

CUSTOMER SUCCESS STORY

FRÄNKISCHE ROHRWERKE GEBR. KIRCHNER GMBH & CO. KG



With macs complete, the company Fränkische Rohrwerke has implemented a business management tool that enables consolidated planning for multiple production variants in 13 plants.

Correct Costing to start with Accurately determine intercompany effects – sensible planning of cost, capacities and contribution margins

Fränkische Rohrwerke Gebr. Kirchner GmbH & Co. KG develops, produces and markets pipes, shafts and system components made of plastic and metal. The product range includes solutions for drainage, electrical, building services, automotive and industry. More than 1.5 million meters of pipe leave the plants every day.



With production and sales locations, the family-run company is now represented in seventeen countries. Not only do manufacturing costs count but the regional geographic advantages come into play as well. In order to guarantee an effective supply chain, short distances are a must for automotive or construction customers.

In order to manage the entire enterprise, decisions are required constantly: Which plant can deliver which products in which quantity at what price? How can an optimal supply chain

be built from this? The data of all individual locations must be evaluated in terms of prices, cost of supply chain and contribution margins for the overall assessment and decision making. In addition, there are variable factors such as raw material prices. With its organic growth, the company has developed principles in financial and operational planning to manage productivity and profitability.



ERP vs Reality

The existing ERP system uses a preferred production variant. That means that for the procurement of each product, information is stored by plant, producing work center machine and the materials required to produce it. With the same item being produced at several plants, complex intercompany effects become a headache for the financial controllers: Does the company manufacture in Germany, France or the Czech Republic? Will there perhaps be additional WIP items required from China or Romania?

"It was precisely this variety of possibilities that we wanted to make transparent for

decision making in financial planning and analysis," says Rainer Meyer, Head of FP&A at Fränkische Rohrwerke. "That's why we switched from a simple costing to a weighted average costing in 2013."

For this step, the company requested the services of **macs Software GmbH**. These specialists offer state-of-the-art intercompany costing based on standard marginal costing.



What is the intercompany issue?

Companies with several production sites often face a dilemma in their planning: Each location uses more or less good costing accounting tools and reports its numbers to the headquarters on time. There, however, the sum of the individual business plans does not result in meaningful numbers for the group to make decisions.

Since each location prices in a margin, a different contribution margin is calculated in the production chain at the end. Likewise, the actual production and capacity planning of each location remains a "black box" for the head

office. This is a problem for serial manufacturers. The fact that important information was missing is often only shown later in the consolidated financials. Flexible and timely planning, taking into account the intercompany profit is not only extremely valuable, but with the macs solution also possible.

Supply Chain Planning of Volumes and Capacities

Based on historical production volumes of a product per plant and BOM and routing variant, average BOMs are created to start with. A sales forecast is backflushed, and capacity requirements determined by plant. Checking against customer and plant locations this historical BOM mix is modified and forecast standard cost are calculated for forecast profitability calculations.

Cost transparency via paradigm shift

A planning approach that solves the intercompany effects convincingly requires rethinking and the willingness in the company to make a combined effort so that the processes for smooth data exchange are defined and established as a once off effort.

The Company

Fränkische Rohrwerke
Gebr. Kirchner GmbH & Co. KG

Industry:

Suppliers of plastic pipes, shafts and components for the motor industry

Employees

Germany 1.680/ Worldwide 2.800

Contact Details

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