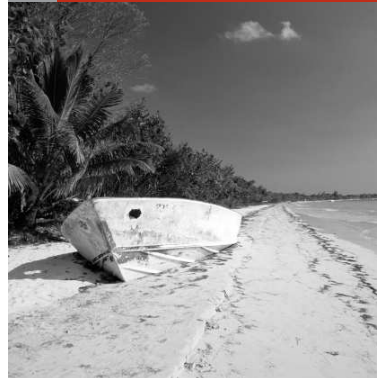


SAP Customer Success Story

“The strength of ARIS SmartPath for Cosmetics and SAP’s track record and its commitment to the small and midsize business market both surprised and convinced us that it is the right enterprise application solutions partner for us.”

Bill Jennings, Executive Vice President, Hawaiian Tropic



HAWAIIAN TROPIC

HAWAIIAN TROPIC IMPLEMENTS IDS SCHEER SME’S ARIS SMARTPATH FOR COSMETICS SOLUTION (BASED UPON mySAP® All-in-One) FOR IMPROVED BUSINESS PERFORMANCE

AT A GLANCE

Company Name

Hawaiian Tropic
(United States)
www.htropic.com

Industry

Consumer products

Key Challenges

- Improve inventory management
- Optimize production schedule
- Enhance customer service
- Reduce errors during product formulation

Implementation Partners

- SAP
- IDS Scheer Small and Medium Enterprises (IDS Scheer SME)
- Symmetry Corporation

Solution and Services

ARIS SmartPath for Cosmetics
(based on mySAP™ All-in-One)

Existing Environment

Outmoded legacy systems

Implementation Highlights

- Used big-bang approach
- Implemented solution in only 6 months using SAP® rapid implementation methodology

Key Benefits

- Ability to tailor and distribute products according customers’ specifications
- Improved decision making
- Ability to control and track inventory
- More efficient supply chain processes
- Increased competitiveness

Hardware

Dell 6400 Series servers

Operating System

Microsoft Windows 2000

Hawaiian Tropic, also known as Tanning Research Laboratories (TRL) Inc., is a leading North American manufacturer and distributor of private-label sun-care products. Hawaiian Tropic brand products hold a dominant position in the U.S. and Canadian markets, and rank number one on the Caribbean, Mexican, and South American beaches.

However, with a little sun, a little rain must fall, and after purchasing its primary Kentucky-based distributor in 1999, Hawaiian Tropic realized it had to integrate and optimize the supply chain management systems of both companies. Operating sales and distribution systems that were separate from financial and inventory operations – and which provided only limited functionalities – impeded Hawaiian Tropic’s aim of reducing inventory, optimizing its production schedule, and enhancing customer service. “To get a report on what inventory we had required compiling information from two different systems, each of which used different nomenclature or item numbers,” says Steve Swanson, director of supply chain management with the sun-care products manufacturer. “It was just a mess.”

To get a leg up on its supply chain, the company turned to an offering from IDS Scheer Small and Medium Enterprises (IDS Scheer SME), an SAP business partner and vertical solutions reseller (VSR) located in the southeastern United States with significant experience with small and midsize business (SMB) solutions.

Called ARIS SmartPath for Cosmetics, the IDS Scheer offering is based upon mySAP™ All-in-One – software that leverages SAP® Best Practices, meeting the unique needs of consumer products companies. “We now have a lot of flexibility in the way we run our business. We’re small and nimble relative to our competitors, so we can make quick decisions and provide more customized product to our customers,” says Swanson. “We’re willing to make the extra effort to be customer focused.”

IMMEDIATE ACCESS TO CRITICAL INVENTORY DATA

As the only privately owned international sun-care brand manufacturer in a hotly contested market, Hawaiian Tropic vies for shelf space with several deep-pocketed competitors. Products from firms like the \$9.8 billion Schering-Plough Corp. (known for its Coppertone label) and the \$830 million Playtex Products Inc. (which markets Banana Boat products) often enjoy more visible locations on mass-retailer, pharmacy, and supermarket shelves than Hawaiian Tropic. “A lot of our product gets secondary placement in floor displays,” says Swanson.

Today, the 500-employee company based in Ormond Beach, Florida, uses ARIS SmartPath for Cosmetics to facilitate the flexibility and efficiency Hawaiian Tropic needs to tailor and distribute products according to each customer’s specifications – all of which helps it gain a competitive edge in the \$1 billion U.S. market for sun-care products. Plus, it enables Hawaiian Tropic managers to control and track inventory, allowing executives to make fast business assessments and respond swiftly and more personally to customer needs. “Our competition often offers far more rigid product promotion and distribution. Playtex, for example, might offer a retailer five products, and if they don’t like them, they don’t have any other options,” Swanson notes. “We’ll customize a display for any customer that wants it.”

OUTMODED LEGACY SYSTEM

Before making the switch to the SAP-based software, Hawaiian Tropic was using an outmoded legacy system that required manual data entry and reentry processes. With more than 125 product formulations and 400 different types of ingredients involved in manufacturing Hawaiian Tropic and private-label products for such customers as Target Corporation and Walgreen Company, such manual operations resulted in unavoidable human errors.

Hawaiian Tropic had customized the software repeatedly over 18 years, but it had no materials requirement planning functionality. This meant that Hawaiian Tropic had little control over inventory, which includes 500 Hawaiian Tropic and 500 private label SKUs, as well as about 7,000 different materials such as chemicals, subassemblies, and other raw materials needed to make the 3 million of the dozen sun-care products that Hawaiian Tropic sells annually.

