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GLOBAL TOBACCO GIANT **PHILIP MORRIS**
SEES DRAMATIC IMPROVEMENTS IN ACCOUNTS
HANDLING THROUGH USE OF IPOS FROM FOUR

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CASESTUDY

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Philip Morris International is one of the world's leading businesses specialising in the manufacture and distribution of tobacco products.

Within its portfolio is Marlboro, the world's number one cigarette brand, together with M&M, Parliament, Chesterfields and many other leading products.

The firm's Management Services arm is run by its Head of IT, Attila Toth, who takes responsibility for all technical matters. The company has recently implemented the iPOS procurement solution from UK technology company, Four, the installation having been deployed right across Management Services. This replaces a set of manual procedures; an evolution that Toth characterises as "a very large leap" for this branch of the Philip Morris Corporation.

Human error had to go

The basic business driver that led Philip Morris Management Services to seek a technology solution was down to that devil in the detail; a paper process may be excellent, but it was still subject to the possibility of human error.

As Toth says, "People can make mistakes. They forget to sign off a copy, don't file it correctly, or even lose a document. Such errors can escalate to larger problems."

There is also the issue of control. Toth continues: "With paperwork being circulated around the office, which is a very time-consuming job, people can only control, manage and check so much."

Compliance, too, has to be taken into account. "Corporate audits do not really favour so many manual processes because, once again, the possibility of making a mistake or of not identifying it soon enough is considerable."

Last, but certainly not least, that level of people-power equals more cost. "If you need twice as many people to manage a requisition from inception to conclusion than would be required for an electronic process, then you have a cost implication," he says.

There is also the huge burden of handling paper when working with manual processes, and as Toth points out, "To produce multiple copies and circulate them around the office until they are filed, while properly archiving all of the historical information, is nothing short of a daunting task. Then there's further cost, because keeping everything in archive offsite - tracking records and making sure that they are retrievable - requires the involvement of even more people."

Time to change – but very little

Toth explains that the need for change was pressing: "We are a growing company and had reached the size where manual processes were very difficult to deal with. It left too many areas open for possible errors. In short, it exposed us to lots of potential risks."

So he led a charge for migration to an electronic form of transaction management. The results achieved by the introduction of automation have been dramatic.

The new system went live at the beginning of July 2007. Now, a user can create a requisition and, if all the approvers are in the office, the whole process will be completed in a matter of minutes - a favourable comparison with a 'paper trail' that might have lasted for days or even weeks.

A lot of hard work has gone into reaching this point; initially both the right technology and a suitable delivery partner had to be selected. The company has an existing investment in Systems Union technology in the shape of its SunSystems accounting suite, so any proposed upgrade would work best with a technology that could integrate with this.

"We wanted integration," says Toth, emphatically.

Various alternatives were explored but only the iPOS solution from Four met all the requirements of Philip Morris. The owner of the iPOS code base, Australian technology solution provider, Professional Advantage, recommended Four for the project.

However, that strong recommendation from Professional Advantage was not the only point that swayed the decision. Toth liked what he saw in terms of Four's culture and approach as much as its technical qualification to do the job.

"Four asked the right questions and came across as a company with sufficient experience in the deployment of information systems for medium to large enterprises. They fully understood the different handling of taxes, advances and currency. We were not only looking for product knowledge, we were looking for experience with international companies; an understanding of the data strategies and data security that is part of a large international group. That required experience and exposure to large projects with hundreds of users - a very different approach and methodology when it comes to deploying projects and integrating solutions," he points out.

Fast-paced and intense

The good news is that Toth's instincts were proved right as the implementation went live in just four weeks, the shortest time he has seen for a project of that scope; just two consultants from Four were needed to bring it to the finish line.

"It was a rapid application deployment project - very fast-paced and very intense," he says. "It required that the consultants almost live with us for twelve

hours a day over four weeks to accomplish the task. To their credit, the system went live without any significant hiccups on the specified go-live date."

Four's project management skills were clearly brought to the fore in meeting the strict time scales: "The people we dealt with [at Four] are very experienced in managing projects, handling multiple tasks and communicating with different levels of management at the customer site."

Overall, confirms Toth, the service received from Four included more than just the (very vital) technical competence he has every right to expect from his technology partner. "Their skill set is on many levels: communication with management, handling customers' expectations and project management are all things we get from them too."

Bottom line benefits

The iPOS implementation met the strict deadline and the other project planning criteria - but is it delivering in terms of return on investment and the bottom line?

Toth is happy to confirm that it is, and on a number of different fronts: "In terms of tangible benefits, the turnaround time for purchase order generation and management, as well as payment to vendors, is all going very well now it is managed by the software. Payment terms and conditions are fully respected by the system, so if we have a supplier with 30-day payment terms, iPOS will initiate a payment transaction on the 30th day to maintain the agreed payment terms. For us, paying suppliers on time is a very tangible and quantifiable benefit."

"The overall time managing of purchase orders and requisitions has been cut down dramatically," adds Toth. "Instead of days, it now takes minutes to get approvals. The number of people involved in the overall process and carrying out manual activities has also been reduced to almost none."

"Working this way," he says, "I know that my invoices will be matched to the PO, so no-one can overcharge me and I'm not going to be paying invoices twice or three times. It's all checked and measured by the system. It's a huge internal control benefit, as well as a financial benefit to any company."

A real winner of a system

Toth sums it up this way: "It's in these key processes - where business information is to be checked and validated - that delivering an automated and secure solution delivers tremendous value to any organisation."

Perhaps his biggest praise is reserved for the way in which iPOS is cutting out so much wasted time.

“Being able to manage something in a matter of minutes rather than days is so important. The requisition gets fully approved and the PO is pushed through the system in a day, instead of us having to escalate papers for approval. Having all of this integrated into our existing financial system without additional administrative tasks is a real winner for us.”



Client profile

Philip Morris International, based in Lausanne, Switzerland, is one of the largest tobacco companies in the world. It produces many of the world's best-selling cigarette brands, including Marlboro, the most popular brand worldwide. Its products are manufactured in more than 50 factories around the world and sold in over 160 markets. Founded in the 19th century, Philip Morris has grown into a worldwide organisation that today employs more than 70,000 people.

Industry

Manufacturing

Web

www.philipmorrisinternational.com

Technologies

iPOS procurement

Solution Summary

Based in Dubai and servicing the Middle East, the Management Services arm of Philip Morris International has found the use of iPOS to be extremely beneficial in reducing the overhead of time and resource previously required for its accounts handling. The company set a demanding four weeks project completion schedule that Four was able to meet through a combination of technical skills and project management expertise.

About Four

Four Business Solutions is a company specialising in the delivery of spend management and employee expense solutions for SunSystems™ accounting software users. Our clients include Manpower Software, Tesco EMS, Phillip Morris, Wandle Housing, Data Logic Group, Celtel, West Mercia Housing, Civica and RCT Homes.

Our consultants offer unrivalled business application and project skills, complex integration and technology knowledge and a client focused approach – a combination that has helped us successfully deploy some of the largest and most challenging projects in the industry.

For more information, visit www.four.co.uk

