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RH Park, Assistant Manager, Cosmax Logistics Team



Cosmax transforms entire warehouse operation with Manhattan Associates



Distribution centres:

Pyungtaek Distribution Centre (comprising 4 warehouses) & Hwaseong (main factory warehouse)

Manhattan solution: Manhattan SCALE™:

Supply Chain Architected for Logistics Execution

Cosmax Requires Improved Standards of Procedure (SOPs) to Enhance Warehouse Management

Cosmax is the largest ODM (Original Development Manufacturer) of cosmetic products in the Korean market. Founded in 1992, the company’s ideology follows three key principles:

- Ethics – uncompromising commitment to business best practice & management
- Science – continuous investment in world-class R&D
- Aesthetics – contribution to society through world-leading health and beauty products and consideration for the environment

The company enjoys unprecedented success as the leading manufacturer of cosmetics in Korea and currently employs 282 staff. The company’s reputation for product and service excellence has been achieved on the back of significant and continued investment in R&D. Cosmax invests up to 7% of annual revenue in R&D each year. In 2005 it extended its R&D centre to include bio, nano and safety and efficacy laboratories. The company develops up to 2,700 new skin care and make-up products each year.

Cosmax supplies products to over 150 recognised brands—both domestic and international—including L’Oreal, Mary Kay and Johnson & Johnson. Over the last four years the company has enjoyed considerable growth, doubling gross sales from US\$43 million in 2005 to US\$93 million in 2008.

Given the unrelenting rate of growth the company has enjoyed in recent years, in addition to the number of new products the company designs and manufactures leveraging its R&D capabilities, Cosmax recognised an inherent need to re-evaluate its warehouse management processes.

Challenge:

Cosmax lacked strict standards of procedure (SOPs) across warehouse management processes and had inadequate visibility across the supply chain.

Solution:

Manhattan SCALE selected for proven track record and breadth of capabilities.

Result:

Reduced returns by 75%, reduced overtime hours per warehouse worker (WH) by 16.6% and raised operational productivity by 30%.

Having previously used an in-house warehouse management solution, the company quickly realised its legacy system was not sophisticated enough to facilitate and support continued company growth.

Mr. RH Park, Assistant Manager of Cosmax's Logistics Team explained, "The in-house warehouse system we previously used did not provide a sufficient level of visibility across the entire packaging materials (e.g. fragrance bottles, cardboard wrapping and boxes, plastic containers) supply chain. The basic principles were not very good. In particular, inventory accuracy and picking productivity were very poor."

Among the broader challenges Cosmax faced was how to improve the overall standard of procedures (SOPs) associated with warehouse management. Similarly, it wanted its ERP system to align more closely with its warehouse operations so it could gain greater visibility and control of its packaging materials inventory.



Since implementing Manhattan Associates' WMS, Cosmax has enjoyed a number of critical improvements to its warehouse operations. Most significant has been the creation of the 'Case Round-Up Rule', which the company developed using Manhattan Associates' WMS. This new modification, which plays an inherent part in the company's overall warehouse management processes, allows inventory to be picked using case UOM (unit of measure) and the FIFO rule (first-in, first-out).



"We recognised an immediate need to overhaul all processes associated with our warehouse management operations. There were considerable discrepancies between the inventories logged on our ERP system, of which there are more than 30,000 registered items, with actual inventory located in our warehouses."

In addition, Cosmax desperately wanted to reduce the volume of slow-moving inventory. Previously, almost 40% of all Cosmax's inventory was slow moving. The company did not have an effective order picking process in place and subsequently was unable to forecast how much inventory was likely to be returned from its production site.

"Not only were we unable to track what inventory was being dispatched from our warehouses, we were also unsure whether we were sending the correct volumes. Ultimately due to the inefficient and inaccurate picking process we had in place, we were receiving a lot of returned packaging materials inventory from our production site," Mr Park explained.





Manhattan Associates Helps Cosmax Gain Greater Control & Visibility of All Inventory

To coincide with the company's plans to upgrade to a larger warehouse facility, Cosmax made the decision to source and implement a warehouse management solution from an external vendor. Cosmax subsequently selected Manhattan SCALE, having reviewed a number of vendors in the local market.

"We opted for Manhattan Associates because of the company's breadth of expertise and experience in the supply chain industry. Having reviewed a number of local vendors, we decided to look further afield for a company that had a proven track record in delivering robust and successful warehouse management solutions for a company of our size and requirements. Manhattan SCALE fit our specific needs and integrated well with our existing ERP system, which was integral to our decision."

