



Microsoft Customer Solution Case Study



Empowers Employees with Integrated System

Overview

Country: Venezuela

Industry: Manufacturing

Customer Profile

Based in Caracas, Venezuela, Drocisca is the family-owned manufacturer of Valmy, a line of popular cosmetics and beauty products. The company employs 185 people and has 40 desktop computers.

Business Situation

Drocisca's IT systems operated in isolation. Employees in different departments couldn't access and share business information; this increased costs, reduced operational efficiency, and impaired customer service.

Solution

Drocisca replaced three systems with an organizational management solution that integrates with Microsoft® Office Professional Edition 2003.

Benefits

- Improved interdepartmental cooperation
- Improved overall productivity 40%
- Reduced inventory costs 15%
- Improved production planning
- Increased order fulfillment 20-25%
- Increased sales revenue
- Improved competitiveness

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Patrick Elie, Manufacturing Manager, Drocisca

Drocisca, a family-owned company based in Caracas, Venezuela, produces and markets the Valmy brand of cosmetics. The company had three poorly integrated business information systems forcing sales, production, planning, and financial department staffs to work in isolation. This reduced the company's internal efficiency and customer service. To address these business issues, Drocisca deployed an integrated business management environment based on Microsoft Business Solutions—Great Plains®, running on the Microsoft Windows Server™ System and Microsoft Office Professional Edition. Employees use familiar tools to access and share data between departments. In addition to improving sales revenue, Drocisca increased overall employee productivity by 40 percent, reduced inventory costs by 15 percent, and increased order fulfillment by 20 to 25 percent—creating a significant competitive advantage.



Figure 1 – Drocosca manufactures and distributes its own brand of cosmetics, Valmy, throughout Venezuela.

Situation

Venezuelan cosmetic company, Drocosca, has been in operation since 1958. Beginning with just four employees, this family-owned midsize business has grown from distributing other companies' cosmetic products to developing, manufacturing, and distributing its own brand of make-up and beauty products from its headquarters in Caracas. On the market for 32 years, the Valmy brand is popular in Venezuela for its lines of make-up, nail polish, nail polish remover, shampoos, and body lotions. (See Figure 1.) The company has 185 employees.

Drocosca operates in a challenging, volatile market that is subject to fashion trends and ever-changing popular colors. Over the years, the company has created and marketed many products, and today has two main divisions: one that mass produces products like shampoo, bath lotion, and nail polish; and another that creates make-up.

The two divisions are differentiated by the nature of the production process; on the one hand, personal care products like body lotion and hair gel are produced in huge batches of 60 kilos to 10 tons each. Approximately 100 employees work in Drocosca's manufacturing facility, preparing and packaging these products. Make-up, on the other hand, is created through a more artisan-like process, and on a much smaller scale. Only twenty-two employees work in a separate facility to create and package these products.

Making Better Use of Technology

After entering the twenty-first century, this family-run business reached a crossroads. Two previous generations had successfully run the business for 47 years; however, Drocosca faced the growing challenges of an increasingly competitive market. "My grandfather started this company, and we work here with my parents, uncles, and cousins," says Alex Mann, Finance and

Systems Manager at Drocosca. However, he and other third-generation members of the company are spearheading a new approach to building the business through the strategic investment and use of technology across the company.

"Before, we had technology—a manufacturing system, a sales and accounting system, and a human resources system—but these systems ran on either the UNIX or older Windows® operating systems, and these two operating systems made integration difficult," he recalls. "Consequently there was no integration between our sales department, our manufacturing divisions, or our vendors. It could take hours, or even days, to get a financial statement or to work out production expenses. The information was there. We just had no way to use it effectively."

Poor IT Integration

Poorly integrated business systems impaired the free flow of data between Drocosca's departments and among employees that required consolidated information to work collaboratively and run the business efficiently. To make matters worse, the company had no internal e-mail system. These problems reduced employee productivity and the ability to make good business decisions. The problems also hindered production, impacted customer service, and reduced sales revenue.

"The productivity of our employees is especially important for us," says Mann. "Time is money. We wasted a lot of time obtaining information to make critical business decisions. No one trusted the systems we had, so we wasted more time verifying the data. By then, the decisions were already too late and we couldn't respond to the market quickly enough. With so much competition we need to move quickly or lose market share."

“Drocosca had hidden costs that it wanted to eliminate. We recommended an array of Microsoft products working together. Internal company communication problems disappeared and productivity went way up.”

