

ORIFLAME

— S W E D E N —

Supply Chain and Operations Management (SCOM)
and Information Technology

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Overview of the brand's history

Founded in 1967, 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. They are a social selling beauty company with a diverse portfolio of Swedish, nature-inspired, innovative beauty and wellness products sold and marketed through approximately 3 million Oriflame Brand Partners (Oriflame Corporate Site, 2023).

How Oriflame stands out



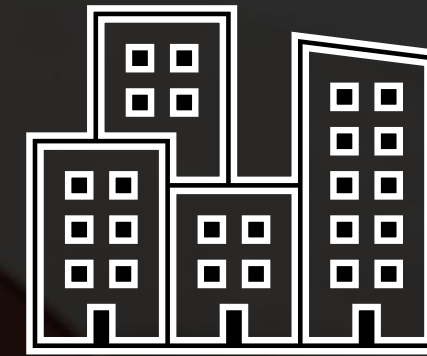
Consumer benefits

- Direct contact with the seller, resulting in trust-based personal purchase.
- Personal recommendation, advice and tips tailored to customer's individual needs.
- Online orders and home delivery



Brand Partner benefits

- 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 beauty and wellbeing knowledge, personal development and social interaction with Oriflame Community



Company benefits

- No retail property, rent or rates
- Effective "socially-based" distribution channel
- Less need for traditional advertising
- No requirement for high capital investment
- Low cost and effective methods to enter new markets

Competitors



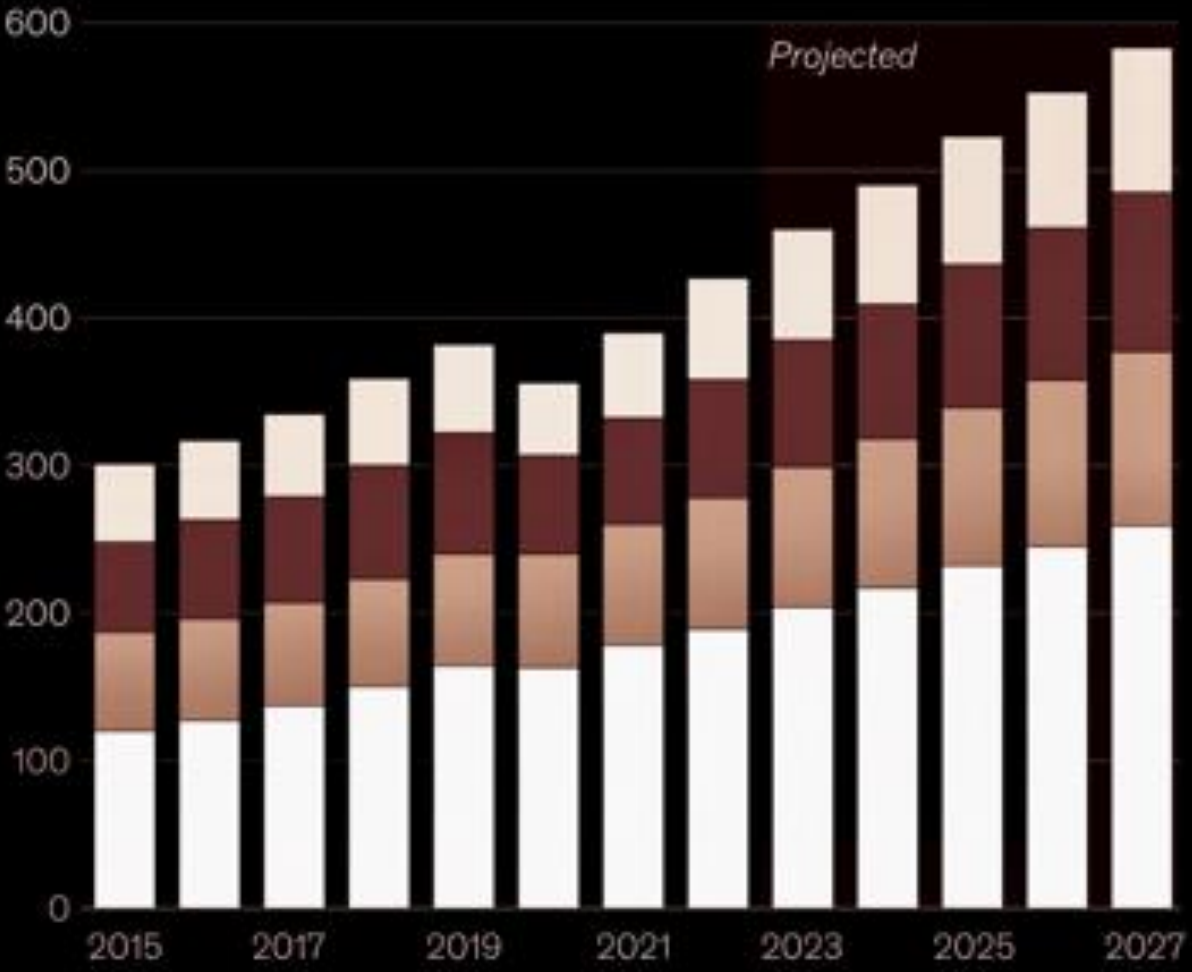
- ✓ The largest Brazilian cosmetics multinational
- ✓ Develop formulas with natural and renewable ingredients from the Brazilian Amazon Forest
- ✓ 45 company-owned stores, products in 3,800 pharmacies and a market leading online platform.
- ✓ American multilevel marketing company
- ✓ Nearly 50 markets worldwide
- ✓ The world's #1 brand for beauty device system 2017-2022
- ✓ USANA is an award-winning direct-selling company in the health and wellness space
- ✓ There are low set-up fees with digital link-based sharing tools
- ✓ Each USANA product is optimized from the cellular level up
- ✓ Direct selling is our business model.
- ✓ Offer a full line of great-tasting nutrition products that can be customized to meet individual needs

