



**Berlin school of Economics and Law  
Berlin Professional School**

Master of Science International Business  
Management

**Oriflame's Supply Chain and Operations  
Management and Information Technology**

Written by:  
Sneha Panda

Module: Operations and Information Management  
Term: 23/24

## Table of Contents

<b>1. Introduction.....</b>	<b>3</b>
1.1 Competitors.....	3
1.2 Beauty and personal care industry.....	3
1.3 Risk and Challenges in Beauty Industry .....	4
<b>2. SCOM Model (Supply Chain and Operations Management).....</b>	<b>6</b>
2.1 What is Operations and Supply Chain Management? .....	6
2.2 Distinguishing Operations versus Supply Chain Processes.....	6
2.3 Oriflame's competitive characteristics in SCOM .....	6
<b>3. Industrial footprint .....</b>	<b>7</b>
<b>4. SCOR model and SCOM strategy .....</b>	<b>7</b>
<b>5. Information System in SCOM .....</b>	<b>9</b>
5.1 Information Systems in SCOR: .....	10
5.2 How IT Systems work together: .....	10
<b>6. IT Architecture overview: .....</b>	<b>11</b>
<b>7. Oriflame's Competitive advantage:.....</b>	<b>11</b>
<b>8. Lean Waste Management in Oriflame:.....</b>	<b>12</b>
<b>9. Cross-function cooperation in Digital Technology .....</b>	<b>13</b>
9.1 Cross-function cooperation in successes: .....	13
9.2 Cross-function cooperation in challenges:.....	14
<b>10. Conclusion .....</b>	<b>14</b>
<b>Bibliography.....</b>	<b>15</b>
<b>Appendix: Interview Transcripts.....</b>	<b>19</b>

## 1. Introduction

From humble beginnings in a small Stockholm office to our position as a global beauty company present in over 60 markets, Oriflame's social selling business model has gone from strength to strength. Today, over 3 million independent Brand Partners share, promote and sell Oriflame beauty and wellness products worldwide. It all started in 1967 when two brothers, Jonas and Robert af Jochnick sat down with a friend, Bengt Hellsten, and discussed their vision for a company making high quality beauty products inspired by Swedish nature, available and affordable to everyone (Oriflame Corporate Site, 2023).

Oriflame operates as a direct selling business, distributing its products through social selling and an expansive online platform (Oriflame Annual report, 2022). Oriflame operates on an Independent Brand Partner centric approach, with initiatives shaped from the perspective of empowering the Brand Partner to sell, recruit customers and manage their businesses using the latest digital tools (Oriflame Annual report, 2022). This model has provided the benefits for many parties such as consumers, brand partners and the company itself. For consumer benefits, they get direct contact with the seller, resulting in trust-based personal purchase, personal recommendation, advice, and tips tailored to customer's individual needs, and online orders and home delivery. Meanwhile, brand Partner benefits from the opportunity to earn additional money or go for a career within beauty and wellbeing at minimum start-up cost/low risk, freedom to choose when, where and how much to work, and beauty and wellbeing knowledge, personal development, and social interaction with Oriflame Community. In addition, the company also benefits from no retail property, rent or rates, effective "socially-based" distribution channel, less need for traditional advertising, no requirement for high capital investment, and low cost and effective method to enter new markets (Oriflame Annual report, 2022).

### 1.1 Competitors

According to interview with internal resource, Senior procurement manager, they have pointed out their major competitors as shown below. Although beauty industry has many competitors, but 4 of these competitors are mentioned because they have similar business model and products.

**Natura &Co** is the Brazilian cosmetics multinational that also uses a market leading online platform (Natura, no date).

**Nu Skin** is a global integrated beauty and wellness company powered by a dynamic affiliate opportunity platform (Nu Skin, no date).

**Usana** is an award-winning direct-selling company in the health and wellness space that creates high-quality nutritional products (USANA, no date).

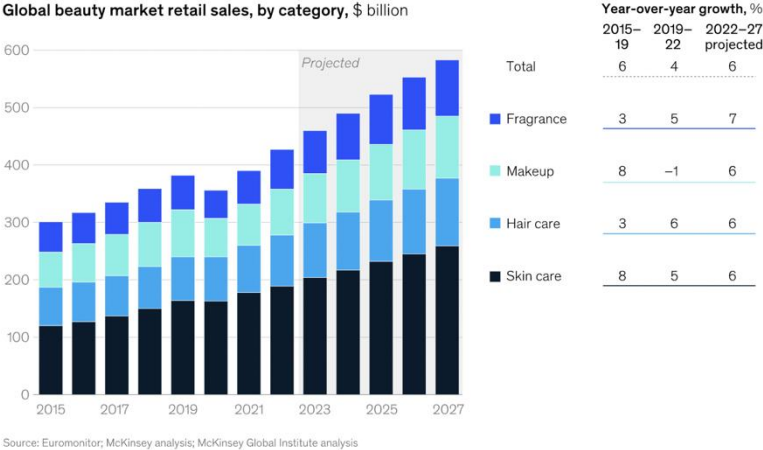
**Herbalife** is a premier health and wellness company and community that offers high-quality, science-backed products, which are available exclusively through their educated and trained Herbalife independent distributors (Herbalife, no date).

### 1.2 Beauty and personal care industry

The global **beauty and personal care products market size** was estimated at **USD 518.56 billion in 2022** and is expected to grow at a compound annual growth rate (CAGR) of 7.7% from 2023 to 2030. One of the primary factors driving market expansion is the rising consciousness of consumers about their appearance. Beauty and personal care products

such as skin care, color cosmetics, and hair care are becoming an integral part of daily grooming among millennials. The introduction of cosmetics with natural, non-toxic, and organic ingredients has also been boosting the market growth (Grand View Research, 2023). The easy availability of these cosmetic items through various sales channels such as specialty stores, pharmacies, and beauty salons has contributed to the growth of the market in terms of value sales (Grand View Research, 2023). Following a solid recovery since the height of the COVID-19 pandemic, the beauty market is expected to reach approximately \$580 billion by 2027, growing by a projected 6 percent a year. This is in line with or slightly higher than other consumer segments such as apparel, footwear, eyewear, pet care, and food and beverages (McKinsey & Company, 2023).

The four main beauty categories are projected to grow in the next few years.



Furthermore, online sales are projected to contribute 19.2% of the total revenue in the Beauty & Personal Care market by 2024 (Statista Market Insights, no date).

### 1.3 Risk and Challenges in Beauty Industry

This article discusses the challenges faced by the beauty supply chain and offers solutions for cosmetic brands to succeed.

**Traceability and Shipment Conditions: Traceability provides:**

transparency throughout the entire beauty supply chain—from sourcing raw materials to delivering the products to a customer’s door. A third-party logistics provider can help brands access item-level details at every step of the supply chain. Being able to track shipment conditions down to the finest detail is becoming just as important as tracking products in the supply chain. This allows brands to track individual batches of products and determine at which stage of the supply chain something went wrong. Brands can then take action to address any problems in the supply chain and prevent future issues (Champion, A., 2022).

