

Sage ERP X3 | Case Study

WMS Implementation Helps L'Occitane Stay on Fast Track

Background

L'Occitane is a manufacturer and retailer of luxury personal care products including pure essential oils, cosmetics, skin care, soaps and hair care products. The French-based company's North American headquarters are in New York City while its centralized distribution center is located nearby in Lyndhurst, NJ.

L'Occitane's relationship with Sage began around 2000 with an ERP implementation at its manufacturing plant at Provence in the south of France. In 2003, L'Occitane implemented Sage ERP X3 Distribution for its U.S. operations – including Order Management, Purchasing, Inventory Control, CRM and Accounting – to support their growing distribution channels that include company-owned retail and outlet stores, retail catalog and mail-order operations, an Internet Web site and wholesale accounts, including high-end specialty retailers and spas, corporate gifts and business-to-business.

Satisfied with the ability to utilize their back-office Sage ERP X3 functions to make more informed decisions, streamline operations and perform insightful product planning, the company next turned its attention to enabling their warehouse to efficiently support the tremendous store growth they were experiencing. L'Occitane entered the U.S. market in 1996 by opening a boutique in New York City. By 2000, the company had opened 24 stores nationwide, which skyrocketed to 135 by the end of 2005.

The challenge was to apply new enabling technologies to its distribution process without disrupting service to its stores. L'Occitane also sought to reduce supply chain costs while increasing productivity in the warehouse. Although the company implemented Sage ERP X3 for its administrative and financial operations, the warehouse primarily operated on a manual basis. As soon as Sage ported its WMS application – Sage Geode – to the Sage ERP X3 technical platform, L'Occitane jumped on the opportunity to become a pilot site, not only within the multi-national L'Occitane network, but as Sage's initial North American Sage Geode implementation.

Sage Geode went live at L'Occitane's Lyndhurst warehouse in June 2005. "As we continued to grow, it made sense to have a robust system running on a common platform," said Chris Halkyard, Vice President, Supply Chain for L'Occitane.

"Productivity in the first month after Sage Geode went live improved upwards of 20 percent and output per hour ranged from 600 to 900 units, double what it was prior to the implementation."

- Chris Halkyard
Vice President Supply Chain
L'Occitane

The Implementation

Prior to implementing Sage Geode, orders were picked by store and staged onto pallets. Delivery times were scheduled for the stores, and pallets would be sent to a staging area before being shipped. Picking involved taking a manual cart into the warehouse and placing as many cartons on the cart as possible. Packing and labeling were entirely manual processes, receiving was a bulk putaway process and

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location replenishment was done by sight. “It was in the dark ages,” commented Halkyard. With rent taking up 40 percent of supply chain costs, L’Occitane also wanted to restructure the layout of the 66,000 square foot facility by transferring space from outbound pallet storage to one dominated by picking activity.

L’Occitane also equipped their workers with mobile handheld radio-frequency devices and interfaced them with Sage Geode, creating a totally paperless environment. The company also installed conveyors, racks and material handling equipment to help reduce handling costs and expedite the flow of material throughout the distribution center.

To prepare for the changeover to Sage Geode, the manual picking operation was transformed into a process utilizing conveyor systems and 3PL’s to speed up operations and eliminate transportation respectively. The new process started with product moving directly from receiving straight through to a pick/pack area, where flow racks and conveyors now direct items to a packing area where new automated equipment fulfills the packing and labeling process. Once an order is scanned to confirm an item, quantity and carton, a manifest is printed and placed on the carton.

L’Occitane also began wave picking based on store location. Full trailer loads are now fluid (randomly) loaded and sent to the 3PL’s Elizabeth, NJ and Detroit, MI facilities where shipments are then sorted by store destination and arranged for delivery. This asynchronous flow of store-order packages into the 3PL trucks not only eliminates the sorting process at L’Occitane, but it also helps reduce dock staging space.

Upon shipment completion, Sage Geode sends an electronic master packing slip directly to the stores to let them know what they’ll be receiving, including the total number of items and the value of the shipment. A follow-up e-mail provides the same information by carton ID number in carton ID order so the stores can readily identify and record the products when they’re received. “Now they have good notification on what is about to come in,” said Halkyard, “and they can make room for it. It’s terrific.” This advance shipment notification feature enables stores that are waiting for a ‘hot’ item to quickly scan the packing slip to find the carton that has the items they need immediately. “They can access right down to the item number or to the description,” said Halkyard, “and know they are getting a specific quantity of whatever they are looking for.”

To ensure limited store disruption upon “go-live”, L’Occitane constructed a huge order for the stores and

doubled the quantity for ‘high demand’ items.” To compensate, they skipped a delivery the following week. The company performed a complete physical inventory, scanning goods into a location as counted.

Results

On its first day using Sage Geode, L’Occitane processed 39,000 units in about 4 1/2 hours, over one third of their peak level target. Picking productivity was up over 30 percent. The new system virtually eliminated the time it took pickers to travel from one picking slot to another. “The biggest change is our ability to manage our workload and create density in the picking line,” said Mr. Halkyard. “We now do more work in less space.” The new system also made it possible for L’Occitane to position their fastest moving items in close proximity to one other to maximize worker efficiency. “We are bringing more work to the picker as opposed to the picker finding the work,” added Halkyard. In total, productivity in the first month after the system went live had improved upwards of 20 percent, and output per hour ranged from 600 to 900 units, double what it was prior to the implementation.

L’Occitane experienced reduced inventory costs. “We’re now better able to balance out the months of supply we have in the company, what’s in our stores, what’s in the DC, and what’s over the water in Provence,” said Halkyard. “We want to keep as little inventory as possible while keeping our in-stocks over 95 percent.” Mr. Halkyard is confident that L’Occitane will experience 1.5 to 2 percent reductions in overall supply chain costs relative to the cost of goods sold.

L’Occitane expects to generate a return on its investment in all its new technologies in two years or less. “The systems we have now,” said Halkyard, “should hold us for some time. We set this up so we could be in business for a long, long time in our current square footage.”

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