Rogelio Carrillo, Services Director, Sinca

Manual business processes further reduced productivity. Staffers that are responsible for creating sales orders manually entered stock keeping units (SKUs) into a three-page product sheet while talking to the customer. Each order often required more than 20 minutes of employee time. Later, the same information would have to be re-entered into Drocosca's manufacturing system for production. And when it came to invoicing, a single employee would manually compile invoices by product line only.

Poor Access to Business Information

These disjointed manual processes meant the company missed opportunities to collect and analyze sales information on a more granular level. It was difficult to make strategic marketing and product manufacturing decisions; for example, data on sales activity for specific product types, or colors.

Drocosca never knew exactly how much product to manufacture because the planning and production departments couldn't easily communicate with the sales department to keep abreast of which products were selling well and which were not. This problem was exacerbated by the company's complex and volatile line of product styles and colors. Of Drocosca's 80 colors of nail polish, 30 or 40 are always changing to keep abreast of the market.

“We needed sales information in real time to analyze and predict how the market is going to behave,” recalls Mann. “Our salespeople were selling product they didn't even know was in stock. Huge orders would come in and we could only sell 70 to 80 percent of them. That meant a big loss of potential sales for the company.”

Not only was it nearly impossible to keep inventory of finished product at optimal levels, it was also difficult to ensure that the

manufacturing department always had enough raw materials on hand to correctly fulfill sale orders on time. With complicated formulas for more than 400 SKUs, the margin for error is very slim.

“A batch of shampoo might require thousands of kilos of one material—but if we are missing one kilo, we can't make the formula,” advises Mann's cousin, Patrick Elie, the Manufacturing Manager at Drocosca. “We also require the right amount of packaging material on hand to ready the product for shipping. We needed a good information system so that we could plan production according to projected sales and manufacture the right amount of product at the right time.”

Drocosca distributes its products to customers with a fleet of company trucks. However, sometimes Drocosca's customers waited longer than was desirable in a competitive marketplace to receive product shipments for resale. This tied in with the lack of control of inventory levels. These were all huge problems for a company that relied on point-of-sale activity to determine market strategies for its products.

“It's very important that our salespeople represent our product well,” comments Elie. “One of the factors that contribute to this is having our product readily available to the public. We couldn't give the customer the service we wanted to.”

Elie and Mann knew the company needed to overhaul its technology systems. Together, they worked to obtain a consensus from the board and management. “We all understood the problems we faced. We agreed to look for an information system that would be integrated, based on standard technology, available in Spanish, and proven for midsize businesses,” Mann relates. “We also knew

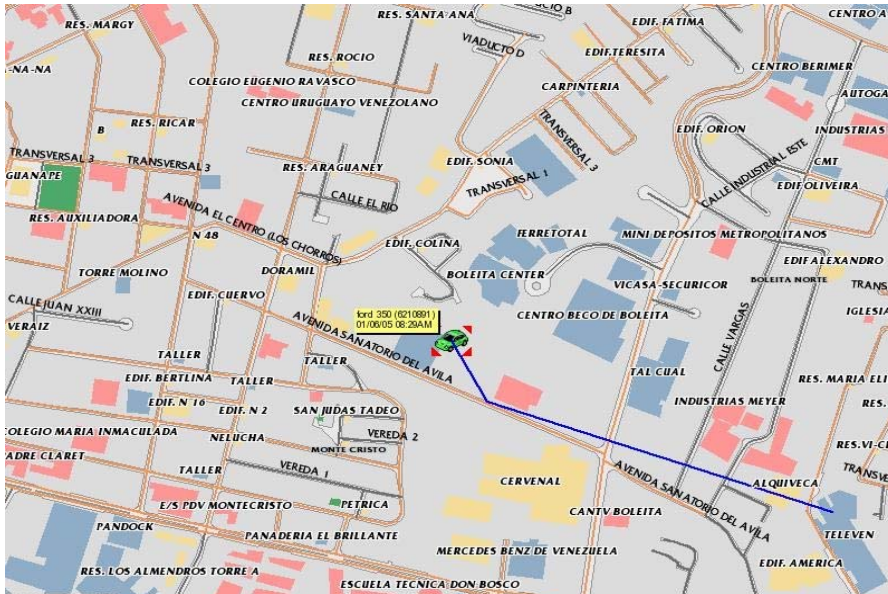


Figure 2 – Drocosca sales representatives can use a tool developed by Sinca that links to a global satellite position service to track delivery trucks to answer customer inquiries on the spot. The tool is available from within the Microsoft Great Plains solution.

we needed a local partner to help us implement it.”

Solution

After evaluating several different proposals, Drocosca chose to work with Microsoft Gold Certified partner, Sinca, to deploy an integrated Microsoft solution for their business. This reduced the company’s trepidation about undertaking such a large project.

