



## HARKOLA

# FOOD DISTRIBUTOR ACHIEVES EFFICIENCY AND DISCIPLINE WITH SAP® BUSINESS ONE

### QUICK FACTS

#### Company

- Name: Harkola Pty Ltd.
- Headquarters: Auburn, Australia
- Industry: Wholesale distribution
- Products and services: Local and imported food products
- Revenue: \$A12 million (approximately US\$8.2 million)
- Employees: 35
- Web site: [www.harkola.com](http://www.harkola.com)
- Implementation partner: Key Business Solutions Pty Ltd.

#### Challenges and Opportunities

- Manage inventory picking and shipping based on expiration dates
- Institute controls ensuring product pricing above minimum gross price
- Increase efficiency via elimination of the use of multiple systems and spreadsheets
- Gain real-time knowledge of current financial status

#### Objectives

- Create single, unified data source to manage key business processes
- Centrally capture expiration dates to implement first-in-first-out (FIFO) in the warehouse
- Automate import and costing process with support for multiple currencies
- Implement automated notifications and reporting for trade refinancing and financials

#### SAP® Solution and Services

SAP Business One application

#### Implementation Highlights

- Full-featured application testing environment
- On-time implementation in 5 weeks
- Only 3 days of support needed after going live
- Structured methodology using accelerated implementation methodology for SAP Business One

#### Why SAP

- Complete solution with capabilities specific to importing
- Ease of use
- Maturity of software and SAP presence in Australian market

#### Benefits

- FIFO process established in the warehouse
- 75% reduction in time for product costing
- Immediate notification of refinancing payments due
- Accurate snapshot of financial position at any point in time
- More-efficient bill-of-materials management with single inventory code

#### Existing Environment

- MYOB
- Microsoft SharePoint
- Spreadsheets

“Our ability to manage our inventory by expiration date is the biggest benefit of SAP Business One. . . . We now know exactly what we have in stock and which batch should be picked and shipped next.”

David Isaac, Managing Director, Harkola Pty Ltd.



Based near Sydney, Australia, Harkola Pty Ltd. has grown quickly, putting a strain on the company's aging systems for managing stock rotation, importing, costing, and financials. Multiple applications and spreadsheets prevented the importer and food distributor from implementing first-in-first-out (FIFO) inventory management, accurately pricing products, and understanding its financial status and obligations on an as-needed basis.

Harkola turned to SAP for a solution that would enable it to manage core business processes efficiently and accurately. By implementing the SAP® Business One application, Harkola has streamlined warehouse operations with FIFO picking and shipping, reduced the time it takes to generate accurate prices by 75%, and gained detailed, real-time insight into financial data.

### Antiquated Systems Prevented Efficiency

Harkola is a family business with a long history of providing Australia's consumers with a wide range of nuts, beans, dried fruit, spices, and food products imported from Lebanon. Starting as a delicatessen in the 1970s, Harkola has grown into a major distributor to Australian restaurants and food markets.

It was in the warehouse, where a batch system prevented the company from picking products based on expiration date, that Harkola faced the most serious problem. "With an estimated 60,000 to 70,000 items to track, our biggest challenge was stock rotation, because we did not have insight into

product expiration. That made it impossible for us to use a FIFO model. We needed to track dates to make sure the products we delivered were always fresh and well within their sell-by date," explains David Isaac, managing director of Harkola.

The complexity of importing and costing the many products was also time consuming. By gathering data from three different systems into spreadsheets, Harkola manually calculated the cost of each order. This made accurate costing difficult, especially since the company could not easily manage multicurrency transactions. As a result, Harkola could not fully determine the true cost of an order and be sure profit margins were in line.

### Disciplined Processes Needed to Improve Performance

Harkola set the goal of introducing higher levels of discipline and standardization through a single, unified data source and process automation. In the warehouse, the objective was to gain control of inventory with a system for tracking goods by expiration date. This

would also provide an audit trail, enabling Harkola to comply with Australian regulations that require distributors to track the whereabouts of each shipment.

In addition, Harkola wanted to capture all of the landed costs related to each order, such as shipping, handling, taxes, and import fees. In the low-margin world of food distribution, accurate cost tracking makes the difference between profit and loss. With the ability to centralize data, Harkola could make sure items were not being sold below the minimum gross price.

Finally, in order to gain real-time insight into its level of liability to the bank and a full understanding of its current financial position, Harkola needed to automate its trade refinancing, a common process used in Australia to finance imports.

### A Single, Complete Solution for Harkola's Requirements

Harkola considered software from several local Australian software vendors. Initially, the company did not include SAP in its review, because it was under the impression that SAP did not offer software for businesses of Harkola's size. "However," says Isaac, "when we saw the SAP Business One application, we realized it had exactly what we were looking for, including capabilities perfectly geared to importing. Without the need for a lot of customization, we could implement FIFO, manage our landed costs, and understand our financial position."



