

Designing an accurate production plan for Panariagroup

Panariagroup uses Prophix to automate their core financial processes and to model their production planning at the detailed level, enabling them to make critical business decisions related to raw materials purchasing, inventory volumes, and utilization of resources.

The Challenge

To report on the **financials for their nine divisions**, Panariagroup's Finance team in Italy used SAP Business Objects, then exported results to Microsoft Excel, and customized their reports from there – taking at least three or four days per month to run complicated allocations. They recognized that continuing this process was unsustainable.

Panariagroup sought timely reporting by division, with the same logic for all of their companies, and understood that technology could help them to output **consolidated reporting** as well.

Additionally, Panariagroup wanted to build an **integrated budget across all divisions** – automating submissions and approvals for budget owners. Once they had mastered this process, they could use their detailed forecasting data to plan for a wide range of critical business decisions, relating to raw materials, production, labor, inventory, and sales.

Panariagroup is one of the world's largest companies in ceramic floor and wall coverings, composed of nine leading brands with more than 1,600 employees, 9,000 clients, and six production plants – three in Italy, two in Portugal, and one in the United States.

Operating: Since 1974

Head office: Fiorano Modenese, Italy

Employees: 1,600

Annual revenue: € 350 million

Website: www.panariagroup.it

ERP: IBM AS/400-based ERPs in Europe (Italy and Portugal), SAP and Dancik in the United States



The benefits

Budgeting

Every company under the Panariagroup banner conducted their budgeting separately, with each using a different method, before submitting to the parent company. The year before implementing Prophix, Panariagroup started their budget process in August and finished four months later. Today, the organization begins budgeting in October and requires less than two months to create a consolidated budget. They also have a **more accurate budget** and they can create additional versions on-demand.

Reporting & financial consolidation

Panariagroup now has **consistent reporting – at the consolidated level and across all of their divisions**. Using Prophix, reporting only takes half a day to produce because the process is fully automated.

Panariagroup leverages Prophix's Report Binder function each month to automatically output an executive package, which includes **P&L statements and balance sheets**, as well as budget versus actual comparisons.

They also track statistical data for their production planning – quantities produced by plant, quantities sold, and head counts for the American divisions.

Business modeling & decision-making

The Finance leaders at Panariagroup have demonstrated their vision, using Prophix to conduct **advanced business modeling to answer important questions for the business**.

“Panariagroup's opportunity to manufacture different brands in different plants has grown over time and it was not easy to understand how budget provisions would affect our production capacity in every single plant. With the help of Prophix, we now build and manage a high-level production plan that drives Panariagroup's decisions regarding which brands to produce in which proportions at all 6 of our plants.”

Renato Martelli
Vice President, Corporate
Controlling & Investor Relationships
Panariagroup



Essentially, they track and forecast data across their operations so that they can make decisions related to raw materials purchasing, production levels, inventory volumes, projected demand by clients, utilization of resources, and expected sales. The data is extremely detailed and factors in the foreign exchange rates using separate business models that integrate with each other. This means that Panariagroup makes intelligent choices regarding:

- How much **raw material** to purchase or use, including clay, sand, water, and dyes for coloring
- How much **power** to use
- Which **production lines** to use
- How much **labor** to use and back office staff to employ
- How **many** square meters of tiles to produce
- **Where** to produce tiles at Panariagroup's manufacturing facilities – three in Italy, two in Portugal, and one in the United States
- Which **collections** of tiles to produce and sell globally (via retail in the United States and through distributors in Europe) based on forecasted sales by brand
- How to set their annual **sales targets** for each representative by product

All of these **decisions have a cascading effect on the budget** – and Panariagroup's Finance leaders have complete visibility into the potential impact of small and large choices. The Group Controller collaborates with the division controllers to build a **production plan for each plant and each line of tiles** – refining these plans with the use of scenario planning in Prophix. Employing 'what if' analysis, they ask and answer questions like, "If we the change the location for producing a given product line, what is the impact on our overall costs? How would this affect our P&L for the individual group and at the consolidated level?"

“Using Prophix has enabled us to standardize a complex budgeting process across all of the group's companies, tracking processes, enhancing our communications with subsidiaries, and seamlessly consolidating our data.

Our most recent budget allowed us to involve more than 140 people using a bottom-up approach, and we can easily compare budget figures to actuals on an ongoing basis.”

Renato Martelli
Vice President, Corporate
Controlling & Investor Relationships
Panariagroup



Future Plans

Panariagroup's Finance leaders use the feature known as drill-across to **investigate transactions in their ERP** through Prophix, looking to spot anomalies, particularly for their marketing, advertising, and sales expenditures. They have also begun to conduct cash flow planning and analysis, and model their fleet planning.

“The process of managing nine divisional P&Ls (each with its own logic for allocation) became increasingly time consuming and error-prone. Implementing Prophix enabled us to automatically allocate direct and indirect costs to the divisions and to seamlessly generate reporting packages for each division.

Automating these allocations has led to a significant time savings that allows our staff to focus on valuable data analysis.”

Damiano Quarta

Vice President, Consolidated Reporting
Panariagroup

About Prophix®

Ambitious finance leaders engage with Prophix to drive progress and do their best work. Leveraging Prophix One™, a Financial Performance Platform, to improve the speed and accuracy of decision-making within a harmonized user experience, global finance teams are empowered to step into the next generation of finance with no reservation. Crush complexity, reduce uncertainty, and illuminate data with access to best-in-class automated insights and planning, budgeting, forecasting, reporting, and consolidation functionalities. Prophix is a private company, backed by Hg Capital, a leading investor in software and services businesses. More than 3,000 active customers across the globe rely on Prophix to achieve organizational success. Additional information at www.prophix.com.



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