Source: Natura (no date) About us.
Mishara, A. (2023)
Skin (no date)
Herbalife Nutrition (2023)
USANA—High-Quality, Science-Based Nutrition and Skin Care (no date)

Beauty & Personal care Industry

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

Global beauty market retail sales, by category, \$ billion



Source: Euromonitor; McKinsey analysis; McKinsey Global Institute analysis

McKinsey & Company

Year-over-year growth, %		
2015–19	2019–22	2022–27 projected
6	4	6
3	5	7
8	-1	6
3	6	6
8	5	6

The market for beauty and personal care products worldwide was valued at USD 518.56 billion in 2022, and between 2023 and 2030, it is projected to expand at a compound annual growth rate (CAGR) of 7.7%. Following a solid recovery since the height of the COVID-19 pandemic, the beauty market is expected to reach approximately \$580 billion by 2027.

SCOM Model

Supply Chain and Operations 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.”



Competitive Characteristics in SCOM

Oriflame is basically a company which is based more on network marketing, so the entire company relies only on supply chain and operations for their services and product delivery.

- They have a proactive planning process every 2 weeks based on short forecasts which gives them a chance to review and improve their supply chain proactively.

Catalogues

- They can decide what, when to produce according to each month and decide how many to produce based on their forecasts which give a big advantages Inventory management.
- It helps to reduce lean wastes because they produce according to the catalogues and the customers' demand depends on the catalogues.

Brand Partners

- They lead to better quality of coordination and communication within supply chain
- This can lead to cost savings through economies of scale such as bulk purchasing, shared transportation, and joint production efforts which can help reducing overall supply chain costs.

Sustainability

- Oriflame has outsourced their entire CSR(Corporate Social Responsibility) to Ecovadis who also helps them with lean waste management system.
- Oriflame uses the Ecovadis for assessment to make informed decision about supplier selection, promoting a more sustainable and responsible supply chain.

SCOM Risk and Challenges in Beauty Industry

Compliance with temperature and other conditions.

- Follow the strict temperature control, sensitive for logistics (spoil/damage if they are exposed to the incorrect amount of moisture, humidity or even a bump on the road).

Demand driven by trends

- Influencers and social media changing the trends quickly, inventory forecasting and real-time visibility crucial for beauty supply chain efficiency.

Traceability and shipment conditions

- Providing transparency 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. 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.



SCOM Risk and Challenges in Beauty Industry

Disruptions caused by sourcing

- Raw materials relies on some countries which may have unstable economic and political situations, it's necessary for companies to monitor their supply chain using cloud software with real-time metrics.

Dealing with product outages

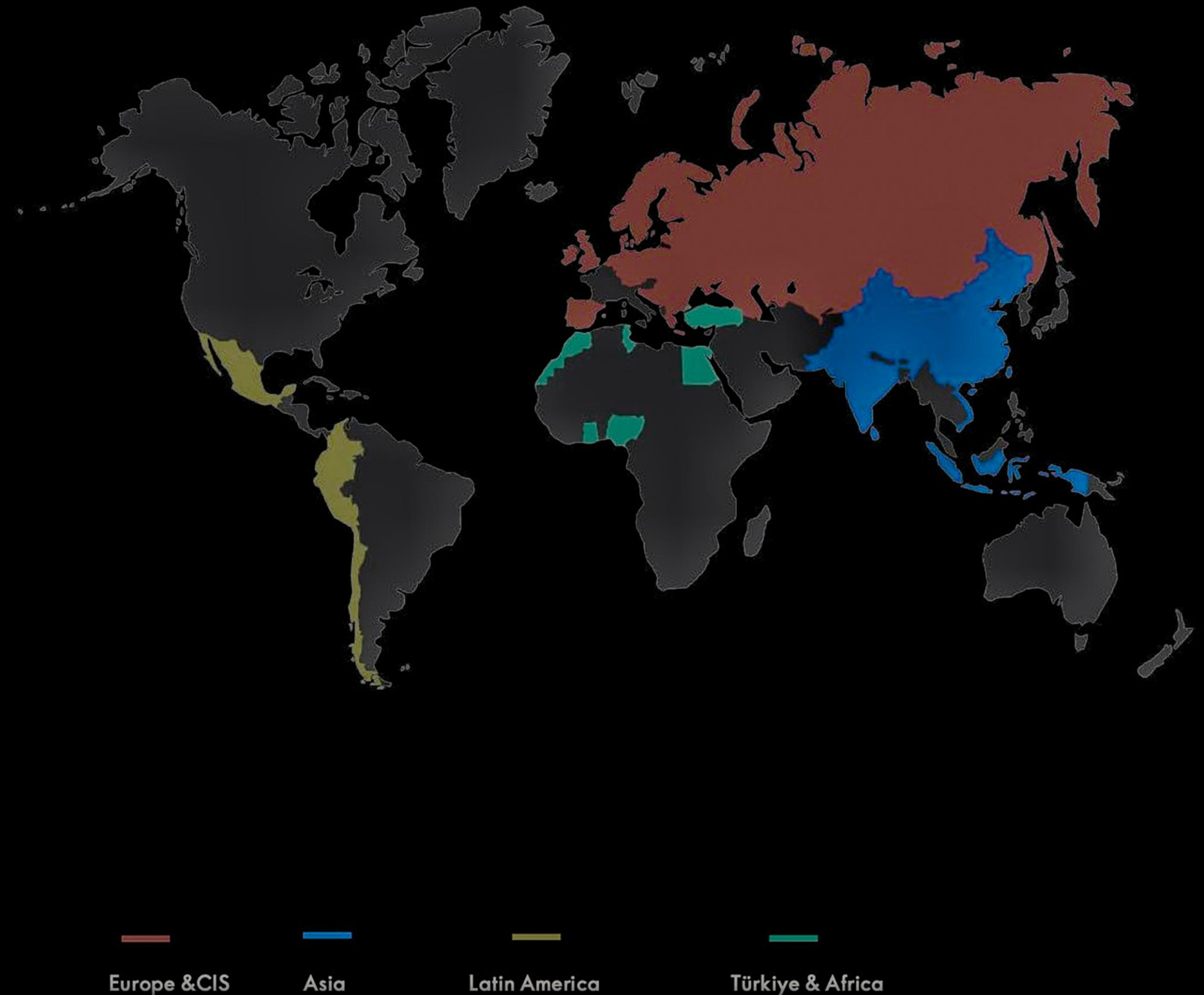
- Harder than ever for beauty brands to keep items in stock and on shelves—both in-store and digitally. It's important not to order too much and end up with slow-moving or obsolete inventory.

