



# Lion Brewery (Ceylon) PLC taps into new regional markets with IBM and SAP

Lion Brewery (Ceylon) PLC (LBCL) has been brewing and marketing beer since 1881, and is the market leader in Sri Lanka with a share of over 85 percent. From its head office in Biyagama, Sri Lanka, the company's 200 employees produce and distribute Lion Lager, Lion Strong and Lion Stout, as well as Carlsberg and Carlsberg Special Brew, brewed under license. The company also distributes premium alcoholic beverages from Diageo, Somersby and Corona.

With large populations and growing wealth, nearby countries such as India represent exciting opportunities for growth, and LBCL plans dramatic expansion from Sri Lanka.

For LBCL, sales growth relies in part on the ability to satisfy demand, by scaling up production profitably without loss of quality. As LBCL grew, it became clear that the existing mix of Baan, Oracle, DataStream, legacy

and in-house systems would not be able to provide the deep operational insight needed to support its ambitious growth objectives. Customization and additional line-of-business solutions had added to a complex and expensive IT landscape, which delivered much less than it promised.

Mr. Kasun Jayamaha, Manager – IT, at LBCL, explains, “We relied heavily on spreadsheets for quality, finance and stock control, and often the figures from different systems produced different answers. We knew that this was not a scalable approach for the long term. We wanted to improve our financial insight across the enterprise, provide decision-makers with rapid, accurate information, and use the data to enhance all our business processes.”

## Creating an opportunity for refreshment

The LBCL team turned its IT dead-end into an opportunity to re-consider

## Overview

### Challenge

**End-of-life legacy ERP solutions mixed with manual workarounds dulled operational insight and efficiency at Lion Brewery, threatening to hold the company back from meeting its ambitious expansion goals.**

### Solution

**Lion Brewery is driving deep visibility into every aspect of its operations, using integrated SAP solutions, supported by IBM DB2, expertly designed and deployed by IBM Global Business Services.**

### Key benefits

**Reduced Procure-to-Pay cycle by 20 percent and Order-to-Cash cycle by 40 percent. More than 70 manual reconciliations were eliminated, and the duration of financial closure was reduced from six days to one. Finished goods inventory accuracy improved from 96 to 99.9 percent.**

## **Business Challenge**

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**For Lion Brewery, sales growth relies in part on the ability to satisfy demand, by scaling up production profitably without loss of quality.**

**As operations expanded, existing business systems, some of which were nearing end-of-life, were unable to deliver the deep insight that Lion Brewery demanded, and threatened to hold the company back from meeting its goal of reaching wider regional markets.**

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its information technology strategy. The company decided to start fresh with an integrated ERP solution that provided coverage for all the critical business areas. This would allow LBCL to eliminate many standalone solutions, including spreadsheets, and create a single information platform for the enterprise.

The project, named “Towards Excellence,” kicked off even with its own beer-bottle logo, comprising its unique ingredients: change, innovation, best practice, and technology.

The brew even had its own brand: TX, the acronym for Towards Excellence. The true spirit of team bonding continued throughout for a successful on-time project delivery.

Mr. Kasun Jayamaha comments, “Lion Brewery selected SAP® ERP applications because they covered more than 80 percent of our business needs, with no need for extensions or customization.

For example, SAP Supply Chain Management integrates with the core SAP ERP financials and controlling application, and this promised the operational insight that we were so clearly lacking. Equally, the mobility

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### **Kasun Jayamaha**

Manager – IT

LBCL

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solutions made it easy for us to handle tasks related to machine maintenance directly on-site in the retail outlets that sell our draught beer. Operatives can create and track work orders in real time from their mobile devices, accelerating service to keep our products available and our retail partners happy.

“Along with the software deployment, the company was also keen to improve its business processes, many of which had become tailored to fit the existing software’s limited capabilities.

“For this, we looked for a partner that could assist us with the high-level



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## Reduced Procure-to-Pay cycle by 40 percent

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business process design, together with skilled implementation execution services. LBCL selected IBM® Global Business Services® as its strategic partner. IBM was able to demonstrate experience of similar and, in some cases, more complex deployments, where it had worked very successfully with third-party hardware and software vendors.

“Further, IBM committed to an on-time deployment, and showed executive-level engagement to success. LBCL was fully confident that IBM Global Business Services would provide the high-quality resources needed to help us transform the business.”

IBM had also successfully delivered the strategy and consulting engagement

for supply chain optimization at LBCL, which set the tone for the SAP implementation subsequently.

### Starting ambitious business transformation

With an ambitious implementation timescale of just under six months, LBCL and IBM embarked on the design, business process mapping and configuration of an all-new SAP ERP platform, supporting around 150 named users. The solutions run on HP servers running the SUSE Linux Enterprise Server operating system, with VMware deployed to provide multiple virtual servers.

