

Performance Made Sweeter: Global Natural Healthcare Products Enterprise Fuels Ambitious Growth With QAD

The Company: Advanced Healthcare Products from Bees and Nature

Comvita is a premium healthcare product and life sciences company established in 1974 by Claude Stafford and Alan Bougen. Its raw materials are mainly honey products and other bee-related produce. Goods are processed locally in two purpose-built manufacturing facilities and distributed globally.

The manufacture and distribution of premium grade Manuka honey is one of Comvita's core activities. This honey is sold in thousands of health stores and other retail outlets around the globe. Comvita is also diversifying into other natural health care lines and has recently purchased a ten percent (10%) stake in Derma Sciences — a specialist wound care company in the — USA and acquired the herbal products manufacturer NZ Vitalife and the Medihoney division of the Australian company Capilano Honey Limited.

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The company's founder Claude Stratford is now 96 years old and remains a strong advocate for the company. Today, Comvita employs more than 200 people globally and has a market capitalization of \$72 million.

The Challenge: Globalization, Complexity and Compliance

Comvita is a rapidly expanding company with increasingly complex manufacturing and warehousing requirements. With the Australian market alone growing at 30 to 40 percent (30-40%) annually, the company is aiming to

become a \$100 million venture by 2010. “What we're doing now is making sure we have an infrastructure there that will enable us to do that,” says Corporate Development Manager, John Hill.

Comvita also wants to protect its valuable niche market in the area of natural wound care. Manuka honey is well-known for its antibacterial properties. Dressings impregnated with Comvita's Manuka honey are sold into UK hospitals, and there are further clinical trials underway in New Zealand hospitals. “We're the only manufacturer of medical honey in the world,” Hill explains.

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Protecting this market position requires Comvita to have control of the honey right from the bee keeper, so the grade of the honey can be guaranteed to the exacting standards of New Zealand's medical and therapeutic regulators. To gain the levels of clarity and agility required to meet compliance standards, Comvita needed to upgrade its existing QAD system.

The Solution: A Global System for a Global Enterprise

In 2005, Comvita embarked on a program to migrate from its existing version of QAD software to QAD Enterprise Applications version MFG/PRO eB2.1. At the same time, the company implemented RF Express, a radio frequency bar-coding solution supplied by QAD partner Eagle Consulting and Development.

“When MFG/PRO was originally installed in 1999, Comvita had a turnover of \$8 million,” Hill notes, “It was a huge investment at the time – it was about five percent (5%) of the turnover.” The performance of the QAD system has easily outweighed the cost, and it was a straightforward decision to stick with the company at upgrade time. When it was time to make a decision about a vendor, the organization saw no reason to move from QAD, as it was so reliable.

A consultant from Eagle managed the latest QAD implementation over a three month period while liaising with QAD. "She delivered the project on time," Hill says, and Comvita went live on its new QAD system in November of 2005.

"We couldn't aim to be a \$100m company without it [infrastructure]. It's not a question of return; it's about where we want to go, where we want to be."

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In May 2007, Comvita rolled out QAD's newest user interface, QAD .NET UI as part of its upgrade to QAD Enterprise Applications. At the same time, the company replaced its Windows-based HP server with a more powerful Linux-based HP ProLiant server. The company is now implementing QAD Business Intelligence (QAD BI), QAD Production Scheduler (QPS) and QAD Demand Management. Other QAD modules will follow as Comvita integrates its recently acquired Australian Medihoney business and prepares to bring its Hong Kong subsidiary online.

Comvita has 60 staff using QAD software and expects to add to this number as the company increases its market share, diversifies its product base and rolls out QAD applications to its overseas subsidiaries. "We want to run all of the overseas entities off the one database," says Hill.

The Benefits: Clarity and Agility Set the Stage for Growth

For Comvita, QAD Enterprise Applications has improved the quality, reliability and traceability of information and products throughout the manufacturing process. "The traceability is right through, it's great," Hill enthuses. The ability to forecast purchasing requirements, and meet forecast requirements for materials has also been impressive, "We know who's accessing the system; we can see where our orders are," adds Hill.