**Compliance With Temperature and Other Conditions:**

Another supply chain issue in the cosmetics industry is ensuring that your company’s products are compliant with the right temperature needed to store and maintain these products. This is not only important when storing inventory, but especially important when it comes to transporting these products through long distances. Aside from

temperature, cosmetics can spoil/damage if they are exposed to the incorrect amount of moisture, humidity or even a bump on the road when being transported. The sensitivity of cosmetic products means that you must be very careful during the logistics process. Failure to comply with the conditions needed for many cosmetics can lead to product spoilage. Having detailed logistics data and condition monitoring that helps you keep track of things like temperature is essential if you want to prevent inventory write-offs (The Owl Solutions, 2023).

#### **Change in Trends:**

Trends are constantly changing within the cosmetics industry. What was popular a year ago may not be popular now. With how quickly trends are changing, your supply chain needs to be able to adapt just as quickly for your business to succeed. This is why the use of demand planning analytics is necessary because trends and KPIs can be leveraged to accurately predict the frequent change in demand. Focusing on demand planning will allow you to minimize excess inventory during times where cosmetic trends slow (The Owl Solutions, 2023).

#### **Disruptions Caused by Sourcing:**

The cosmetics industry relies on Ingredients, such as cocoa, vanilla, zinc and more from countries that have unstable economic and political situations. As a result, there can be a lot of supply chain disruptions caused by tensions within these countries. In order to minimize supply chain disruptions, it's necessary for companies to monitor their supply chain using cloud software with real-time metrics. This will allow you to predict disruptions and take proactive measures to try to manage risk before it occurs. It will also make it easier for you to communicate with every part of your supply chain network since you will all have access to the same performance information. When every part of your supply chain has equal visibility of real-time metrics during a disruption it makes the communication process easier, and it becomes easier to minimize disruptions when they occur. If you are in fact able to select the best suppliers as a result of performance tracking then you can minimize the risk of disruptions occurring (The Owl Solutions, 2023).

#### **Dealing with Product Outages:**

The current supply chain crisis means it's been harder than ever for beauty brands to keep items in stock and on shelves—both in-store and digitally. In order to deal with the supply chain crisis, many cosmetics brands started ordering more products further in advance. While this can ensure brands have enough product, it's also important not to order too much and end up with slow-moving or obsolete inventory. That's where accurate and efficient inventory tracking comes in. Being able to forecast months in advance using historical inventory data allows brands to order months in advance with the confidence that they're not over- or under-ordering (Champion, A., 2022).

#### **Outsourcing risk:**

There are risks associated with outsourcing the product and ingredients, such as dependence on one or few suppliers or service providers, which can lead to contractual obligations and no influence on the efficiency, agility, and flexibility of the processes. Another risk is interface issues with information exchange and logistical or administrative processes. The final concern pertains to legal issues, such as confidentiality agreements and intellectual property rights, where there is a risk of misuse of sensitive or confidential data etc. (Ivanov, D., Tsipoulanis, A., & Schönberger, J., 2019).

## 2. SCOM Model (Supply Chain and Operations Management)

### 2.1 What is Operations and Supply Chain Management?

Operations and supply chain management (OSCM) is defined as the design, operation, and improvement of the systems that create and deliver the firm's primary products and services. Like marketing and finance, OSCM is a functional field of business with clear line management responsibilities. OSCM is concerned with the management of the entire system that produces a product or delivers a service. Producing an item such as a pair of jeans, or providing a service such as a cell phone account, involves a complex series of transformation processes (Jacobs, F.R. and Chase, R.B., 2023).

### 2.2 Distinguishing Operations versus Supply Chain Processes

In the context of our discussion, the terms operations and supply chain take on special meaning. Operations refers to manufacturing and service processes used to transform the resources employed by a firm into products desired by customers. Supply chain refers to processes that move information and material to and from the manufacturing and service processes of the firm. These include the logistics processes that physically move product and the warehousing and storage processes that position products for quick delivery to the customer. Supply chain in this context refers to providing products and service to plants and warehouses at the input end and the supply of products and service to the customer on the output end of the supply chain (Jacobs, F.R. and Chase, R.B., 2023).

### 2.3 Oriflame's competitive characteristics in SCOM

According to the interview with Senior Procurement Manager of Oriflame, the company relies solely on its supply chain and operations for product delivery due to its network marketing structure. They conduct proactive planning every two weeks based on short-term forecasts to review and improve their supply chain. We have identified three competitive characteristics as follows:

**Catalog:** This feature allows the company to decide what to produce, when to produce it, and how much to produce based on monthly forecasts (Mishra, 2023). This provides a significant advantage for inventory management and helps to reduce waste by producing according to customer demand (Mishra, 2023).

**Brand Partners:** This feature leads to better coordination and communication within the supply chain, resulting in improved quality. This approach can result in cost savings through economies of scale, such as bulk purchasing, shared transportation, and joint production efforts, which can help reduce overall supply chain costs (Mishra, 2023).

**Sustainability:** Oriflame has outsourced its entire Corporate Social Responsibility (CSR) to Ecovadis, which also assists them with a lean waste management system. Ecovadis is used for supplier assessment to make informed decisions, promoting a more sustainable and responsible supply chain (Mishra, 2023).

### 3. Industrial footprint

Oriflame operates globally in over 60 countries, including markets operated by franchisees. A significant portion, more than 70% of Oriflame's product volumes are manufactured in their own production facilities, ensuring quality control and flexibility in meeting market demands. In 2022, Oriflame sourced approximately 238 million units, including finished goods from over 55 suppliers globally and regionally, shipping them to Oriflame's markets worldwide. Manufacturing units and warehouses are strategically located in Poland, China, and India, with Poland contributing the most with 50,000 pallet spaces. Due to the Ukraine- Russia War, the Russian plant was shut down. Six production facilities are distributed in these three countries as well. Additionally, two global distribution centres are situated in Poland and Hungary (Oriflame sustainability report 2022; Mishra 2023).

Oriflame's product offering builds on more than five decades of expertise in skincare and cosmetics, combining innovation and inspiration from nature. The company provides a diverse range of high-quality products for everyday use at affordable prices, including skincare, wellness, mind & mood, fragrances, personal & hair care, accessories, with skincare and wellness products contributing significantly to their overall revenue (Oriflame Annual Reports 2022). Operating as a social selling company, the majority of Oriflame's items are distributed through their Brand Partners. This strategic business model emphasizes the importance of personal connections and customer relationships. With a basis in monthly catalogs featuring a variety range of nearly 1400 products, this approach not only enhances customer engagement but also minimizes the possibility of lean waste in their operations. Oriflame takes environmental responsibility seriously (Mishra, 2023), evident in their use of 100% renewable electricity across all Oriflame operated sites since 2018 and the achievement of climate neutral operations since 2019 (Oriflame sustainability report 2022).