Outsourcing risks

- Dependence on one / few suppliers or service providers,
- Interface issues with respect to the information exchange and logistical/administrative
- Legal issues, confidentiality agreements intellectual property rights

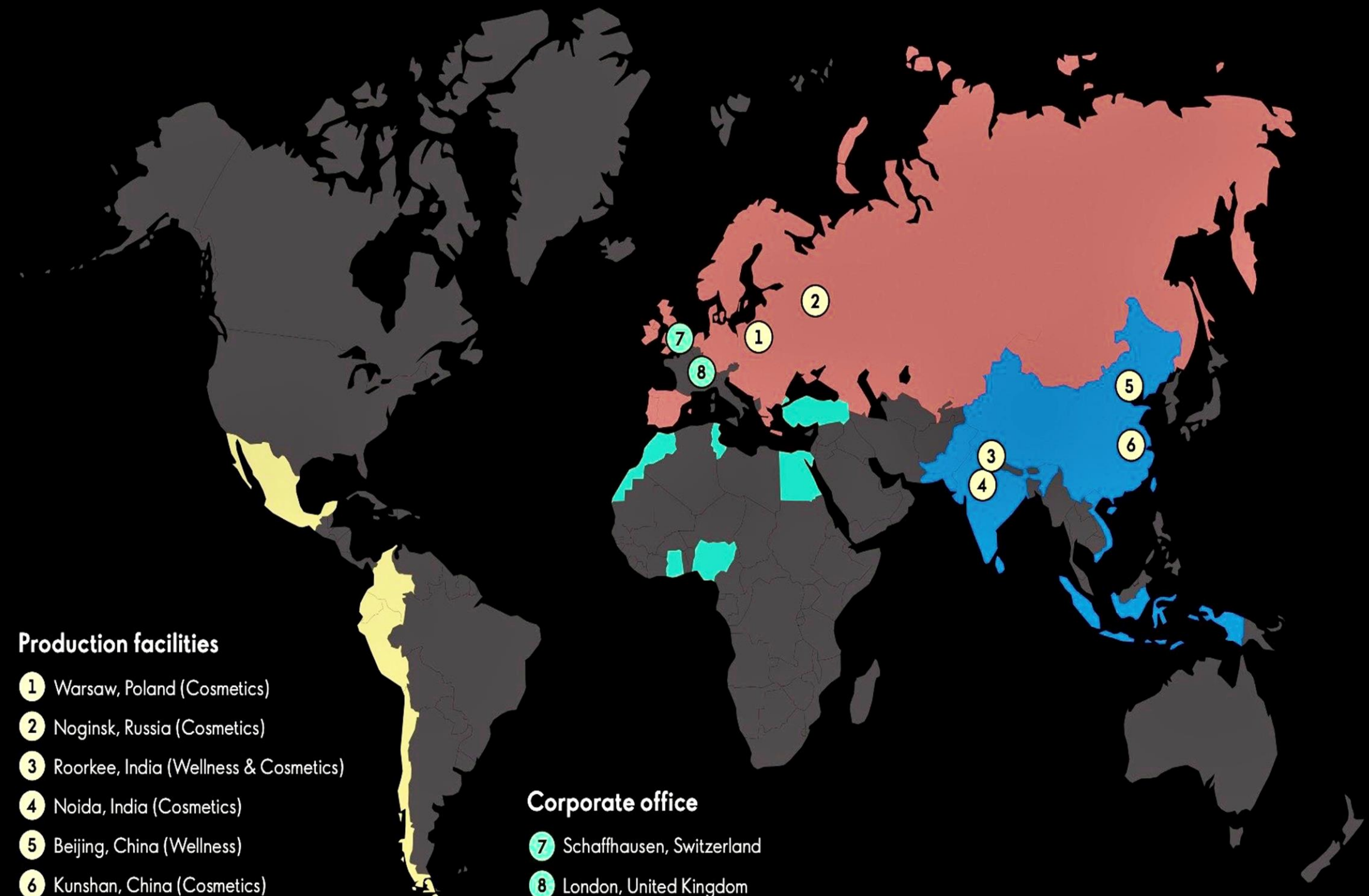
Industrial Footprint

- Oriflame operates in 60+ countries globally including markets operated by franchisees.
- They are a social selling company with most of their products being sold by Brand Partners.
- Work on the basis of monthly Catalogue (total variety of nearly 1400 products) which also reduces the chances of lean waste.
- They have 3 manufacturing units and warehouse in Poland, China and India while Poland contributing the most with 50,000 pallet space.
- They deal with products like skincare, wellness, mind & mood, fragrances, personal & hair care, accessories where skin care and wellness product contribute the most to their total revenue.



Industrial Footprint

- More than 70% of Oriflame's product volumes are manufactured in our own production facilities.
- They have 100% renewable electricity in all Oriflame operated sites since 2018 and climate neutral operations since 2019.



