

 Client:  
**Elizabeth Arden** Sector:  
**CPG** Solution:  
**Procurement Analytics**

## CASE STUDY

# Leveraging Procurement Analytics to manage purchase price variances for Elizabeth Arden

## Business challenge

Elizabeth Arden is a global beauty products company with an extensive portfolio of prestige beauty brands sold in more than 120 countries.

The company's procurement model includes using third-party contract manufacturers to purchase raw materials and packaging. Transaction parameters (e.g. pricing, lead times and minimum order quantities) are set by the in-house procurement team, however their third-party contractors use different data systems, leading to frequent discrepancies between contract and invoice prices, and negatively impacting budgeting and cash flow.

Elizabeth Arden engaged The Smart Cube, to leverage the specialist intelligence, resources and expertise needed to address this problem.

## The Smart Cube solution

The solution involved developing a strategic approach to tracking purchase price variances, identifying underlying causes and mitigating transactional risks and losses.

The Smart Cube's analysts initially worked on-site to conduct an in-depth analysis of Elizabeth Arden's procurement and manufacturing data and procedures. From this, they devised a process which started with gathering raw data feeds from seven third-party manufacturers, then standardising, consolidating and cleansing this data into a format which enabled effective analysis. A variance calculation tool was developed to analyse the complete data set, and compare the purchase order prices to internal price standards.

An interactive dashboard was used to present Elizabeth Arden's procurement team with an initial assessment, and to enable collaboration between the teams around factors such as classification of variances, providing information to update the tool for further analysis.



## Results

The Smart Cube created a consolidated view of Elizabeth Arden's manufacturers' data, showing for the first time a full picture of what the entire network was buying on the company's behalf.

Members of The Smart Cube's analytics team used the data to generate actionable insights, which allowed the procurement group to take action and deliver fast, measurable results.

Engaging with The Smart Cube means Elizabeth Arden's procurement team can now:

- ▶ **Proactively monitor and control purchase orders:** Detailed order compliance information enables the team to act on variances that would otherwise grow into significant over-spend.
- ▶ **Improve cost forecasting:** Previous compliance reports showed 18% accuracy, meaning 82% of purchases had some variance to expected costs. The Smart Cube's solution increased accuracy to 70%, greatly reducing the volume of rework and reconciliation.
- ▶ **Manage large transactional volumes and differing data sources:** Elizabeth Arden and its manufacturers benefit from having new standards and more accurate master purchasing data, so they can better predict cost of goods sold, and optimise product costs.



## Value delivered

***"The Smart Cube took a very proactive and forward-thinking approach and offered us a solution to conduct powerful data analysis and provide actionable insights, which in turn, helped us substantially improve our purchase order accuracy."*** Jessica Walters, Manager of Global Sourcing, Elizabeth Arden

***"I didn't expect a partner that would have the insight into the procurement function to help us build business processes in this space. They continue to deliver value and new insights as the project evolves."*** William Babuschak, SVP, Global Planning, Procurement and Manufacturing, Elizabeth Arden

***"For the first time since implementing the directed turnkey model, we received consolidated analysis that provided visibility into \$110m of future purchases that were being made on our behalf. Given the scale of this amount, it jumped out how beneficial The Smart Cube's analysis could be to improve our company's efficiency and profitability."*** William Babuschak, SVP, Global Planning, Procurement and Manufacturing, Elizabeth Arden

Learn more about how our [Procurement Analytics solution](#) can uncover new opportunities and generate actionable insights to drive cost savings, value delivery and much more.

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