

Agio Cigars



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Arjan van der Weijde, Business Process Manager, Agio Cigars

Agio Cigars manufactures and sells cigars, as well as semi-finished products and packing machines. This family company was founded in 1904 and was elevated to Royal “By Appointment” status in 2004. Agio has four production locations: in the Netherlands, Belgium, the Dominican Republic, and Sri Lanka. Sales are handled from the Netherlands, Belgium, France, Germany, and Singapore. Agio sells around 800 million cigars every year and has a turnover of approximately 110 million EUR. The company employs 2,600 staff, and its head office is at Duizel in the Netherlands.

Challenges faced

Agio is a stable and healthy company. However, sales in its main markets—the Netherlands, Belgium, Germany and France—are threatened by strict legislation. “We have to deal with mandatory health warnings on our packaging, the ban on smoking, and tight restrictions on promotion,” says Arjan van der Weijde, Business Process Manager at Agio Cigars. “This means that we are not allowed to communicate directly with customers and the ‘P’ for promotion has ‘D’ for disappeared from our marketing mix. We also have to contend with fierce competition in the retail situation, where shelf space is limited.”

As well as the ban on smoking and promoting tobacco products and the fierce competition in sales outlets, Agio Cigars was facing the fact that its customer information was not sufficiently well organized. The company needed to combine information from various internal and external sources, so that it could solve its need for faster, better financial planning information.

As a result, Agio has had to redirect its overall strategy: in addition to expanding exports further, the company is also working on Customer Relationship Management (CRM) and loyalty programs to strengthen its relationship with retailers in the European Union. Since 2005, the four main sites have been using a CRM system produced by Siebel/Oracle. “It’s a great system that works well, operationally speaking,” says Mr Van der Weijde. “The only thing is, we needed to unlock the

Industry:

- Consumer packaged goods

Solutions:

- IBM Cognos 8 BI
- IBM Cognos 8 Controller
- IBM Cognos 8 Planning

Platform:

- Siebel/Oracle

Benefits:

- Higher product turnover and lower costs
- The same information from various sources, which is visible to all users
- More reliable and faster planning
- The capability for ‘what-if’ analyses and ongoing forecasts
- Basis for Corporate Performance Management

benefits of this information better for the various types of user, and combine it with the data from market research agencies and distributors to enable us to target our marketing more accurately.”

Another area requiring attention was financial planning. “There was an urgent need within financial management circles to place the annual budget cycle on a more professional footing. The budget holders used to produce their plans in Excel. These plans were then consolidated in the finance department by a single person,” explains Mr Van der Weijde. “We wanted to have a faster process, with the ability to use data right through the year for things such as ‘what-if’ analyses. But introducing a system is a costly business, and in view of the specific marketing circumstances surrounding our products, we had to get it right first time.” He adds, “You need to keep a close eye on all your financial data, especially when there is limited shelf space and you can’t run promotions.”

Strategy followed

Out of a long list of business intelligence (BI) solution vendors, Agio chose Cognos, an IBM company. “The integrated reporting and analysis, plus the user-friendliness of the software were major factors, as was the approach taken by Cognos,” continues Mr Van der Weijde. “We may be a big company, but in the world of software, we are relatively small. Cognos could see the opportunities we had to offer and was prepared to think along with us.”

Agio opted to introduce BI on a step-by-step basis with the following stages:

- Building a data warehouse and developing BI reports
- Implementing BI for each country with IBM Cognos 8 BI
- Implementing enterprise planning

“We built a Microsoft SQL data warehouse and filled it with internal CRM data,” says Van der Weijde. “We then developed a series of reports: the number of products sold by our retailers, the number of times our sales people visited the outlets, and the number of products sold for each product group. Finally, we supplemented the data warehouse with external data, and combined that data with other internal data in our reports. Implementation of Cognos was done country by country.” The district managers can now access the reports through a Web portal. The sales reps receive customer information about customer types, market share, or sales details in the form of PDF attachments in the CRM system.

One sticking point was convincing users about the value of the new way of working. Says Van der Weijde, “We have a mature representatives’ club that did the job. So there was no need for urgency. It was mainly the positive results that got us over the line.” The next logical step was to approach the budgeting processes with IBM Cognos 8 Planning. “That was achieved thanks to its strong functionality, but also the ability it provided to use our BI reporting and analysis.”

Results realized

The results speak for themselves. “Our district managers now have integrated information about products, retailers, and consumers—and are able to put their fingers on exactly where a problem lies,” says Mr Van

der Weijde. “This has already generated a 28 percent increase in sales for a number of focus customers in one of our distribution channels. Another good example is in Germany. We make agreements with our distributors about shelf space. The sales reps carry out retail measurements to assess the presence of our products on the shelves. This data is then processed as part of an analysis report that enables our account managers to check their distributors in terms of performance. This has resulted in significant savings.”

Agio intends to expand the use of BI. “We are taking our sales reporting to a higher level and can use advance planning and ‘bursts’ of reports, while drilling down to uncover the underlying information,” says Mr Van der Weijde. “We are also in the process of putting more data from our ERP system into the data warehouse. This will give us a better insight into our production and financial data.”

Agio is going even further in terms of planning. “We now have a solution that works well, which budget holders are happy to work with, and which reduces the likelihood of errors because everyone enters their own data into the same, centrally managed system. We will also be looking at the process itself at the start of the coming budget year. The aim is to shorten the process by 25 percent and to make data available throughout the year for ‘what-if’ analyses and ongoing forecasts.”

Agio has also made a start on introducing financial consolidation with IBM Cognos 8 Controller. “Once that’s done, we will have implemented it in all areas of Performance Management,” concludes Mr Van der Weijde.

About Cognos, an IBM company

Cognos, an IBM company, is the world leader in [business intelligence](#) and [performance management](#) solutions. It provides world-class enterprise planning and BI software and services to help companies plan, understand and manage financial and operational performance. Cognos was acquired by IBM in January 2008*. For more information, visit <http://www.ibm.com/software/data/> and <http://www.cognos.com>.

**As a result of the acquisition, product names have now changed to reference IBM at the beginning of the software or service.*