SCOR Model

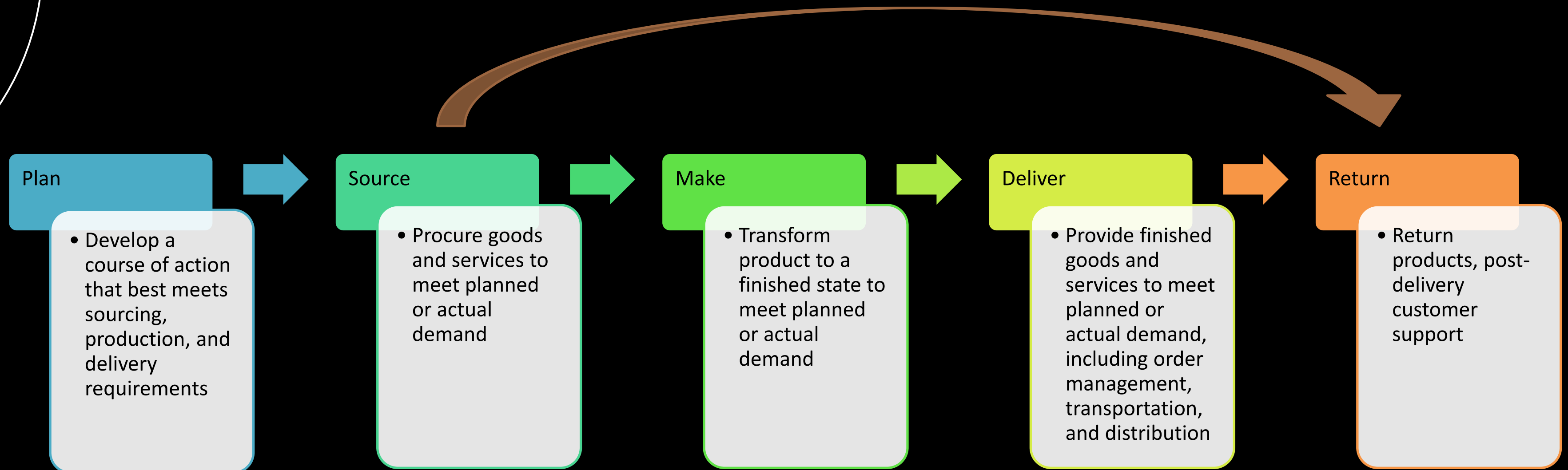
Supply Chain Operations Reference

The supply chain operations reference (SCOR) model is a supply chain diagnostic tool that provides a cross-industry standard for supply chain management. This allows supply chains for different companies to be linked and compared. It is 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.

A SCOR project typically contains 4 stages:

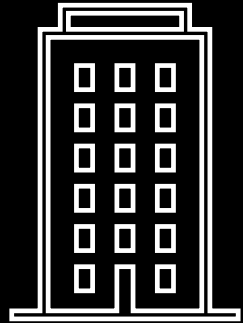
- Business process modelling
- Benchmarking analysis
- Business process reengineering
- Process reference model

SCOR Model (Supply Chain Operations Reference)

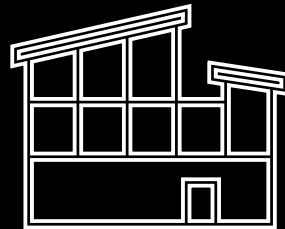
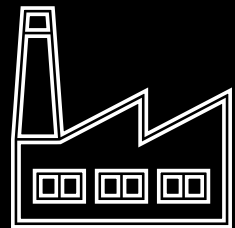


Oriflame's SCOM Strategy

Plan



- Preparing monthly/seasonal catalogs
- Collecting orders from customers
- Business review (KPI) 6mths/Y
- Planning process – every 2 weeks



- 1,400 varieties of productions
- Production lifespan – 3 years

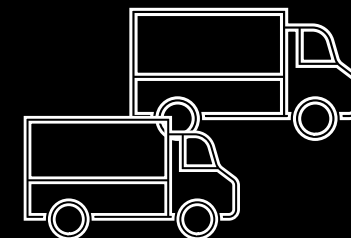
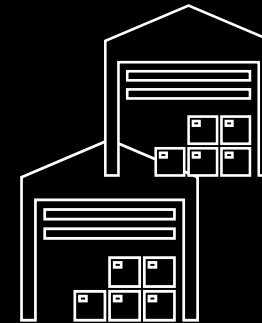
- 15,000 Pallet-based
- FIFO (First in, first out)

