

Avon Calls on E2open for Better Supply Chain Performance

AVON

Challenges

Lack of centralized information across global locations, leading to inefficiencies with inventory and distribution management

Solution

Multi-enterprise Cloud Connectivity, Purchase Order Collaboration, Inventory Collaboration, Supply Planning

Results

- Complete visibility of material availability and constraints
- Lower inventory and increased adherence to manufacturing schedules
- Faster and more informed decision support

New York, N.Y.-based Avon, the company for women, is a leading global beauty company with \$10 billion in annual revenue. As one of the world's largest direct sellers, Avon employs more than 30,000 associates worldwide and is sold through more than 6 million active independent Avon Sales Representatives. Avon products are available in over 100 countries, and the product line includes color cosmetics, skincare, fragrance, fashion and home products, featuring well-recognized brand names such as Avon Color, ANEW®, Skin-So-Soft, Advance Techniques, and more.

The company's products are primarily driven through the Avon brochure; nearly 50 million copies of the brochure are distributed every two to three weeks. The company has a widely distributed supplier and sales base, short product lifecycles, and a constant flow of changing promotions that influence demand.

"We have a unique supply chain and business model," says Vinny Moscatello, group lead at Avon's Global Sourcing Center for Excellence. "We are both a world-class consumer brand and a powerful consumer channel."

Eighty percent of Avon's beauty product line is manufactured in-house, with the remainder contracted out. Eighty percent of the sales volume comes from online orders to the sales representatives, which comes to nearly 60,000 orders a day and translates into 4 billion units sold annually. At any given time, the company has 80,000 active SKUs with 38,000 new SKUs added annually.

With tens of thousands of different products, managing inventory is a challenge. Even if the same product is sold in multiple campaigns, the merchandising and promotion will be different.



“We need to forecast and pre-build inventory several months prior to the start of a campaign, and only have several weeks to respond to real demand, which can be drastically different than the forecast,” says Moscatello.

This is a highly complex business model with very short windows in which to fulfill demand, a model made more challenging as Avon grew globally.

Facing Avon’s Business Challenges

As Avon’s growth continued across multiple markets, the need for an overview of the extended supply chain became evident. A key challenge that the company faced was a lack of centralized information across global locations, due in part to the use of varied MRP and ERP systems in different regions. As a result, this led to inefficiencies with inventory and distribution management, as production and material planning weren’t in sync. Moreover, the manual, ad-hoc planning processes weren’t supported by enterprise systems, leading to varying service levels and a surplus of stock.

“We needed better engagement across these multiple geographies and disparate platforms,” says Moscatello. Avon saw five key elements necessary for such engagement:

- Customizable views across finished goods for suppliers
- Visibility to component for contract manufacturers
- Real-time data exchange across the network: demand signals, supply, inventory, finished goods, commits, etc.
- Supplier performance and productivity monitoring, leading to the implementation of a continuous improvement model, as well as collaborative, transparent partner relationships based on trust
- The ability to develop inventory calendars and make inventory calculations based on real-time data

Whatever solution was going to address these needs had to integrate across the various enterprise systems (Avon has four separate regional ERP instances) to provide a “single version of truth” for an accurate overview of the extended supply chain.

“If we could achieve real-time visibility into our supplier production availability – move toward real collaborative planning and execution – then we could effectively sync with our suppliers, providing significant benefits to both partners,” says Moscatello.

““ *When you start seeing suppliers responding to your demand cycle six to eight weeks out, you are seeing the development of transparency and mutual understanding.* ””

Vinny Moscatello
Group Lead, Global Sourcing
Center for Excellence, Avon

Enter Connect2Avon

To achieve these goals, Avon chose to work with E2open to develop a supply chain solution specifically for its unique business model, branded by Avon as “Connect2Avon.” Connect2Avon was built to meet five main objectives:

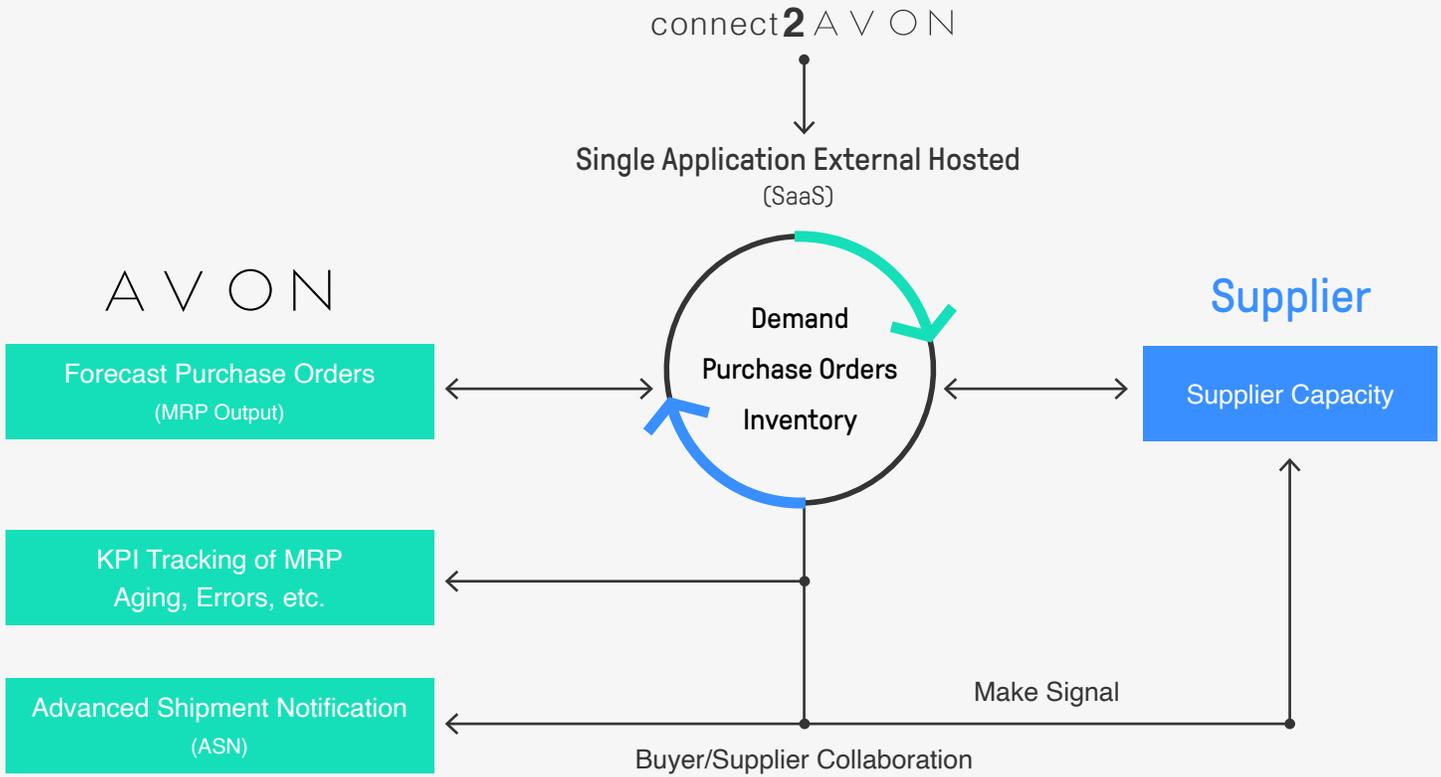
1. Replace inefficient legacy systems and eliminate the manual processes they required
2. Reduce inventory on a sustainable basis
3. Automate system-driven planning for goods and materials
4. Reduce operational costs and obsolescence (i.e., waste)
5. Improve profitability and productivity

