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SAP BUSINESS ONE AT KRAZY GLUE: STICKING TO BUSINESS

By Christine Macfarlane, communications writer, Ayers, Massachusetts

Krazy Glue, the popular instant-bond adhesive, captures significant shelf space and wallet share in the United States. Management at Toagosei America, the manufacturer of Krazy Glue, wanted to put processes in place to improve production as well as overall accountability. SAP Business One helped shape business process changes, and the company now manages to meet new specifications and expectations.

Krazy Glue is that amazing cyanoacrylate adhesive that instantly and permanently bonds practically anything. That's why do-it-yourselfers and crafters all over the United States and Canada buy enough Krazy Glue to put the brand in the top 50 ranking in general merchandise sales each year. Marketed in North America by Elmer's Products, Inc., and produced by Toagosei America, Krazy Glue also has a successful industrial counterpart brand called Aron Alpha for a wide range of standard and custom manufacturing, automotive, electronic, and general assembly applications. This line includes an adhesive effective in bonding metals and ceramics at elevated temperatures, and specially formulated products for difficult-to-bond materials such as nylon, polyethylene, and polypropylene.

Adhesives and sealants make up an approximate market volume of U.S. Dollar.11 billion in the United States. While it is a highly competitive, mature industry, Toagosei America and its parent company, Toagosei Japan, continue to add high demand specialty variants to the product mix to keep Krazy Glue and Aron Alpha in leading sales positions, making adhesives a major growth driver for the company.

Seeking a solvent for a sticky problem

Kentaro Oka, controller at Toagosei America, says, "While the Krazy Glue brand was already very successful in North America, we wanted to fine-tune our processes so we could better manage our production, inventory, and financials." At the time, the management team began envisioning a new enterprise management application, the company manufactured the product and shipped it directly to a distributor in the Midwest that dealt with all ordering, invoicing, shipping, and handling of returns. Production was very generally managed. Oka says, "We simply made as much product as we could and shipped to our distributor." This worked well for them, but Oka knew that they could do better if they could manage production more effectively. He wanted to hone their ability to forecast, plan, track, and account for their volume.

To do so, the company needed a real enterprise management application. As well, the vendor for Krazy Glue's existing accounting software did not plan to expand or upgrade the solution, so management knew it would not serve the business moving forward, even if they could find complementary components to add functionality to it.

Oka and his team evaluated several options, but because the parent company runs on an SAP platform, the preferred solution would be an SAP offering. "From my past experience, I know SAP to be reliable," says Oka. "Some of the other solutions we considered are not so much so. And SAP's price is good." SAP partner Long Business Systems, Inc. (LBSi) in nearby Strongsville, Ohio, demonstrated the capabilities of the SAP Business One application to the satisfaction of Krazy Glue management.

On April 2, 2007, Oka and his team gave the nod to LBSi to begin blueprinting the new SAP Business One application for Krazy Glue, with a special focus on production management and integration of all business processes. Oka says he particularly looked forward to the streamlining of production and planning, managing material requirements, creating manufacturing resource planning scenarios to forecast demand, and having the system generate automatic replenishment orders to avoid production material shortages.

Changing scope and nature of engagement

Oka says that they intentionally planned a slow and deliberate implementation so that he could carefully evaluate each step. A month into the implementation, another reason arose to underscore the desirability of a methodical roll out. It was at this point that Toagosei America Inc. began sales, marketing, and distribution of the Aron Alpha line of industrial adhesives. Bringing the new responsibilities on board required the deployment of a separate environment so that Toagosei could manage the two businesses independently.

Indeed, Aron Alpha introduced a totally new business model. It is a direct sales company, with requirements for customer service, an order desk, and the ability to invoice and ship to customers, none of which Krazy Glue did with its existing wholesale distribution business. Fortunately the company had already planned a nine to 10-month implementation.

Getting a grip on results

Over the course of the implementation, the number of licences quadrupled, and today all office and management staff are users. SAP Business One went live on January 2, 2008, and Krazy Glue closed the December books. Notably, Japanese companies prefer to close on the literal end of month day. Oka says he is pleased that they can close far more quickly than before, and to date Krazy Glue has closed on schedule for December through March.

The efficiencies of the new environment have allowed the company to manage two entities without adding headcount. Oka says, "Without SAP Business One, we would have required two more people." Specifically, the company has increased its sales volume by a minimum of five to 10 percent with a 20 percent increase in work, without hiring additional staff.

Calling out efficiency, Oka notes, "The system sends us 30 to 40 alerts per month, triggered by outstanding customer accounts, which prompts immediate action and reconciliation. We can stay on top of cash flow much more effectively because of this."

At the end of the day, though, Oka says his favorite part is SAP Business One production support, particularly as it links manufacturing and accounting. The software gives users integrated accounting functionality so they now know that warehouse management and financial accounting data are consistently synchronized.

In addition, today they can manage item master data using various costing models to get up-to-date insight into inventory value by warehouse or by item. And they have integrated production functionality to manage all types of bills of materials and to process production orders efficiently as never before. "This is a night and day difference," Oka says.

Krazy Glue management is committed to continuing to refine business processes for greater return on effort and investment. LBSi is working with Oka and his team to implement additional functionality, such as radio frequency identification, to expand their SAP Business One environment.

Remarking on the acceptance of the new operating environment in the company, Oka notes the commitment and involvement of the company's top management. "Our president has done every function in this system," says Oka. "He's not a technologist. He has an accounting background – and he is amazed at how easy SAP Business One is to use." The entire management team believes that they have the critically important, realtime view of the operation that they need to make increasingly smart business decisions.

TOAGOSEI

Toagosei Co., Ltd. has been producing cyanoacrylate adhesive since 1960, commercially marketed under the name of Aron Alpha in Japan and Asia.

Toagosei America, Inc. is also producing cyanoacrylate adhesive and has had a joint venture with Elmer's Products, Inc. since 1989. Elmer's Products, Inc. and Toagosei bring Krazy Glue to the retail trade and Aron Alpha to the industrial market in the United States and Canada.