

## Leading Dermatologic Product Maker Increases Inventory Visibility and Accuracy with Ross ERP



Johnson City, Tenn.-based Crown Laboratories is a rapidly growing manufacturer of prescription and OTC (over the counter) skin-care and sun protection products, OTC anesthetic mouth-care products and sunscreens. The company is also a contract manufacturer of skin-care products for the pharmaceutical industry, offering a wide range of services—from product formulations to clinical research to regulatory filings (ANDA/NDA). Furthermore, as a partner with The SHADE Foundation of America, Crown's Blue Lizard Australian Sunscreen subsidiary is committed to sun safety education.

### Challenges

#### Rapid Growth

Since its founding in 2000, Crown has experienced meteoric sales growth. The company doubled its revenues between 2004 and 2006 and expects 100 percent growth in 2007. But this growth hasn't been without its challenges. Up until 2006, Crown ran its operations with only a basic accounting program, spreadsheets and Access databases.

"We were stretching our accounting system beyond its limits," said Steve Seckman, Director of Finance at Crown. "We had ten to twelve users on a program that was built for no more than five users."

#### Poor Inventory Visibility

Because Crown makes prescription-based products that require compliance with FDA regulations, the company's founders decided long ago that every product they manufactured—even the Blue Lizard sunscreens—would be subject to the same quality standards as the prescription products. While having to keep track of only one set of standards simplified some areas of the business, it also added a layer of complexity to the company's processes.

For instance, this meant that all raw materials and product components (e.g., bottles, caps and seals) had to be tested by independent laboratories before they could be used in the manufacturing process—regardless of whether or not they were going into a prescription-based product. This created a complex inventory-tracking challenge, as Crown's raw material inventory is continually scattered across multiple warehouses and testing facilities. Without a reliable inventory management system, it was extremely difficult to determine where materials were located and exactly what was available for production.

Warehouse and production personnel had employed a system of color-coded stickers, tags, index cards and spreadsheets to determine raw material status, age and availability, and to enable a FIFO (first in, first out) inventory method. However, this approach was labor-intensive, error-prone and would sometimes cause shipping delays when the necessary raw materials to fulfill an order could not be found. Furthermore, in the event of a recall, this manual approach would have required the involvement of multiple individuals, each working several hours.

Crown's accounting system also made it difficult to charge off raw materials inventory as it was used; inventory could only be charged after a job was finished. With many jobs running as long as ten days, this meant that Crown's inventory was rarely up-to-date.

#### Productivity Challenges

Operational efficiency was another concern. "When your competitors don't impose the same quality standards on themselves that we have, you have to find ways to be more efficient because they can make their product more cheaply," said Fred Pinney, IT Manager at Crown Labs.

Unfortunately, Crown's factory floor personnel had very limited access to the information they needed, and the current system didn't enforce business rules and critical business processes. As a result, production jobs were continually spilling over into the next workday.

### Highlights

#### Crown Labs

#### Industry

- Life Sciences

#### Challenges

- Rapid growth pushed existing system to its limits
- Complex inventory tracking requirements to meet FDA requirements
- Recall would take multiple people to complete in required time
- Took as long as 10 days for raw material inventory to show as charged off
- System crash lost more than a months worth of data

#### Solution

- Ross ERP

#### Results

- Inventory visibility is now real-time and true versus as much as 10 days lag
- Perform bi-directional lot trace in minutes instead of several man hours
- Production jobs completed same day
- Orders out to customers 1 day faster
- 50% revenue growth since implementation with fewer people

### Challenges Continued

“Ross did an outstanding job during the implementation,” said Seckman. “The Ross consulting team truly understands the life sciences industry. They took the time to learn what we were trying to accomplish and showed us how Ross ERP could help us achieve those objectives. They also worked long hours to meet our implementation schedule. I often had to make them go home at night!”

#### Steve Seckman

Director of Finance  
Crown Labs



#### Global Headquarters

Ross Systems, Inc.  
Two Concourse Parkway,  
Suite 800  
Atlanta, GA 30328  
United States  
Tel: +1 770.351.9600

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#### System Crash

Then things took a turn for the worse. In October 2005, Crown’s accounting system crashed. “We had been having some problems with the system for a while—issues we were able to fix,” said Pinney. “But this one was so bad, it could not be fixed. We ended up losing about a month’s worth of data.” The system crash, while unfortunate, sped up Crown’s effort to find an improved software solution.

Crown considered six different vendors. The larger systems were taken out early in the process because of their high cost; some of the smaller systems were not shortlisted because they lacked the scalability Crown needed.

“Our prior experience taught us that we needed a system that would comfortably keep up with our anticipated growth,” said Seckman.

“We realized that the Ross system architecture was very scalable, flexible and would enable us to continue growing,” added Pinney. “Ross ERP had capabilities that closely rivaled those of the expensive systems. Plus, it was also much more focused on the life sciences industry and it was highly scalable.”

### Solution

In late 2005, Crown purchased Ross ERP, including financials, manufacturing, sales order processing, purchase orders and inventory. Despite the fact that Crown was entering its busy sunscreen production season—and the fact that it had landed its largest contract manufacturing client to date just a few weeks earlier—Crown was still able to go live with Ross on July 1, 2006.

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### Results

#### Improved Inventory Accuracy and Visibility

“Our inventory visibility has improved dramatically,” said Seckman. “Instead of waiting for the job to complete—which would often take as long as ten days—we now charge off inventory as it is used, increasing our inventory accuracy.”

Ross has also enabled Crown to better track chemicals and components as they move through the testing process. They can now easily “move” inventory to a virtual warehouse, allowing them to better determine what they have on hand, where it is, what has come back from testing and what is available for production.

“Overall, the improved inventory visibility has allowed us to be leaner,” said Seckman. “We can now better determine how much of what chemical we have left and how much we’re going to need based on forecasts and production plans.”

In the event of a mock recall, Crown can also now perform bidirectional lot traceability within minutes instead of hours. Moreover, both Seckman and Pinney agree that confidence levels throughout the company have dramatically increased now that they have moved away from spreadsheets and manual processes.

#### Increased Productivity

“Accessibility has been a key to improving our efficiency,” added Pinney. “Access to the right information has led to greatly improved productivity and shipping accuracy. Production jobs are no longer spilling into the following day, which means that the shipping department now gets orders out the door one day faster.”

Pinney also added that Ross helps enforce business rules and best practices that have led to improved shipping accuracy, overall operational effectiveness and their ability to get more done with fewer resources. In fact, Pinney stated that Crown employs fewer people today than it did prior to the Ross deployment, and that revenues have grown 50% since going live.

“The ability to create customized reports in house, using the Ross database, has been a big plus for us,” said Pinney. “In addition, the browser-based system architecture is much more flexible and easier to maintain.”

When asked about Ross’ product support, Pinney added, “I give Ross’ product support team an A+. They have been fantastic. They’re always responsive and extremely helpful. And it’s not just the people—the support website is also very useful.”