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## CASE STUDY: RIFIL ORDER

### Abstract

*Rifil SA is a Romanian supplier of yarn. In Romania, the production of yarns for knitwear factories is covered by few companies, some of them with exceeding technological endowment and overcapacity. To face increasing competition from domestic and Asian competitors, Rifil's strategy focuses on vertical integration at group level, with the aim to assure quality control while keeping price competitiveness. More recently, the company has tried to differentiate its competitive positioning through the provision of value-added services to its SME customer base. Rifil has implemented a system for management orders, which is simple, easy to use, requires minimum equipment on the customer side but, at the same time, can improve and shorten the order-to-production cycle. This order system is integrated with Rifil's internal production system. Significant time savings and reduction of errors have been achieved.*

Case Characteristics	
Location of the company	Săvinesti Neamt, Romania
Company size (no. of employees)	400
Turnover in last financial year	42,000,000 euro
Primary customers	Knitwear factory
E-Business Focus	
Online Order Management	***
* = in implementation stage; ** = used in day-to-day business; *** = critical business function	

## Background and objectives

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Rifil SA is a Romanian company that produces high bulk acrylic yarns, acrylic yarns blended with wool and blended with cotton. The company was established in 1973 through a joint-venture between C.I.F.S (Centrala Industriala de Fibre Sintetice Savinesti) with a share of 52% and Romalfa Biella, 48%. Rifil was the first production company with foreign capital established in Romania after 1945. Production is exported to 13 countries among which: Poland, United States, Israel, Finland, France, Greece and Spain. In 2004 Rifil achieved a turnover of more than 42 million euro. The company has more than 150 customers: 90% are SMEs and 10% are large companies. Rifil's customers are mainly Romanian knitwear factories. Rifil also supplies purchasing centres which, in turn, supply small Romanian producers.

Rifil purchases raw materials from a German company (Dralon) that belongs to the Rifil group; the choice for upstream vertical integration has been pursued in order to allow control on quality standards. The competitive profile of Rifil is not very common in the domestic competitive scenario: Romania has mainly attracted companies which operate in the final stages of the textile and clothing supply chain, favoured by the geographical proximity of Romania to Western Europe and by the low cost of labour.

In order to challenge increasing competition, Rifil focused on the provision of value added services to the small manufacturing companies which represent the core of its customer base. These customers rely on limited ICT equipment and poorly structured organisation & production planning. On the other hand, to remain competitive on the market they need to be flexible and quickly react to market changes while keeping quality standards. To match these needs, Rifil implemented a new system for order management, which is simple, easy to use, requires minimum equipment on the customer side but, at the same time, can improve and shorten the order-to-production cycle. This order system is integrated with Rifil's internal production system.

## Activities

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In November 2004, Rifil implemented a new order management system. *Rifil Order* was first tested by the main customer – which is a distributor – before being proposed to all the other customers. *Rifil Order* is a software application that allows customers to monitor all the order phases from their PCs through a broadband connection. The development of this software, which was realised by a company belonging to Rifil Group, lasted one month and the costs sustained for the development were quite low. As of April 2005, Rifil Order is managing about 30% of Rifil's total orders but the company is trying to push it among the whole customer base.

### About Rifil Order

*Rifil Order* is an application that allows Rifil's customers to visualise, carry out and monitor online yarns orders. Customers simply need an internet connection and the fulfilment of a registration procedure. *Rifil Order* can be accessed via e-mail or through Rifil's website. The application is organised in four different sections corresponding to the various phases in the order fulfilment: new orders, pending orders, confirmed orders and "ready to go" orders. The implementation of the system has been conditional to the development of a standardised language to be used in commercial transactions.

Although the system is very user friendly, it nevertheless assures high security standards. *Rifil Order* is integrated with the Rifil production management application: confirmed orders are automatically visualised in the production management system. There, a control procedure is implemented which gives the green light to the production programme.

## Lessons learned

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### **Rifil Order impacts**

Before the introduction of *Rifil Order*, orders were received by Rifil's commercial department via fax and, more recently, via e-mail. Thanks to *Rifil Order*, the company has achieved significant benefits in time savings and reduction of errors. Continuous monitoring and real time updating of inputs to the production system allow for quicker and more precise production planning. Moreover, the system allows reduction of manual errors coming from both key accounts and from customers. The latter are now forced to use for the definition of the items/products to be purchased a standard language defined by the company that is intended reduce the degree of inaccuracy.

Rifil estimates that the overall management of the customer base will be (or "has been"?) simplified: phone calls will be (have been?) reduced by 70%. Moreover, key accounts benefit from significant time savings because they are no longer compelled both to work manually and to answer consumers' telephone requests.

### **Rifil Order strengths**

The most important of *Rifil Order's* strengths is represented by the easiness of use that also allows non expert users to exploit the benefits coming from the application. The diffusion of the *Rifil Order* application does not require particular technological endowment. Moreover, this application has been developed with the purpose of satisfying both customers' requirements and internal users' requirements. *Rifil Order* has been accepted by both internal and external users. This aspect is a fundamental precondition in order to integrate a new application in the company's management system.

Thanks to *Rifil Order* customers can directly manage their orders with the possibility of modifying them until they enter the production process. Before the introduction of this application, if consumers wanted to modify their orders, they were compelled to phone Rifil's key accounts or send a fax/e-mail, with important time wastes for both the parties.

### **Barriers**

The full and large scale application of a completely automated ordering system encounters a major barrier in the difficulties of visualising colours on the PC screens currently used. While the standardisation process, in terms of definition of parameters, has improved remarkably, this is not yet as the case for colour visualisation on PCs. Customers who need to select colours of products have three main possibilities: select from Rifil's colours folder and then insert the related code in *Rifil Order*; select from the Pantone<sup>1</sup> folder and insert the related code in *Rifil Order*; send to Rifil a test of knitwear which Rifil will reproduce. Needless to say, the latter is still largely applied.

## Sources and references

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This case study was conducted by Databank on behalf of the *e-Business W@tch*.

### **References:**

- Interview with Marisa Bodo, Rifil SA, Sales Manager, April 21, 2005
- Interactive test on Rifil Order Application, kindly granted by Rifil to Databank

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<sup>1</sup> The colour folder representing the international colour standard

## Conclusions

Survey data indicate that full scale integration along the value chain is still limited to larger firms and proprietary standards, imposed by leading companies, prevail in B2B communication. There are nevertheless indications that EDI-based standards and EDI-XML start being more widely used. Large companies having redesigned internal processes are trying to work in a more structured way with trading partners, in order to integrate their processes to save costs and decrease response time to consumer demand.

Rifil is an example of a big company trying to involve small business partners with the twofold aim to gain efficiency and save costs, facing the challenge of poor ICT literacy of their counterparts. The case demonstrates how value can be created through systems that facilitate identification, automate standard commercial functions and allow the company to fulfil customers' demands without compromising profitability: a limited investment brought significant economic advantage. It also demonstrates the importance of tuning technological investments to business partners' features and needs.

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