### 4. SCOR model and SCOM strategy

The Supply Chain Operations Reference (SCOR) model, founded in 1996 and consistently updated to align with evolving supply chain business practices. It is a diagnostic tool offering a standardized framework for supply chain management across industries. It remains to be a powerful tool for evaluating and comparing supply chain activities and performance. SCOR provides a unified structure that integrates business process, metrics, best practices, and technology. The framework of SCOR enhances effective communication among supply chain partners and optimizes the efficiency of supply chain management and associated improvement initiatives (APICS Supply Chain Operations Reference Model - SCOR, 2017; Russell et al., 2019). SCOR model organized around a set of management processes—plan, source, make, deliver, return. The purpose of the SCOR model is to define a company's current supply chain processes, quantify the performance of similar companies to establish targets to achieve best-in-class, performance, and identify the practices and software solutions that will yield best-in-class performance (Russell et al., 2019). Based on SCOR model, Oriflame develops their SCOM strategy for Planning, Sourcing, Making, Delivering and Returning processes.

**Plan:** Within the SCOR model, the Plan process involves creating a plan that completely aligns with sourcing, production, and delivery requirements (Russell et al., 2019). It requires developing a strategy to allocate resources to fulfil customer demand. Oriflame's planning strategically process occurs every two weeks, indicating a frequent and dynamic

planning cycle. Preparation of monthly and seasonal catalogs aligns with the production planning process, promoting strategic demand planning and inventory management. KPIs for business reviews every six months provide a structured approach to assessing performance, and the use of FIFO (First in, first out) for pallet-based storage ensures efficient inventory management and minimizes waste (Mishra, 2023).

**Source:** In the Source process, it focuses on procuring goods and services to fulfill anticipated or actual demand (Russell et al., 2019). Key activities include establishing agreements with supplier and managing supplier relationships to ensure a smooth supply chain procedure. Oriflame sources a diverse range of products with 1,400 varieties, reflecting a wide product portfolio. Most of products distributed by their company partners and effectively manage the suppliers through company partners' connections. (Mishra, 2023).

**Make:** The Make process centers on transforming raw materials into finished goods or services aligned with planned or actual demand (Russell et al., 2019). Daily activities usually include manufacturing, assembling, quality assurance, packaging and preparing for distribution. The production lifespan of three years indicates a strategic approach to product life cycles, balancing innovation, and sustainability. From receiving customers order to dispatching usually it takes 6 months for leading time, which includes preparation and shipping time (Mishra, 2023).

**Deliver:** The Deliver process involves providing finished goods and services to meet planned or actual demand, including order management, transportation, and distribution (Russell et al., 2019). Essential activities such as orders fulfilment, shipments management, handling distribution and logistics. Oriflame employs flexible and various approaches to meet delivery requirements. The use of sea shipments for 6 weeks (which may depend on destinations), and air shipments within a week for emergency situations. The two-channel delivery system, one for VIP customers and one for company partners, reflects a tailored approach to customer segmentation. Fast-moving goods are grouped together, focusing on optimizing manufacturing efficiency (Mishra, 2023).

**Return:** The Return process addresses the handling of products post-delivery and customer support (Russell et al., 2019). Activities such as processing customers returns, managing product recalls can be considered as 'Return' session. Damaged items from customers are initially handover to company partners. Subsequently, these products are partially sent back to Research and Development (R&D) center in Dublin, which indicates a commitment to continuous improvement and product development based on returned goods (Mishra, 2023).

#### **Interconnection process in SCOR:**

A notable connection with the SCOR model is evident in the correlation between the Source, Make and Return processes. The identification of substandard products during the Make process or post-customer delivery initiates the Return process, emphasizing the interlinked nature of these essential elements in the supply chain. The logistics provider flexibility aligns with the "Source" process, presenting adaptability in the sourcing and distribution network. Temperature-controlled storage for wellness products and separating perfumes aligns with efficient inventory management and product safety, emphasizing considerations from both "Source" and "Deliver" process (Mishra, 2023). The implementation of 5S (Sort, Set in order, Shine, Standardize, Sustain) indicates a commitment to lean practices and continuous improvement (Ivanov, Tsipoulanisand,



Schönberger, 2021). Oriflame's strategy aligns with multiple elements of the SCOR model, demonstrating a holistic and well-integrated approach to supply chain management. The company emphasizes dynamic planning, diverse sourcing, efficient manufacturing, responsive delivery, and continuous improvement. This alignment with SCOR principles contributes to Oriflame's ability to navigate the complexities of the beauty industry and meet the diverse needs of its customer base.

## 5. Information System in SCOM

Information system (IS) as “a set of interrelated components that collect (or retrieve), process, store, and distribute information to support decision making, coordination, and control in an organization.” (Russell et al., 2019).

### ERP Systems:

Enterprise resource planning (ERP) is a software system that helps you run your entire business, supporting automation and processes in finance, human resources, manufacturing, supply chain, services, procurement, and more (SAP, no date. b).

### ERP modules used by Oriflame:

**Finance Management System (FMS):** FMS manage income, expenses, and assets in an organization. Oriflame has strategically outsourced their FMS to IBM (SAP no date. a).

**Supplier Relationship Management (SRM):** SRM involves in systematic and ongoing practice of evaluating an organization's vendors — of both goods and services — to determine whether any changes could be made to improve business operations (Jenkins, 2022).

**Customer Relationship Management (CRM):** CRM integrates practices, strategies and technologies that companies use to manage and analyse customer interactions and data throughout the customer lifecycle (Hashemi-Pour and Chai, 2023).

**Human Resource Management System (HRMS):** HRMS aids in automating core HR processes such as employee data storage, benefits administration, time and attendance, and payroll (SAP, no date. d).

**Warehouse Management System (WMS):** WMS empowers to manage and control daily warehouse operations, from the moment goods and materials enter a distribution or fulfilment center until departure (SAP, no date. c).

**Product Data Management (PDM):** PDM serves as a centralized system to manage product data and process-related information (Siemens, no date).

**Corporate Social Responsibility (CSR):** CSR is the idea that businesses should operate according to principles and policies that make a positive impact on society and the environment (IBM, no date). Oriflame has entrusted its CSR initiatives to Ecovadis.

**Advanced Planning & Scheduling (APS):** APS is a digital solution offering manufacturers to manage production planning and shop floor scheduling (Siemens software, no date).

**Quality Management System (QMS):** QMS is a structured system that records processes, procedures, and responsibilities to attain quality policies and objectives (ASQ - a, no date).

