



1. Project Scope:

Design and implement a supply chain system, including the installation of an ERP system, to buy raw materials, product packing materials, POSM and any other Items for the production, packing and the distribution of beauty products. Organize the central stocking of raw materials, transfers between the production site and the final sales stock, order processing and sales invoicing, conditioning of orders and final distribution on a worldwide scale.

2. The Customer:

An international group of individuals founded a company for the production and distribution of beauty products in Switzerland. The company a “start-up” concentrates on the conception of beauty products, their marketing and promotion as well as the setup of the distribution networks. From raw materials to production and from production to cash, the entire flow is outsourced based on the design of GLG to a third parties’ specialist.

3. Industry Category:

Beauty Products including perfumes

4. Executive Summary:

Our client wishes to focus on the conception of beauty products, having them produced by third parties (out of the scope of the project; production facility is selected by the client). The client is handling the marketing and the setup of the network of distributors by themselves, including the worldwide branding of their product.

As of day one, our customer wishes that all other operational aspects of the business, especially the Supply Chain, as well as the Supply Chain execution will be outsourced, which includes the order management and the accounting as well.

GLG is mandated to design the SCM and SCM execution, inducing the order to cash management, setup of accounting - considering all necessary reporting's in all various countries of operations, along with taxes and VAT, duties, plus other dues and obligations.

Further GLG manages the implementation and control of the system, in conjunction of the contracting with the various partners.

The GLG outsourced solutions will allow the client to concentrate on the main values of their products, the quality, sales packaging, marketing - promotion and branding.



The handling of the SCM, Order Management and the Accounting is designed by experienced market proven professionals and is with the implementation as of the first day on a high professional level, coordinated with each other in full harmony – providing the customers of our client a first-class compliant delivery service, with every order placed right from the start.

As a result of the system design and known contract suppliers used, our client has mostly variable costs for the handling of his business and can use his own resources and funds for the main activity of growing the business.

The system is expandable and can grow and shrink with the client's business. It is steadily monitored by GLG SCM and the transport and logistics specialists.

Investors and board members are assured, that the start-up concentrates on their main business. All issues which have to be dealt with are under professional care and control and minimize possible costs and overspending. It is truly an additional success factor to the great idea of the start-up inventors.

5. Purpose of Project / Business Challenge:

The start-up company wants and needs to concentrate on their strength which is the conception of beauty products. They can prioritize on the marketing of its products, the brand promotion and along with the build-up of a distributor's network. The entire flow from execution of purchase orders for raw material, packing and publicity materials as well as the stocking and distribution of the finish products will be outsourced. No internal company structures will be maintained in order to focus on the main essential core business.

The setup must be tax optimized and comply with all laws and regulations dealing with storage and distribution of all continents of the world. Special attention and consideration are given to the Tax and VAT compliance, permitting to supply all customers, at a competitive edge and advantage, with the best possible solution within their trade zones and countries.

The solution includes the selection and implementation of an ERP and accounting system, selections of specialized consultants for tax and legal matters as well as suitable service provider for all aspects of the supply chain execution.

Besides the B2B distribution the client wishes to operate their own websites in order to sell B2C in all markets. A special interface is needed to pass on the B2C Internet orders directly to the ERP system as well as to the respective warehouse for immediate packing and delivery.

Due to the fact that some products, especially perfumes, also contain alcohol, the storage and distribution are regulated and must be correctly documented for Land-, Sea- and Air distribution in order to comply with all necessary laws.

CASE STUDY

Start-up needs SCM, SCM Execution and other services



Permitting storage and handling of such products and materials (this applies especially to creams, lipstick's etc.,) the warehouse(s) being used, need to be of specific construction and are required to have special zones and possess special equipment. This guarantees the constant maintenance and non-excess of certain temperature levels.

Fragrances, cosmetics or beauty products in general are be handled with special documentation and special care. GLG is proceeding with due diligences and audits on selected or approved service providers to check on premises, equipment's, standard operational procedures as well as respective valid licenses or approved certifications.

It is important that the selected companies deliver the products on a "freight prepaid" system to show and assure the final client of uninterrupted compliance during the entire delivery span.

This also permits to control and monitor the quality of the delivery service providing the assurance that the product has been customs cleared and correctly handled at each destination.

Distributors are further protected of possible grey market activities or administrative issues with government agencies which is a very important part of the overall service and for the brand or its reputation.

Beauty products do have a shelf life and based on the FIFO principle (first in / first out), the products must be handled so that no expired products will be delivered. Also, each production has a batch number which by law ought to be registered and being traceable up to the final distributor. Such identification reference is the key to any recall procedure of products from the market would that be necessary.

Buying, selling and distributing products all over the world bears risks and demands knowledge of trade laws and their compliance. For each market and sales Type (B2B or B2C), standard operating procedures are established. All necessary precautions, especially in the B2C business, will be taken to issue the correct and complying documentation, respecting VAT and customs regulations, providing correct declarations to authorities, define and adjust the sales term per destination.

Evidently, for all these transactions appropriate contracts with the various providers must be negotiated. The contracts include tariffs, their terms and conditions with clear definition and documentation of the responsibility of each party, together with adequate insurance coverage to minimize the risk exposure of the client.