By investing in a warehouse management solution, the company's primary objective was to maintain accuracy of both packaging materials and finished goods inventory at all times. It also wanted to better manage and control the movement and storage of goods, including returned goods.

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"Essentially, this rule allows us to only pick and ship the right amount of inventory we need. Previously we were sending full pallets of inventory to our production site even if they only required a fraction of that amount. We were subsequently receiving an unacceptable amount of returned goods, which was simply not cost effective to our business."

Manhattan Associates has helped Cosmax develop a series of standard of procedure (SOP) manuals, which the company uses throughout all warehouse management processes, including picking.



Given the number of competitors rapidly emerging in the cosmetics industry, we recognise that all services driven by supply chain management have become more critical in differentiating ourselves, and gaining a strategic lead over competitors. Manhattan Associates' WMS has undoubtedly helped us to achieve this.

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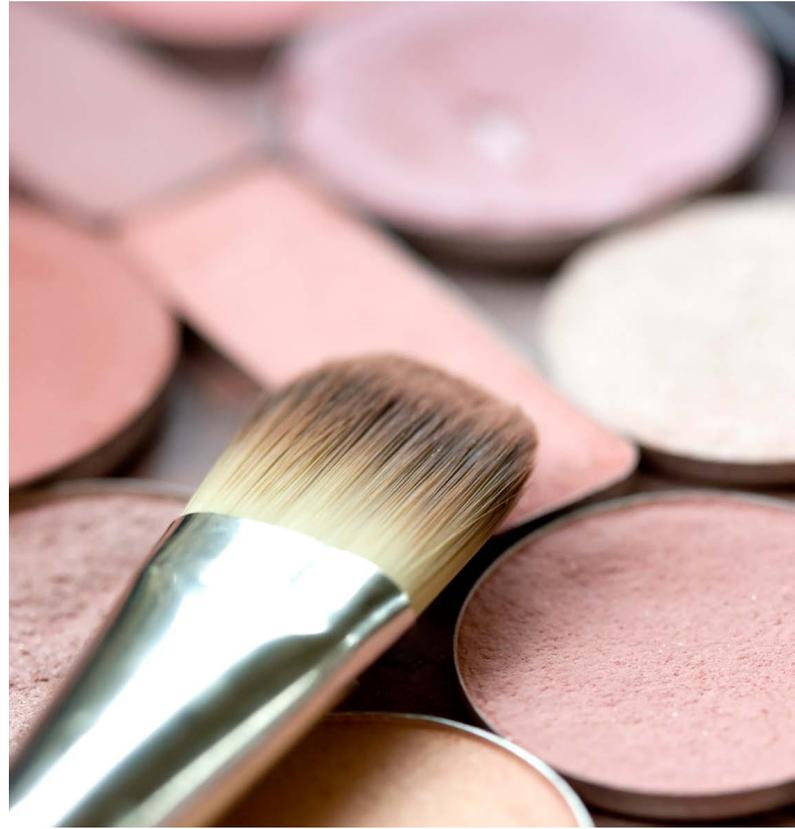
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An additional benefit Cosmax has enjoyed since implementing Manhattan's WMS includes the 'put-away' rule, which Manhattan Associates configured to suit the company's specific needs. The put-away rule ensures cases are allocated with a specific code or LPN (license plate number), which helps Cosmax strategically manage where inventory is stored in the warehouse.

"We configured the 'put away' rule so that once the receiving process is completed, the WMS lets us know whether certain items should be moved to specific areas of the warehouse. Previously when goods were returned they were unloaded at random so we sometimes had no way of knowing what inventory we had in the warehouse at any given time. Given that we were approaching full capacity in our warehouse at the time and were becoming short on space, in some cases, inventory was sitting in the aisles, which was obviously a safety hazard and hindered productivity," Mr Park explained.

Mr Park concluded, "Given the number of competitors rapidly emerging in the cosmetics industry, we recognise that all services driven by supply chain management have become more critical in differentiating ourselves, and gaining a strategic lead over competitors. Manhattan Associates' WMS has undoubtedly helped us to achieve this."



Cosmax Enjoys Tangible Business Benefits with Manhattan Associates' WMS

Overall Benefits:

With Manhattan SCALE, Cosmax has been able to:

- Develop the 'Case Round-Up Rule' allowing exact quantities of inventory to be picked
- Configure the 'Put-Away Rule' ensuring goods are received and stored correctly
- Achieve greater inventory accuracy - returns are now regarded as another type of receiving and combined with inventory
- Reduce quantity of goods returned to warehouse by 75%
- Reduce overtime hours per warehouse worker (WH) by 16.6%
- Raise overall productivity by 30%
- Increase ability to supply correct volume of packaging material to production site