



## Microsoft Dynamics Customer Solution Case Study



### Solution Overview

**Country:** Vietnam

**Industry:** Manufacturing

### Customer Profile

ScanCom Vietnam Ltd. is a subsidiary of ScanCom International A/S, one of the world's largest manufacturers of outdoor furniture. The group's corporate headquarters is in Korsør, Denmark. ScanCom Vietnam houses ScanCom's key manufacturing operations and employs about 4,500 employees.

### Business Situation

ScanCom needed an integrated system to centralize processes and information flow to support growth. It also wanted to streamline supply chain management.

### Solution

ScanCom successfully integrated production planning, raw materials procurement and sales forecasting with Microsoft Dynamics™ AX.

### Benefits

- Enhanced materials tracking
- Integrated production planning and sales
- Enjoyed economies of scale
- More efficient shipment handling
- Enhanced cash flow management
- Enabled sustainable forestry with environmentally friendly manufacturing

## Furniture Manufacturer Streamlines Supply Chain to Overcome Seasonality Woes

"Our shipments have grown by more than 250 percent from .. 2002 to ... 2007. With an integrated solution on Microsoft Dynamics, we are able to manage this volume growth and handle our shipments more precisely to ensure on-time delivery."

-- Mr John Kejlhof, CEO – Group Managing Director, ScanCom International A/S

ScanCom Vietnam Ltd. (ScanCom Vietnam) is the main production facility and a fully owned subsidiary of ScanCom International A/S (ScanCom International), a global leading manufacturer of outdoor furniture. Established in 1995, the group is headquartered in Korsør, Denmark. Its products are sold mainly to large home furnishing centres, do-it-yourself stores and supermarket chains in Europe and North America.

To meet its seasonality challenges, where finished goods need to be shipped by March every year before the Spring and Summer months, ScanCom wanted to streamline its complex supply chain which includes more than 35 contract manufacturers and suppliers. Its existing basic accounting system could not cater for the increasing needs of the fast-growing company, such as multi-level bill of materials, traceability, scalability, shipment handling etc.

Microsoft Dynamics™ AX enables ScanCom to effectively streamline its complex supply chain and fully integrate its production planning and sales forecasting functions. Materials tracking is also enhanced, which enables better cash flow management and shipment handling efficiency.



“With Microsoft Dynamics, we can now accurately forecast our cash needs and income, which directly influences our profitability. This is a key benefit we have enjoyed with Microsoft Dynamics.”

Mr John Kejlhof  
CEO – Group Managing Director  
ScanCom International A/S



### Situation

ScanCom Vietnam Ltd. (ScanCom Vietnam) is a fully owned subsidiary of ScanCom International A/S (ScanCom International), one of the world's largest manufacturers of outdoor furniture. Established in 1995, ScanCom International is headquartered in Korsør, Denmark, with three production facilities in Vietnam, Indonesia and Brazil. The group employs 4,500 people directly, and creates approximately 25,000 jobs at its more than 35 contract manufacturers. Its products are sold in over 10,000 retail outlets worldwide, including home furnishing centres, do-it-yourself stores and supermarket chains.

Known for its wide selection of outdoor furniture, ScanCom has distinguished itself as a strong environmental leader. Its strategic focus on environmentally friendly manufacturing has been commended with the “Gift to the Earth” award by the World Wildlife Fund (WWF).

With its unique “Scandinavian Design, Asian Manufacturing” positioning, ScanCom has seen tremendous success and turnover growth of more than 100% in the last five years. In Denmark, it has been recognized as one of the fastest growing companies by the Danish Chamber of Commerce with two consecutive “Gazelle Awards”. According to another business ranking based on net turnover published by the Business Børsen

Magasin, ScanCom rose from 447<sup>th</sup> in 2006 to 374<sup>th</sup> in 2007. ScanCom Vietnam, its main production facility, also gained entry into VietnamNet's “VNR 500” as one of the country's largest and most prominent companies, ranking 149<sup>th</sup> for the year 2007.

The ScanCom management foresaw this impending growth as early as 2003, when the company experienced year-on-year growth of almost 30 percent from financial year 2001 to 2002. This prompted its management to review its back-end system, which revealed a basic accounting system with lacklustre performance and limited scalability.

To sustain its growth and empower its philosophy to deliver “the right product, at the right time, at the right price, produced in the right way”, the company knew that it needed a robust and integrated Enterprise Resource Planning (ERP) system that will scale with the company.

### Solution

Pleased with the benefits they had seen with ScanCom Indonesia's pilot implementation of Microsoft Dynamics™ AX (formerly Microsoft Axapta) in 2000, the ScanCom management made a strategic decision to extend Microsoft Dynamics AX to the rest of the company, beginning with ScanCom Vietnam.



“With larger bulk orders, we have increased our bargaining power to negotiate better pricing with our suppliers. With better control over costing, we are able to lower production costs and increase overall profitability.”

