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CASE STUDY: MORE EFFICIENT FINANCIAL AND PRODUCTION MANAGEMENT AND IMPROVED CUSTOMER SERVICE IN LUDVIG SVENSSON AB

Abstract

Ludvig Svensson AB is a Swedish company in the textile industry that designs, produces and delivers a wide variation of home textiles and textile based products (towels, curtains etc.) Ludvig Svensson AB is represented in more than 25 countries in 4 different continents. The Head Office and production facilities are located in Kinna, Sweden, where the company currently employs more than 400 people. Ludvig Svensson AB has managed to stay competitive in a very tough market, through a continuous investment in new technologies. In the last four years Ludvig Svensson has implemented IT into every aspect of its business processes, from product design, planning and operation of production lines to management of its vendors, suppliers and customers. This case describes the business impacts of Ludvig Svensson AB's latest IT-investment in a new enterprise-wide software solution. Further, the case illustrates how a European textile manufacturer can strengthen and defend its market position in a still more competitive market through implementation of contemporary digital systems. These systems are to improve the companies' efficiency in business and production processes as well as in development of supreme services and customer care

Case Characteristics	
Location of the company	Headquarter in Kinna, Sweden
Company size (no. of employees)	420
Turnover in last financial year	50 Million euro (460 mio. SEK)
Primary customers	Home depots, furniture and housing stores etc. and Ludvig Svensson AB's own associated companies in the retail sector
E-Business Focus	
Improvement of efficiency in production processes and vendor management	***
Improvement of administrative processes and order handling systems.	**
Warehouse management	*
* = in implementation stage; ** = used in day-to-day business; *** = critical business function	

Background and objectives

Ludvig Svensson AB is a well established Swedish manufacturer of home textiles and textile based products such as towels, curtains, articles of bedding etc. The company has been owned by the Swedish Svensson family for four generations and more than 120 years. Today, the company employs 420 people and operates in more than 25 countries. 80% of the production goes to export markets, which contribute to a yearly turnover of more than 50 million euro.

The company's position as leader in the field is held through constant innovative thinking and development of new products and procedures. Fifteen people are employed in the development department, which is appointed as a focus area of the enterprise.

Over the past years Ludvig Svensson AB has gradually refined its use of ICT with the objective of staying competitive and defending its markets share. Ludvig Svensson AB's latest investment is an upgrade to a more sophisticated ERP-system that includes modules for financial management, production, ERM (Electronic Resource Planning) and CRM. This system is to improve the company's efficiency in business and production processes as well as in development of supreme services and customer care.

Activities

As a designer, producer, distributor and retailer of home textile products, Ludvig Svensson AB's business processes are numerous. E-business activity in Ludvig Svensson covers:

- Design and development of new products and services
- E-procurement, vendor management and relation management to vendors
- Planning and management of resources and production.
- Financial management
- Management of associates, business partners and customer relationships
- Marketing and planning of campaigns about product variations to different markets

Ludvig Svensson AB invested in an EPR solution (Enterprise Resource Planning) almost four years ago to handle the above operations. The system was bought from the international IT-vendor IBS (International Business System). Ludvig Svensson AB is currently upgrading its system to the newest edition.

The ERP system or 'e-business suite' from IBS is called ASW and is an integrated software product for enterprise-wide applications. It covers a wide variation of modules for production, purchasing, sale, distribution, financials, data warehousing and management information etc.

Ludvig Svensson AB has implemented an ERP system configured to meet the company's need for functionality and ease of operation. The system runs on an AS400 platform, delivered by IBM. Considering the most essential business processes, Ludvig Svensson AB chose to implement a solution that includes modules for financial management, production management, ERM (Electronic Resource Planning) and CRM (Customer Relationship Management).

The implementation of upgrades and modules are due to Ludvig Svensson AB's strategy of being the most efficient manufacturer of high quality home textile products. This is realized through continuous optimisation of all business operations and investments in new value generating tools and technology.

Vital identified needs are:

- Optimization of production, planning and warehouse management to generate a satisfying operation and avoid high stock levels and abruptions in feeding of production lines.
- Streamlining of administrative processes to minimize administrative costs and create a sufficient instant delivery of management related information and customer related information services.
- Improvement of existing customer related services and development of new customized service.

