IBM®

Overview

Mission

The Swiss company Estée Lauder GmbH specialises in the trade of cosmetics products. Its Microsoft Excel-based financial planning process was complex and error prone. Estée Lauder needed a standardised system to automate its planning, produce rolling forecasts and reliable analyses.
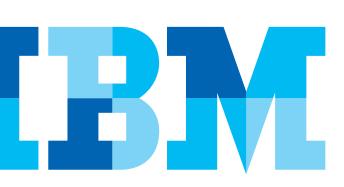
Why IBM?

IBM Cognos TM1 has provided the technological framework to automate Estée Lauder's planning processes and introduce rolling planning. The in-memory OLAP server also guarantees flexibility, user-friendly operation and high query speeds.

Solution:

The implementation of IBM Cognos TM1 has allowed Estée Lauder to centralise its planning process. Planners work with a familiar user interface and access a standardised data pool via Server. Function-alities for individual analyses are also available.

Benefits:

Significant acceleration of the planning process together with a dramatic reduction in the error rate. Forecasts can be created on a monthly basis, and precise variance and cost analyses run almost in real time thanks to the new solution's rapid data processing. The result is precise and flexible financial planning, reflected in reduced costs and more profitable marketing of products.
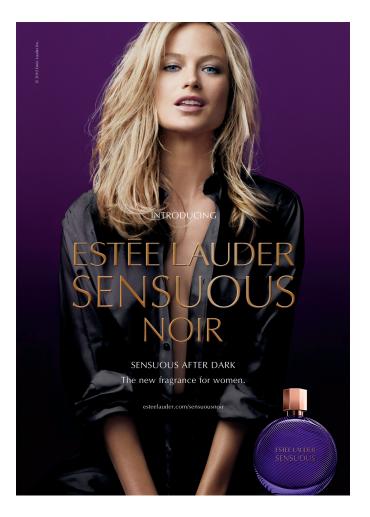
Unvarnished corporate planning

Estée Lauder is using IBM Cognos TM1 to streamline its financial planning

From Estée Lauder and Clinique to Aramis and La Mer – the nine cosmetics brands of the Swiss company Estée Lauder GmbH are synonymous with beauty and lifestyle. However, precise financial planning is essential to market this extensive range of cosmetics products. Careful use of resources, as well as regular checks of units, costs, turnover and other indicators are essential to ensure profitable sales of creams, make-up and perfumes. IBM Cognos TM1 has enabled the company to accelerate its complex planning system and create strong foundations for the process. The new solution also allows Estée Lauder to produce monthly forecasts and specific analyses of cost factors or variances.

The Swiss company Estée Lauder GmbH specialises in the trade of cosmetics products. Its portfolio in Switzerland comprises nine cosmetics brands, encompassing an extensive range of make-up and beauty products and a wide selection of perfumes. Estée Lauder GmbH employs more than 400 staff.

Complex manual work

A complex planning process is required for Estée Lauder's nine cosmetics brands: units, salaries, storage costs and marketing campaigns need to be managed very precisely and careful use made of resources. This is essential in order to meet demand and customer requirements, while at the same time generating profitable sales. Previously, Estée Lauder addressed this challenge using Microsoft Excel: manual Excel spreadsheets were created for the company's annual budget process in March and two target-performance comparisons in November and February. Planners, from the sales manager to the marketing manager, had to gather financial data from separate systems – the ERP system and the cash register systems in the retail stores – individually for each of the nine brands. This manual exercise was extremely labour intensive and time consuming. What's more, formula and input errors, as well as incorrect file links, often created errors in the planning process: resulting in different versions of facts, with employees working from conflicting budget definitions.

Rolling planning

Compounding the already complex planning process, some changes were introduced in November 2008. To be able to monitor the company's performance more effectively and plan its business more precisely, the decision was made to introduce rolling forecasts. Instead of twice a year, data checks and forecasts were to be run on a monthly basis in order to allow flexible corrections to budget figures, reductions in stock levels or reordering of products as required. However, the company's existing infrastructure was unable to support this process, as Claudia Engeli, Estée Lauder Switzerland's Finance and Administration Manager, explains: "The introduction of rolling forecasts increased the complexity of the planning process and pushed our Excel spreadsheets to their limits. It was obvious that we needed a new planning system to help us simplify and accelerate the entire process".