6. Solution:

As a first step, an initial assessment is made between the founders and GLG. Part of this assessment is to understand and record the major needs and facts:

- Understand fully the purpose of the new company and products
- The Scope of business:
 - Units to be produced in which time frame
 - Number of suppliers and origins
 - Areas of sales markets and potential clients and sales estimations
- SCM need over the first 3 years – precise quantification
- SCM needs for the following 2 years – fair estimations
- A rough estimation of GLG design costs and SCM running costs

Parallel we discuss the fiscal situation of the company and the impact of doing business in the various projected markets. Often companies choose a country like Switzerland in order to take advantage of low corporate taxes and avoidance of capital gain taxes in case of sales of shares.

Yet, besides all these good reasons to incorporate in Switzerland also eventual branches, agreements, shops in foreign countries have to be studied and evaluated along with the flow of goods and proper documentation. This is to assure that no unforeseen liabilities will arise in the future in any chosen market.

Once the fiscal issues are clear and we know how to steer based on a fiscal (VAT) process the goods, we shall establish the policy for the purchase and sales of goods from and to the different markets inducing the settlement of the VAT as well as understanding all trade compliances within the selected markets.

Based on all these factors and needs - GLG designs the required SCM system and fine tunes such within the formed project group (client side and our specialist). The ultimate minimal required base to start the business as effective as needed is with the lowest fix and variable costs as possible.

The operational execution is handled by trusted companies all over the world. Based on our vast and long experience in handling the SCM execution, such as transport and logistics and providing additional services like VAT settlement, fiscal representation, and accounting, GLG disposes over a trusted network of companies. With these reliable companies we have main agreements and procedures in place allowing prompt implementation without any delay.

In this particular scenario, we set up the accounting on a known ERP system, for small and medium sized companies in Geneva. The company started with 20% FTE (Full Time Equivalent) in finance and administration and 15% FTE in order processing and sales support as well as 15% FTE in logistics and transport execution. Only totally 50% FTE in order to cover these fields of activities for the beginning.



Based on the fact that most of the producers are initially within the EU and that the largest market is within the EU member state to start with, we filed for an EU financial representation and EU VAT Number in France. We also had to set up the settlement system as well as design the various documentation in order to comply with all rules and regulations. As of this time forward we were authorized to buy and sell within the EU without advancing VAT and/or billing EU VAT number holders VAT amounts. Further for VAT paid on services and indirect purchases we had the opportunity to reclaim such VAT from the authorities. The system also allows to bill the VAT within Europe of all the B2C business.

Due to the nature of the business, with production in southern France and mostly French and Italian suppliers (also some Asian suppliers) we located the central warehouse in Lyon/France which is owned by the start-up in Switzerland. Pre-ordered raw materials and the finished products are stored in the central warehouse, based on a variable storage price, so the client pays only what is used.

The designed procedures for the purchase and distribution allow our client now to handle any transaction such as:

- B2B: Inter European VAT cleared business purchases and sales
- B2C all European countries are covered for sales
- Import from Asia and other countries, claiming VAT back over the settlement
- Export out of the EU to all European countries (special arrangements are made for each non-EU country in Europe)
- Worldwide exports by Air and Ocean freight

Orders received B2B day one are ready to go day 2. B2C if received by 15.00: same day distribution. Transit times depending on the transport mode chosen are from next day most expensive up to 72 hours most economical way.

The entire documentation is thought through and automated and jointly fully synchronized with the accounting interface. Since perfumes are involved, all DGR (dangerous goods certification) are made in full compliance with the laws and according to the respective modes of transport.

GLG supervises the whole operation, intervenes in case of any problems and solves such promptly. Monitoring setups and reporting systems based on key performance indicators are in place with the various supplier and service providers.

Scheduled regularly, the client and GLG review the KPIs (key performance indicators) the SCM expenses, customer suggestions as well as the supplier experience in order to monitor the overall quality and sizing of the system. Discovery of eventual irregularities or deviation from the set parameters will lead to corrective measures and actions to be taken as to guarantee and provide a durable implementation and system investment.



In this particular case, a trusted fiduciary has access to the accounting system and reports independent information to the management of the start-up and their board and investors.

All products are safely stored in trusted warehouses which are fully equipped with extensive passive and active security systems (also manned by security personnel during night and weekends) well mitigating any risks, not only during storage but also during the entire delivery process.

7. Benefits / Business Case:

From day one, the client has a methodological approach to build up the SCM and SCM execution and takes advantages of the know-how and the experience of our team members not only for the SCM and execution but also in building a functional company including the setup of an ERP and accounting system.

Operating a full-fledged and practical SCM, SCM execution as well as the order and accounting system, is essential for a start-up company. Building up these systems and services by the founders of their own does not provide any additional value to the company. In the contrary it distracts the founders of their core competences instead of using their time for developing the products and the company overall. Having GLG designed and implemented the systems saves resources, time and money. From the beginning It provides an optimal solution to satisfy the customers of our client and convince them about the quality of the new product and also of the competence to run the overall service.

GLG system designs are ready to be implemented without losing time and to gain experience with new suppliers and new staff is all handled by GLG for a fraction of the cost.

At any time, the client has the choice to insource part or all of the system, in such cases GLG forms and transfers the system according to the client's needs. In case the start-up company sells the business to a larger organization, a professional transfer of a well-managed entity is guaranteed.

Our experience shows, nominating GLG to set up and run the SCM and SCM execution, and any additional services, that start-ups being operated with our professional design and services, also takes advantage of higher confidence by board members. Investors and management are credited with the success of the venture.

For further information or having a setup a meeting with one of our specialists do contact us at www.glgsys.ch