EGO PHARMACEUTICALS

SKIN CARE COMPANY USES SAP® SOLUTIONS FOR EFFICIENCY AND EXPANSION INTO NEW MARKETS

"We looked at our SAP implementation as an opportunity to rethink the way we run our business and used the best-practice blueprints to review the way we do things."

Alex Vörös, Quality Assurance Manager, Ego Pharmaceuticals Pty. Ltd.

QUICK FACTS

Company

- Name: Ego Pharmaceuticals Pty. Ltd.
- Location: Braeside, Australia
- Industry: Consumer products
- Products and services: Skin care products
- Revenue: $A86 million (US$88 million)
- Employees: 250
- Web site: www.egopharm.com.au
- Implementation partner: Clarity Consulting Group Australia Pty. Ltd.

Challenges and Opportunities

- Increase efficiency, productivity, and quality control
- Expand further into international markets
- Meet multinational compliance requirements

Objectives

- Eliminate manual processing
- Replace outdated legacy software
- Integrate new software with existing functionality that is still required
- Incorporate best practices in accounting, enterprise resource planning, material requirements planning, purchasing, and sales and financial reporting

SAP® Solutions and Services

- SAP® Business All-in-One solutions
- SAP BusinessObjects™ Edge Business Intelligence (BI) software
- SAP Solution Manager application management solution

Implementation Highlights

- Adhered to standards and guidelines of local and overseas health authorities
- Started using SAP BusinessObjects Edge BI software for reporting sales and other activities from the start
- Accelerated warehouse stock-taking approach that reduced cutover effort
- Integrated external software for demand forecasting and quality control
- Modified more than 250 procedures

Why SAP

- Built-in support and proven best practices for business processes
- Smooth integration with existing functionality
- Strong references from other users, including other pharmaceutical firms

Benefits

- Enterprise-wide visibility of operational information
- Delivery of operational efficiencies through automated processing and a reduction in manual tasks
- Elimination of physical quarantine of raw materials and products
- Provision of a modern and flexible platform to support business growth

Third-Party Integration

- Database: MaxDB
- Hardware: IBM System x
- Operating system: Red Hat Enterprise Linux

ego™ the science of healthy skin™

Ego Pharmaceuticals Pty. Ltd. (Ego) is one of Australia's leading manufacturers of products for treating and preventing skin diseases and maintaining healthy skin. When its legacy software could no longer support the company's plans for global expansion, Ego turned to an SAP® Business All-in-One solution and to the SAP BusinessObjects™ Edge Business Intelligence (BI) software. The implementation has helped Ego reduce errors in inventory and distribution, cut costs, and increase transparency and efficiency across the organization.

Going Global

Founded as a family-owned business in 1953, Ego manufactures more than 100 skin care products for distribution to pharmacies throughout Australia. The company also sells its products in New Zealand, the United Kingdom, and more than 20 countries in Asia and the Middle East. Many of its products, such as a tinted sunscreen designed specifically for sale in Iran, are innovative and highly specialized.

Following a recent $A6 million expansion of its manufacturing facilities, Ego plans to have its international sales represent half of its total business by 2020. Over the next few years, for example, the company expects to introduce its products in Egypt, Syria, and some other countries.

Ego emphasizes therapeutic skin care in its overseas markets. Company representatives work with primary care physicians, dermatologists, gynecologists, pediatricians, and pharmacists to identify for their patients innovative products that are also compatible with local regulations, procedures, and processes.

Identifying and Overcoming Limitations

Before Ego installed the SAP Business All-in-One solution, some customers ended up with the wrong versions of products – a problem that was costly and harmful to customer relationships. This distribution challenge resulted from inadequate and cumbersome manual procedures.

"We examined all our raw chemicals manually before we put them into our warehouses, and we used manual procedures to release all finished goods for shipping," explains Alex Vörös, Ego's quality assurance manager and project manager for the SAP implementation. In addition to increasing the risk of errors, this lack of automation significantly slowed the company's quality-control processes.

"We had a lot of very clever and innovative people who somehow managed to get things done using basic word-processing software, databases, and spreadsheets," says Vörös. "We also had stand-alone software that helped with sales forecasting and manufacturing." Eventually, however, the legacy software reached its full capacity.

"We had huge amounts of information that we could not integrate," Vörös adds. "As a result, we didn't have the flexibility or visibility we needed for the business to grow." For a while, Ego attempted to fill the gap by spending a lot of time and effort writing code for its legacy system. But eventually, it turned to SAP.

"We chose an SAP Business All-in-One solution for its strong, process-driven support that covers procurement, manufacturing, warehousing, and everything in between," says Vörös. "The software also incorporates many of the best practices in our industry, supports multiple languages and currencies, and requires little development effort on our part."