## 5.1 Information Systems in SCOR:

Within the Supply Chain Operations Reference (SCOR) architecture, Information Technology play a pivotal role in enhancing various facets of Oriflame's operations. The integration of specialized IT tools promotes profitability, efficiency, and responsiveness across key SCOR domains.

**Planning and Delivery (JDA):** It is an Artificial Intelligence (AI)-powered supply chain platform, offering diverse solutions in workforce management, supply chain optimization and retail strategy, execution, and delivery (Supply Chain, 2020). The deployment of JDA enables Oriflame to optimize costs, increase revenue, and minimize time to market. The predictive capability of JDA empowers the creation and fulfilment of customer needs with precision, aligning Oriflame's operations with dynamic market demands (R systems, 2019).

**Sourcing (Ariba):** Oriflame uses it to navigate relevant suppliers, integrate sourcing strategies, and negotiate the existing agreement with the suppliers (SAP Learning, no date). The platform's automation capabilities streamline sourcing activities, unlocking valuable cost-saving opportunities for Oriflame.

**Production (Fourth Shift):** Oriflame streamlines the process and gain real-time visibility into key production data, empowering swift and informed decision-making. With features like supporting quality analysis, performance checks, and role-based planning, Fourth Shift expedites product movement to market, increasing responsiveness and maximizing profitability for Oriflame (INFOR, no date).

**CRM (Salesforce Marketing Cloud):** This is a cloud-based AI-powered tool which provides 360° view of Oriflame's customers. This comprehensive view facilitates efficiently customer acquisition, quote creation, lead management, and customer retention. Moreover, the tool serves as an asset to gather customer feedback surveys (Salesforce, 2022). The survey insights not only help to understand customer preferences but also support to increase the supply chain efficiency ultimately enhancing the overall customer experience within the Oriflame ecosystem.

## 5.2 How IT Systems work together:

Within the architecture of Oriflame's IT systems, seamless collaboration is essential for optimal performance. The interaction between different platforms showcases a synergy that ensures data exchange and process alignment. The subsequent discussion illustrates the unified cooperation of specific IT systems.

**JDA to Ariba:** JDA use middleware solutions, custom APIs, or specialized platforms for integration to exchange data and align processes with Ariba. This orchestrated approach is essential for exchanging data and aligning processes between the two systems (SAP Integration Suite, no date. a; Mishra, 2023).

**Ariba to Fourth Shift:** Ariba and Forth Shift collaborate efficiently with the aid of a sturdy integration framework using SAP cloud connector/SAP integration suit, enabling seamless teamwork between cloud and local systems (SAP Integration Suite, no date. b; Mishra, 2023). The outcome is an efficient process particularly enhancing interactions between buyers and suppliers. that ensures key business operations are executed precisely and effectively.

**Fourth Shift to JDA:** The framework of JDA permits flawless connectivity with dissimilar ERP systems. Data integration between Forth Shift and JDA is mostly done through

middleware instead of manual procedures, making communication and data exchange more fluid (Narayana, 2021; Mishra, 2023).

## 6. IT Architecture overview:

The core of the IT architecture centers on the journey of VIP customers/brand partners as they explore the ongoing month's catalogue on the app/website (Mishra, 2023). All through the process, from placing an order to delivery or return, the ERP tool operates in the backend, ensuring the seamless flow of the supply chain.

The second phase involve adding products to the basket, registering on the website/app, and making payments (Mishra, 2023). Meanwhile, JDA operates in the backend for strategy, execution, and supply chain optimization. Upon order placement, the information is received by Oriflame, where it is incorporated into the system and stored using cloud technology. This ensures secure and streamlined order processing while Ariba is used in backend for sourcing. The next stage involves sending a request to the warehouse, where Fourth Shift monitors the production process and quality assurance. Advancing in the warehouse, the delivery process commences, with Ariba utilized for supplier management. In the final step, reaching VIP customers and brand partners involves using JDA to track the last update on delivery. Given the significance of the supply chain for Oriflame's business, a return policy is in place, supported by Salesforce Marketing Cloud for effective customer support (Oriflame Annual report, 2022).

The seamless integration of front-end and back-end processes is highlighted by the interdependence of these components, emphasizing the significance of cloud storage and data centralization in current IT infrastructures for enhancing the supply chain efficiency.

## 7. Oriflame's Competitive advantage:

Comparative advantage, the theory focuses on the basic economics of outsourcing internationally. According to the theory, if an external provider, regardless of its geographic location, can perform activities more productively than the purchasing firm, then the external provider should do the work. This allows the purchasing firm to focus on what it does best, its core competencies (Russell et al., 2019).

Oriflame has outsourced its IT and financial services to IBM, however they still manage the IT portfolio and develop its core systems

**Reliability:** Oriflame entrusts some parts of its IT operations and support to IBM, yet it chooses to independently develop core systems, establishing the dedicated IT branch, Oriflame Software. Oriflame Software provides tech solutions deployed throughout the Oriflame business – whether you think about the online eCommerce, mobile apps, finances, BI reporting or e.g. warehouse logistics (Oriflame Software, 2023).

**Responsiveness:** The demand forecasting relies on the catalogue and order are placed through website/app enhancing supply chain efficiency by storing data in the cloud. This optimization, tuning, and infrastructure scaling of IT solutions have notably increased Oriflame's supply chain to process over a thousand orders per minute (Oriflame Software, 2023).

**Agility:** Oriflame's social and network selling business model necessitates a proactive approach in supply chain and operations. With its on-premises IT infrastructure, Oriflame lacked the agility it needed to respond to sudden ordering peaks related to high impact sales campaigns and supply chain logistics (Potočný, 2019; IBM, no date). To enhance scalability and agility, all IT systems were migrated to Microsoft Azure cloud.

**Cost:** Continual review of Digital Workplace costs thorough optimizations has been a focus. Supply chain is more cost effective in Azure under more control thanks to Cost-Insights Plugin and PowerBI integration (Oriflame Software, 2023).

**Asset Management Efficiency:** Oriflame prioritizes security and compliance, leading to improvements such as transitioning to managed identity in Azure App services and using key vaults to secure sensitive assets (Oriflame Software, 2023). This approach safeguards valuable assets from theft, loss, or unauthorized use, thereby enhancing security across the supply chain.

## 8. Lean Waste Management in Oriflame:

"Lean" means the continuous process of increasing efficiency and improvements in the organization, which requires teamwork, respect, and taking over responsibility. Lean also requires a good relationship with the unions accompanied by trust. "Waste," which are the non-value-added activities (Cachon and Terwiesch, 2019), or Muda, can be classified in two ways.

Type I Muda: add no value for the customer, but are necessary, to deliver the product.

Type II Muda: do not create value and can be eliminated immediately (Ivanov, Tsipoulanisand, Schönberger, 2016).

### **Overproduction ahead of demand & Inventory that exceeds what is required:**

Oriflame adopts a catalogue-driven approach to reduce overproduction and optimize inventory space. This strategic decision-making process ensures a more efficient supply chain as the customer demand is based on the catalogue.