The company’s old system also required that an employee spend a full day to determine which products and how many of them Hawaiian Tropic had in stock. With so much capital tied up in inventory, Hawaiian Tropic required quicker access to stock status. “We didn’t have visibility into inventory in our main distribution sites or in any sales offices that held some inventory,” says Swanson. “As a seasonal business, you have to have inventory when you need it.”

LEVERAGING SAP® SOFTWARE FOR SMALL AND MIDSIZE BUSINESSES

Hawaiian Tropic needed a business applications upgrade, and in 2001, executives began evaluating all top-tier enterprise business software vendors – except SAP. “The perception at the time was that SAP was only for very large organizations,” Swanson notes.

However, after IDS Scheer SME convinced Hawaiian Tropic to give SAP a chance, the company methodically eliminated SAP competitors. One vendor had no manufacturing expertise, another could produce no successful midsize businesses implementations, while another tried repeatedly to sell Hawaiian Tropic a generic software package “not fit for our business,” Swanson says.

SAP and IDS Scheer SME demonstrated the ARIS SmartPath for Cosmetics solution, referred Hawaiian Tropic to several similarly sized companies that had successfully deployed mySAP Business Suite (which is the foundation of mySAP All-in-One), and delivered a straightforward pricing scheme. “For one price, you get all the modules,” says Swanson. “You don’t have to worry if you don’t use one module for two years because you already own it.”

Finally, Hawaiian Tropic opted for SAP’s “big-bang” approach rather than another vendor’s incremental method. With a highly seasonal business model and 80% of its sales occurring within a six-month period, Hawaiian Tropic executives did not want to wait. “We’re a very seasonal business and we only had a window of opportunity that went from February to about August. If we weren’t up and running and fully integrated by August or September, we would have had to wait another year to implement the solution,” says Swanson. “The pricing was somewhat better, the risk was lower with SAP, there were demonstrated successes, and we liked the big bang.”

A RAPID IMPLEMENTATION

In February 2001, aided by IDS Scheer SME, Symmetry Corporation, and SAP, Hawaiian Tropic began using SAP rapid implementation methodologies, which require 30% less time and cost 40%

“We’re building closer to forecast than ever before because the system takes your sales forecast, nets your on-hand inventory, tells you what to build, when to build it, and what to have available at certain times. Managers have information at their fingertips they never had before, and that lets them run the business instead of analyzing data all day.”

Steve Swanson, Director of Supply Chain Management,
Hawaiian Tropic

less than traditional approaches. Six months later, Hawaiian Tropic launched ARIS SmartPath for Cosmetics in its Ormond Beach manufacturing facility and four sales and distribution locations. “We went live August 1, and that first day we entered sales orders, made product, and shipped orders with no delay,” says Swanson.

Bill Jennings, Hawaiian Tropic’s executive vice president, confirms the quick deployment: “Companies our size don’t have the luxury of long, complicated implementations that require armies

of consultants or internal staff. The prepackaged mySAP All-in-One-based solution offers all the functionality we need right out of the box to load the system quickly and successfully.”

To help employees who were reticent about moving from a system they knew, IDS Scheer consultants remained in each business area during implementation. “Today, Hawaiian Tropic utilizes IDS Scheer SME’s help desk, which provides prompt responses to any problems,” Swanson says.

COMPETITIVE ADVANTAGES

The SAP-based solution quickly helped Hawaiian Tropic accrue some tangible advantages. Six months after deployment, Hawaiian Tropic consolidated its Florida and Kentucky operations, a merger that enabled Hawaiian Tropic to manage its supply chain more efficiently, and which provided a single view of customers and inventory. Increased productivity enabled Hawaiian Tropic to redeploy one of two cost accountants to its international division.

Operationally, managers can obtain answers to supply questions immediately instead of having to wait up to two weeks for analysts to find the information. With the new solution and the full power of SAP software, inventory managers can determine stock location in about 20 seconds and analyze the data in several different ways. For example, managers can quickly establish the number of orders placed for a certain product, the amount of product available, and future sales forecasts for the item. “The information is there, it’s reliable, and it’s processed the same way each time, so we can make faster decisions,” says Swanson.

He also believes that quicker access to better information gives Hawaiian Tropic a competitive advantage. “We have better control of and visibility into inventory. We’re building closer to forecast than ever before because the system takes your sales forecast, nets your on-hand inventory, tells you what to build, when to build it, and what to have available at certain times,” says Swanson. “Managers have information at their fingertips they never had before, and that lets them run the business instead of analyzing data all day.”

Financial returns should be quick as well. Swanson expects Hawaiian Tropic’s newfound ability to reduce inventory and free up working capital to earn a return on its SAP investment within a year.

FUTURE SUPPLY CHAIN ENHANCEMENTS

Such results have encouraged Swanson to look to future SAP deployments. Most immediately, Hawaiian Tropic plans to implement the SAP direct store delivery (DSD) capability for drivers who deliver product to stores and stock the shelves. DSD functionality will enable Hawaiian Tropic to integrate its back-end SAP systems with mobile devices to help delivery drivers quickly respond to customer requests. The company will eventually deploy the mySAP All-in-One-based solution to its Canadian and European facilities. It also plans to evaluate the sales and operations planning capabilities of mySAP Supply Chain Management (mySAP SCM).

Hawaiian Tropic’s experience with SAP and SAP business partner IDS Scheer SME has been overwhelmingly positive. “The strength of ARIS SmartPath for Cosmetics and SAP’s track record and its commitment to the small and midsize business market both surprised and convinced us that it is the right enterprise application solutions partner for us,” says Jennings.