

Patrice Barra

Independent Consultant with an extensive experience of the Perfume and Cosmetic field where he gain expertise in Production, Product Development (Innovation) and Sales giving him a global vision of this business sector. Extremely concerned by the persistence of a high level of in-house activity in production, creating value added, he wish to share with us his vision of global operations and is at your disposal to exchange on this topic.

Operations in the Perfume and Cosmetic field

Since many years, Companies in this sector prioritize R&D and Marketing and tend to loose interest for in-house production either by selling or downsizing the factories that they were running and/ or choosing to develop their business without production using third parties

The future will it be Cosmetic without plants ?

The current situation is :

Product lifetime is always shortening

Focus on direct ex factory costs reduction to enable more financial support for Marketing, Advertising, R&D..

ROI is much longer in factories than for the rest of the activity

Third Parties offer is extremely abundant

For Operations Directors, starting axiom is that direct and indirect industrial costs can only be higher than those of 3rd parties because, for example, internal benefits or privileges for employees in this sector are quite important (Bonus, Profit sharing, Training, Benefits ..)

The question is therefore how to get out of this financial industrial cost reduction major focus

The only answer will be for the manufacturing branches to create Value Added which will be essential for Company's development and bring a significant contribution to profit margin improvement.

Therefore, you must stop to only focus on specialized industrial domains to pick-up a global view and approach on this field, its major costs and know the numerous gears on which you can act, then you need to:

1) Work closely and in total symbiosis with Marketing and R&D in order to be involved in NPD, win their confidence and respect to be able to promote some options in the manufacturing, filling, storage and/ or distribution fields and suggest innovation ideas.

2) Reduce inventories by all means (using JIT, Consignment ...) in order to reduce necessary working capital; this needs to have a perfect knowledge of product portfolio (BOM's, detailed COG's, visual) in order to manage detailed analysis using IT

means (ABC analysis, inventory coverage based on forecasts and history, dead wood ...), look for similarities and offer harmonisation ideas, all this being eased by §1 above.

3) Promote initiative, train personnel to flexibility and make the equipments versatile: success of §2 above requires also the reduction of lot sizes; it is therefore mandatory to reduce change-overs, startup time; of course there are some tools to do this like SMED, 5S ..., but this is not enough, it is vital to promote new ideas from people having daily tackling with production. Their ideas are also key to act on and reduce production losses without sacrificing quality standards; here again with the help of IT means, it is easy to drive numerous ABC analysis like losses by category, losses by equipment, etc....

4) Permanently Challenge the present status quo by focusing on Value Analysis and Rationalization; this requires a global view of the total supply chain, why save 10 cents on production costs if you lose 15 in distribution or transportation costs or damage the perceived value at customer level?

5) Insure a permanent watch of suppliers (RM, Pack, Equipment, Services) and competition to help innovation ideas and cost reductions; quite often the suppliers (MP, Pack, Services) main contact is Purchasing with the obsession: cost, lead time, quality, but it must be considered that they also have development projects, optimization, rationalization, all of those can affect the users. The suppliers are mainly in contact with Operations, but besides the leitmotiv cost, lead time, quality, they can also help in terms of expertise in production lines, learning curve, equipment rationalization..

6) Secure Quality, perfect traceability and strict confidentiality: In those aspects, in-house control has a major advantage vs the use of third parties. It is obvious that with the existing and numerous medias, confidentiality will be extremely difficult to manage and control, but if §3 is a success, being a member of one team, one site, one company will promote confidentiality; in addition we can manage visitors which is not always the case within third parties.

7) Know-How : Perfect command of internal know-how facilitate innovation and reduce development time

In several occasions we mentioned the frequent usage of ABC analysis, this is a major tool since those allow to identify the major projects and therefore to select within those that can be effective quickly which is a plus for team motivation and communication : quick results

The future of in-house production within the Perfume and Cosmetic field can be secured

Patrice BARRA

Graduate of Centrale Lille, CAAE

pat@barra.org

33 (0)6 29 74 71 97