### **Unnecessary transport of materials (e.g., between villages, suppliers, facilities, etc.):**

Insights from the Senior Procurement Manager emphasize the importance of efficient transportation, especially from the main production unit in Poland. Hence, reliable transportation is crucial for Oriflame's global operations (Mishra, 2023).

### **Unnecessary motion and movement by the employees during the performance of their work (e.g., looking for parts, tools, documentation, etc.):**

Oriflame integrates Automated Guided Vehicles (AGVs) into its warehouse operations to minimize unnecessary employee motion, enhancing efficiency and, thereby reduce manual task associated with product movement (blueyonder, no date).

### **Production of defective parts plus:**

According to the interview with the Senior Procurement Manager, maintaining specific temperatures during storage and transportation is critical for Oriflame's products like cosmetics and health supplements (Mishra, 2023). Failure to manage temperature can lead to defects. The company implements controls to ensure product quality and customer satisfaction.

**Not meeting customer requirements:**

Oriflame's decision-making, guided by catalogues, aligns with customer needs. As per the interview with the Senior Procurement Manager, despite potential defects during transportation, the company produces some additional units to meet bulk orders and uphold customer contentment (Mishra, 2023).

**Wasting resources:**

The outsourcing strategy contributes to cost reduction and labour cost savings for Oriflame, aligning with the company's focus on efficient resource utilization.

**Not utilizing skills, talent, or knowledge:**

Oriflame's direct selling model maximizes the utilization of skills, talent, and knowledge from brand partners, minimizing wastage and enhancing the effectiveness of supply chain.

**Waiting for the next processing step:**

The Senior Procurement Manager stated that the product lifespan is 3 years. However, products not producible locally are shipped from Poland, resulting in a 6-month lifespan loss during delivery to respective warehouses (Mishra, 2023).

**Over-processing of parts due to, e.g., poor tool and/or product design:**

The Senior Procurement Manager asserted that occasional challenges with the design and specific issues may arise which are addressed in the later phase (Mishra, 2023).

## 9. Cross-function cooperation in Digital Technology

### 9.1 Cross-function cooperation in successes:

The cross-function cooperation plays a vital role in enhancing supply chain process and create a user-centric digital experience. Oriflame software implementation within supply chain processes which creates a user-centric digital experience. This approach acts as a bridge, closing knowledge gaps among diverse teams. Each team contributes insights, enriching a dynamic learning environment. Here are some benefits from cross-function collaborations: Firstly, it promotes comprehensive understanding by bringing together diverse skills, knowledge and perspective which allows a holistic approach to problem-solving and innovation. The adoption of digital technology involves consideration beyond technical aspects, such as meeting user demands becomes easier with reduced human efforts while saving time. Furthermore, cross-functional collaboration enhances user experience by understanding collaboration between technology experts and user experience experts, leading to better user-friendly digital solutions. Additionally, it bridges the knowledge gap, with teams leveraging different digital technologies based on specific requirement. Therefore, in a cross-functional environment teams tend to fill in the knowledge gap and enhance their existing skills while learning from other teams (Holland, Gaston and Gomes, 2000; Mishra, 2023).

The collaborative setting creates a learning environment which accelerates the organization's digital capabilities. The efficiency of the supply chain is significantly improved when teams cooperation. The implementation of digital tools such as JDA and Ariba benefits teams in monitoring shared objectives, enhancing operations, and ensuring transparency in the supply chain management (Swain, no date).

## 9.2 Cross-function cooperation in challenges:

Achieving success in cross-function cooperation is commendable for the company, however, inaccurate data integration raised concerns about potential disruptions, impacting financials and inventory management in Oriflame's supply chain management. Follow this instance, it derives to some potential challenges in several dimensions.

Firstly, it gives rise to communication barriers, where ineffective communication poses a risk of redundancy and missed opportunities. There is a danger of digital initiatives being duplicated or failing to address the organization's overarching needs. Moreover, it introduces the risk of misalignment of goals. When departments pursue digital initiatives independently, conflicting priorities may emerge, hindering the organization's overall success. Finally, inefficient use of technologies also considered as a threat. Teams or departments may invest in redundant technologies or fail to leverage shared resources effectively, resulting in increased cost and decreased efficiency. In the contemporary digital landscape, teams use digital tools for inventory and supply chain management. However, these issues mentioned above could result in substantial losses for Oriflame's operations management (McDonough, 2000; Mishra, 2023).

This highlights the critical importance of cross-functional cooperation and digital technology to ensure smooth operations in Oriflame. Communication barriers and goals misalignment among departments risked redundancy and inefficiencies. Inefficient technology use exacerbated challenges, leading to increased costs. Oriflame recognizes the vital role of effective communication, aligned goals, and efficient technology use to prevent potential disruptions in its supply chain.

## 10. Conclusion

In summary, Oriflame's success is determined by the effective implement on integration of Supply Chain and Operations Management (SCOM) with its comprehensive IT architecture, demonstrating a proactive role in planning and operations. Collaborative coordination with brand partners, fostering communication and achieving cost savings through economies of scale. From operations management and supply chain perspective, the Bi-weekly approach, utilizing short-term forecasts, builds continuous improvements regarding SCOM. The optimization of production strategy through monthly forecasting and catalog data, results in a streamlined inventory. Meanwhile, Oriflame places a strong emphasis on efficient Lean waste management and promotes a dedicated commitments to sustainability with a CSR record. From technology perspective, Oriflame's adaptability is further enhanced by a strategic migration of IT systems to the Microsoft cloud, securing valuable assets and leveraging technology for supply chain efficiency. The company's commitment to innovation and growth is the evident in its pursuit of digital transformation through cross-function collaboration and optimized processes in the dynamic beauty industry. These comprehensive strategy positions Oriflame as a resilient and potential entity in the competitive market landscape.

## Bibliography

APICS Supply Chain Operations Reference Model - SCOR. Version 12.0 (2017). Association for Supply Chain Management. Available at: <https://www.apics.org/docs/default-source/scor-training/scor-v12-0-framework-introduction.pdf?sfvrsn=2>. (Accessed: January 12, 2024)

ASQ (no date). What is a Quality Management System (QMS)? Available at: <https://asq.org/quality-resources/quality-management-system>. (Accessed: December 12, 2023).