These needs have been of decisive importance to the choice of upgrades and modules. According to Hans Soerling, responsible for IT and Marketing, the main benefits of the modules are as follows:

- **Financial Management:** Optimization of administrative procedures and automated generation of management information. Quicker draws of accounts and economical key data and automatic updates of order keeping and pay roles etc.
- **Production Management:** Improved access to data extracts and gathering of management information from production lines in real-time helping the company to identify potential bottlenecks. Efficient use of production capacity and better assurance of quality and readjustment of production processes. Consequently, the system enables a more stabile operation of production facilities and better control of resources.
- **Warehouse management:** The warehouse management module helps Ludvig Svensson AB avoid undesirable high stock levels and optimize its stock portfolio according to production plans and feeding of the production lines. A low stock level relief capital for other investments and reduces economical risk.
- **Customer relationship management:** The order handling system and CRM module allows sophisticate the company's customer care and improve the handling of incoming orders. Confirmation of orders with automatic calculation of potential discounts and precise determination of date for delivery are both essential aspects of good customer service. Furthermore, the CRM module helps Ludvig Svensson AB optimise and individualize its customer service and practice a customized sales effort to its customers. Special considerations to different customers can easily be taken and help the company provide extra value to its customers.

The overall business impact of the investment is a rationalized execution of processes and better quality in production processes, warehouse management, document handling, quality control, customer handling etc. Even though that the system has streamlined processes to make them more effective it has not changed general business activities.

The implementation and continuous upgrade of the ERP system means that Ludvig Svensson AB today runs business processes more efficiently than previously and is highly competitive in the market despite the entrance of competitors based in countries with much lower expenses. Through high efficiency in production lines, high quality in products and supreme services to its customers, Ludvig Svensson has to some extend succeeded in creating a mix of value propositions that substitute price as the only topic influencing customer decisions.

Implementation of upgrades and new modules was conducted by consultants from IBS with participation of the previous IT manager and the current IT-manager of Ludvig Svensson AB. Technical adjustments and customization of functionalities was carried out only by IBS while the primary function of the two IT-managers was to define needs and ensure compatibly to existing systems and processes.

Achievement and implementation of the system totalled 2.5 million SEK (approximately 280.000 Euro) including customisation of the system. Additional to this, Ludvig Svensson AB has invested a great number of working hours. Ludvig Svensson has made no effort to calculate return of investment (ROI). The decision to invest was taken solely on basis of the conviction that the investment is a necessary step to keep the company's position.

Lessons learned

Ludvig Svensson AB has not experienced significant problems in the implementation of the system. The main challenge has been to identify the specific needs of the company and to be precise in the definition of these to the IT-vendor. Ludvig Svensson AB was aware of the importance of allocating appropriate resources to train relevant staff to handle the programs. Hans Soerling, responsible for IT and marketing in Ludvig Svensson AB, emphasizes that it is essential that both management and staff are ready for changes and participate in the project.

“One of the big challenges of operating in a highly competitive market is to stay ready for changes and always be looking for new business opportunities. Optimizing processes and looking for new ways of doing things and new tools to increase efficiency is a forever ongoing process that has to include the entire company”, says Hans Soerling, responsible for IT and Marketing.

Another reflection concentrates on the cost, in time and money, of implementing special modifications to the system's functionality according to the procedures and operations in Ludvig Svensson AB.

“It has been quite expensive in time and resources to customize the system to our needs and way of working. Next time we will strongly consider whether we can change our procedures according to the system's functionality instead of paying for expensive changes to the system”, says Hans Soerling, responsible for IT and Marketing.

The above reflection demonstrates how it can be an expensive project to modify a standard system to meet the existing procedures in a company. Instead, the possibility of changing these procedures according to the functionality of a standard system should be considered. A further problem is that a customised solution potentially makes implementation of regular updates expensive, as they will often require assistance from external consultants.

Sources and references

This case study was conducted by Rambøll Management A/S on behalf of the *e-Business W@tch*.

References:

- Interview with Hans Soerling, responsible for IT and Marketing, Ludvig Svensson AB, 27 January 2005
- www.ludvigsvesson.se

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