



SIX-COMPANY MANUFACTURING GROUP ADJUSTS TO HIGHER PETROLEUM RESIN PRICES IN ONLY TWO DAYS

WNA designs and manufactures single-serve products for restaurants, caterers and consumers. Its products include dinnerware, drinkware, servingware, take-out containers and cutlery. The company operates six manufacturing facilities in the United States and Canada.

THE CHALLENGE

For Waddington North America (WNA), the price of oil has been an ongoing concern. The company manufactures its products out of petroleum resin. Regardless of fluctuations of the price of oil, which drives the cost of resin, WNA has tried to increase prices on its line of products only once a year. However, in the fall of 2008, the company had to undertake a complete price roll-up to adjust for dramatic increases in input costs.

THE SOLUTION

WNA had been using components from IFS Applications™ since March 2003, when two sites went live. As the company grew by acquisition, additional sites were migrated onto IFS Applications, and WNA now operates six sites across the United States and Canada on IFS Applications.

“Input prices in this organization are more volatile than most other companies and industries because our main raw material is resin, which is oil-based. It has extreme fluctuations in price, and that poses some real challenges in terms of setting the price for your product,” WNA CIO Paul Reed said. “About 70 percent of the value of the product is resin, which is an uncontrollable cost. We can control direct labor and other components of the cost, but not the cost of the resin. How do we deal with that especially in a standard costing environment? First of all, we try not to revalue our cost more than once a year. But in October we did an interim standard cost roll on all of our products in order to reflect the rising price of resin, which has almost doubled in price in 12 months.”

Undertaking a complete cost roll and price list change on WNA’s 10,000 SKUs is a daunting task. But for a company like WNA, it is even more difficult. WNA’s six locations all manufacture their own unique product, and sell the rest of the product line manufactured at other plants in the group. Because each location is its own P&L center, goods transfer between the sites through intracompany transactions.

“The implications of that are actually quite significant,” Reed said. “Not only do we need to roll the costs to reflect the resin input prices. But we then need to reflect the changes in our intracompany pricing. We do a cost roll per site and then update our intracompany prices with their market, send those prices through electronic data interchange and that becomes the cost for the buying side of the group. So we do the cost rolls twice—once to pick up the prices in the resin increases and pushing that through intracompany system. And then we have to receive the price increase via EDI that other sites have done on their products and then do another price roll to reflect the markup in the catalog. Try to do that without an ERP system and it takes weeks. Trying to do that with an ERP system that doesn’t have intracompany capabilities and it will still take over a week.”

Rather than weeks, WNA makes this business adjustment in mere hours. “Our

ABOUT WADDINGTON NORTH AMERICA

Waddington North America (WNA) is a leading manufacturer and marketer of high-quality plastic disposable cups, plates, cutlery, servingware, dessertware and custom packaging. WNA serves caterers, casinos, supermarkets, party goods stores, restaurants, hotels/motels, convenience stores, amusement parks, nightclubs, bars, ice cream operators and warehouse stores.



month-end was coming, so we typically shut down the system for a bit on a Monday afternoon,” Reed said. “This time we’ll shut out for two business days to accomplish all of the cost rolls.”

DAY TO DAY EFFICIENCIES

Standardizing on IFS Applications has delivered WNA day-to-day efficiencies as well, particularly in the area of intracompany transactions. “About 25 to 30 percent of our business is trading between our companies,” Reed said. “What typically tends to happen is that each of these sites has a customer base, and we want to sell all of our company’s products through each outlet.

“Let’s say we have a site in Chelmsford, Mass., along with a customer base in that Northeastern quadrant. The customers will come in through that site and order not just products that we manufacture in Chelmsford, but products that we manufacture in Los Angeles or Dallas or Chattanooga or Montreal or another site. We will take an order and use intracompany functionality to generate and spin off these other intracompany orders for the other sites to manufacture. Then it will be shipped to the Chelmsford site or drop-shipped directly to the customer. We also do stocking between the sites themselves.”

Strong intracompany functionality in IFS Applications has delivered measurable efficiencies to WNA, according to Reed. “Without this functionality, we would have a lot more administrative overhead in terms of pushing pieces of paper between sites, faxing and emails,” Reed said, adding that the company is saving at least a full-time equivalent by automating end-of-month reconciling alone. “There is less reconciling to do. Typically before, when we had companies trading with each other that belong to the same group, the individual APs and ARs did reconciling together, and sometimes what the different companies say is owed does not add up. We have been able to eliminate all of that back-end work and provide credible results to our auditors. When auditors do come in at the end of the year, we can provide that information quickly and accurately. That gives us credibility with our investors as well when they see that we get a good report from the auditors at the end of the year.”

STANDARDIZED OPERATIONS

As WNA has grown by acquisition, it has been able to standardize not only technology but business processes by migrating each new division onto IFS Applications.

“We went live in March 2003, rolled out another site in late 2003 and another site in 2004,” Reed said. Subsequent sites were added gradually, culminating in the go-live of the company’s Montreal, Canada-based site in 2007. “The objective is not just uniform software. The executive team saw IFS as an opportunity to enforce consistency of process across all sites. We wanted one way of doing business. Even without technology, you may be able to share information across sites or impose best practices across sites. But a strong way of doing it was to have a common ERP system across all sites on a single database instance. This streamlines intracompany trading between sites and establishes common customer codes, inventory and supplier codes, and allows a company to reap a cost benefit from that.”

Apart from processes that are specific to a product line or manufacturing processes, some aspects of an acquired company have to do with geopolitical and cultural differences. “In Montreal, the government dictates that you provide your ERP documentation in French to all that require it,” Reed said. “So we have to roll out our ERP in French, with screens in French and help in French, using Canadian currency, using exchange rates and reflecting local sales taxes. Again, 90 percent of the implementation will be the same, and 10 percent will be different, and we have to determine how much of that 10 percent we can absorb into our implementation.”

BENEFITS

- Complete price roll for all six of companies within 48 hours.
- Standardization after merger and acquisitions activity through a common enterprise software platform.
- Functional, cohesive enterprise.
- Automated intracompany transactions.



“Try to do that without an ERP system and it takes weeks. Trying to do that without an ERP system that doesn’t have intracompany capabilities and it will still take over a week ... (It will take us) two business days to accomplish all of the cost rolls.”

Paul Reed, CIO
Waddington North America