



Epicor Success Story

Karlovarska Becherovka

Using ERP To Support Traditional Liquor Production at Karlovarska Becherovka

Company Facts

- ▶ Location: Czech Republic
- ▶ Industry: Food and Beverages
- ▶ Web site: www.becherovka.cz

Success Highlights

Challenges

- ▶ The privatization of the company was a precursor to changes in the company's management. The changes resulted in new requirements for an enterprise-wide business system

Solution

- ▶ Epicor iScala

Benefits

- ▶ Smooth implementation
- ▶ Support for customer relationship management (CRM)
- ▶ Warehouse Management solution supports downstream traceability
- ▶ Converting paper documents into electronic format has allowed the company to reach significant cost savings
- ▶ Tailored to cope with the required invoicing & sales cycle and excise tax management



How Time Went by with Karlovarska Becherovka

The history of the company dates back to 1794 when pharmacist Jan Becher started to experiment with herbal liquors. The initial recipe for the famous bitter Becherovka was handed down to Jan Becher by the physician of count Maxmilian Friedrich von Plettenberg-Wittem-Mietingen to express his acknowledgement for the warm hospitality he had received. Becherovka became a principal product and the Jan Becher brand enriched its production with other liquors and bitters derived from Becherovka. The production plant and some storage facilities are located in Karlovy Vary (Carlsbad). The central warehouse and the sales & marketing department are located in Prague. The company has a subsidiary in Slovakia, locally known as Jan Becher Slovensko.

The privatization of the company in 1998 led to its incorporation into the French Pernod Ricard international group, one of the leading suppliers of alcoholic beverages worldwide. The product portfolio of alcoholic and non-alcoholic beverages was extended with a complete selection of Pernod Richard corporation's products, which Karlovarska Becherovka distributes on the Czech and Slovak markets. The traditional Becherovka liquor is also supplied to the Czech and Slovak markets, as well as to Hungary, Germany, Ukraine, Poland and other markets including overseas locations.



Long life experience

The privatization process was also a precursor to changes in the company's management. The changes resulted in new requirements for an enterprise-wide business system. Because the existing solution was unsatisfactory the management unambiguously decided to replace it. A tender resulted in favor of a standard and localized solution, already tested within the enterprise in other countries that came with reliable local support in the Czech Republic. The solution was Epicor iScala ERP.

The implementation project focused on covering as many business areas as possible. In addition to the specialized agenda, i.e. CRM and managed warehouses, other modules were installed at Karlovarská Becherovka supporting accounting and financial management (general ledger, fixed assets, cash desk, purchase ledger, sales ledger), logistics (purchase control, sales order, stock control) and the production cycle (add-on module for bill-of-material types).

System implementation

The Epicor iScala system implementation was carried out smoothly, especially thanks to the detailed implementation methodology. The whole implementation methodology is divided into two phases. In the first phase, all requirements are defined in standardized forms and the required solution is described in the business requirements review documentation. The next phase covers a remotely controlled installation of the software according to the confirmed parameters, followed by necessary training sessions. At the moment, the system is administered by in-house IT specialists at Karlovarská Becherovka.

Not everything was feasible merely through changing the parameters of the standard system's functionality. The situation called for tailored customizations. Automating the company's invoicing process within the ERP system proved to be highly demanding. Because the company is an alcoholic beverage vendor they have to comply with certain challenges around excise tax—and they have to do so strictly in compliance with Czech legislation. Excise tax is a highly specific subject area that is handled differently in different EU countries. In view of this fact, the system had to be tailored to cope with the required invoicing & sales cycle and excise tax management.

Building the enterprise information strategy

The company management decided on an entirely new business information strategy. Within its new framework the

implementation project was divided into several phases. The first phase covered the deployment in the above mentioned areas.

The second phase focused on the installation of support for customer relationship management and warehouse management, including the barcode system. The third phase resolved the implementation of a management decision support system (data warehouse and business intelligence applications). The last phase covered the implementation of tools for document management system, workflow management, budgeting and forecasting.

Any application that is used outside of the ERP system communicates with the central system using XML standards. Some applications use a two-way data flow (managed warehouses, barcodes), while other applications use a one-way communication flow (documentation).

Above standard solution for document management

In the process of building the business management system, the implementation team arrived at the conclusion that they had to find a suitable method for managing the document flow between people that are not necessarily regular users of the Epicor iScala system.

The main objective was to automate the paper processes and eliminate document losses during the approval process. In the first place the company intended to cover the sales order cycle and the internal requisitions area, and the approval of actions. These approvals sometimes involve more than one department. In due course of time it was proven that document management processes can also be efficiently used for other business processes.

The selection process focused on choosing a solution within a medium price range. Products at a high price level were viewed by the company as too expensive and complex. Finally, the solution that received the highest marks during the evaluation process was the one proposed by Altec, a leader in mid-market enterprise document management solutions. Altec has been an Epicor partner for several years, working with many solutions delivered by Epicor in the Czech Republic.