“For a company our size, performing this type of implementation in-house is daunting,” notes Mann. “Sinca offered us local expertise, support, and service. Sinca also offered their customized tool that helps us manage Venezuelan taxes—plus the backing of a global company like Microsoft. Microsoft constantly enhances its products, and its products are proven in our market, available in our language, and priced right. There were too many advantages for us to pass up.”

Choosing an Integrated Solution

Sinca worked with Drocosca to deploy a solution running on the Microsoft Windows Server™ operating system (part of Microsoft Windows Server System™ integrated server software). It also included the Microsoft Exchange Server 2003 messaging and collaboration server, the Microsoft Internet Security and Acceleration Server 2000 (ISA Server 2000), and Microsoft SQL Server™ 2000 as the database engine for the Microsoft Business Solutions—Great Plains® business solution.

A robust system designed for growing businesses, Microsoft Great Plains helps companies like Drocosca manage finances, sales and purchasing, manufacturing processes, inventory, and human resources and payroll. Drocosca deployed the Microsoft Business Solutions for Financial Management-Great Plains, as well as the Manufacturing and Distribution Solution series of Microsoft Great Plains.

Unparalleled integration with Microsoft Office Professional Edition 2003 means that Drocosca employees can access a wealth of operational data from Microsoft Great Plains to view, share, and analyze data using familiar programs like Microsoft Office Excel® 2003 spreadsheet software and Microsoft Office Outlook® 2003 messaging and collaboration client.

“Drocosca had hidden costs that it wanted to eliminate,” comments Rogelio Carrillo, Services Director at Sinca. “We recommended an array of Microsoft products working together. Internal company communication problems disappeared and productivity went way up. And because Microsoft Great Plains offers an open architecture, we can easily customize the solution to meet our clients’ unique needs.”

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Alex Mann, Finance and Systems Manager,
Drocosca

Custom Applications

Sinca built two applications for Drocosca that added value to the solution without incurring the high costs of a completely custom solution, or adding extra disruptions. The first application took advantage of the integration between SQL Server 2000, Microsoft Great Plains, and Excel 2003 to provide a tool for employees to extract operational data from Great Plains to gain insight into the business. For example, employees can use the tool to calculate the costs of formulas and obtain inventory levels to make enquires to providers. They can easily send this information via Outlook 2003.

The second Sinca-created application, also built within the Microsoft Great Plains environment, provides a tool that links to a global satellite positioning service so that employees can determine the position of individual trucks, assign shipment routes, and accurately predict delivery times. (See Figure 2.)

“We knew we were losing sales, and incurring unnecessary expenses, but Sinca saved us money by deploying the solution in just over three months,” says Mann. “If we had tried this on our own, it would have taken us four times as long.”

A speedy deployment, with virtually no learning curve boded well for the solution’s ongoing ease of use and management. For Mann and his assistant, a Microsoft solution not only solved a lot of implementation headaches, but also provided peace of mind with respect to the solution’s ongoing reliability and stability. “Microsoft products run reliably without a lot of work for our IT department of two,” he adds. “We can manage Drocosca’s entire infrastructure, yet also focus more on strategic IT projects.”

Benefits

After deploying the Microsoft-based solution, which shares information with desktop collaboration and productivity tools, Drocosca is a different company. Replacing three business systems that did not communicate with each other with a single solution that aggregates key business and financial data—and makes that data available to managers and employees across all departments—opened up a new era of productivity and efficiency.

“Thanks to the integration of all our Microsoft systems, Drocosca employees are 40 percent more productive,” comments Elie. “Everyone sees the same information relating to inventories, requisitions, purchase orders, and customer requests so that we can work together as one to solve problems and respond quickly to market situations as they unfold.”

With Microsoft communication and collaboration tools like Exchange Server 2003, Outlook 2003, and Instant Messaging for chatting, Drocosca’s new communications solution required little training and made possible unprecedented collaboration across the whole company.

“Now we have data from all departments in one environment, that also provides familiar desktop tools to share that information,” explains Mann. “Employees don’t have to switch from Great Plains to Office Professional Edition 2003 programs and interrupt their workflow. They can open Great Plains and send information through an e-mail message, or they can open an Excel spreadsheet to import data into Great Plains. Then they can share the data by sending a colleague an e-mail message with the spreadsheet attached, or even by using Instant Messaging to converse about its contents.”

"We have eliminated the element of surprise when it comes to sales orders, and done away with unnecessary downtime. We've reduced packaging and raw material inventory by 20 percent. That means more money for the company."