Search for a solution

Therefore, in November 2008, a project team under the management of Claudia Engeli embarked upon the search for a solution. The requirements were clearly outlined: Estée Lauder needed a central planning solution to run its annual budget process and produce monthly forecasts while significantly reducing the time required. The resulting time saving could then be devoted to tasks such as variance analyses – putting integrated analysis functions on the list of priorities. The new solution also needed to have an intuitive interface – to allow even users without specialist computing knowledge to work with the application. Claudia Engeli: "The aim was to ensure that all planners were working with the same information and data. Redundant tasks, such as repeated copying and transferring of data, needed to be eliminated. In addition, we needed easy access to previous budget versions for comparison purposes".

Fast implementation

A comparison of several planning tools was carried out. In the end, in November 2008 a feasibility study by Serwise, the IT partner, convinced Estée Lauder's managers that IBM Cognos TM1 was the ideal fit for the company's requirements. One of the factors in favour of the solution was the in-memory OLAP server, allowing rapid data entry and processing in the main memory. Excel integration offered a familiar user interface, another factor that helped to convince the project team. Soon after this, at the end of 2008, interfaces with the existing IT architecture – the company's ERP system and stock planning system – were set up and the latest business data was loaded in the system. Financial planning budget sheets were also checked by users from the finance department. The solution finally went live at the end of February 2009. "The entire implementation process was very fast," says Engeli with satisfaction. "The new solution up and running in around three months. This rapid and competent implementation was only possible thanks to the excellent cooperation between Serwise AG, as the TM1 specialist, our in-house IT department and the finance department".

Everything in a single system

IBM Cognos TM1 has helped Estée Lauder to centralise its financial planning in a standardised system. The solution automatically links different data sources: business data from the ERP system and other front-end applications is automatically loaded in the solution. All corporate data required for financial planning, including turnover, units and cost of sales, is now stored in a central database – ensuring that planners work with a consistent data pool. What's more, Excel integration means that budget plans and reports can be created using a familiar interface – reducing training times and increasing employee acceptance. Errors in data transfers and formatting, as well as different versions of facts, have also been eliminated. The solution is accessed via a central server, which means that several planners, depending on their permissions, can work on the same planning sheet – an additional time saving.

Flexible planning and checking

The acid test for the new solution came immediately after its implementation, in March 2009, in the form of the annual budget for the 2010 financial year. A significant acceleration in the entire planning process was soon apparent, with indicators available in the new system almost instantly. This also makes it easier to carry out recurring monthly checks of budget figures. "In the past, it took us around 170 hours simply to enter data. Whereas we can now run a monthly forecast and compile it in a report in around 20 minutes," explains Engeli. "This allows us to check compliance with targets at regular intervals throughout the year and make any necessary adjustments".

"Accurate planning is essential to ensure profitable sales and optimal use of resources. Thanks to IBM Cognos TM1, we can run rolling monthly forecasts and flexibly monitor and control our business performance".

—Claudia Engeli, Estée Lauder Switzerland's Finance and Administration Manager.

Analytical depth

The time saved in the creation of plans can now be used to produce tailored analyses. This highlights one of the main strengths of IBM Cognos TM1: the integrated in-memory OLAP server allows flexible analyses to be run almost at the touch of a button. A useful feature for variance analyses, for example. Department managers can run all kinds of queries and answer very specific questions, such as: Where were extra costs incurred last month in comparison with the budget/estimate/ previous year? What effect has the new marketing project had on sales? Whereas previous Excel plans used to be overwritten during each new budget process, historic figures are now retained in the system and can be used for analyses and target-performance comparisons, for instance to compare monthly or annual development.

Another useful report is the "days to sell" analysis. Storage indicators such as cost of sales, stocks and reserve stocks can now be calculated automatically, at any time, for each of the nine cosmetics brands. Previously a very time consuming task. This is helping Estée Lauder to manage its storage capacity for promotions far more precisely. "In specific terms, we are reducing our storage costs, have better control over inventory and can prevent overstocks or bottlenecks – resulting in higher turnover," says Engeli.

Coordinated planning

Around 20 planners are now using the new solution in their day-to-day work. Initial reservations have been rapidly overcome, thanks to IBM Cognos TM1's familiar user interface. "Our users very quickly recognised the benefits of the new solution," explains Claudia Engeli. "Instead of spending time on tedious data entry tasks, planners can now focus on business indicators and the effects of changes in sales or costs. IBM Cognos TM1 gives them a reliable view of interactions, which allows planning to be networked effectively across all departments".

About IBM Business Analytics

IBM Business Analytics solutions deliver world-leading enterprise planning, consolidation and BI software, support and services to help companies plan, understand and manage financial and operational performance. IBM Business Analytics solutions bring together technology, analytical applications, best practices, and a broad network of partners to give customers an open, adaptive and complete performance solution. Over 23,000 customers in more than 135 countries around the world choose IBM Business Analytics solutions.

Business Analytics software

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