Production and logistics lead time 6 months

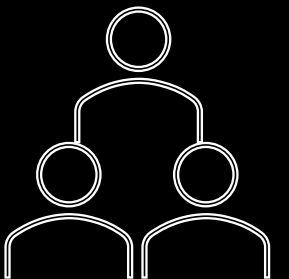
Source/ Make



Air shipment within a week
(in case of emergency)

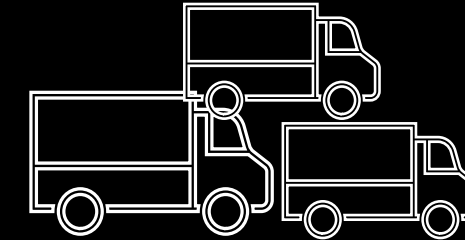


Delivery to company partners

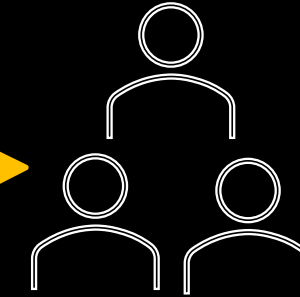


Delivery to customer

Delivery



Delivery to VIP customer



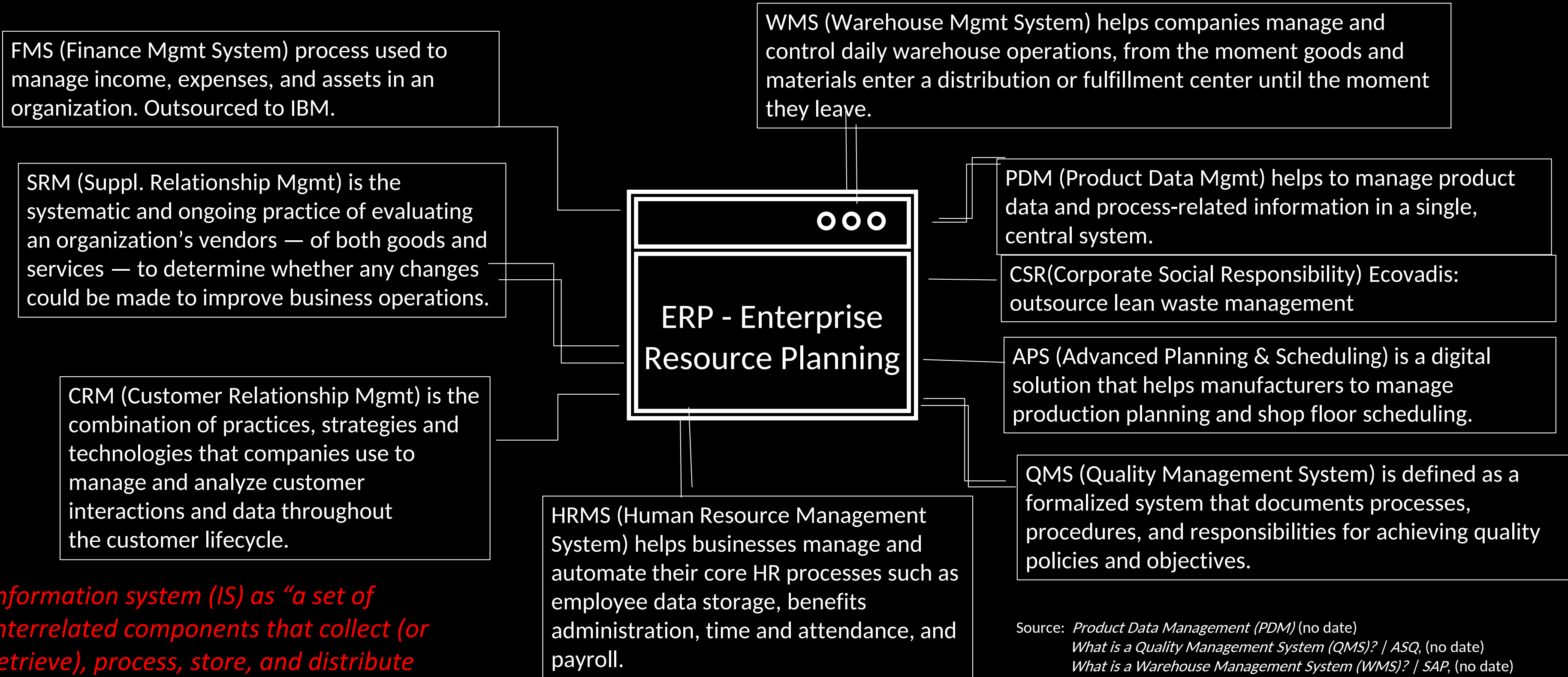
- Fast moving goods are kept together.
- Wellness products are kept in temperature-controlled rooms
- Perfumes are kept separate from other goods
- 5S
- The logistics provider of the respective markets can be up to their choices with one or more suppliers



Damaged items are partially sent back to R&D in Dublin

Return

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.”*

Source: *Product Data Management (PDM)* (no date)
What is a Quality Management System (QMS)? / ASQ, (no date)
What is a Warehouse Management System (WMS)? / SAP, (no date)
Financial Management System: The key to Financial success / SAP, (no date)
Advanced Planning and Scheduling, (no date)
What is an HRMS? / SAP, (no date), Hashemi-Pour and Chai, (2023), Jenkins (2022), Laudon and J. Laudon, (2013), Russell, R.S. et al. (2019).