Blue Yonder (no date). Oriflame Reduces Inventory Levels by 25% with Blue Yonder Demand & Fulfillment. Available at: <https://blueyonder.com/br/pt/knowledge-center/collateral/oriflame-case-study-video>. (Accessed: January 12, 2024)

Champion, A. (2022). 9 challenges your beauty supply chain could face & How to overcome them. Available at: <https://flow.space/blog/beauty-supply-chain/>. (Accessed: January 2, 2024)

Cachon G, Terwiesch C. (2019). Matching supply with demand – an introduction to operations management, 4th edn. McGraw-Hill, New York

Grand View Research (2023). Beauty and Personal care Products Market Size, Share & Trends Analysis Report by type (Conventional, organic), by product (Skin care, hair care, color cosmetics, fragrance), by distribution channel, by region, and segment Forecasts, 2023 - 2030. Available at: <https://www.grandviewresearch.com/industry-analysis/beauty-personal-care-products-market#>. (Accessed: January 3, 2024)

Herbalife (no date). Company information. Available at: <https://ir.herbalife.com/company-information>. (Accessed: January 3, 2024)

Holland, S., Gaston, K.J. and Gomes, J. (2000) 'Critical success factors for cross-functional teamwork in new product development,' *International Journal of Management Reviews*, 2(3), pp. 231–259. Available at: <https://doi.org/10.1111/1468-2370.00040>. (Accessed: December 12, 2023).

Hashemi-Pour, C. and Chai, W. (2023) CRM (customer relationship management). Available at: <https://www.techtarget.com/searchcustomerexperience/definition/CRM-customer-relationship-management>. (Accessed: December 12, 2023).

Ivanov, D., Tsipoulanidis, A. and Schönberger, J. (2019). Global Supply Chain and Operations Management, Springer texts in business and economics. Available at: <https://doi.org/10.1007/978-3-319-94313-8>. (Accessed: January 3, 2024)

IBM (no date). What is corporate social responsibility (CSR)? Available at: <https://www.ibm.com/topics/corporate-social-responsibility>. (Accessed: January 3, 2024)

INFOR (no date). Fourth shift | ERP for Manufacturing. Available at: <https://www.infor.com/products/fourthshift>. (Accessed: December 12, 2023).



Jacobs, F.R. and Chase, R.B. (2023). Operations and Supply Chain Management. 17th edn. McGraw-Hill College. (Accessed: January 3, 2024)

Jenkins, A. (2022) What is Supplier Relationship Management (SRM)? Available at: <https://www.netsuite.com/portal/resource/articles/erp/supplier-relationship-management-srm.shtml>. (Accessed: December 12, 2023).

McKinsey & Company (2023). The beauty market in 2023: A special State of Fashion report. Available at: [https://www.mckinsey.com/industries/retail/our-insights/the-beauty-market-in-2023-a-special-state-of-fashion-report#](https://www.mckinsey.com/industries/retail/our-insights/the-beauty-market-in-2023-a-special-state-of-fashion-report#/)/. (Accessed: January 3, 2024)

McDonough, E.F. (2000) 'Investigation of factors contributing to the success of Cross-Functional teams,' *Journal of Product Innovation Management*, 17(3), pp. 221–235. Available at: <https://doi.org/10.1111/1540-5885.1730221>. (Accessed: December 12, 2023).

Mishra, A. (2023). 'Oriflame introduction' Interviewed by Panda, S., Sinntaweekarn. P and Liu, X. on 29th Nov. 2023, HWR, Berlin. Available at: Appendix: interview transcripts.

Natura (no date). About us. Available at: <https://www.naturabrasil.com/pages/about-us>. (Accessed: January 4, 2023).

Nu Skin (no date) NU Skin Germany | innovative beauty and wellness products. Available at: [https://www.nuskin.com/content/nuskin/en\\_DE/culture/company\\_history/who-we-are.html](https://www.nuskin.com/content/nuskin/en_DE/culture/company_history/who-we-are.html). (Accessed: January 4, 2023).

Narayana, G. (2023). 'SAP Ariba Integration Approach,' SAP Blogs, 5 May. Available at: <https://blogs.sap.com/2021/07/09/sap-ariba-integration-approach/>. (Accessed: January 18, 2024)

Oriflame Annual Reports (2022). Available at: [https://vp233.alertir.com/afw/files/press/oriflame/Oriflame\\_Annual\\_Report\\_2022.pdf](https://vp233.alertir.com/afw/files/press/oriflame/Oriflame_Annual_Report_2022.pdf) (Accessed: December 12, 2023).

Oriflame Corporate Site (2023). Our history - Oriflame Corporate Site. Available at: <https://corporate.oriflame.com/about-oriflame/who-we-are/our-history/#:~:text=From%20humble%20beginnings%20in%20a,gone%20from%20strength%20to%20strength>. (Accessed: January 4, 2023).

Oriflame Software (2023) About. Available at: [https://developers.oriflame.com/about/?theme=pub/twentytwentythreeu0026hide\\_banners=true](https://developers.oriflame.com/about/?theme=pub/twentytwentythreeu0026hide_banners=true). (Accessed: January 4, 2023).

Oriflame Sustainability Report (2022). Available at: [https://investors.oriflame.com/sites/default/files/media/Oriflame\\_Sustainability\\_Report2022.pdf](https://investors.oriflame.com/sites/default/files/media/Oriflame_Sustainability_Report2022.pdf). (Accessed: December 12, 2023).

Potočný J, (2019) 'IBM-Oriflame Cosmetics AG - The Beauty of Elasticity'. IBM, no date, Available at: <https://www.ibm.com/downloads/cas/Q41AK8ZY>.



Russell, R.S. et al. (2019). Operations Management: Creating Value Along the Supply Chain.

R Systems (2019). JDA - Plan to Deliver. Available at: <https://www.rsystems.com/partners/jda-plan-to-deliver/>. (Accessed: December 12, 2023).

Salesforce (2022). What is Salesforce Customer 360? - Salesforce. Available at: <https://www.salesforce.com/in/blog/salesforce-customer-360/>. (Accessed: January 17, 2024).

SAP - a (no date. a). Financial Management System: The key to financial success. Available at: <https://www.sap.com/products/erp/s4hana/what-is-financial-management-system.html>. (Accessed: December 12, 2023).

SAP (no date. b). What is ERP? The Essential Guide. Available at: <https://www.sap.com/products/erp/what-is-erp.html>. (Accessed: December 12, 2023).

SAP (no date. c). What is a Warehouse Management System (WMS)? Available at: <https://www.sap.com/products/scm/extended-warehouse-management/what-is-a-wms.html>. (Accessed: December 12, 2023).

SAP (no date. d). What is an HRMS? Available at: <https://www.sap.com/products/hcm/what-is-hrms.html>. (Accessed: December 12, 2023).

SAP Learning (no date). SAP Ariba Sourcing. Available at: <https://learning.sap.com/products/intelligent-spend-management/ariba/sourcing>. (Accessed: December 12, 2023).

SAP Integration Suite (no date. a). Integration Software. Available at: <https://www.sap.com/products/technology-platform/integration-suite.html>. (Accessed: January 17, 2024).

SAP Integration Suite (no date. b). Product Features. Available at: <https://www.sap.com/products/technology-platform/integration-suite/capabilities.html>. (Accessed: January 17, 2024).