The core software components include SAP financials and controlling, materials management, warehouse management, sales and distribution, production planning, quality management, plant maintenance and project systems. Additionally, to extract, analyze and understand the data that would be generated by its new SAP ERP applications, LBCL selected SAP BusinessObjects™ Business Intelligence.

LBCL is one of the first SAP customers in the region to embark on such an ambitious SAP application footprint beyond the core ERP solution.

## LION BREWERY (CEYLON) PLC

### Solution

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**Lion Brewery is driving unprecedented insight into every aspect of production, distribution and profitability with a comprehensive suite of SAP ERP applications, supported by IBM DB2.**

**Designed and deployed by IBM Global Business Services within an ambitious timescale of less than six months, the new solution supports around 150 users.**

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## Key Solution Components

### Industry

**Consumer Products, Retail**

### Applications

**SAP® ERP, comprising Finance & Controlling, Sales & Distribution, Materials Management, Production Planning, Quality Management, Warehouse Management, Plant Maintenance, Project Systems, Advanced Business Application Programming (ABAP®), SAP BASIS, Manufacturing Integration and Intelligence, mobile enablement via Sybase® Unwired Platform, Business Intelligence and SAP BusinessObjects™, Business Planning**

### Software

**IBM® DB2® for Linux, UNIX and Windows, SUSE Linux Enterprise Server**

### Services

**IBM Global Business Services®**

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For example the SAP components include:

- Manufacturing Integration Intelligence to integrate real-time information for all brewing and bottling operations
- Business Planning Control to perform and end-to-end iterative planning exercises for the company across different time periods (annual, half-yearly, quarterly, monthly, daily)
- SAP Business Intelligence and SAP Business Objects for enhanced analytics and decision support
- SAP Mobility on Sybase Unwired Platform
- Last, but not the least - cross-system integration achieved through the SAP NetWeaver platform for Process Integration.

To make this information available throughout the enterprise, the company worked with IBM to introduce SAP Mobility solutions, which enable users to access interactive dashboards that report on retail sales, costs, volumes, orders and quality in near-real-time, regardless of location.

The aim was to standardize and integrate IT systems, applications and data with streamlined processes across



More than 70 manual reconciliations eliminated

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all departments and locations. To do so, LBCL re-thought the business and organizational design as well as planned for the software changes.

The result would help to reduce cost and complexity, improve the trustworthiness of data, and enhance productivity, efficiency and synergy to expand profit margins and business growth.

“In many cases SAP solutions provide ready-made capabilities that other ERP vendors could not provide,” says Mr. Kasun Jayamaha. “With SAP, we are able to support the business from raw materials and brewing through to distribution and retail, with integrated process, finance and operational data at every point.”

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“One of the issues was the constant need to consider compatibility of product and database releases. IBM and SAP work at the strategic level to ensure that DB2 and SAP software releases coincide to offer the greatest possible functionality, reducing our costs and helping us gain the most value from our investments”

**Kasun Jayamaha**

Manager – IT  
LBCL

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IBM Global Business Services mapped out new process flows for LBCL, deployed the SAP applications to new HP servers, and completed the team training. More than 100 users in finance and general management access the core SAP solutions, and some 30 analysts access the SAP BusinessObjects solution.

Chan Liyanage, Director of Supply Chain at LBCL, reports, “SAP has eliminated our ad-hoc, spreadsheet-based procurement processes, and replaced standalone brewing, processing and packaging applications. In addition, we were also able to integrate, quality, engineering and logistics operations, all of which were previously free-standing spreadsheet applications or software. The implementation has given us seamless, end-to-end, real-time visibility throughout the supply chain.”

**Implementing outstanding data management**

As part of its transformation, LBCL chose IBM DB2® for Linux, UNIX and Windows as its core information management solution. The total size of the databases for the SAP landscape is currently 200 GB, growing at approximately 4 GB each month.

Mr. Kasun Jayamaha says, “One of the issues we had faced previously was the constant need to consider compatibility of product and database releases. IBM and SAP work very closely at the strategic level to ensure that DB2 and SAP software releases coincide and offer the greatest possible functionality, reducing our costs and helping us gain the most value from our investments.”

