



## Jonathan Kimber

Global Supply Director

**oriflame**

### When Marketing leads the Supply Chain...

Oriflame is one of the fastest growing beauty companies selling direct in over 60 countries. It is the market leader in more than half of these, offering a wide range of high-quality beauty products. Marketing is one of the main business drivers, with a significant impact on the way the Supply Chain is managed. Jonathan Kimber, Global Supply Director, tells us why Oriflame is like *FMCG on steroids*...

## You sell your products directly to the end consumer via sales consultants. So how dynamic is the business?

“Our Sales are generated through catalogues and a new catalogue is launched every 3 weeks! The product offerings are rotated. In ABC classification terms, a product could be in class C one week, and then become class A 3 weeks later. A lot of our demand is generated by going back to existing customers to sell again and again. But we need to give our resellers a reason to go back to a home to sell more products. So we have to offer discounts and new products. 25% of our sales are generated by new products. As a result, we launch 450 new products every year. I always refer to our business as FMCG\* on steroids!”

*\*Fast Moving Consumer Goods – Ed.*

## What does that mean in Supply Chain terms?

“Oriflame’s Supply Chain is complex because of the sheer amount of sales organisations! We sell in more than 60 different countries, and most of the sales revenue is generated from former Soviet Union countries. So there is a huge geographical mix.

When we try to generate a forecast, we look at the offers in the catalogue and assign a number of units per sales consultant. We then multiply this by the number of consultants, bearing in mind that this number varies all the time. So our forecasting process has two variables, reducing the chances of getting the forecast right!

But at the end of the day, we are happy with the frequency of the changes, because our success is down to our business model. It makes our Supply Chain life difficult but we need to make the best of the model by being agile and moving fast. Today, the products come from the suppliers into our warehouse and then go out to over 60 countries. This is sometimes too slow. We need to source and manufacture closer to the markets. This is the direction in which we are going.”

## What are the challenges that you are facing?

“First, there is the physical location of where everything is. For example, Warsaw to Eastern Russia is 10,000 km, or 3 weeks driving. So when the catalogue cycle is 3 weeks... Second, although achieving good forecast accuracy is difficult, we know that after the first day of sales we can accurately predict the sales for the rest of the catalogue period, up to a level of more than 90% accuracy. But of the original forecast, which we based supply on, sales can be 100% above what we thought; other times, they are just 20% of what we thought. So our Supply Chain needs to respond within the 3 weeks demand cycle.”

## What changes have you made to improve the Marketing vs. Supply Chain dynamics?

“Historically, we tended to build stock ahead of the catalogue launch. So we would over-stock to protect sales against under-forecasting, and we would ship products out early. As a result, we would end up with excess stock.

Now, we aim for shorter lead-times instead of pre-producing all the products. We are looking to carry less finished goods inventory but more raw material and components stock.”

## What are the most difficult aspects of the relationship that you are still trying to tackle?

“It’s the classic problem: if you are in sales, you wanted the product yesterday. But in Supply Chain, we have lead-times and minimum order quantities – it’s not easy for our markets to understand. I think of ourselves as the goalkeeper: if we win, no one thinks of us. If we lose, we get blamed. So we try to educate our markets and sales consultants, and we need to do more of it.

When we do have supply issues, it’s difficult to decide *what* to communicate. So we have discussions with the regional Directors to decide what to say. If we need to re-plan a catalogue, then we need to know 4 months in advance. That’s possible for new products for instance. But recently, a couple of suppliers have gone bankrupt, which caused a lot of surprises!”

## How do you see your Supply Chain evolving?

“Historically, we were set up with many suppliers to one warehouse, and one warehouse to many customers. But we are looking to replace this with five group distribution centres, three of which have now been launched. Unfortunately, some markets like Latin America and Asia are just too small and too spread out to take this approach.

There is also the important aspect of information. We want to work on much better processes and systems to support real-time information. This way, we can get closer to sales and use market orders.”

What is your advice for businesses trying to improve the integration between Sales/Marketing and Supply Chain?

“Start out by understanding your business model. Supply may make your life difficult, but if it’s part of your business model, you need to *let the dog wag its tail* and adapt the Supply Chain accordingly. It’s too frustrating to try and change something that will never change. Instead, work on being more agile and responsive. Mind you, you can’t *let the tail wag the dog either!*”

Hughenden would like to **thank** Jonathan Kimber  
for sharing his experience and advice

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