The system includes these functional components:

- **Multi-Enterprise Foundation** provides a cloud-based application and integrated data platform
- **Collaborative Order Management** enables communication of Avon’s firm material requirements and supplier commits; it also allows suppliers to create shipment documentation.
- **Collaborative Inventory Management** enables communication of suppliers’ current, on-hand inventory to Avon
- **Collaborative Supply Planning** enables communication between Avon’s projected future demand and supplier commits
- **E2open Logistics Network** facilitates carrier connectivity to Avon’s transportation management system (TMS), including shipment tracking



New State of Supplier Collaboration at Avon



The systems enable collaborative planning and execution processes between Avon and its suppliers. By providing seamless integration with backend systems, regardless of type and location, it provides a single source of information for the entire Avon organization. Furthermore, the system functions as the communications vehicle for transactions between material planning organizations and systems and suppliers network-wide; it automatically sends alerts to planners and suppliers if any of the shared transaction data fall outside of Avon-defined parameters.

The exceptions-based forecast and demand management system delivers forecast commitment alerts, a PO schedule summary of exceptions and changes, and a detailed PO by order alerts. Among the manual processes it has dramatically reduced or eliminated phone calls, e-mailing, and faxing of POs and future demand reports.

The first phase of the Connect2Avon project was completed in two years. “This was a major project, and our approach was to start with what we should be doing as a company to improve our business strategy and practices,” says Moscatello.

Avon and E2open agreed on this strategy. A “big bang” approach to supply chain transformation wouldn’t go smoothly; a much better approach was to phase in the solution gradually, enabling Avon to ensure that the appropriate level of resources and support were in place every step of the way.

Beautiful Benefits

Connect2Avon has provided Avon with complete visibility of material availability and constraints across its total supply chain.

“Better visibility means better data, and matter data means better decisions,” says Moscatello.

Visibility provides Avon earlier insight into the nature and location of potential disruptions and challenges, along with the ability to resolve those issues faster and more effectively by working collaboratively with partners across the supply chain. This is particularly important in today’s rapidly changing and often volatile global markets.

In particular, the system’s proactive exception management has worked to drive down risk, increase service levels, and enable faster and more informed decision support. Today, Avon has fully supported, system-driven material replenishment and safety-stock methodology in place, which has enabled the company to lower inventory and increase adherence to its manufacturing schedules. Additionally, they are able to source more cost-effectively by leveraging spend across multiple facilities and regions that didn’t communicate before Connect2Avon.

One area Moscatello cites in particular is product lifecycle management. Connect2Avon helps the company control inventory on ramp down and product transitions by allowing better tracking of demand cycles as numbers change or dampen based on inventory levels. Avon starts reducing inventory levels as they phase out products, and Connect2Avon ensures an accurate picture of inventory related to the product’s lifecycle. “Now we have global visibility across our top two tiers, and are investigating implementing E2open’s multi-tier functionality to further boost responsiveness and reduce operational risk,” concludes Moscatello. The solution has transformed Avon’s supply chain operations into a strategic tool, one that the company plans to continue calling on for competitive advantage in the fast-changing fashion and trend-driven markets it serves.

“With the E2open system, processes that used to take a whole calendar year now happen in a matter of days.”

Vinny Moscatello
Group Lead, Global Sourcing
Center for Excellence, Avon

About E2open

At E2open, we’re creating a more connected, intelligent supply chain. It starts with sensing and responding to real-time demand, supply and delivery constraints. Bringing together data from customers, distribution channels, suppliers, contract manufacturers and logistics partners, our collaborative and agile supply chain platform enables companies to use data in real time, with artificial intelligence and machine learning to drive smarter decisions. All this complex information is delivered in a single view that encompasses your demand, supply and logistics ecosystems. E2open is changing everything. *Demand. Supply. Delivered.* Visit www.e2open.com.

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