

Performance Made Robust: Cigar Maker Generates High Returns with QAD Enterprise Solutions

The Company: Leading European Cigar Maker

Royal Agio Cigars (Agio Cigars) is one of the leading cigar manufacturers in Europe. The company produces over 750 million cigars a year, distributed in more than 100 countries under brands that include Mehari's, Panter, Balmoral and De Huifkar. Founded in 1904 by Jacques Wintermans, Agio Cigars is still fully held and managed by the Wintermans family. Headquartered in Duizel, Holland, the company employs about 2,500 people and posts annual turnover of approximately 100 million euros.

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Ton Mens, Concern Controller, Royal Agio Cigars

“I like to call Agio Cigars a small multinational,” says Ton Mens, concern controller at Agio Cigars. “We have our own sales organizations and factories in the Netherlands and Belgium. Next to that there are sales organizations in France, Germany, Italy and Singapore. In other countries we work with agents or importers. In addition we have large production facilities in the Dominican Republic and Sri Lanka which focus on the labor-intensive processes of tobacco processing. In the Dominican Republic we also manufacture hand-made cigars, the so-called long fillers.”

The Challenge: Obsolete Systems and Processes

Quality control is of the utmost importance for cigar production: Creating the best product requires perfection in moisture, colour, flavour and packaging. Guaranteeing the consistent experience cigar aficionados demand, whether a cigar is hand-rolled or machine made, requires firm control of all aspects of the business.

Since the 1960s Agio Cigars has used automation to support its business processes. “That was mainly custom-made software, developed in COBOL. In addition we had many disparate systems and applications in Excel,” says Mens. “When I joined Agio Cigars in the late 1990s a project had just started to rebuild the existing custom made software in a fourth-generation programming language. This was a troublesome and costly process. Because I had had positive experiences with an integrated business solution in a previous position I pleaded for a different approach.”

The Solution: Unifying The Enterprise With QAD

In 1999 Agio Cigars decided to cancel the custom made software project, hiring Ernst & Young to assist with the selection of an integrated ERP solution. After narrowing the field to three vendors who were invited to present demos, Agio Cigars chose QAD enterprise applications. Mens says, “The main reasons for choosing QAD were the fact that QAD itself was able to do the implementation and that QAD enterprise applications were a proven solution in the food industry, where the processes are similar to ours.” He adds, “Another aspect was that QAD is focused on manufacturing, which makes their applications truly lean. This makes management easier.”

Agio Cigars went live on QAD on January 1st 2001. It made the explicit choice to ban customizations. “Anyone who really wanted a customization had to

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convince the steering committee personally of the necessity. Customization is a threefold trouble: at the development stage, at testing and through maintenance. That's why we were very strict on this issue. In addition QAD enterprise applications offer so much functionality that a business advantage can always be found in the software," says Mens.

The Benefits: Consistent Processes, Increased Accuracy, Reduced Costs,

In 2001 Agio Cigars could look back on a flawless implementation. Since go-live, Agio Cigars has improved efficiencies in many areas, including the elimination of extra work created by manual processes and information silos, and gaining insight into business processes.

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"Not one faulty invoice has left our office," emphasizes Mens. "In addition we saw huge benefits in reporting right away. We use QAD's GL Report Writer which provides for example margin reports and budget overviews on a monthly basis. Next to this we have been able to reduce the number of full-time employees on activities such as order processing, production bookings and financial administration."

"The insight into our activities has increased 1000 percent, so to speak, now that QAD is our central information backbone. All employees have access to the same information, which makes us much more efficient. As QAD is tailored to specific issues in our industry, including rules and regulation, we are able to operate more flexibly. Everything is stored in a uniform way and that's an ideal situation," says Mens.

The Future: Improving Delivery and Inventory Performance

The newest development at the company is an enhancement begun in 2006, the implementation of QAD Demand Management, which will enable Agio Cigars to better handle changes in demand, improve

Highlights

Company

Company Name	Royal Agio Cigars
Industry	Consumer goods; tobacco
Products	Cigars (Brands: Mehari's, Panter, Balmoral and De Huifkar)

Solutions

QAD Enterprise Applications	QAD Enterprise Applications version eB2.1; QAD Demand Management
Implementation Partner:	QAD Global Services
Production Locations	The Netherlands, Belgium, Sri Lanka and the Dominican Republic.
Platform:	Bull

Results

- Improved information delivery in terms of quality and availability
- More flexible production
- Savings on personnel through improved efficiency

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delivery performance and reduce inventory costs. This module will enable the company to better address expected demand and respond to changes in demand more proactively. "When making forecasts everyone is inclined to keep safety margins. QAD Demand Management will help us to reduce these margins, which leads to more efficient manufacturing," says Mens.

