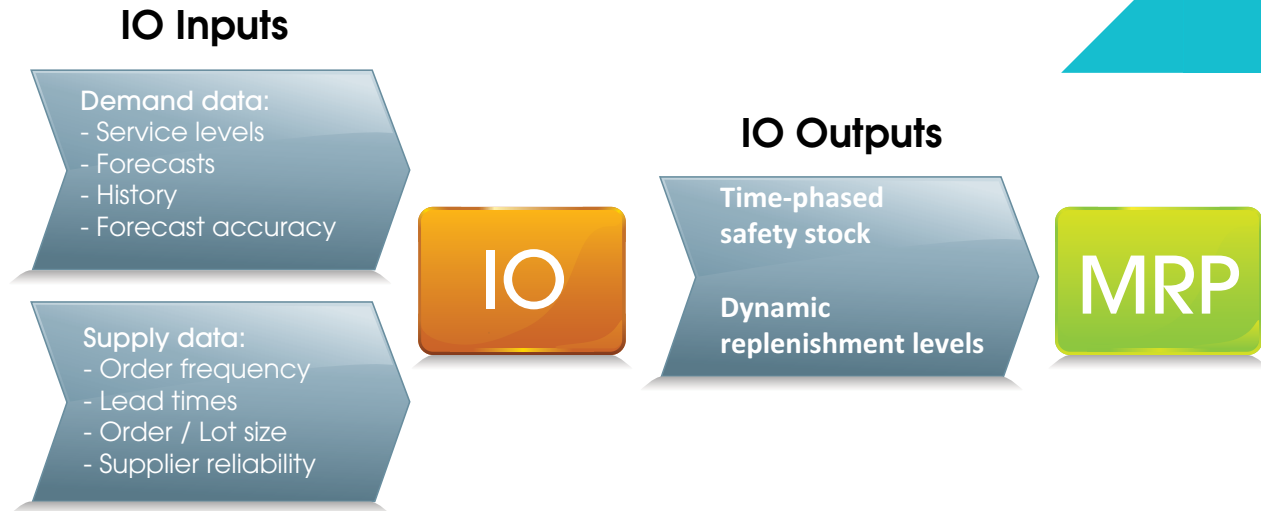
SYSPRO has also cleared up Magnacharge's supply chain problems. Now, as soon as a supply chain transfer is initialized in SYSPRO, the stock is eliminated in the supply warehouse; placed in an 'in-transit' category; and immediately shows up (like any purchase order) in the receiving warehouse.

"Before we used SYSPRO's supply chain transfer system properly, we were always selling product that had already been moved to another branch. We virtually never make that mistake anymore. SYSPRO has met our needs," Holdbak concludes.



Optimizing the potential of Inventory Management

Simon Griffiths, Product and Industry Marketing Consultant, SYSPRO



Many organizations, regardless of industry sector or geographical location, find themselves in a comfort zone when it comes to managing their inventory. A high percentage continue to use Material Requirements Planning (MRP), and some even use Excel for their planning, despite having expensive systems in place.

Of course, MRP has been the standard method of manufacturing and inventory planning for several decades, and that alone indicates that it has value. In recent years, however, it has come under criticism. Many manufacturing shops have adopted other approaches, such as kanban or lean manufacturing. MRP involves complex calculations, and its constraints around safety stock levels are limiting.

The problem is that MRP was developed at a time when businesses could use static demand forecasts over an extended time period to allow for long production runs. In the modern world, long runs are rare and demand can be highly variable. Consequently, new approaches are being sought.

In my opinion, a new approach needs to incorporate a number of aspects:

- Combine the pros of MRP with modern, advanced demand management tools

- Recognize that demand can be highly variable and that long production runs are unlikely
- Appreciate that inventory is an asset ('lean' considers it a waste) that can be optimized to make best use of working capital, without adversely affecting customer service levels
- Realize that safety stock is necessary but its levels can be dynamic and it should be optimally located within the supply chain
- Leverage the modern, sophisticated forecasting and modeling techniques that are now available
- Ensure inventory is forecast and modeled for multiple locations
- Employ standard and accepted metrics for assessing forecasts and service capability

The perception of inventory as a waste has been proven inaccurate in recent years, particularly with the tsunami in Japan and Hurricane Sandy in New York, when organizations discovered what happens when their key suppliers are hit by disaster. It became clear that inventory is strategic, and not a 'waste' at all.