Patrick Elie, Manufacturing Manager,
Drocosca

Given this level of product integration and employee communications, Drocosca is a more cohesive organization. It is already benefiting from improved production and planning, better business intelligence, improved customer service, and increased profits and revenue.

Improved Production Planning Recaptures Lost Sales

Drocosca's Microsoft-based solution improves efficiency for employees in different departments through role-based innovation. For example, employees in production planning can use the solution to directly link production planning with up-to-date sales information. Now the company has the ability to achieve just-in-time inventory management, improve quality control, and save money.

"With Great Plains we can see what's going on in both the sales and production areas at the same time so we can plan with certainty how much to produce," says Elie. "We have eliminated the element of surprise when it comes to sales orders, and done away with unnecessary downtime. We've reduced packaging and raw material inventory by 20 percent. That means more money for the company."

"With inventory levels calculated directly from current sales data we are able to improve order fulfillment from 70 percent to between 90 and 95 percent," adds Mann. "We are recouping a lot of lost sales revenue."

Better Business Intelligence Improves Control over the Business

Improved access to real-time operational and financial data means that managers and employees have more time to work on improving the business without worrying about putting out fires, correcting mistakes, and verifying less-than-reliable data. "With Microsoft Great Plains, we trust our data.

With 100 percent reliable, real-time information, we don't have to check sources," says Mann. "We can respond quickly to take action ahead of our competitors."

Not only can employees access and share better information more quickly, but the added business intelligence functionality—built into Sinca's application with Excel 2003—provides managers with even greater insight into the business. Integrating Great Plains with Excel 2003 means managers are now using many reports to visualize and control production and sales. For example, Excel 2003 provides an easy way for employees in production to obtain information from the SQL Server database to calculate the costs of ingredients and formulas to manufacture products and to obtain current inventory levels.

"For the first time, we can see which products are selling where," says Mann. "We can analyze sales by salesperson, by region, by product lines, and we can drill down into which colors and versions are selling better. Now we can respond quickly to market fluctuations. That translates into cost savings and increased profits."

Now that Great Plains provides a central location to store valuable data that is collected in the sales order form, Drocosca managers have a better understanding of product trends and sales fluctuations. "We are using product orders and sales information at a level of detail we've never had before," says Elie. "Now we have information to refine our production and marketing strategies to be more competitive."

Better Customer Service Increases Sales

Drocosca customers are happier now, too, because the company can reliably deliver product between 90 to 95 percent of the time. With the ordering difficulties of the past solved, salespeople can count on the timely