QAD Enterprise Applications has also delivered a high degree of control over the manufacturing process. "Each department can pretty much control the information that they require," says Hill. The installation of QAD Business Intelligence will ensure more complete control of this information. Another benefit was QAD's inclusion of online

training modules for staff. "We did have quite a bit of training," Hill says. Hill points out how much more efficient employees can be now that they are not chasing multiple pieces of paper and spreadsheets around the organization. "You can burn out your human capital very fast if you don't have the proper systems in place," Hill adds.

The introduction of QAD .NET UI, simultaneously with the adoption of a new HP ProLiant server, has brought additional flexibility, speed and clarity to Comvita's processes. The decision to replace Comvita's Windows-based HP server with a Linux-based alternative was made, in part, to optimize the performance of QAD Enterprise Applications. "The speed of the system has improved," Hill agrees, "It also allows us to have, globally, a much better platform." Comvita's UK subsidiary was brought online within two weeks of the New Zealand operation going live in May. Hong Kong is coming online in the next few months.

Powerful, agile browser functionality is an outstanding feature of QAD .NET UI, and users are enjoying the new look-and-feel. According to Hill, the time taken to train staff on the new interface has been minimal. "The browsers are much, much better," he says.

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Hill also places great value on the support offered by QAD. "At 12 o'clock one Sunday night I noticed that we had an issue, and I grabbed hold of the global support and I called America, and they got our systems started so we could go into the day," says Hill. He says he was able to resolve the problem from his home phone and computer, with support staff linking to the manufacturing facility's server through Hill. "While I was talking to them on the phone, they were working on the server."

Hill believes that Comvita's return on investment in QAD is incalculable, simply because it has made growth possible. "We couldn't be a \$48 million company without it. We couldn't aim to be a \$100 million company without it," says Hill.

"It's not a question of return; it's more about where we want to go, where we want to be. To be a global entity you have to a stable integrated IT platform." He agrees that the company could lose as much as 50 percent (50%) of its value if an ERP system such as QAD Enterprise Applications was not in place. "It's central to the operation. It runs us," he jokes. "Without it, Comvita would have no control over manufacturing or other costs."

The Future: Leveraging a Unified System to Drive Performance

For Comvita, the project ahead is one of integration, including the removal of a diverse range of spreadsheets and unrelated software to curtail duplication across the operation. The company knows it can rely on the simplicity of its QAD solution to help it drive the level of performance needs it needs to meet or exceed its targets.

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To fuel the company's trajectory to a \$100 million company by 2010, Hill has approval from his Board of Directors for a significant budget commitment. As part of continuing improvement, Hill is implementing QAD QXtend in the company's beekeeping area. He predicts that will not only save the organisation \$40 thousand in staff costs per annum, but also further reduce costly duplication.

Planning is the next area to be addressed with the implementation of the QAD Demand Management and QAD Production Scheduling modules. He also wants Comvita to learn to take full advantage of all the capabilities the QAD system delivers. "We know there's an awful lot more we can do," says Hill.

Highlights

Company

Company Name	Comvita New Zealand Limited
Industry	Life Sciences
Products	Manuka honey, bee pollen, propolis, apple cider vinegar, Royal jelly, antioxidant capsules, nutritional oils, medical honey, therapeutic skin care

Solutions

QAD Solutions	QAD Enterprise Applications QAD .NET UI QAD Business Intelligence QAD Production Scheduler QAD Demand Management Eagle RF Express
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Platform	HP ProLiant server running RedHat Linux
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Sites running QAD	Two production sites in New Zealand. New warehousing and distribution center opening in January 2008
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Implementation Time	Three months to move from earlier version of QAD MFG/PRO
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Results

- Increased inventory visibility
- Improved distribution efficiency
- Expanded capability to support strategic expansion plan
- Reduced duplication and paperwork
- Effective use of employee time and talent
- Solid groundwork to easily integrate legacy applications with QAD



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