Siemens Software (no date). Advanced Planning and Scheduling. Available at: <https://www.plm.automation.siemens.com/global/en/our-story/glossary/advanced-planning-scheduling/64111>. (Accessed: December 12, 2023).

Siemens (no date). Product Data Management (PDM). Available at: <https://www.plm.automation.siemens.com/global/en/our-story/glossary/product-data-management/13214>. (Accessed: December 12, 2023).

Statista Market Insights (no date). Beauty & Personal Care - Worldwide. Available at: <https://www-statista-com.ezproxy.hwr-berlin.de/outlook/cmo/beauty-personal-care/worldwide>. (Accessed: January 17, 2024).

Swain, G. (no date). Supply chain collaboration: breaking down internal silos. Available at: <https://www.tradogram.com/blog/supply-chain-collaboration>. (Accessed: January 12, 2024).

Supply chain (2020). JDA: three key ways to transform the supply chain. Available at: <https://supplychaindigital.com/digital-supply-chain/jda-three-key-ways-transform-supply-chain>. (Accessed: January 17, 2024).

The Owl Solutions (2023) '3 Supply chain issues within the cosmetics industry,' The Owl, 16 October. Available at: <https://www.theowlsolutions.com/post/supply-chain-cosmetics-issues>. (Accessed: January 2, 2023).

Technology, S. and Sagara Technology (2021) 'Introduction to Customer Relationship Management (CRM),' Sagara Asia Blog, 16 November. Available at: <https://sagaratechnology.com/blog/introduction-to-customer-relationship-management/#:~:text=In%20definition%2C%20Customer%20Relationship%20Management%20%28CRM%29%20is%20the,assisting%20in%20customer%20retention%20and%20driving%20sales%20growth>. (Accessed: January 17, 2024).

USANA (no date) USANA— High-Quality, Science-Based Nutrition and Skin Care. Available at: <https://www.usana.com/ux/dotcom/enu-US/story>. (Accessed: January 3, 2023).

## Appendix: Interview Transcripts

Location: Online meeting via Teams, HWR campus, Berlin.

Date: 29<sup>th</sup> Nov. 2023

Interviewers: Panda. S, Sinntaweekarn. P and Liu, X.

Interviewee: Mishra. A, (Senior Procurement Manager Strategic Sourcing, Global Direct Procurement, Oriflame Cosmetics)

### **Q1: What is the shelf life of the product?**

A1: The typical shelf life of a product is approximately three years.

### **Q2: If a product is not produced in the local warehouse and has to be shipped from Poland, does the product lose six months of its shelf life?**

A2: Occasionally, when products are not produced locally, they are shipped from Poland. Despite the travel time, the impact on the product's shelf life is minimal since the standard shelf life is three years.

### **Q3: Do you own any warehouse, or are they rented?**

A3: Owning a warehouse is deemed impractical, and thus, warehousing activities are outsourced to a third-party logistics company for efficient management.

### **Q4: Does any product get damaged or expire, and how do you handle them?**

A4: Given the extended shipping time of up to six months, I am highly attentive to the items I produce and supply. While my short-term forecast accuracy is reasonably good, there are still instances where products may expire. In such cases, specialized agencies are engaged to manage the disposal of expired products. This process is meticulously executed in the most sustainable fashion, ensuring minimal impact on the environment. A strict protocol is adhered to throughout this disposal process to uphold environmental standards and responsibilities.

### **Q5: How does sustainability play a role in disposing of the product?**

A5: For products like body spray cans, which pose potential hazards if mishandled, specialized companies are employed to safely defuse them. Handling expired products can be costlier than selling them, and strict protocols exist for each product category. These protocols ensure that cartons and plastics are recycled to prevent contamination of water sources and minimize landfill usage. Detailed documentation with stringent instructions accompanies these processes, closely monitored by the sustainability team to ensure compliance.

### **Q6: Do you have an in-house team, or have you outsourced sustainability?**

A6: The disposal process is outsourced to Ecovadis, an expert organization equipped to handle these operations. Certificates and proof of proper disposal methods are issued in return. When a product is nearing expiry, proactive steps are taken, such as donations, to mitigate waste and contribute to sustainable practices.

**Q7: How do Oriflame's brand partners place orders?**

A7: Oriflame's brand partners primarily place orders online, accounting for 95% of all orders. They use a unique ID and password provided by Oriflame, and each order includes a discount code specific to brand partners.

**Q8: What IT tools does Oriflame use in its supply chain operations?**

A8: Unfortunately, I am not the IT expert. But I can give you some insights in term of these smart tools in our system. Basically, like most of enterprises, Oriflame uses JDA for planning, Ariba for sourcing and auctions, Fourth Shift ERP for production, and SAP integration suites for coordination. Finance management is outsourced to IBM. Challenges arise in coordinating across different teams.

**Q9: Does Oriflame employ specific logistics providers?**

A9: Oriflame uses two types of logistics suppliers: one for managing warehousing and distribution in Europe, and the other for local market operations, including importing, local warehousing, and last-mile delivery.

**Q10: What challenges does Oriflame face?**

A10: Oriflame faces challenges like product adaptation for different markets, such as varying dietary allowances between Europe and Asia, and the need for temperature-controlled storage and transportation for certain products.

**Q11: Could you highlight what makes Oriflame stand out from its competitors, particularly any achievements or milestones that set the company apart in the industry?**

A11: The standout feature of Oriflame lies in its strong focus on sustainability. This isn't just something we talk about; it's a core part of who we are. While we might not be the biggest player in the market, we're really committed to incorporating sustainable practices in what we do. This focus on sustainability sets us apart from other companies. It's not just about having sustainable products; it's about weaving these values into every part of our business, from what we sell to how we work. This way, our dedication to sustainability is not only in our words but is truly reflected in our actions and company culture.

**Q12: How does Oriflame select its suppliers?**

A12: Oriflame's supplier selection involves three key stages: initial screening through a standard questionnaire, selection of 2-3 suppliers for on-site audits, and final discussions on KPIs, focusing on technical capabilities, financial stability, and sustainability/CSR practices.

**Q13: Does Oriflame face any specific difficulties in product delivery or logistics, such as spillage or other issues?**

A13: Yes, Oriflame encounters occasional challenges with product delivery and logistics, including design issues or specific problems that are addressed in later phases.

**Q14: How does Oriflame handle quality checks for products that don't meet expectations?**

A14: Oriflame conducts quality checks, such as testing lipsticks for sweat issues under high temperatures. Products failing these checks are sent back to headquarters for R&D analysis in Dublin.

**Q15: How does Oriflame segregate its products in the warehouse?**

A15: In Oriflame's 50,000 pallet space warehouse in Poland, products are segregated based on factors like usage frequency and specific requirements. Fast-moving items like shampoos and soaps are placed near dispatch areas for easy access. Wellness products requiring temperature control and hazardous items like body sprays with LPG are stored separately, with body sprays kept in cages for safety. This segregation follows the 5S methodology.