On the question of planning, even 10 years ago the ability to analyze information from an ERP system and apply statistics to that information was not common. That level of intelligence required a substantial investment in a specialized



package. Today, huge quantities of data can be analyzed on a laptop. This means that any organization which has had an ERP system for five years or more has sufficient sales and processing data to plan for the future.

And this is where we get to with Inventory Optimization – because usually there isn't one correct answer; it's a balance between constraints. Optimization means making the best use of those constraints. That's why SYSPRO advocates keeping MRP but adding a stage beforehand to provide better demand estimates – and we call that stage Inventory Optimization (IO).

IO uses demand and supply data that a business already has available, in various locations, to forecast the appropriate stock-levels and order requirements.

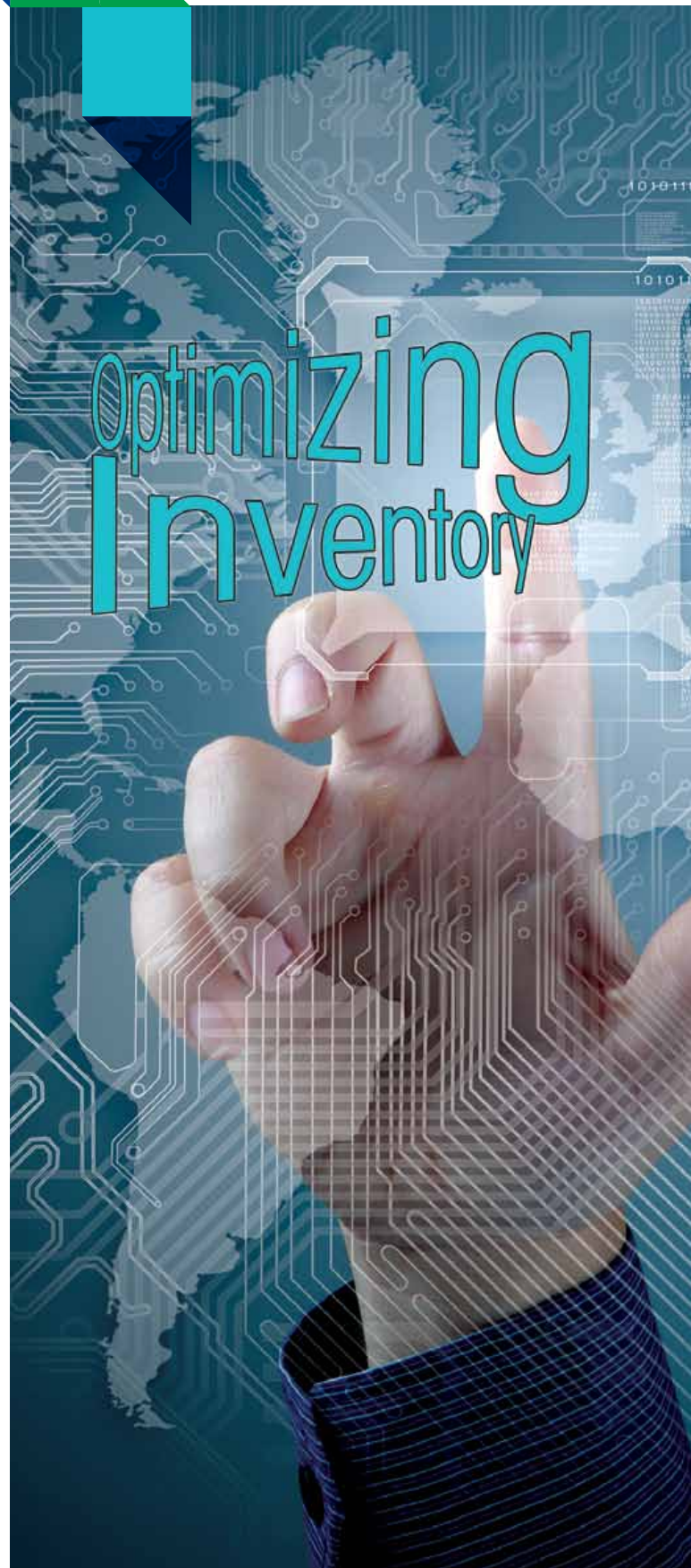
There are four steps needed to accomplish this.