“With SAP Business One, we can manage the entire import and costing process, from placing and sending an order to the supplier to determining the landed costs and setting the selling price.”

David Isaac, Managing Director, Harkola Pty Ltd.

As a small family business without sophisticated IT resources, ease of use was particularly important. “The SAP Business One user interface was key to our decision. We could tell that it would be easy for all of us to learn, and that we could continue to run our business using processes with which we were familiar,” Isaac notes.

The strength of SAP’s presence in the Australian market and among major corporations was another factor that led Harkola to select SAP Business One. As the distributor continues to grow, it can envision forming alliances with other

Key Business Solutions worked closely with Harkola to define the project scope and processes to be managed in SAP Business One, including purchasing and creditor functions, accounts payable and receivable, inventory management, accounting, general ledger, and bank statement reconciliation. A broad range of reports would provide detailed insight into Harkola’s operations, such as profit and loss statement, receivable and payable aging, general-ledger transactions, balance sheet, sales analysis by customer and item, inventory reconciliation, and back orders. Because most of this is standard functionality within SAP

10 years of using our old systems. The testing environment and workshops were very valuable, as they helped the staff learn how to do things right and see what the outcome would be. Overall, I was very pleased with the software and the implementation. Come the first of July, everything went just about perfectly,” Isaac says. In fact, the transition was so smooth, Key Business Solutions needed to spend only three days on site to provide guidance after the software went live.

### Harkola Gains Multiple Benefits with SAP Business One

With SAP Business One, Harkola has eliminated the use of legacy systems and spreadsheets and quickly started to see a return on its investment in the new solution. As Isaac puts it, “There have been so many benefits from SAP Business One, I’m not sure where to start.”

In the warehouse, the company has been able to implement FIFO and develop an accurate, real-time picture of stock. “Our ability to manage our inventory by expiration date is the biggest benefit of SAP Business One. We have much better control as we now know exactly what we have in stock and which batch should be picked and shipped next.” As a result, the warehouse staff identifies the right batch more quickly, and Harkola has reduced the amount of expired stock it needs to throw out.

Importing and product costing are also more efficient with the elimination of multiple systems and the ability to pro-

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food companies. Because many of these businesses use SAP software, it will be much easier to merge Harkola’s processes with that of a larger company.

### A Smooth, On-Time Implementation

The implementation got fully under way in April with the go-live date planned for July 1, the beginning of Harkola’s fiscal year. To manage the implementation, Harkola selected Key Business Solutions Pty Ltd., an SAP channel partner specializing in consulting, development, installation, and support for SAP Business One.

Business One, there was no need for time-consuming customization. The implementation required only a few user-defined fields to meet Harkola’s requirements.

Key Business Solutions stepped Harkola through a structured process, using a combination of its own critical path methodology and the SAP Business One accelerated implementation methodology. This ensured that the implementation was completed on time and helped Harkola’s staff become comfortable with the new software. “We were mindful that this was a big change after

cess transactions simply in multiple currencies. "With SAP Business One, we can manage the entire import and costing process, from placing and sending an order to the supplier to determining the landed costs and setting the selling price," says Isaac. Harkola now consolidates all the costs around an item in the application, such as supplier cost, shipping, import fees, local delivery charges, and taxes. Once all the data has been entered, SAP Business One instantly calculates the true landed cost. This has produced real savings, cutting the time it takes to cost a shipment by approximately 75%. "Where previously it could take about an hour to cost a shipment, we can now collate all the different bills in under 15 minutes. We just pull up the landed cost screen, push a button, and it's done," Isaac explains.

The complex process of trade refinancing has also been streamlined using automatic alerts to remind Harkola when payments are due and reporting that provides an accurate snapshot of the company's financial position at any point in time. In addition, Harkola has expanded its use of SAP Business One to manage

the bill of materials for its nut-roasting operation. Now, instead of maintaining multiple inventory codes for the raw nuts to account for each flavor and roasting variation, Harkola uses just one code. This has significantly improved efficiency as the company's buyer needs to look at just one code to see the quantities currently on hand and how much to order.

Currently, four members of the staff use SAP Business One every day, and the reaction has been very positive. "Our company has grown a lot, and we all recognized the need for a system that would unify our business functions. With SAP Business One, the staff can see everything in one place, which makes their jobs easier and more enjoyable," Isaac notes.

Harkola intends to keep refining its use of SAP Business One, especially for inventory management. Plans call for capturing expiration dates as new stock arrives, which can help the company move to consumption forecasting. Harkola is also interested in leveraging the application to provide better service to its customers by offering them electronic options for communications.



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