

# CUSTOMER PROFILE

FOOD &amp; BEVERAGE

LAWSON AT ARLA FOODS



## Lawson M3 Increases Delivery Certainty at Arla

Arla decided to create a more effective distribution chain and centralize its distribution of cheese products. A new central warehouse, Alexander, was built and Lawson M3 came to be an important component in reaching the goal.

“Lawson M3 exceeded all of our expectations. Previously we had about 64 percent delivery certainty—now have a solid 99 percent, thanks to the control that Lawson M3 provides.”

Lars Jilkén, site manager at Arla Foods



## Business benefits

The new superwarehouse is highly automated. "The centralization from seven units to just one has obviously allowed us to be much more effective in terms of coordination, but the single, biggest effect that we experienced immediately was that our delivery certainty increased markedly. From being 64 percent at its worst, it has increased to about 99 percent today. It's better than we could ever have imagined," Jilkén enthuses. "Lawson M3 is connected to the warehouse's process system. That means that we know the exact location of every unit and we can tell our customers precisely when we can deliver the goods to them."

Delivery mix-ups are the scourge of the food industry because companies often don't have the extra warehouse space to store perishable goods that get brought back to the warehouse unexpectedly. Quick changes in demand can cause serious strain in terms of logistics. A sudden increase in demand can be a negative, rather than positive, experience for many food companies. "The best way to follow the market's dynamics with ease is to have the company's processes under control. Lawson M3 has tuned up our organization and our delivery precision in the best possible way. Today we don't have any customers calling us to complain about incorrect or missing deliveries. It's hard to think of better proof of satisfied customers than quiet telephones in the complaints department," Jilkén says with a smile.

## The Company

Arla Foods is Europe's largest dairy company. Its facilities in Sweden and Denmark process 6.2 billion kilograms of milk annually and produce a variety of dairy products including fresh drinking milk, soured milk, yogurt, cooking fat, cream products, dessert cheeses and hard cheeses.

About 40 percent of the raw milk is used to produce cheese.

In the past Arla distributed cheese and cooking fat via seven smaller centers. Then, in 1998, the company decided to restructure, replacing all of its smaller units with a large, central facility in Götene. Arla named its new superwarehouse Alexander. "Our customers' demands are what caused us to make the decision. They wanted coordinated deliveries, which simply wasn't possible with our old, decentralized structure," Ingrid Andersson, head of IT services at Arla Foods, explains. "At Alexander we are going to handle 23,500 tons of packaged cheese and approximately 40 different brand names. These products will be delivered to thousands of stores and restaurants. That kind of logistical situation would have overwhelmed our old, decentralized warehouse system."

## Why Lawson?

It was decided early on that Lawson M3 would play a central role at Alexander. Arla's cheese division has been a Lawson customer since 1996, and Arla saw continued cooperation with Lawson as a natural development.

"When we purchased Lawson M3 in 1996 we did an in-depth analysis of which suppliers would be able to support our processes. We came to the conclusion that Lawson M3 was the best system and Lawson was the best supplier. We are really satisfied with the result so far, so I am convinced that we made the right decision. When we started building Alexander our cooperation with Lawson gave us a sense of security because we could trust that that side of the project would be pain-free," Andersson says, when asked why Arla didn't initiate a new request for quotation process for the Alexander project. "Besides that, we have a close collaboration with Lawson when it comes to developing Lawson M3 for the food industry. Lawson is very interested in what is going on in our branch and works actively to support the companies within it."

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site manager at Arla Foods



## The Implementation

“This was not an average project for Lawson,” Cecilia Bengtsson, the Lawson project manager responsible for the implementation at Alexander, explains. “Because Arla was building a whole new facility from the ground up there weren’t any existing process flows linked towards Lawson M3.”

The project had a general time plan that all suppliers were forced to follow. Most Lawson M3 implementations are carried out at pre-existing facilities with flows and processes already in place. But that was not the case at Alexander.

It would not have been possible to get the facility up and running unless every part of the project was completed according to the schedule. In order for Lawson to guarantee that Lawson M3 would be running on the day that it was scheduled to, everyone involved in the project had to work together: “We demanded that everyone who was involved in the project follow the time plan, a time plan that each of them had approved personally. It’s clear that Lawson’s consultants are used to cooperating with customers as well as with other suppliers. Throughout the Alexander project Lawson was the supplier that we didn’t have to be the least bit worried about,” Andersson says. “Lawson lived up to its commitments fully and completely.”

These were quite unusual circumstances for Lawson. “Two months before start-up we had planned to start our tests. At that point the electricity had not been fully set up in the warehouse,” Bengtsson remembers. “We had to adjust to the circumstances quickly and carry out the tests that we could—even if those tests were actually supposed to be carried out at a later stage. The most important thing for Arla was that we could guarantee start-up on the agreed-upon date. The actions of subcontractors and suppliers could not be allowed to hinder us in our commitment reaching that goal.”

Lawson stuck to its part of the time plan, even though that meant that there were some difficult periods, for both Lawson and Arla. “We know that there were times when Lawson had to work very, very hard, but that usually had more to do with factors that were beyond Lawson’s control, than problems caused by Lawson. Alexander is a complex facility, and I am impressed that Lawson succeeded in implementing and starting up Lawson M3 according to the time plan when I think about the circumstances under which they did it,” Andersson says.

## The Future

Jilkén is very satisfied with Lawson M3. “You often find after investing in something and using it for awhile that vital parts are missing or that you’ve paid for functions that you seldom or never use,” he says. “But that hasn’t been our experience with Lawson M3. Now that Lawson M3 has been implemented we find that it meets pretty much all of our needs. We do have a short-term wish list of add-ons. They are what we call ‘comfort features’—statistical follow-up and so on. Corporate Portal seems to be a very interesting product, so we are going to take a closer look at that too.”

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**Ingrid Andersson, head of IT services at Arla Foods**

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**Facts**

## Technical Facts

In this installation, Lawson M3 Collaboration Application supports the following processes:

Forecast

Planning

Manufacturing

Order

Delivery

Cost accounting and general ledger

Lawson M3 is integrated with the process system.

Hardware/software

Hardware: IBM iSeries (AS/400)

Database: DB2/400

Operating system: OS/400

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**About Arla Foods**

Arla Foods AB is an agricultural cooperative that is owned by 7,500 Swedish and 8,600 Danish dairy farmers. Together these farmers deliver 6.2 billion kilograms of milk annually to the company, which represents nearly 80 percent of the total milk production in Sweden and Denmark. Arla Foods also buys about 0.9 billion kilograms of milk from England every year. That brings the total amount of milk up to more than 7 billion kilograms, which makes Arla Foods Europe’s largest dairy company.

Arla Foods has 67 dairy facilities in Denmark and Sweden and a worldwide network of production and sales companies. It runs production companies in five countries and sales offices in 21. The group is divided into seven divisions, of which Division Production is responsible for the production of butter and cheese. Arla Foods has about 19,000 employees and its annual turnover is SEK 43 billion (approximately USD 4.3 billion).