1. Categorize and analyze stock codes according to certain criteria (profitability, revenue, demand frequency), using historical supply and demand data, to identify critical items that require detailed forecasting; this will also help to determine seasonal fluctuations.
2. Apply different techniques to get the best forecast of customer demand by item; this can be fine-tuned over time, using actual past data to ensure future forecast accuracy.
3. Create stock policies and model them to determine the best balance between customer service and inventory levels; a key outcome is the safety stock required to buffer unpredictable fluctuations in demand or supply and dynamic replenishment levels.
4. Work the plan according to the forecast and the policy.

MRP is still valuable. It provides answers to the critical questions – 'what do I make?' and 'what do I buy?'. Now, however, there is a solution to give better answers to the following questions – 'when do I make?', 'when do I buy?', 'what do I stock, and where?'. ❖

So rather than throwing your MRP process out and trying a completely new material planning process, with all its attendant complications and changes, you might want to consider adding the IO stage at the start. We have customers already using it, and it's also won an award.

Maybe it's time to make that change. ❖





Vanns Spices finds SYSPRO a necessary ingredient

Vanns Spices produces spices, spice blends, heirloom beans, grains, rice, and flavorings. While the family-owned company based in Baltimore, Maryland sells products under the Vanns label, the majority of the firm's business is directed at developing and producing private label spice lines for markets, restaurants and web sites.

In fact, Vanns has blended private spice products for specialty food retailers in major gourmet markets such as Washington, D.C., New York and San Francisco. The company has also created a variety of mustards, barbecue rubs and blends for condiments, salad dressings, marinades and sauces for high-profile TV chefs and cookbook authors including Martha Stewart, Graham Kerr, Julie Sahni, Steven Raichlen and Michael Chiarello.

Vanns acquires spices from around the globe as well as from importers in the United States. The company processes and blends the spices at the firm's Baltimore manufacturing facility where strict quality controls are enforced. According to Vanns President Mick Whitlock, not only is the company very selective about the products it buys, it also uses natural forms of sterilization such as steam and heat. "We do not employ any chemical sterilizing or irradiation which can affect the flavors of the spices," he says.

Vanns produces all private label spice blends to order. "Though we have several large customers for which we maintain inventories, it would be extremely difficult for us to stock items, particularly with the various packaging requirements of 80 private label customers," says Whitlock. "Our customers tell us how



many of each spice or blend they want, and we then produce the desired labels and fill the packaging to order."

The company's SYSPRO software easily enables the custom-shop type manufacturing necessary to fill the numerous spice blends and private label order variations. "In addition to various spices and spice blends, some customers want glass bottles with red caps, some want glass bottles with green caps and there are others that want plastic bottles with green caps. However, using the SYSPRO inventory future free report and trial-kitting functionalities, we can easily determine if we have the inventory on hand sufficient to full the orders and, if not, what we must order," Whitlock says.

Vanns first installed SYSPRO Enterprise Resource Planning (ERP) software in May, 2009. The company had been using WINMAN software, which was not only dated, but also unable to produce required reports. "For example, a requirement of our supermarket customers is that we have the ability to do lot tracking. Though we make over 2,000 blends of spices, with SYSPRO Lot Tracking we can tell which spice went into which blends. In fact, we can trace the origin of every grain of spice and into which blend it went - even into which bottle and onto which customer's shelf."

SYSPRO is also responsible for the stringent inventory controls now in place at Vanns. "Prior to our SYSPRO implementation, we had huge inventory variances, but now our





inventory has been optimized to efficient levels. I wouldn't say that we've reduced our inventory, but we have better control of it. We're not out of product. In the past we were often short of product. Now, we're getting the alarms and the information that we need to do things in a timely manner. Our previous software didn't allow us to do that, and it was very cumbersome even to get an inventory report. We did it by 'touch and feel' before ... now, we're doing it in black and white."