**Q16: Regarding your shipping operations, do you utilize a direct port-to-port route for sending goods from Poland to India, or do these shipments typically transit through intermediary locations?**

A16: Our standard approach favors direct shipments. We do not typically route our cargo via intermediary ports when transporting goods from Poland to India.

**Q17: What is the total time frame required for the entire process of shipping goods from Poland to India, including the stages of planning, production, and transportation?**

A17: The complete process, encompassing the planning, production, and transportation phases, takes approximately six months.

**Q18: What are the primary modes of transportation employed by Oriflame for the distribution of stock to various markets, particularly in cases like shipping to India?**

A18: Oriflame predominantly utilizes sea freight for distributing stock to different markets, including India. If we take India as the example, due to supply chain disruptions, air shipment becomes necessary. Regarding the timeline, it is a comprehensive planning cycle. The entire process from production to delivery in India spans approximately six months. This includes at least six weeks of sea transit, a few weeks for customs clearance, and additional time for loading the goods from Europe. In total, the logistics component alone accounts for about 8 to 10 weeks. After arriving in India, local logistics take over, which includes another two weeks for inland distribution, considering the vast geography of the country. The operations team in India plans this meticulously, ensuring that the goods are available at the designated time. For instance, if the target availability date is the 1st of December, the goods should ideally be delivered by the 15th of November to align with the schedule.

**Q19: Can you provide insights into Oriflame's competitive environment, particularly in relation to its unique business model and the nature of its competitors?**

A19: Oriflame operates as a direct selling company, distinguishing itself from conventional competitors by not selling products over the counter. This model excludes the use of traditional distribution or dealer networks typical in other FMCG companies. Instead, we rely on a network of individuals, such as brand partners, they sell products directly. The financial benefits typically allocated to dealers and distributors in traditional models are instead directed towards these brand partners. In terms of competition, while there are several players in the market, the direct competitors include companies like Natura, Herbalife, Nu Skin, and Usana, which operate under a similar direct selling framework. However, when considering product categories, any FMCG company can be seen as a competitor of us. For instance, a customer purchasing L'oreal products represents a missed opportunity for Oriflame. Yet, it's important to note that these FMCG firms differ significantly from Oriflame in their sales approach and product offerings. The direct selling industry is distinct and not as expansive as the broader FMCG sector.

**Q20: Do the competitors of Oriflame that you mentioned earlier compete across all the same product categories as Oriflame, or are there specific sectors where the competition is more direct?**

A20: Oriflame's competitors vary in their scope of operation, with some competing in overall product categories and others in specific sectors. For instance, Herbalife primarily operates in the wellness sector, offering products like wellness shakes, Omega-3 supplements, and antioxidants. This sector is one of our key categories, making Herbalife a direct competitor in this domain. The competition in the direct selling industry is not solely based on the range of products offered but largely depends on the size and effectiveness of the sales force. The belief is that every individual is a potential customer for some product every month. Our product range includes personal care, hair products, treatments, skincare, and wellness. While Herbalife competes directly with Oriflame in the wellness category, it does not engage in other sectors such as skincare or personal care. The competition dynamics in direct selling also involve influencing brand partners and, in the context of retail, competing for sales space. This distinction is market positioning and sales strategies.

**Q21: Do the three to four weeks you mentioned refer to the time taken for supplying products to warehouses?**

A21: No, the three or four weeks mentioned do not pertain to the supply chain timeline for warehousing. Instead, this duration represents the lifespan of an Oriflame catalog. Our company releases 12 catalogues annually, equating to one catalog per month. These serve as a marketing and sales tool, featuring a variety of products along with images and promotional details. For instance, a catalog might advertise a fragrance at a 20% or 30% discount. This discount strategy is designed to generate excitement among Oriflame's brand partners, who can purchase these products at a discounted rate and sell them at a slight markup,

thereby earning a profit. In addition to the profit from sales, brand partners also receive incentives from our company, forming a significant part of their income. It's important to note that these product discounts are exclusive to the catalog of a particular month. Oriflame ensures the availability of these discounted products within that specific month. If a product was discounted in December's catalog, it may not be available at the same discounted price in January, potentially leading to the necessity of paying the full price for it. This monthly catalog cycle is a fundamental aspect of Oriflame's sales and marketing strategy.

**Q22: What is the typical duration for order fulfillment with Oriflame, especially in scenarios where a product is not available in a local market like India? How does the company manage such situations?**

A22: In Oriflame's operational model, encountering a situation where a desired product is unavailable for order, especially for brand partners, is highly atypical and considered unfortunate. Contrasting with other companies where purchases are limited to available shelf stock, the company prioritizes the assurance of supply for its products, particularly those featured in its catalogues with discounts. If a brand partner places an order for a specific product, such as a fragrance advertised with a 30% discount in the catalogue, and finds it out of stock, it leads to two negative outcomes. Firstly, our brand partner's inability to receive the product in a timely manner could result in dissatisfaction and a reluctance to continue collaboration with Oriflame. Secondly, this stock shortage could deprive the brand partner of a potential earning opportunity. To prevent such scenarios, Oriflame places significant emphasis on supply chain reliability and adopts a conservative approach in its planning processes. This includes maintaining a higher margin of safety in stock levels to ensure that products, especially those under promotional offers, are readily available for order fulfillment.

**Q23: Could you provide detailed insights into the workings of Oriflame's supply chain, including aspects like production locations, distribution strategies, and catalog management?**

A23: Oriflame's supply chain is a global operation, primarily centered around production in Europe and subsequent distribution to over 60 countries worldwide. Our company has a significant manufacturing presence in Poland, serving as a key hub for supplying products to these international markets. Additionally, we have factories in India and China, focusing on domestic production to address the logistical complexities and distance challenges inherent in these large and diverse markets. Beyond its internal factories, Oriflame also collaborates with external manufacturers, like OEMs. These partnerships are crucial for our business model. Also, like mentioned earlier, the catalogs, pivotal to Oriflame's sales strategy, have a designated lifespan, which varies by region. In European countries, a catalog typically has a three-week lifespan, while in Asian countries, it extends to four weeks or a month. These catalogs don't feature the entire product range of approximately 1,400 items every month. Instead, they are strategically used to create excitement and demand through offers, which are planned by the respective countries where the products will be sold. The supply chain process is intricately planned to align with these promotional periods. For example, during

high-demand events like Black Friday, Oriflame calculates the necessary lead times for making products available at local warehouses, determining the optimal shipping and production schedules. This reverse calculation informs production orders to respective factories. Subsequently, factories initiate orders with material suppliers, ensuring a coordinated effort to collect, produce, and ship goods in a timely manner to meet market demands. The strategy for supply chain management make Oriflame well adapt to different market needs.