Their solution, doc-link, is an efficient tool that helps manage and streamline approval processes within the company while ensuring electronic distribution of business documentation and financial reports to business partners, customers and employees. Doc-link handles the conversion of documents into required formats, creates electronic archives and reverses document



imaging. The application in its own concept is simple and transparent and its design resembles a familiar e-mail interface.

The implementation process of doc-link proceeded accordingly to the methodology developed by Altec. Before the process started, requirements were defined and entered in standardized forms. The following initial installation was carried out remotely via a remote installation service. Altec consultants were present during the on-site configuration of formats, workflows and customizations. The next step covered user training and system testing.

The whole configuration and training process took only three weeks and after that period the system successfully went live. Having chosen Altec, Karlovarská Becherovka also benefit from high-quality post-implementation support.

Doc-link benefits

The Altec *doc-link* application is used to automate document management. The communication between the systems function in the way that the Epicor iScala system reads in documents and converts them for further use in doc-link. The application integration proved to be so beneficial that after being in use for one and a half years it was extended across other business processes. Today it is also used for contract management and human resources documentation management. Documents are archived in the system and can easily be searched for and retrieved. Other planned activities are aimed at the area of forms and reports. Each form (or report) that requires more than one signature for approval is due to be converted into electronic format.

The communication between doc-link and Epicor iScala performs faultlessly also in the sales area. The purchase process starts at the moment a request is identified and a purchase order is entered in the ERP system by a trained user. The purchase order is automatically entered into doc-link, which sends an e-mail notification to the relevant person informing them that a new document is pending approval. Rules for document approvals are set up on the basis of an authorization matrix that outlines which predefined maximum values (in this case, amount per transaction) that can be authorized by which relevant employee.

E-mail notification

The document is sent to the lowest level in the authorization hierarchy and the relevant person approves the order. If the person is not the final authorizing officer, the system compares the purchase order with the authorization matrix and automatically forwards the order to the next, superior-level

authorizing person, according to pre-defined escalation levels. After final approval, the document is returned to the submitter as an approved purchase order which can be released for ordering goods or services.

The next step is the delivery of goods or services. Within the ERP system a receipt document is created that then automatically integrates to doc-link. In a manner similar to the above described notifications, the application informs all concerned persons or entities about the state of the purchase order process. In the last phase of the whole cycle, the received invoice is centrally scanned at the central receiving point, and then forwarded to the purchase order owner. The owner then verifies in doc-link whether the respective order was approved and the receipt note duly entered, and only then the user can assign an invoice to the subject documents. The three mentioned documents (order, receipt note, and invoice) are then forwarded to the accounting department who books the invoice against the purchase order and thus the whole cycle is closed.

Document management outputs

The document management system has been an integral part of the business management system for more than a year now. Thanks to the usability of the application, Karlovarská Becherovka was able to improve and streamline its document flow and approval system. The document authorization routine is carefully set up on the basis of the authorization matrix.

The major benefit of the document management system was the creation of an electronic document archive and a facilitated document research process. Thanks to being able to convert paper documents into electronic format the company was able to reach significant cost savings on paper supplies and postage rates.

How to ensure a low error rate in the sales cycle

Pairing an order with an invoice implies two possible solutions. The option is either to automate the matching process, or leave this activity to the order cycle owners. The first mentioned solution initially appeared as a more favorable one for Karlovarská Becherovka.

To make it feasible, it was first necessary to define a reference to the purchase order. Practice has shown that in some cases the order is not dispatched in time and the goods are ordered even before the purchase order is approved. At the time of ordering goods the sales order number is not yet known. Another problematic situation may arise if the supplier forgets to record the order number on the purchase order or the number



is illegible. In these cases the order cannot be correctly identified by the system and matching has to be handled by a user.

Many users work within the ordering/procurement cycle and use doc-link. Purchase orders are entered into the ERP system by six trained users and altogether 50 workers are involved in the entire ordering/procurement cycle in doc-link. In doc-link users just select from several options during the approval process, a technique that significantly reduces the probability of error.

Simple production of a confidential recipe

The production control processes focuses on the production of a narrow portfolio of products that differ only in packaging. The only complication during the software set up was the secrecy of Becherovka's formula. The knowledge of its recipe, i.e. the production formula, lies only with two living persons at this time, and it is the company's principal intellectual property. For that reason the recipe can never be made available in the business management system. Material write-off is resolved in the following way: the 40 natural substances, from which Becherovka is prepared, are purchased in a certain amount and this amount is then written off.

The production process is divided into three main phases, the semi-product is prepared during the first phase and the final liquid, Becherovka, is made in the second phase. The third phase consists of packaging and bottling, and the final product is written off.