**Business Benefits**

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- **Reduced Procure-to-Pay cycle by 20 percent and Order-to-Cash cycle by 40 percent.**
  - **More than 70 manual reconciliations eliminated and duration of financial closure reduced from six days to one.**
  - **Improved finished goods inventory accuracy from 96 to 99.9 percent**
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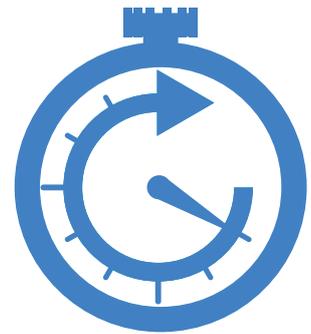
With no full-time database administrator at LBCL, the company monitors and manages its database through the integrated SAP Cockpit for DB2. This intuitive interface allows all but the most technical tasks to be completed from within the SAP environment, and IBM Global Business Services provided comprehensive skills transfer to ensure that LBCL can maintain its systems at peak performance.

### **Achieving success in less than six months**

With the new SAP and DB2 solutions in place, and experience gained over the first year of full production, LBCL has been able to eliminate many standalone line-of-business applications.

Importantly, spreadsheets are no longer used as source data, and SAP ERP applications provide the much-needed single, authentic view of finance, management, operations and processes.

In 2013, the project won two major awards in the India/South Asia (ISA) region, with both IBM Sri Lanka and LBCL scooping up the SAP ACE Awards for Best Run Implementation – Medium Enterprise. The migration and implementation was completed within the promised budget, and on schedule.



Reduced Order-to-Cash cycle by 40 percent

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### **Highly integrated processes**

The implementation of SAP ERP enables LBCL to benefit from joined-up processes, greater automation and deeper insight across all of its operations.

In the near future, the company plans to deploy new web-enabled equipment for packaging and waste-water management, and SAP Manufacturing Integration and Intelligence will provide a direct interface to this new equipment.

This will allow continuous online monitoring – replacing existing manual and paper-based reporting – with the ability to analyze data over time and make continuous improvements. By integrating its SAP environment with its

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“The transition was very smooth, and with exceptional assistance from IBM Global Business Services this truly has been one of the best if not THE best executed project in our company’s history.”

**Suresh K. Shah**

Chief Executive Officer  
LBCL

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sales force automation system, LBCL has streamlined and accelerated its customer complaints and defective stock processes.

The sales representative replaces the defective item with a new one, labels the defect with a unique number and sends it to the QA team for analysis, where – if the defect is accepted – the distributor stock is automatically adjusted. In addition to saving significant time and effort on all sides through integration, the solution enables LBCL to undertake trend

analysis by SKU, defect and route for improvements and due diligence.

**Brewing up opportunities for growth**

LBCL continues to roll out additional SAP solutions, focusing on information and analytics. As the company drives its expansion throughout the region, new abilities to understand and analyze information will be key to enabling visibility of future orders, which can be fed directly into production planning and process optimization.

The combined solution has reduced procure-to-pay cycle time by 20 percent, and cut order-to-cash process time by 40 percent. For a business where stock control is critical, LBCL has gained deep visibility into every step in the supply chain. Such data transparency enables total control over all facets of production and distribution activity, helping LBCL keep a tight rein on costs and boost profitability. For example, month-end financial closing time has been cut from six days to one, and more than 70 manual reconciliation processes have been eliminated. These process efficiencies help to provide the solid foundation to drive growth and support successful expansion into new regional markets.



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“With assistance from IBM Global Business Services, LBCL now operates as a fully integrated company.”

### Kasun Jayamaha

Manager – IT  
LBCL

“As well as delivering technical excellence, IBM Global Business Services identified the organizational changes we needed to make to maximize the value of a modern ERP solution,” comments Mr. Kasun Jayamaha. “With assistance from IBM Global Business Services, LBCL now operates as a fully integrated company.

“Some of these technologies lead the country and the brewing industry, and this deployment is certainly first of a kind in Sri Lanka. At any moment, we now know our stock position to within 99.9 percent accuracy, and can access up-to-date information on supply chain, deliveries, logistics, distribution and production status and capacity. When previously we would struggle to understand our costs, today we have instant visibility of every step in

the production chain. “With integrated business processes based on SAP and IBM DB2 solutions, supported by IBM Global Business Services, Lion Brewery now has total control over production, distribution and profitability, and is poised to lead the regional beer marketplace.”

Suresh K Shah, Chief Executive Officer of LBCL, comments, “Our previous ERP system, which had been in place since 1999, was replaced with SAP ERP, which comprehensively integrates end-to-end operations across the supply chain in a single, transparent system.

Our team’s single-minded focus, drive, commitment and passion towards this project allowed us to complete the core ERP ECC6 implementation, including the interfaces to both the sales force automation solution and the internal corporate systems, within 5½ months – one of the fastest implementations in the region. We are also the first brewery to implement SAP Mobility solutions.

“The transition was very smooth, and with exceptional assistance from IBM Global Business Services this truly has been one of the best if not THE best executed project in our company’s history.”