The company did, however, need experienced help with the implementation. For this, it turned to Clarity Consulting Group Australia Pty. Ltd. (Clarity). Clarity provided Ego with a team of experts in project management and business processing who were familiar with the needs of small and midsize enterprises and could adhere to Ego's values.

Smooth Integration with Legacy Software

The SAP implementation included software for financials, materials management, warehouse management, production planning, and sales and distribution. Ego installed SAP BusinessObjects Edge BI to handle its management reporting needs. It also installed the SAP Solution Manager

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application management solution, which combines tools, content, and direct access to SAP to increase the reliability of SAP solutions and lower total cost of ownership. Ego uses SAP Solution Manager to ensure that it meets pharmaceutical manufacturing compliance requirements. Additional benefits derived from SAP Solution Manager include solution lifecycle support; integrated functions, controls, and reports; and traceability of compliance requirements.

"SAP provided all the interfaces and functionality we needed," says Vörös. "We had interfaces with our dispensing software (Wayahead Windows Weighing System from Wayahead Systems, or 3WS) and our forecasting software (from Demand Solutions), which had cost us a lot of money to develop. For the forecasting to work properly, we also needed an interface with our sales data." The new software integrated smoothly with the existing Microsoft databases used for shop-floor documentation, which were key gateways to many other types of information, such as product labeling.

The implementation, which involved a rigorous change management program and the modification of more than 250 operating procedures, relied heavily on constant communication with all staff and the active involvement of business users. "We asked people who were on the shop floor, riding the forklifts, receiving goods, and taking raw materials and bringing them from the warehouse to the production area how their processes work," says Vörös. The effort paid off. Thanks to Clarity and SAP, Ego is running robust processes today and is better prepared for tomorrow's challenges.

A Quick Return on Investment

The original business plan had a return on investment of approximately $100,000 a month. The company realized this quite quickly. The return on investment over a five-year period is now estimated at about 92% – the result of process improvements throughout the company.

"Ego's future is all about innovation, a core business value that is emphasized throughout the company. . . . Our SAP software will help us drive this innovation for many years to come."

Alan Oppenheim, Managing Director, Ego Pharmaceuticals Pty. Ltd.

"Our new software has helped us implement robust processes across the organization – from international marketing to managing our point-of-sale materials and to accounting, sales support, and more," says Ego's managing director Alan Oppenheim. He notes that the ability to give unique identifier numbers to each version of each product for each market has dramatically reduced shipping error rates.

Ready access to key information is also a big plus. Ego has replaced most of the 650 spreadsheets that previously provided management with the information it needed. Managers can now log in from anywhere in the world and find out the status of any product in any order. They also have timely, reliable information about out-of-stock levels and where products are being delivered. This has significantly improved efficiency and reduced delivery errors.

Profitability statements for various products and markets, once provided just a few times each year, are now available monthly. This, combined with better visibility throughout the company, will play a major role in helping Ego meet its business goals. In addition, Ego has used the new software to introduce key performance indicators. Managers can now track the number of days it takes to get an ingredient or other raw material through the company's quality control processes. This helps Ego know more precisely when materials will be available for production.

Ego's R & D team, engaged in the development of new products, also benefits from having a single source of reliable information. In the past, R & D managers had to go to different departments, and use different applications, to retrieve the information they needed piecemeal. With the new SAP software, they can log on to one application and find out whether all the raw materials that they've ordered for a trial batch have been received. When they develop a new product, they can also be confident that they've based its cost on the latest pricing information and that it will meet all the regulatory

requirements of the markets where it will be sold.

In Ego's warehouses, meanwhile, small computers have replaced handheld PDF devices on every forklift. As a result, forklift operators can now access the information they need without getting off of their machines, which speeds up operations and makes their work safer.

Looking Ahead

As Ego continues to update its manufacturing facilities, it plans to find a more efficient way of delivering raw materials directly to its manufacturing plants. It is also exploring ways to automatically control how and when ingredients are added during the production process.

Ego expects to make SAP software an integral part of its delivery, dispensing, and manufacturing processes. It will also use the software to improve production processes. One possibility, for example, is to integrate flow meters to achieve a much closer relationship between planning a product, dispensing raw materials for the product, and manufacturing the product.

"Ego's future is all about innovation, a core business value that is emphasized throughout the company," says Oppenheim. "We strive constantly to improve our formulas and processes to ensure that every product is top quality. We also seek innovation in dealing with our customers and enhancing our production and marketing processes. Our SAP software will help us drive this innovation for many years to come."

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