Whitlock discusses the other reasons why SYSPRO, purchased from Operations Resource Group (ORG) in Sunnyvale, California, was Vanns' choice. While it would have been easy to upgrade the firm's incumbent software, Vanns realized that it would still fail to fulfill all



the company's software requirements. "Plus, we wanted to tie our manufacturing software into customer service software, so the SYSPRO CRM (Customer Relationship Management) software was as attractive as were the other SYSPRO features, such as lot tracking. SYSPRO seemed a perfect fit all the way around from Accounting to Manufacturing to Traceability features," he says.

ORG President Heide Wilson notes: "Since Vanns had limited time, and its staff were exceedingly busy dealing with the old, more manual system, ORG did the SYSPRO implementation remotely using GoToMeeting and conference calls. SYSPRO and ORG's food expertise combined with Vanns' hard work enabled ORG to accomplish the whole imple-

mentation without incurring any travel costs or wasted time on site.

"All departments worked co-operatively to get the data extracted from WINMAN. Users cleaned and updated the data in spreadsheets before ORG imported it into SYSPRO. Converting all Vanns' basic recipes to SYSPRO's formula-based Bills of Material with all the required items was a key task, plus adding all the required unique stock codes into inventory. That solid foundation enabled Vanns to use the SYSPRO purchasing and production planning tools, see actual costing and add lot trace disciplines."

According to Whitlock, the company's choice of SYSPRO has been validated many times over. "The software's reporting functionality, linked into Crystal reports, is phenomenal," he says. "I can now show our board what products we sell the most of, which products are our most profitable and so on. The reports give us an in-depth picture of our company at any point in time."

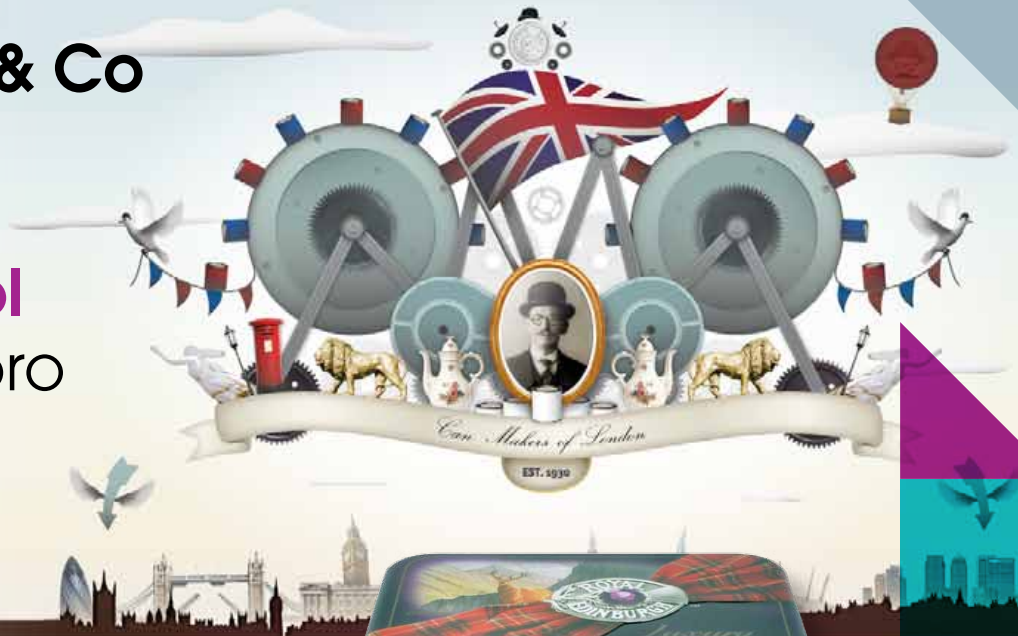
Whitlock notes that SYSPRO has been instrumental in Vanns' ability to compete. "We now know the exact costs of our products. In the past, we could only do estimates. We're able to efficiently analyze the costs of our materials, which fluctuate so much in this business. Commodities may be \$4 a pound one month and \$8 a pound the next month.

