



Order to Cash implementation at L'Oréal in France



The L'Oréal Group is an international leader in cosmetics and beauty products. The group is divided into several units:

- Professional Products
- Products for the general public
- Luxury products
- Cosmetics
- The Body Shop

With a century of expertise in cosmetics the L'Oréal Group is now present in 130 countries with 66 600 employees. With 23 global brands, in 2010 the company had 612 patents filed and €19,5 billion consolidated sales.

Strategy for using GS1 standards for Order to Cash

From 1993, the French Group started using the purchase order message (ORDERS) with certain clients in order to replace manual capturing of orders, which created both a higher risk of errors and of higher administrative costs. The message ORDERS was used with all clients equipped with an EDI solution. The strategy was to use a unique message, which each client was capable of transmitting and could integrate different levels of information. *By integrating the retailers' needs into a shared standard, the deployment of the message was far more rapid.*

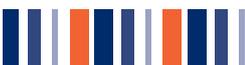
Electronic Despatch Advice (DESADV) was developed and quickly exchanged with retailers to automatically transmit all the traceability data related to despatched items. The exchange of the electronic invoice (INVOIC) started in 1998. Value was added by removing mail handling,

physical archiving and retyping data from the paper invoices. Implementing a paperless supply chain not only contributed to sustainable development, but will affect other areas of the financial flow such as suppliers' invoices. Multiple transport order messages (IFCSUM) and transport status (IFTSTA) have been used since 2005 with EDI enabled carriers. Today the Group wishes to continue on this path with all carriers in order to obtain real time data about the status of physical movement of all despatches, regardless of means of transport.



L'ORÉAL

With use of EDI 'order to cash' messages in mind, L'Oréal started the exchange of product master data synchronized via the Global Data Synchronization Network (GDSN). The synchronized database management system enables a standardised and secure process for data distribution, which aims at 'data alignment'. This process has increased the capacity of commercial units to distribute reliable and quality product information and considerably accelerated the information flow allowing L'Oréal in France to react faster to promotional offers.



Next Steps

The L'Oréal Group wishes to implement order to cash for all documents exchanged in the supply chain in order to increase administrative productivity of its units, to better respond to the needs of its clients and to ensure quality of information necessary for the processes. In order to connect the exchanges, L'ORÉAL will require an acknowledgement of receipt of merchandise (RECADV) via EDI to allow L'Oréal to be automatically informed of good receipt of merchandise and if this is not the case, the line-by-line detail in the case of dispute.

Further, L'Oréal requests a notice of payment (REMADV) to allow security for accounting units by automatic reconciliation of the invoice and payment notice.



Benefits of a Paperless Supply Chain for L'Oréal

L'Oréal found EDI to be key to client relations, because it is a source of trust and time gains, despite the volume of information exchanged.

EDI allowed the use of a logistic process, which is difficult without a standardised automatic message like the GPA (co-managed inventory). Retailers automatically transmit data of outgoing stock to L'Oréal, by a standard inventory status message (INVRPT) which feeds a tool calculating re-supply. Implementation of this logistic process allowed for:

- **Reduction of out-of-stock** in storage areas and shops
- **Anticipation** of merchandise flow (production, logistics)
- **Optimization** of truck loads

Methods Used

- Create an EDI function that manages the following
 - The management of incidents
 - The management of data necessary for flows (client, messages)
 - Participation in standards development
 - Training of internal users
 - Control of exchanges (indicators, alarms)
- Promotion of the internal development with management and operation centers.
- Evaluation of the Return on Investment linked to the use of GS1 standards. The messages are used according to internal gain, maturity of clients and benefit in commercial relationships. Prior analysis allows:
 - Measuring the contribution of the message
 - Integrating organizational impact
 - Predicting issues and incidents

- Establishing a global path forward with clients. EDI is not only a way to reduce paper documents, but also enables cooperation and transparency between industry and commerce - thus allowing them to respond to consumers requirements (e.g. traceability, product information)
- Integrate new actors in order to ensure information exchange throughout the supply chain (e.g. upstream suppliers, carriers, banks)



Obstacles faced

Some of the obstacles faced in the deployment of EDI included:

- Non-harmonized messages making deployment more complex because of the multiplication of specific adaptations.
- Passing EDI exchanges with partners from the 'black box' at the start of the first developments, to processes integrated in the operational and decision-making functions.
- Technical solutions took time to integrate the GS1 standards.

Today at L'Oréal

Presently, Electronic Data Interchange (EDI) exchanges are deployed for L'Oréal in France. This includes:

- 87% of sales from orders placed electronically with EDI
- 78% of sales are accompanied by electronic dispatch advices
- 47% of sales are accompanied by electronic invoices



**Our word of appreciation to ALLIGIER Natalie from L'Oréal for her help and commitment
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With special thanks to :