IT-systems in SCOR process



Planning & Delivery

- ✓ **JDA:** It's an AI-powered supply chain platform offering solutions in workforce management, supply chain and retail strategy, execution, and delivery. This tool helps Oriflame in optimizing costs, increasing revenue, and minimizing time to market while predicting, creating, and fulfilling customer needs.



Sourcing

- ✓ **Ariba:** Oriflame uses it to find relevant suppliers, integrate sourcing strategies, and negotiate the existing agreement with the suppliers. It helps Oriflame to automate and streamline sourcing activities efficiently which in turn gives cost saving opportunities.



CRM

- ✓ **Salesforce Marketing Cloud:** This is a cloud based AI powered tool which gives businesses 360° view of their customers to efficiently acquire them, create quotes, manage leads and retain customers. This tool also helps Oriflame to gather customer feedback surveys which can be valuable to understand and increase the supply chain efficiency for better customer experience.

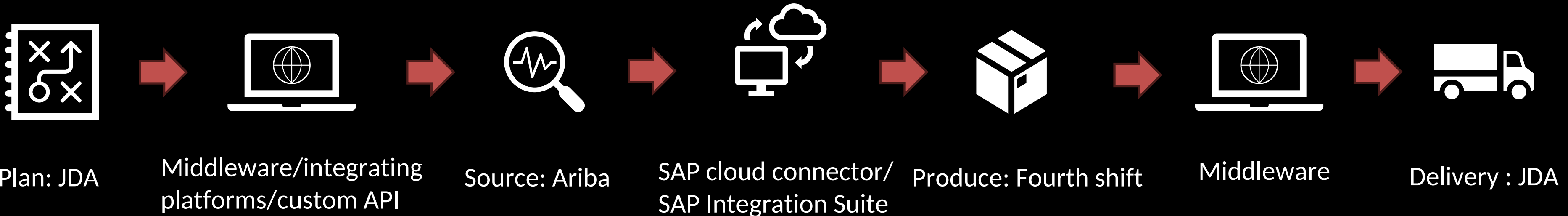


Production

- ✓ **Fourth Shift:** Oriflame streamlines the process and gain real-time visibility into key data which empowers them to take quick, appropriate action. Supporting quality analysis, performance checks, and role-based planning, Fourth Shift helps efficiently products move faster to market, increasing responsiveness and maximizing profitability.

Source: JDA: three key ways to transform the supply chain, (2020)
JDA - Plan to Deliver - R Systems, (2019)
SAP Ariba Sourcing | SAP Learning, (no date)
Fourth shift | ERP for Manufacturing | INFOR, (no date)
Mishara, A. (2023)
Führend bei CRM und Cloud Computing (no date)
Oriflame Annual Reports (2022).

How IT systems work together



JDA to Ariba

JDA use middleware solutions, custom APIs, or specialized platforms for integration to exchange data and align processes with Ariba.

Ariba to Fourth shift

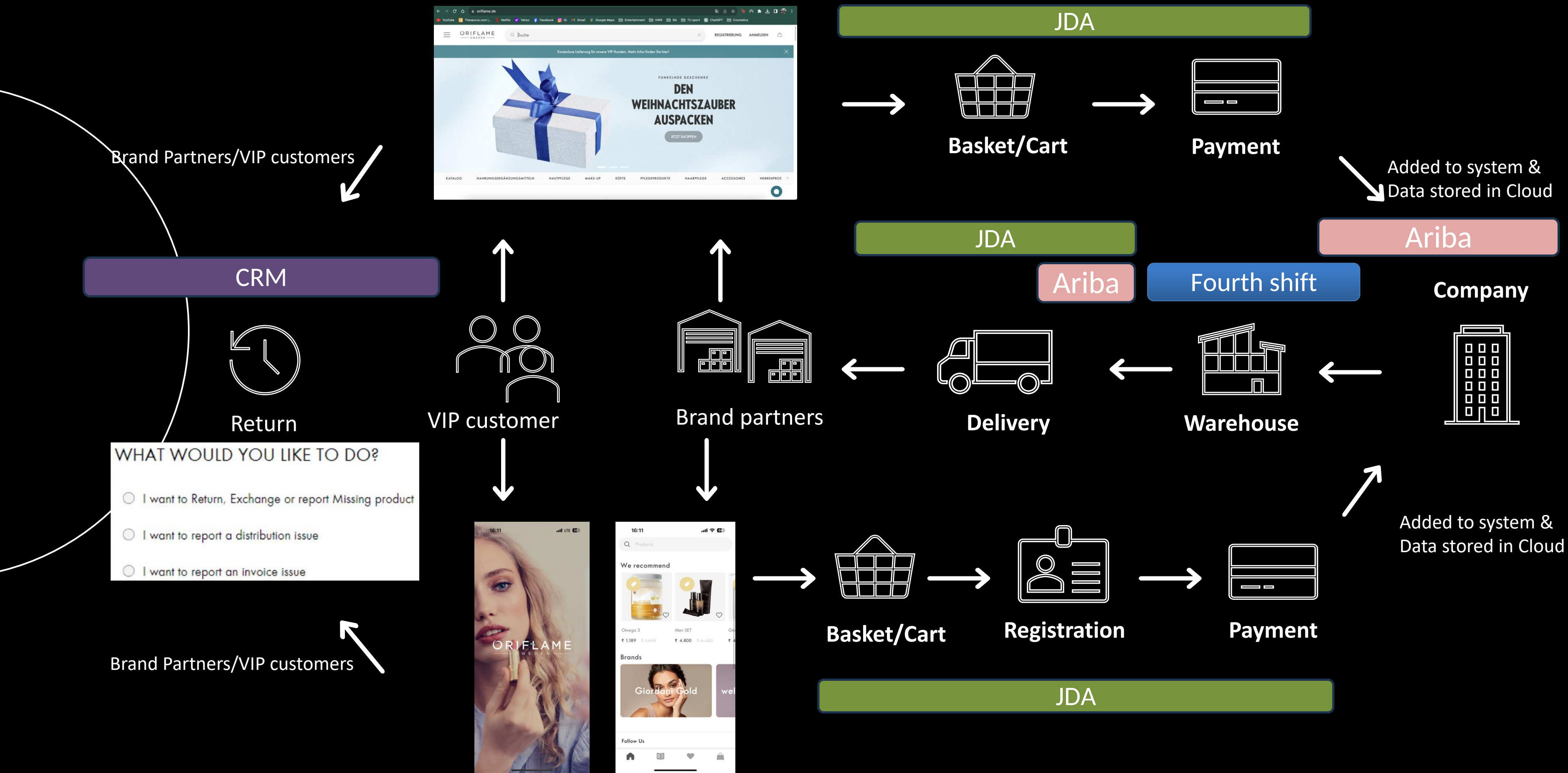
Ariba and Forth Shift collaborate efficiently with the aid of a sturdy integration framework, enabling seamless teamwork between cloud and local systems.