"SYSPRO has also enabled efficiencies in our purchasing. We're able to determine rising product prices, so we'll buy more of that particular item, i.e., buy three months' worth of the product rather than two months' worth. The software enables us to determine how much we'll save by buying greater quantities and how much inventory we'll need to have, which also ties right in with our cash flow picture telling us whether we have the cash flow to do that sort of thing. The software does that instantaneously. Again, we have a real-time picture of what's going on in the company."

Commenting on other ways in which SYSPRO has added to the efficiencies of Vanns' operations, Whitlock says Vanns' manufacturing is more efficient now. "While a great deal is due to SYSPRO, we've also added quite a bit of new machinery. However, since implementing SYSPRO, we actually have fewer employees and more sales, so that in itself indicates the wisdom of selecting SYSPRO." ❖



William Say & Co optimizes Visual Load Planning tool from K3 Syspro



Leading independent tin box manufacturer William Say & Co recently converted to SYSPRO and, to gain further efficiencies from its investment, it needed to automate its load planning to expedite deliveries. A loyal customer, the company returned to K3 Syspro for expert support.

William Say's vision was that pick lists would be used to verify the actual quantities picked together with the associated packaging used for the items. These confirmed details would be entered into the load planning interface to generate actual dispatch notes which would be stored against the SYSPRO load reference and become visible from within the standard load plan query screens.

After examining the company's requirements in detail, K3 Syspro designed a customized load planning solution that would provide a seamless fit with its ERP system.

Garth Wilkinson, Operations Director of William Say & Co, says: "K3 Syspro's consulting process was interactive and allowed us to evolve the process as we went along. The flexibility of both the software and consultants were key to the success of the project. This approach enabled us to deliver what would traditionally be viewed as a complicated piece of development in a short space of time."

K3 Syspro installed SYSPRO with 'Power Tailoring' functionality, providing improved flexibility. The aim was for William Say to own



its customized code and be free to evolve it as required.

"We needed a solution that allowed us to own our code without being IT specialists. K3 Syspro's customized task panes have a very high level of functionality that allows non-programmers to use it quickly and easily without having to undergo intensive training," Wilkinson says.

"The solution also provides a full upgrade path incorporating any special functionality that we have developed ourselves. It allows us to create our own load planning grid containing editable, interactive data and then sends it through to DataSwitch (K3 Syspro's solution for processing data from EDI files or database transactions) for processing while performing all operations within the one single piece of software."

The workforce was familiar with SYSPRO working processes and was already using the DataSwitch module to import sales orders from the company's website and to raise linked inter-company purchase orders and sales orders from its Manufacturing Division.



All the customized panes are held within the standard load planning query screens, which provides a single access point to review or action all aspects of the process.

The first stage is to assign sales order lines to a load. This is done visually using a custom pane, which shows all outstanding sales order lines not currently assigned to a load. The load-planning tool has grouping functionality that allows operators to group the consignment by date and route. This enables them to see which orders need to be dispatched on a specific date and the delivery routes they would typically be sent on.

The operator is then free to either accept the assumed load reference or update the dispatch and delivery dates, routes or sequences within the custom pane.

When the load is ready for picking, the standard SYSPRO delivery manifest report is used to provide the warehouse with details of the load they need to pick. This report includes the assumed amount of packaging along with the customer's freight charges and prompts the team to accurately capture and charge for the quantities used on the load.

Recording dispatch

DataSwitch clears out the sales order lines from the load plan and replaces them with the confirmed dispatch note details. This means the confirmed dispatches are all visible in the standard load planning query, thereby maintaining a full record of what has been sent, when and where.

The system is also being used to complete the inter-company supply process. If an item is picked that has been supplied by the Manufacturing Division, the linked purchase order is automatically booked in. Then the sales order is shipped and dispatched awaiting a consolidated monthly inter-company invoice.

Although William Say & Co has only been using its ERP system with the added load-planning functionality for a short time, the new working process has already made time-saving efficiencies and brought new accuracy to the company's dispatch process. The accurate processing of load quantities was previously operated using a paper-based system which wasted a lot of

administrative time and was not nearly as accurate at the load planning solution that is now in place.

