

Lola Cars Boosts its ERP Costing Accuracy

Lola Cars unique production operations are as fast paced as the race cars it builds at its state-of-the-art engineering facilities in Cambridgeshire. To match the dynamic nature of its business, and help management decision making, it required an accurate costing system based more on actual rather than standard costs. This, and other key benefits, have been achieved by upgrading from Micros for Windows ERP software to K3 Business Technology's Smartvision.

([PRWEB](#)) March 18, 2005 -- Lola is the world's leading manufacturer of customer race cars. Taking its name from a popular Broadway song, the first Lola made its debut in 1958 and soon became the leading customer sportscar of the era. Lola quickly established itself throughout the racing world, building off-the-shelf cars for for the world famous Indianapolis 500 which it has won three times. Lola has also commissioned designs from Formula 1 to Le Mans, as well as working with major manufacturers such as Nissan, Ford and MG Rover.

The company has a 200-strong workforce and its Cambridgeshire facilities include a 50% rolling road wind tunnel and an advanced vehicle dynamics 7-post test rig, both of which are commercially available. On site facilities also include low-volume production line and sophisticated CAD/CAM software. Lola's affiliate companies also contribute to a wide range of non-automotive projects and, as well as providing Lola Cars' composite needs, supply composites to aerospace, defence and civil engineering industries.

The company had been using K3's Micros for Windows (MFW) system integrated with Great Plains financial software for many years. It decided in 2003 that while the system successfully met Lola's needs in terms of MRP and transactional processes, its standard costing module was not suitable for a changing production environment. "The module requires a high level of maintenance in the form of costing data input. We wanted something that gives us close to actual costs, minimum data input and to be self-maintaining," says Management Accountant David Liddiard.

Lola's small batch, make-to-order manufacturing operations have a high level of complexity, with multi-level bills of materials (BOM) that are continuously changing to reflect what is happening to the race cars being built on the shopfloor. In this situation it is difficult and time consuming for costings to keep up with developments.

"Our holy grail is getting the most accurate costs possible to produce our race cars," adds David Liddiard. "And this means accommodating the cost differences between the first and final BOM. However, with standard costing, and in a situation where the first production batch is practically a prototype, a tremendous amount of work had to take place to set up the master parts records. This included someone having to make a judgemental costing value based on whether we would buy or make the part in batches of 10, 20, 30, or whatever. And because set-up times have such a major impact on our unit costs there were major inaccuracies when we inevitably made less than the maximum batch size. We had so many numbers coming out of the system for price variances that the situation was getting out of control."

The management team asked itself how it could get more out of MFW. Part of the purchased parts functionality of MFW is Average Weighted Costing (AWC) which is exactly what Lola wanted for costing materials and labour in the manufacturing area. It decided that the cost and risks involved in implementing a new ERP system was not a feasible option, particularly as it had been using the system successfully for many years and didn't want the upheaval of changing it.

"So, given that the transactional processing and other functionality worked well with MFW, and we wanted to retain the way we did business, we discussed with K3 the development of AWC. K3 agreed to partner with us on the software's development, especially as it was in the process of a major upgrade of MFW to Smartvision. I think they could see a positive advantage in offering small to medium size businesses a robust system with the option of standard costing or AWC.

"K3 did a good job with Smartvision and has developed a powerful product," says David Liddiard. "Costing now takes care of itself and we have saved an enormous amount of time as the system is self-maintaining. AWC reports transactions that have actually occurred rather than what the BOM says should happen. And we don't have to make judgemental decisions in terms of estimated costs and standard labour hours. Instead, the system takes the cost from the purchase order at the point of receipt and averages it out based on the number of parts in stock and their value. Similarly, labour costs are averages of the actual hours taken to complete the job.

"Previously, we had a credibility problem with costs but now there is strong feeling of confidence. The focus now is on what is really important and identifying the key cost drivers so that we can, for example, analyse why one car takes more hours to build than another. This gives us the true cost of production - real pricing information to help our decision making when quoting for new jobs and meeting our cost targets."

The company has also benefited from a range of other features introduced with Smartvision. The new system is designed to allow users to interrogate the transaction tables, so Lola is now able to do a variety of ad hoc enquiries more easily. Smartvision Summaries, for example, is a fast way of searching through large amounts of data and an easy way of taking information out of the system for external reporting and analysis, which would otherwise entail a lot of programming. It works in an intuitive Windows manner using Excel-type grid displays which many users are familiar with. David Liddiard elaborates: "We haven't yet scratched the surface in terms of all its functionality, but what it is particularly good at is empowering users. They don't always want to download information out of the system into Excel, so the basic tables can be set up and they can run it themselves to keep on top of the transactions."

Smartvision's Alert Manager module is also finding favour at Lola. Alert Manager automates the process of running reports and proactively informs users by email of the latest status of all areas, based on user-defined criteria. Alert Manager can run any industry standard Crystal report and email task and action lists on a regular basis in formats such as PDF, Word and Excel. It is very specific and focused on the people who really need the information.

David Liddiard adds: "We use it extensively for exception reporting to email people when a new component has been put on the system or incorrectly set up. In addition, there are a whole raft of production reports alerting managers to things like variances on the issued parts compared to the BOM and delivery due dates. Basically, the emails are telling them what needs doing immediately to make things happen. Our purchasing and production schedulers have found it a great tool for stopping problems escalating and delaying deliveries to our customers. It's not rocket science but is a good use of technology and, like AWC, is automated and self maintaining - so you let the system do the work for you."

Notes to Editors:

K3 is a publicly quoted company (London: KBT.L) and was formed out of the Enterprise Resource Planning software division of Kewill Systems just after 2000. As software authors for ERP and accounting software, K3 has a turnover of circa £10m and has approximately 1600 customers in the UK and abroad. SmartVision CRM, based on the standard Microsoft CRM application, is a product specifically developed for the



manufacturing and supply chain industries over and above standard Microsoft CRM.

K3, a Strategic Microsoft Partner, is currently embedding its manufacturing ERP software SmartVision with the standard Microsoft CRM to develop a combined suite of CRM and ERP web-enabled applications. In addition, K3 is able to provide consultancy, project management, training, bespoke software services and systems integration. For more information please visit www.k3btg.com

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