Traceability and managed warehouses

The inclusion of the Czech Republic in the European Union introduced, amongst other, a binding obligation to comply with the EU regulation on product traceability. In resolving this legislative requirement, the decision was made to procure a solution to support managed warehouses. The tender favored Aimtec, a local Czech IT solutions and services provider for manufacturing and business organizations. Aimtec's DCI Warehouse Management solution primarily supports downstream traceability.

Production batch tracing starts in the production process and continues all the way to the customer; all barcodes are scanned into the system from each cardboard box at the point of release from the production line. Cardboard boxes are further traced per pallet. In the following phase stock transactions are created and scanned in with the help of barcode scanners. The final

stock transaction is when the stock is issued from the target warehouse to the customer.

The central warehouse is located in Bořanovice, close to Prague, and serves as a third-party logistics service. The software that controls the warehouse is linked via XML with the logistics operator software. The existing stock transactions designated for stock issue and delivery are transferred to the logistics operator's system that carries out the delivery of goods to customers.

EDI brings problems where you won't expect them

Electronic data interchange (EDI) within the company is done through a special module that is able to receive electronic documents and forward them to the ERP system. Because Karlovarská Becherovka supplies its products only to wholesale and commercial supply chains, their customer portfolio is relatively narrow. Only big supply chains are able to communicate through EDI in the area of purchase orders. In terms of electronic invoices, only five partners are able to receive invoices in EDI format—more or less successfully. Why is this so?

At the beginning, electronic data interchange based on EDI standard was considered a purely technical matter. At the time of deployment the technical issues proved to be just minor. The principal problem lied in the source code synchronization. According to competent workers at Karlovarská Becherovka, the current invoicing process using EDI takes more time than when the invoice is simply printed and sent in an envelope via mail – in the same way as with other customers.

Customer Relationship Management

The CRM area represents a great potential for further improvement for Karlovarská Becherovka. The presently used CRM solution is customized to the extent that it has very little in common with the original standard application. It is used, for example, for managing sales representatives in the field and to collect data about customers; an area attended to by many workers other than the sales team in order to ensure that the company has all actual data available for comparison with the sales staff's insight on the situation.

The sales force application in the CRM system includes identification of problems at various points in the sales process and problem solving in cooperation with knowledgeable staff.



Budgeting, forecasting and management decision support

Karlovarská Becherovka proceeded with its business management system development by adding coverage for budgeting and forecasting. The objective was to enable creation of sales plan estimations, spanning several months ahead for forward planning and include details such as customer prices, etc. These plans serve as basis for logistics management, physical stock planning, and financial planning and management.

The system is able to capture feedback information from the budgeting processes, resulting in corrections of the business and logistics plans. To be able to manage this process, the company has developed its own in-house application that integrates all of the above activities. The data warehouse is used as the data source; the data warehouse was developed in cooperation with IBM, but today it is fully in the hands of Karlovarská Becherovka IT specialists.

At the management decision level, it is quite difficult to properly utilize data stored in the data warehouse. There are numerous pre-defined reports and analyses and the higher the manager's

position in the organization, the less he/she is interested in details. That is the underlying reason why the required system configuration at Karlovarská Becherovka is being continuously improved to provide the management with exactly the information they need at the time they require it. Managers use MicroStrategy, a business intelligence application, to interpret data and analytical results.

The right choice

The cooperation between Karlovarská Becherovka and Epicor iScala has been developing for over 10 years now. In the beginning of the successful relationship was a short but highly demanding half-year period during which the system was implemented. In the two following years, the system was gradually fine-tuned into its present-day form, a solid transaction-based solution. More applications were successively added and Epicor successfully assisted with the various application integration into the ERP system.

About Epicor

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Contact us for more information on Epicor Products and Services

+1.800.776.7438 info@epicor.com www.epicor.com

Corporate Office
804 Las Cimas Parkway
Austin, TX 78746
USA
Toll Free: +1.888.448.2636
Direct: +1.512.328.2300
Fax: +1.512.278.5590

Latin America and Caribbean
Blvd. Antonio L. Rodriguez #1882 Int. 104
Plaza Central, Col. Santa Maria
Monterrey, Nuevo Leon, CP 64650
Mexico
Phone: +52.81.1551.7100
Fax: +52.81.1551.7117

Europe, Middle East and Africa
No. 1 The Arena
Downshire Way
Bracknell, Berkshire RG12 1PU
United Kingdom
Phone: +44.1344.468468
Fax: +44.1344.468010

Asia
238A Thomson Road #23-06
Novena Square Tower A
Singapore 307684
Singapore
Phone: +65.6333.8121
Fax: +65.6333.8131

Australia and New Zealand
Suite 2 Level 8,
100 Pacific Highway
North Sydney, NSW 2060
Australia
Phone: +61.2.9927.6200
Fax: +61.2.9927.6298

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