Mr John Kejlhof  
CEO – Group Managing Director  
ScanCom International A/S

“To effectively manage our complex supply chain, centralize operational processes and streamline information flow, we need an integrated ERP platform that is scalable and easily customizable. Microsoft Dynamics AX, with its comprehensive features and strong supply chain management capabilities, is a natural choice,” said Mr John Kejlhof, CEO – Group Managing Director, ScanCom International A/S.

ScanCom Vietnam selected the Financials, Trade and Logistics, Master Planning, Production, CRM (Sales Force Automation), Enterprise Portal, Electronic Banking, Business Analysis, Master Planning, Production and Trade modules from Microsoft Dynamics AX. With the help of Votiva Vietnam Ltd. (Votiva), a Microsoft® Certified Partner, a shipment handling module was customized to enable tighter integration between the ScanCom production planning and sales divisions.

Implementation was smooth and hassle-free, thanks to the competent internal team that was setup in 2003. “We enjoy the advantage of having our project leader for our Indonesian implementation, Morten Bech, who is now heading up Votiva, to handle both our implementations in Indonesia and Vietnam. With his first-hand knowledge of our internal business processes, he is able to guide the collaboration between his consultants and our internal

team to build customizations suited for our business. Morten has also been instrumental in training a competent team of eight IT consultants in ScanCom. This has helped us lower total cost of ownership as we are now less dependent on external consultants to support our system after implementation,” said Kejlhof.

Phase One and Two went live in 2004 and 2006 respectively.

#### Benefits

With Microsoft Dynamics, ScanCom successfully streamlined its complex supply chain to integrate production planning with sales forecasting, enhance materials tracking, enable better cash flow management and enhance shipment handling efficiency. Improved traceability also enables ScanCom to meet reporting regulations set by the Forest Stewardship Council.

#### Enhanced Materials Tracking

ScanCom’s main customer base includes large retail chains and wholesalers in Europe and North America. With outdoor furniture making up the bulk of its business, seasonality becomes a key challenge. ScanCom faces constant pressure to produce and ship all customer orders during the months from October to March, in time for Spring and Summer. Manufacturing takes place during the remaining months.



“Thanks to Microsoft Dynamics, many manual processes have been either eliminated or automated. As a result, we are able to re-allocate up to 30 percent of our administrative staff to more value-added tasks.”

Mr John Kejlhof  
CEO – Group Managing Director  
ScanCom International A/S

To meet these delivery deadlines, ScanCom critically needs to streamline the processes across its complex supply chain. This starts from raw materials procurement, coordination with the sub-contractors engaged to prepare the raw materials for production to production schedule planning, shipment handling and delivery. With a diverse product range made up of myriad materials including hard wood, teak, painted wood, aluminium, steel, wrought iron, leather and full woven Petan<sup>®</sup>, ScanCom Vietnam, as the main production facility, manages more than 35 contract manufacturers and suppliers.

“As numerous components make up each of our finished products, Microsoft Dynamics enables us to track multi-level Bill of Materials up to eight levels,” explained Kejlhof.

### **Integrated Production Planning and Sales**

Indeed, with the ability to track detailed BOM in Microsoft Dynamics, ScanCom is now able to track each furniture model down to the actual components that make up each model. This helps ScanCom discover that many of its products comprise of standardized individual components that can be ordered or manufactured in greater quantities for better cost savings. These include raw materials such as timber, steel and aluminium and accessories including carton boxes, hang tags, brass plates etc.

To make decisions on whether to make or buy these components, the ScanCom management look to Microsoft Dynamics and the shipment handling module customized by the combined team of Votiva consultants and ScanCom IT Team.

Kejlhof said, “Using Microsoft Dynamics, ScanCom management now enjoys enhanced transparency throughout our supply chain. We can easily access statistics on items and components to review vital information such as pricing and volume. This helps us make quick decisions on whether to make or purchase these components, depending on the expected fulfilment dates of the orders and the raw materials availability and pricing at the time.”

### **Enjoyed Economies of Scale**

Microsoft Dynamics also enables ScanCom to centralize its purchasing activities for the group. Unlike previously where the raw materials and accessories were procured based on individual orders, ScanCom now places bulk orders which consolidates all requirements for these standard components.

“With larger bulk orders, we have increased our bargaining power to negotiate better pricing with our suppliers. With better control over costing, we are able to lower production costs and increase overall profitability,” explained Kejlhof.



“Enabling environmentally friendly manufacturing is a key competitive advantage to us.... With the use of Microsoft Dynamics, the auditability of our COC helps ScanCom meet our FSC reporting obligations.... Most importantly, it helps to boost our credibility as an environmental leader in the industry.”