This integration allows for efficient and streamlined interactions between buyers and suppliers, ensuring that key business operations are conducted smoothly and efficiently.

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.

IT Architecture Overview



Oriflame's Competitive advantages

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:**

- Even though the IT operations and support is being given by IBM, Oriflame prefers to develop its core systems on its own due to which they have a separate IT branch called Oriflame software.
- Oriflame Software provides tech solutions deployed throughout the Oriflame business – whether you think about the online e-Commerce, mobile apps, finances, BI reporting or e.g. warehouse logistics (Oriflame Software, 2023)

- **Responsiveness:**

- The demand forecasting is based on the catalogue and order is placed via website/app which helps them to maintain an efficient supply chain by storing the data in cloud.
- The supply chain efficiency has increased and now they are capable of processing more than thousand orders per minute as a result of IT solution optimization, tuning and infrastructure scaling.

Oriflame's Competitive advantages

- **Agility:**

- Oriflame business model is social and network selling so they have to follow a proactive approach with the 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 Jiří, 2019).
- To overcome this scalability and agility they migrated all the IT systems to Microsoft Azure cloud which is operated by IBM.

- **Cost**

- Continual review of Digital Workplace costs thorough optimizations and efficiencies.
- 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 very sensitive towards the security and compliance due to which they are making improvements by shifting towards managed identity in Azure App services and to store sensitive using key vaults assets to safeguard valuable assets from theft, loss, or unauthorized use, thus enhancing security across the supply chain.

Lean waste

“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, p. 152), 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.*

“7 + x wastes:”

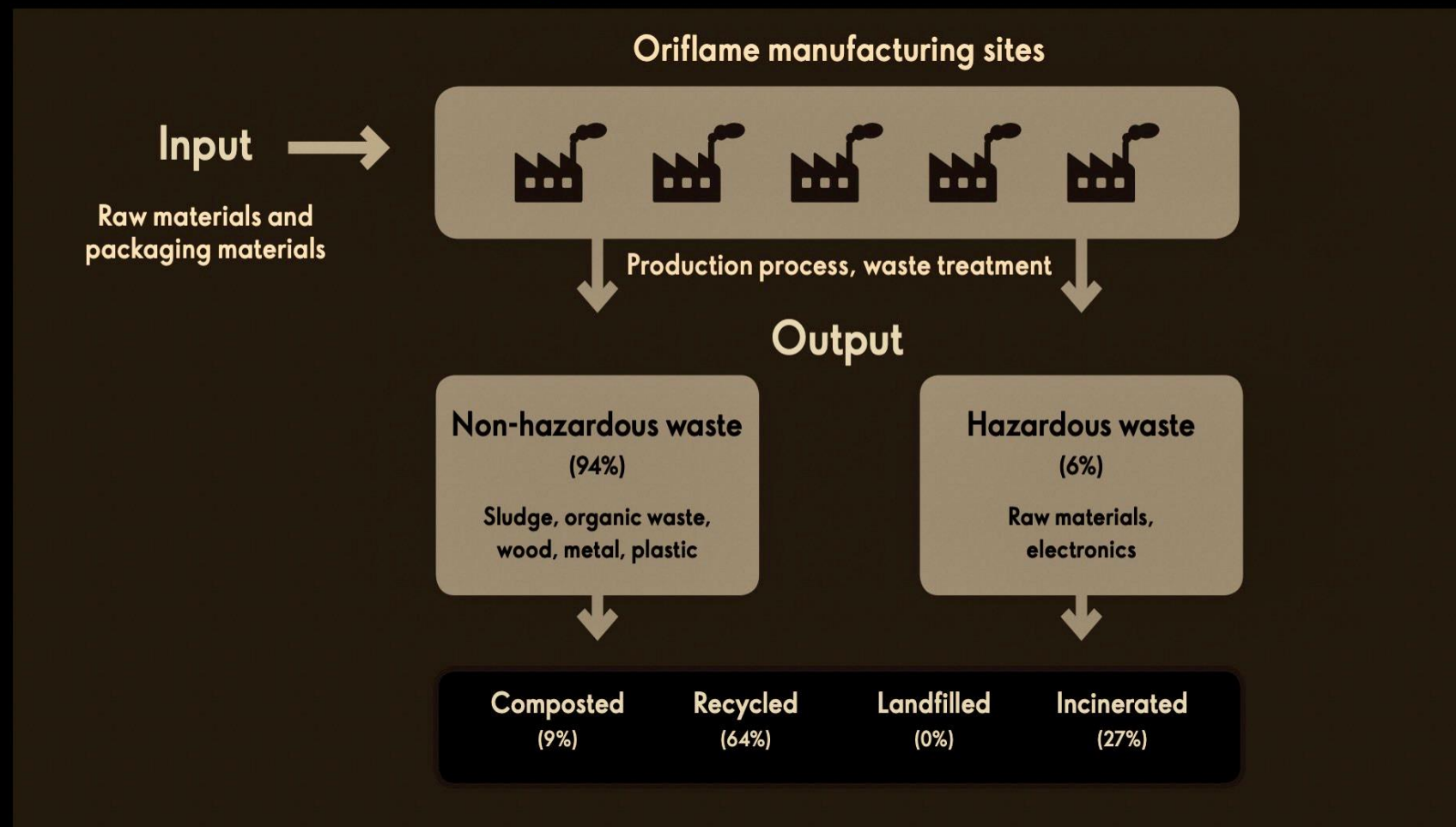
- *Overproduction ahead of demand*
- *Waiting for the next processing step*
- *Unnecessary transport of materials (e.g., between villages, suppliers, facilities, etc.)*
- *Over-processing of parts due to, e.g., poor tool and/or product design*
- *Inventory that exceeds what is required*
- *Unnecessary motion and movement by the employees during the performance of their work (e.g., looking for parts, tools, documentation, etc.)*
- *Production of defective parts plus*
- *Not meeting customer requirements*
- *Wasting resources*
- *Not utilizing skills, talent, or knowledge*



