

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 such as pollen and the antibacterial resin propolis. 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, and the 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 stake in Derma Sciences, a specialist wound care company in the USA, and acquired herbal products manufacturer NZ Vitalife.

Comvita depends on the wellness of the environment for its own viability, and the use of sustainable business practises is a core philosophy of the company . . .

Founder Claude Stratford is now 96 years old and remains a strong advocate for the company. Today, Comvita employs more than 120 people globally and is expecting to turn over \$38 million* in the current financial year. Comvita has a market capitalisation of \$69 million, and has just completed a fully subscribed \$10.2 million rights issue.

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 50-60 percent 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 operations manager John Hill.

. . . Because Comvita has demonstrated consistent leadership in this area, it was named New Zealand Sustainable Business Trailblazer and People's Choice in the 2006 National Sustainable Business Awards.

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.

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 MFG/PRO eB2.1. At the same time, the company

implemented RF Express for MFG/PRO, a radio frequency bar-coding solution supplied by QAD partner Eagle Consulting and Development.

Comvita has been a QAD customer since 1999. “At the time Comvita had a turnover of \$8 million,” Hill notes. “It was a huge investment at the time—it was about five percent 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 organisation saw no reason to move from QAD, as it was so reliable.

A consultant from Eagle managed the latest QAD implementation over a 3 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.

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John Hill, Operations Manager, Comvita

More modules will be added in 2007, particularly business intelligence and forecasting modules, as Comvita brings its overseas operations online.

Comvita has 40 staff using QAD software, and expects to quickly increase this figure by 25% 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, MFG/PRO eB2.1 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.”

QAD MFG/PRO eB2.1 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.

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John Hill, Operations Manager, Comvita

Hill points out how much more efficient employees can be now that they are not chasing multiple pieces of paper and spreadsheets around the organisation. “You can burn out your human capital very fast if you don’t have the proper systems in place,” he says.

Hill also places great value on the support offered by QAD. “At 12 o’clock last 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 \$38 million company without it. We couldn’t aim to be a \$100 million company without it,” says Hill.

“To be a global entity you must have a stable integrated IT platform.”

John Hill, Operations Manager, Comvita

“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 of its value if an ERP system such as MFG/PRO was not in

place. "It's central to the operation. It runs us," he jokes. Without it, he says, 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 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 investigation of the Demand Forecasting and 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.

Prepared by QAD in cooperation with Comvita.

** All monetary amounts are in NZ\$.*

Highlights

Company

Company Name	Comvita
Industry	Life sciences, natural health care
Products	Manuka honey, bee pollen, propolis, apple cider vinegar, Royal jelly, antioxidant capsules, nutritional oils, medical honey, therapeutic skin care.

Solutions

Sites:	Two production sites in NZ. New warehousing and distribution centre opening in 2007.
Implementation time:	Three months to move from earlier version of QAD MFG/PRO
Platform:	HP server
Environment:	Windows moving to a Linux environment

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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