Mr John Kejlhof  
CEO – Group Managing Director  
ScanCom International A/S

As a result of integrated material planning and procurement, ScanCom is now able to mass produce various furniture parts using the standard components during the low season. This helps to shorten its production lead time to meet its deadlines to ship all customer orders before every Easter.

#### **More Efficient Shipment Handling**

“Our shipments have grown by more than 250 percent, from approximately 3,450 40-foot containers in 2002 to about 9,000 containers in 2007. With an integrated solution on Microsoft Dynamics, we are able to manage this volume growth and handle our shipments more precisely to ensure on-time delivery,” said Kejlhof.

As each 40-foot container contains a variety of stocks, the customized shipment handling module on Microsoft Dynamics enables ScanCom to track specific product models and types against the customer orders shipped in each container.

“Thanks to Microsoft Dynamics, many manual processes have been either eliminated or automated. As a result, we are able to re-allocate up to 30 percent of our administrative staff to more value-added tasks,” said Kejlhof.

#### **Enhanced Cash Flow Management**

ScanCom Brazil helps to acquire all the wood for ScanCom and also manages its 12 timber sawmills to

cut and prepare the planks according to each product specification. These cut wood are then transported to ScanCom Vietnam, where it is being manufactured by either ScanCom Vietnam or its contract manufacturers. Its trading companies, namely ScanCom International A/S and ScanCom HongKong Ltd, subsequently handle the sales and shipment of the finished goods.

As a result, the lead time between the point where the wood gets sawn in Brazil’s sawmills to the point where it arrives in the customer store as a finished product, can take up to nine months. In order to remain profitable and competitive, ScanCom needs to ensure very stringent cash flow planning. With the accurate BOM enabled by Microsoft Dynamics and the integration of the shipment handling module with financial ledger budgeting and sales forecast updates, ScanCom enjoys the capability to accurately plan the raw materials requirements for production. In addition, integration into production planning also allows ScanCom to calculate when manufacturing will be completed so the finished goods can be shipped to the customers.

“With Microsoft Dynamics, we can now accurately forecast our cash needs and income, which directly influences our profitability. This is a key benefit we have enjoyed with Microsoft Dynamics,” said Kejlhof.

## About Microsoft Dynamics™

Microsoft Dynamics™ is a line of financial, customer relationship and supply chain management solutions that help businesses work more effectively. Delivered through a network of channel partners providing specialised services, these integrated, adaptable business management solutions work like and with familiar Microsoft software to streamline processes across an entire business.

## For More Information

For more information on Microsoft Dynamics, visit Microsoft [www.microsoft.com/asia/dynamics](http://www.microsoft.com/asia/dynamics) or email: [mbsasia@microsoft.com](mailto:mbsasia@microsoft.com)

For more information about Votiva Vietnam Ltd., call 84 851 44794 or visit [www.votivasoft.com](http://www.votivasoft.com)

For more information about the ScanCom International A/S, call 84 650 791 056 or visit [www.scancom.net](http://www.scancom.net)

In addition, the complete localization of the Microsoft Dynamics Financial module with Vietnamese tax laws also helps ScanCom meet government legislation reporting requirements.

## Enabled Sustainable Forestry with Environmentally Friendly Manufacturing

Being a Forest Stewardship Council (FSC) certified company, ScanCom needs to ensure traceability of its raw materials usage, from the source to the finished product. This is also known as Chain-of-Custody (COC). Besides providing proof that only wood from certified forests are used during production, ScanCom also needs to ensure that its production and material flow processes meet FSC regulations for sustainable forestry.

Kejlhof said, "Enabling environmentally friendly manufacturing is a key competitive advantage to us. Our customers

who share the same concerns about global forest loss count on us to deliver our products through environmentally appropriate operations. With the use of Microsoft Dynamics, the auditability of our COC helps ScanCom meet our FSC reporting obligations. Most importantly, it helps to boost our credibility as an environmental leader in the industry."

## Looking Ahead

Looking ahead, ScanCom plans to implement RFID scanning to improve its material flow. Sales force automation is also another area it is considering to further automate its sales forecasting processes. In the area of human resource management, ScanCom has plans to implement a localized payroll and time attendance functionalities developed by Votiva. An enterprise portal with a web interface is also being considered.

©2007 Microsoft Corporation. All rights reserved. This collateral is for informational purpose only. Microsoft makes no warranties, express or implied, in this summary. Microsoft Dynamics is a trademark of Microsoft Corporation in the United States and/or other countries. All Microsoft products listed in this collateral are either registered trademarks of Microsoft Corporation in the United States and/or other countries. The names of actual companies and products mentioned herein may be the trademarks of their respective owners.

Document published 03/08

## Software and Services

- Microsoft Dynamics
  - Microsoft Dynamics AX
- Microsoft Windows Server System
  - Microsoft SQL Server 2005

## Hardware

- IBM X3800 server

## Partner

- Votiva Vietnam Ltd.