Oriflame's Lean waste Management

- Sensitive towards sustainability and maintains a strict record of CSR (Corporate and Social Responsibility)
- Expired products disposed off in sustainable way, all the products are handled differently while the entire lean waste management is outsourced to a company called Ecovadis.
- The outsourcing strategy also helps them in reduction of cost and low labour cost.
- Catalogue helps them to reduce overproduction and also meet customer needs.
- As Oriflame has a direct selling strategy they do not have much resource, skill or talent wastage.

Waste process flow at manufacturing sites



Guide all companies toward a sustainable world

Process Flow for Ecovadis



**Every hero
needs a guide**

We guide our customers to take action with our ratings and insights.



**Every company
is on a journey**

Our work is to enable, support, empower our customers on this journey.



**We aspire to reach every
company on the planet**

Not because we will, but because we want to engage all companies to take action.



**Sustainability
as a goal**

A sustainable world is one where the well-being of our planet & society is valued by all economic actors.

Cross-function cooperation

Success:

Cross-function corporations basically streamlines the entire process for an organization with the use of different digital technologies.

- Comprehensive understanding: Brings together diverse skills, knowledge and perspective which allows a holistic approach to problem solving and innovation. Digital Technology adoption involves consideration beyond technical aspects, such as meeting user demands becomes easier with less human efforts while saving time.
- Enhanced User Experience: Understanding consumer wants and preferences becomes easier with collaboration between technology experts and user experience experts results in better user-friendly digital solutions.
- Bridging knowledge gap: Each team uses different digital technologies according to the requirement so in a cross-functional environment teams tend to bridge the knowledge gap and enhance their existing skills while learning from other teams. It creates a learning environment which accelerates the organization's digital capabilities.

Example:

Oriflame works with Oriflame software under a cross functional environment to keep the supply chain moving.

Cross-function cooperation

Failure:

- **Communication barriers:** Without effective communication, there is a risk of redundancy and missed opportunities. Digital initiatives may be duplicated or fail to address the organization's overarching needs.
- **Misalignment of goals:** When departments pursue digital initiatives independently, there is a risk of conflicting priorities that hinder the organization's overall success.
- **Inefficient use of technologies:** Teams/Departments may invest in redundant technologies or fail to leverage shared resources effectively resulting in increased cost and decreased efficiency. Teams these days are using digital tools to maintain records of inventory and supply chain in any case if there is any kind of above mentioned issues then there might be a huge loss and scope of improvement in terms of digital technology for cross functional corporation.

Example:

There were scenarios in Oriflame where inaccurate data integration resulted in financial discrepancies and inventory management issues, causing operational disruptions.

Main Takeaways

- Effective integration of SCOM leads to Oriflame's success, active in planning and operations.
- Agile Bi-weekly planning, utilizing short-term forecasts, builds continuous improvements regarding SCOM.
- Optimized production strategy with monthly forecasting and catalog data, leading to a reduction in inventory.
- Efficient Lean waste management is a core focus for Oriflame, and a CSR record highlights a commitment to sustainability.
- Collaborative coordination with brand partners, fostering communication and achieving cost savings through economies of scale.
- Oriflame enhances agility by migrating IT systems to Microsoft cloud, strategically leveraging technology, securing valuable assets.
- Powering digital transformation through cross-functional collaboration, optimizing processes, keep innovating and growing in the dynamic beauty industry.

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Any question?





Thank You!