

Sage ERP X3 Helps L'Occitane Stay on Fast Track

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 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 for its U.S. operations—including Order Management, Purchasing, Inventory Control, CRM, and Accounting—to support its growing distribution channels that include company-owned retail and outlet stores, retail catalog, and mail-order operations, an Internet website, and wholesale accounts, including high-end specialty retailers and spas, corporate gifts, and business-to-business.

Satisfied with the ability to utilize its 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 its warehouse to efficiently support the tremendous store growth it was 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 Implementation

Prior to implementing Sage ERP X3, 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 location replenishment was done by sight. "It was in the dark ages," recalls Chris Halkyard, vice president, supply chain for L'Occitane. 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.

Customer

L'Occitane

Industry

Manufacturer and retailer of luxury personal care products

Location

New York, NY

System

Sage ERP X3

Challenge

L'Occitane sought to increase efficiency in its warehouse operations following a period of rapid growth and expansion.

Solution

The full warehouse management suite of Sage ERP X3 was added to an already successful implementation, which includes accounting and distribution components.

Results

Worker productivity is up 20 percent. Picking productivity is up by 30 percent. Overall supply chain costs down by 1.5-2 percent. Full return on investment within two years.

L'Occitane also equipped its workers with mobile handheld radio-frequency devices and interfaced them with Sage ERP X3, 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 ERP X3, the manual picking operation was transformed into a process utilizing conveyor systems and 3PLs to speed up operations and eliminate transportation respectively. 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 3PLs 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 ERP X3 sends an electronic master packing slip directly to the stores to let them know what they'll be receiving. A follow-up email 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. 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.

Results

On its first day using Sage ERP X3, L'Occitane processed 39,000 units in about 4 1/2 hours, over one-third of its 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. It has also made it possible for L'Occitane to position its fastest-moving items in close proximity

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Chris Halkyard
Vice President

to one another to maximize worker efficiency. 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,” says Halkyard. “We want to keep as little inventory as possible while keeping our in-stocks over 95 percent.” 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,” concludes 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.”

About Sage

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