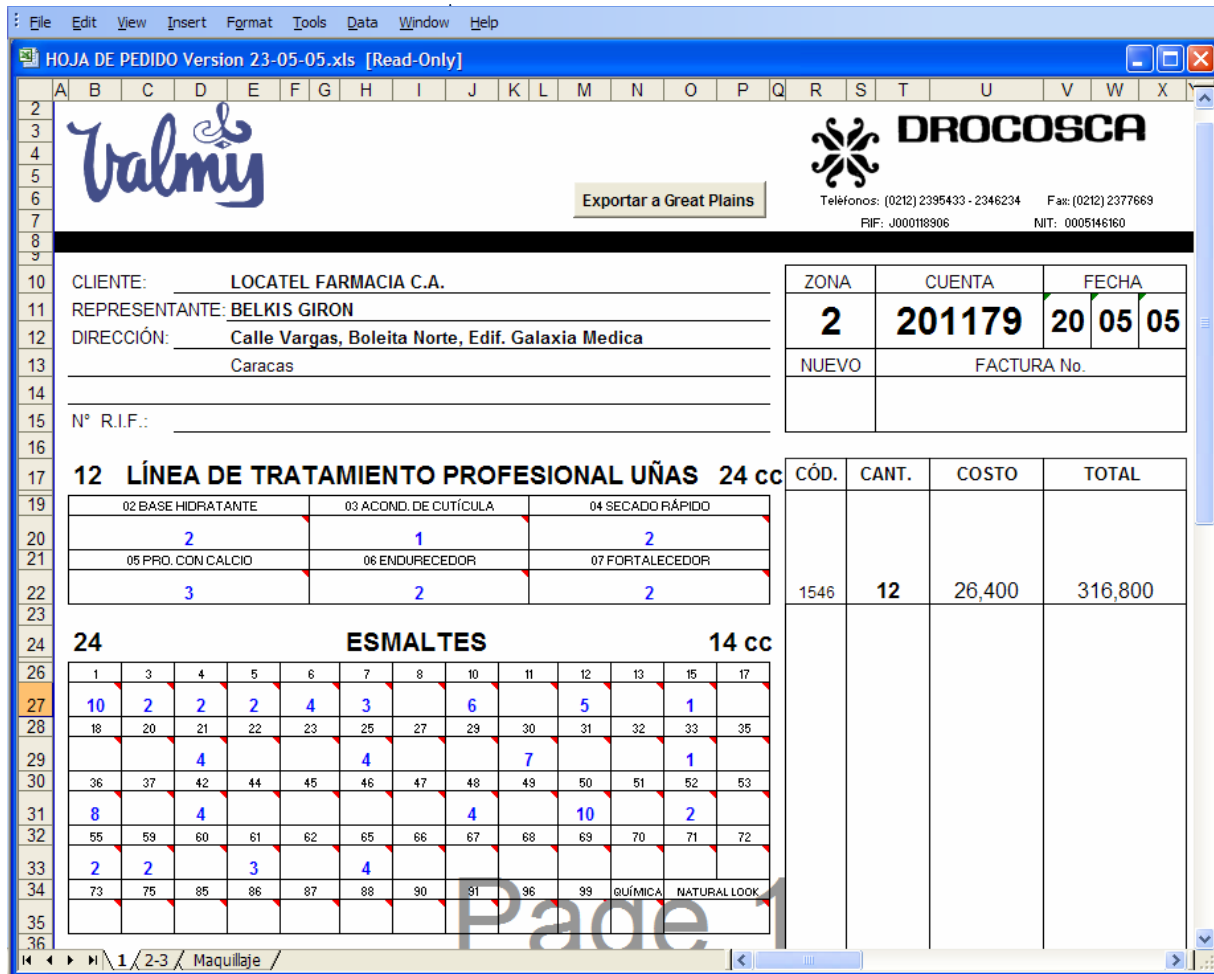


Figure 3 – Drocisca sales representatives use an Office Excel 2003 order form to enter sales orders directly into Great Plains.

arrival of Valmy products to ensure that their customers always find the products that they want.

And instead of spending a long time filling out product order sheets, Sinca easily developed an application that allows Drocisca's sales team to input customers' orders directly into Great Plains through an Office Excel 2003 spreadsheet. Now the sales team is taking advantage of the integration between Great Plains and Office Professional Edition 2003 programs to input their customers' orders quickly into an Excel spreadsheet where the

total is automatically calculated. The order is then directly integrated into Great Plains. (See Figure 3.)

"Our customers know exactly what prices to expect on their invoice, and our salespeople no longer enter sales order data twice. Now, they can spend that time offering better customer service," says Mann.

Customers never need to wonder when their shipments will arrive. Drocisca employees employ the shipping and delivery application that Sinca developed to track delivery trucks

For More Information

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For more information about Sinca products and services, call +58 (212) 953.7744 or visit the Web site at: www.sinca.com

For more information about Drocisca products and services, call +58 (212) 239-54.33 or visit the Web site at: www.valmy.com

to promptly address their inquiries. A staffer simply opens an invoice, and a screen presents the shipping order with customer, date, products, expected delivery time, status, and more. Previously this information existed on paper, which made it difficult to track and compile information for easy reference if a customer called wondering where a shipment was. "Now through this system and a satellite service, we can locate the exact position of a single truck anywhere in the country over GPS to predict exactly when a shipment will arrive," says Mann. "Our customers are impressed!"

"What this means for our customers is that our service is prompt, efficient, and reliable," says Elie. "Our integrated Microsoft solution increases efficiency and reduces costs so that we can deliver products at a better price than our competitors. We are increasing sales revenue and driving up profits."

Mann concludes, "Our new system gives us timely, correct information so that we can make better decisions quickly. We're more competitive and efficient. Today's world is a challenging place to compete in, but now we are able to focus on future success."

Microsoft Solutions

For more information about Microsoft Business Solutions, go to: www.microsoft.com/businesssolutions

For more information about Windows Server System, go to: www.microsoft.com/windowsserversystem

For more information about the Microsoft Office System, go to: www.microsoft.com/office

Software and Services

- Microsoft Windows Server System
 - Microsoft Windows Server 2003 Enterprise Edition
 - Microsoft Exchange Server 2003
 - Microsoft Internet Security and Acceleration Server 2000
 - Microsoft SQL Server 2000
- Microsoft Office System
 - Microsoft Office Professional Edition 2003

- Microsoft Office Standard Edition 2000
- Microsoft Office Excel 2003
- Microsoft Office Outlook 2003
- Microsoft Office Word 2003
- Solutions
 - Microsoft Business Solutions–Great Plains

Partners

- Sinca

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