"Although we have not been using the full ERP solution for that long, already we are seeing a big difference in our efficiency. Before we had SYSPRO with load planning installed, we used to have to do a work-around to plan our deliveries, which took too much time and lacked accuracy. We can now do everything through the system, which is a significant benefit all round," Wilkinson says. ❖





ALC reduces inventory and **frees up cash flow** with SYSPRO



Australian Lift Components (ALC), Australia's largest designer and manufacturer of high-quality elevator fixtures, has reduced its inventory from A\$1.9 million to \$500,000 by implementing a comprehensive SYSPRO solution.

ALC provides the buttons that bring a lift to your floor, the LED display systems that show you where the lift is now, the audio warnings that tell you what floor you are on, and the control panels that ensure the lift takes you where you need to go.

Established in 1974 and a subsidiary of Dewhurst plc, ALC supplies all the major elevator companies in Australia and in recent years extended its reach into international markets including New Zealand, Papua New Guinea, Malaysia and China.

ALC's business is one of bespoke or make-to-order manufacturing, and it operates in a competitive market where price and deliverability can make or break a contract.

In 2000, when ALC was sold to the Dewhurst Group, data was captured in a variety of documents and reporting was a manual process. In late 2000, in an effort to streamline the administration and management of the growing family of companies, Dewhurst decided it was time to deploy an ERP system and selected SYSPRO.

Coincidentally, ALC Managing Director Chris Carroll arrived at a similar conclusion at the same time. "We had excessive inventory so we wanted to streamline our stock and improve cash flow. We're a small business but because of the highly customized nature of what we create, we used to carry \$1.9 million worth of raw material stock plus work in progress," he says.

Buoyant building conditions had brought a new competitiveness to the Australian market, so getting the right inventory mix and stocking rates for a couple of thousand line items was crucial.



"We looked at the alternatives but came up with SYSPRO as a system that would be acceptable for Australia. The software seemed to be a solution that broadly suited the group and all our differentiations worldwide."

In early 2002, ALC placed its order. The deployment involved almost every available SYSPRO module - from Accounts Payable and Receivable, General Ledger and Cash Book to Inventory, Bill of Materials, Quotations and Work in Progress.

Scott Cutler, Logistics Manager of ALC, explains that the solution is now deeply embedded in ALC's business processes. "It's used by about 16 staff on a regular basis. Whether you are looking at the installation of a new lift or a modernization project, it all starts with the preparation of a quotation in SYSPRO. If the bid is successful we convert that information to a sales order, then we bring together all the customer requirements to create a job and the bill of materials."

One of the first benefits of the system was its automated reporting. ALC now runs daily reports for local and UK management showing incoming orders, orders dispatched, and invoicing. The reports match

the format used in the UK and provide an accurate, up-to-date picture of the Australian business.

Since the solution was deployed, ALC has reduced its inventory from \$1.9 million to \$500,000 of raw material stock plus work in progress. Carroll is confident that in time this figure will be further reduced to \$350,000 worth of stock. "We've improved cash flow and therefore the dividends going back to the group," Carroll states. "The system has also helped us to be more efficient. It's been a catalyst that has led us to evaluate the business on an ongoing basis."

Co-ordination between departments has dramatically improved, with everyone focused on working towards the same goal. "People have a greater comprehension of our business and how the activities of one department can impact on another," Carroll says. "For the majority of our people who use the system on a daily basis, SYSPRO has become second nature."

The company is now looking at integrating AutoCAD and SYSPRO with the intention of generating designs and accompanying quotes more quickly. At present the two separate processes can take up to a week to complete. Cutler believes that with integration this time may be reduced to one day - delivering a dramatically faster result for customers. And once the design and quote are approved, all the information can be converted into production very quickly.

"Over the years, our business has expanded and we've moved to bigger premises, investing significant sums into the plant. Yet we've been able to retain key staff while reducing overall employee numbers because we replaced manual processes with automated ones; we were suddenly able to do more with the same workforce. Lean processes have also given us other efficiencies along with more speed," Carroll concludes.

Perhaps the final proof statement of ALC's ERP deployment is in the subsequent adoption of SYSPRO as the standard ERP solution for the entire Dewhurst group. Since going live in the UK and Australia, SYSPRO has been deployed in Dewhurst subsidiaries throughout the world including the US and Canada. ❖



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