

## Knauf Drywall



### About the company.

Knauf Drywall, a top supplier to the construction industry in the UK, manufactures a broad assortment of building materials including drywall, plaster, laminates, flooring, and accessories. The company sells over 300 different products, under more than 2,000 different SKUs. With revenues exceeding 200 million annually, the company operates two sites in Great Britain, one at Sittingbourne and the other at Immingham. As part of the Knauf group of companies with headquarters in Germany, the British operation manufactures products for its own customers, but also sources from its network of European affiliates.

The building construction industry demands next day delivery service due to the just-in-time nature of the building process itself. As Knauf's Operations Manager Eric Dancer explains it, "The 'dryliners' who put the board up on the wall rarely know what they want tomorrow until lunchtime today. They're relying on the ability of a supplier to be able to do that." If Knauf fails to supply its customers with the required materials within one day, the contractor pays for unused labor and Knauf risks liability for non-performance. On the other hand, if Knauf declines an order, that sale could be switched to a competitor and Knauf loses the revenue for good.

“ We're working with less capital and still achieving world class performance in both manufacturing and customer service. That's what Infor has helped us to do. ”

ERIC DANCER, OPERATIONS MANAGER,  
KNAUF DRYWALL

## Setting the strategy.

Every manufacturer dreams of having limitless demand for their products, but that dream can become a nightmare when you can't supply that demand. The UK building surge that culminated in 2007 was such period for Knauf and its competitors. "The construction market was booming," says Dancer "all three UK manufacturers couldn't meet demand." But even though Knauf could literally sell everything it could deliver, the strains of keeping up with that demand exposed the company's operational limitations. Without a framework for an effective Sales and Operational Planning (S&OP) process, Knauf encountered costly logistic challenges.

For years, Knauf Drywall's Operations Manager Eric Dancer and two planners administered the company's planning process as well as they could with whatever tools they could find "None of us had any formal training in production planning," says Dancer, "we all fell into it by accident. We used very basic production planning tools. We had a report writing tool that pulled data from our operating system and provided us with a report of a five week average sale by article code. It was only looking at sales, it wasn't looking at demand." This informal arrangement left them without comprehensive tools to anticipate upcoming requirements. The manufacturing operation also suffered from frequent mix-ups due to the inability to optimize the utilization of the company's manufacturing capacity.

In one telling incident, the company was unable to fulfill orders for bagged plaster due to a lack of bags. "It was like McDonald's running out of hamburgers," says Dancer. "There was no kind of forward planning, our plaster plants were responsible for ordering bags, but we had little visibility into future demand."

The company was also running up excessive shipping bills to import materials from Europe that it could have potentially manufactured in the UK. "Transportation costs were tremendous," Dancer says. "I was spending 20,000 per day on transportation for 18 months to 2 years. If we'd been able to forecast better, the business would've had detailed information to make investment decisions against around capacity management."

## facts at a glance:

> company .....	Knauf Drywall UK
> solution .....	Infor SCM
> product .....	Demand Planning
> industry .....	Building materials
> revenue .....	£200 million (GBP)
> country .....	UK

## Getting business specific.

At that point, the company knew it needed a formal framework for creating an effective Sales and Operations Planning (S&OP) process. "I needed to bring the business together more to match line capacity to demand in a more planned way," says Dancer. "By bringing the planning functions and the factory functions and the sales functions all together, we could agree on a single plan." The benefits they sought included better demand planning, improved customer service, and increased revenues by being able to fulfill more customer orders on time.

They settled on Infor™ SCM Demand Planning because they needed a system that would be easily usable for non-technical personnel. That would not only cut down training time, it would reduce the risk that came with storing most of the company's critical planning information inside the heads of the two planners. "If either of one of them left the business, our performance would drop," Dancer says, "and the factory's efficiency would suffer."

In addition, they needed a system that could work with a variety of different ERP systems; the system that the UK operation uses will be replaced by SAP to conform to the requirements of the headquarters in Germany, so the new application needed to work seamlessly with either system.

They also felt comfortable with the fact that Infor SCM Demand Planning has a long-term track record of proven value to the building supplies industry. Another important feature was Infor SCM Demand Planning's rough cut capacity planning capability, which helps Knauf optimize the mix of raw materials it orders to allow the company to make the correct combination of products for sale.

### Seeing results.

The dramatic turnaround that Knauf achieved by implementing Infor SCM Demand Planning was striking, even while the building boom lasted:

- The company's stock fulfillment rate increased from 94.6% to 99.2%.
- Fines for late and failed deliveries nearly disappeared, dropping from 110,000 in 2004 to 6,500 in the first half of 2009, a reduction of over 95%.

Most importantly, Knauf eliminated out of stock situations that had cut into revenue. In 2003, the company failed to fill 10,500 order lines by being out of stock. More than 7,000 of those foregone order lines were for plasterboard, the company's principal product. In the first half of 2009, there were only 124 such out of stock orders, a reduction of over 98%.

The new level of operational excellence that Knauf Drywall achieved through its Sales & Operational Planning initiative resulted from combining the implementation of Infor SCM Demand Planning with some specific training in sales forecasting. The benefits of the company's new approach have extended far beyond anyone's expectations. "We can plan production and purchasing much more effectively," says Dancer. "For example, by honing our forecast for metal sections, we've been able to take 50% off our finished goods inventory and still serve customers." The new process has completely transformed the planners' work process: "They were firefighting all the time," he says. "I wanted the planners to work at the front end of the process, the forecasting end of the process, and then to let Infor work its magic. You're then just managing by exception, not firefighting."

“ I wanted the planners to work at the front end of the process, the forecasting end of the process, and then to let Infor work its magic. You're then just managing by exception, not firefighting. ”

ERIC DANCER, OPERATIONS MANAGER, KNAUF DRYWALL

### Doing business better.

The company's new responsiveness paid off handsomely even after the building boom went bust. Knauf Drywall's enviable reputation as a newly responsive, utterly reliable partner made it the preferred supplier to most commercial builders. "Our customers are under increasing pressure to reduce inventory to take working capital out of their business," Dancer says. "Having a next day delivery supplier that they can rely on is very important to them because, effectively, they don't need to hold any stock."

As evidence of the power of Knauf's improved standing, in eight recent tenders to supply materials for new hospitals in the UK, Knauf won all eight contracts. "Our ability to service," Dancer says, "plays a major part in our getting those projects."

The next phase of the project will be to implement Infor SCM Advanced Scheduler to streamline the process even further. Where the planning team once served as both forecasters and planners, they'll be able to concentrate on forecasting and have Advanced Scheduler generate plans from those forecasts automatically.

"It's now a different world," says Dancer. "At first it was about improving our service to the customer, which we now do at a world-class level. But we're now world class with our production techniques as well—we're working with less capital and still achieving world class performance in both manufacturing and customer service. That's what Infor has helped us do."

### About Infor.

Infor acquires and develops functionally rich software backed by thousands of domain experts and then makes it better through continuous innovation, faster implementation options, global enablement, and flexible buying options. In a few short years, Infor has become one of the largest providers of business software in the world. For additional information, visit [www.infor.com](http://www.infor.com).

**Infor Corporate Headquarters**  
13560 Morris Road  
Suite 4100  
Alpharetta, Georgia 30004  
USA  
Direct: +1 (800) 260 2640

Contact your local Infor office regarding availability of products in your region.

**INFOR™**