



## ABOUT AUSTAR

Established in 1995, AUSTAR's television business is the company's core business. Since its establishment, AUSTAR's television subscriber base has grown to more than 601,126 (as at 31 December, 2006), ranking it as Australia's second largest subscription television operator (behind FOXTEL), and the largest operator in its market of regional and rural Australia.

AUSTAR's mobile telephony business, AUSTAR Mobile, was established in 2000. At June 30 2005, AUSTAR had approximately 30,000 mobile customers. AUSTAR's dial-up internet service, AUSTARnet, was established in 2000. At June 30 2005, AUSTARnet had approximately 43,000 internet customers.

AUSTAR has a 50% stake in XYZnetworks (a 50/50 joint venture with FOXTEL). XYZ is the exclusive owner and/or distributor of eleven key programming channels.

## Snap Shot

### Industry:

Subscription television operator & Mobile telephony business

### Scenario:

The system previously used by AUSTAR was unable to drill down to the level of detail required to effectively manage inventory which led to issues of lost inventory, not knowing what was needed or when to buy replacement stock. With 30,000 item movements a day and annual inventory budget in excess of \$30m, this presented a serious problem.

### Solution:

AUSTAR implemented Microsoft Dynamics AX

### Benefits:

- Significant cost savings
- Full visibility of inventory
- Reverse logistics
- Detailed reporting

### Software:

Microsoft Dynamics AX (Axapta)

### Implementation Partner:

Professional Advantage



## Problem

AUSTAR was using its existing customer care & billing system to also manage its large inventory of subscription TV boxes, cables, remote controls and other items. The system was unable to drill down to the level of detail required to keep track of these items which led to issues of lost inventory, not knowing what was needed or when to buy replacement stock. With 30,000 item movements a day and annual inventory budget in excess of \$30m, this presented a serious problem.

Key personnel at AUSTAR decided that a specialist inventory solution was required and began the process of evaluating alternative systems. A shortlist of five solution providers was created and each was asked to present onsite.

## Solution

After evaluating each of the presentations, AUSTAR chose Professional Advantage (then Moore Stephens Technology Brisbane)'s Microsoft Dynamics AX solution as it was able to manage the regular supply chain as well as reverse logistics (when customers returned units or contractors returned damaged equipment). The Professional Advantage solution also required significantly reduced investment than the others.

A big advantage that Microsoft Dynamics AX version 3.0 had over its competitors was that it provided the ability to develop corporate reports detailing inventory holdings in each region, down to individual contractor level.

These reports were able to pinpoint how long stock had been there, provide visibility of freight consignment, automatically

update inventory movements and allow the AUSTAR Supply Chain and Logistics team to proactively manage inventory orders and dispatches.

The reports also meant reconciliation of serialised and aged inventory was much easier.

## The Implementation

The Microsoft Dynamics AX pilot began in August 2005 and went live in November 2005. It operated in parallel with the existing system until July 2006, when the final switch over took place.

The implementation had some initial problems with performance due to the amount of inventory movements in a day. These were resolved once it was decided which items of inventory were to be included.

"When you consider we move around 24,000 serialised inventory items every day and use third party contractors to manage it, you could say we faced a few logistical bugs during the implementation," Mr Schulstad, AUSTAR's Supply Chain and Logistics Manager said. "Added to that complexity was a complete change in AUSTAR's Supply and Logistics team during the implementation which meant that the people who wrote the specification of the tender were no longer there!"

"We were very impressed with how Professional Advantage worked with us through these issues to find a solution. Without such close co-operation, we would not have had such a successful implementation," he added.

## Benefits

"The biggest benefit from the new Dynamics AX system is that it has paid for itself inside 12 months," Mr Schulstad said. AUSTAR's previous system was never able to manage the finer details on stock as well as the new Microsoft's Dynamics AX system does. AUSTAR uses nine contractors (including freight companies) who bring information into Dynamics AX via 30 files a day that require different validation rules. With Dynamics AX, all these formats are accepted and validated using different logic pathways allowing Malcolm and his team to see if equipment breaks on installation, understand why it broke and improve production quality.

Dynamics AX also allows full visibility of inventory. Though contractors have 400 people on the road with a multitude of inventory items in vans, Mr Schulstad can see where they are and what they have as well as understand ordering patterns and stock levels. He can monitor stock that is physically lost or missing within the organisation. It also covers non-serialised items that contractors would over order, leading to wastage and over supply.

"The ability to manage our equipment inventory effectively is the cornerstone to AUSTAR's business model. It will allow us to introduce more expensive equipment that won't become a liability by disappearing or gathering dust in the warehouse."

Overall cost savings from Microsoft Dynamics AX implementation come close to \$1.7 million per annum, including:

- drilling down through multiple levels of detail to identify the location of inventory to the individual person physically in possession means greater accountability;
- tracking serialized inventory items in transit to and from warehouses and field installation contractors reduces the incidence of lost inventory;
- a significantly greater history on the movements of inventory by date of movement rather than system processing date (i.e. real time); and
- segregating different inventory models and knowing each item's age improves customer service levels.

Some of the key findings from the last 12 months:

- Current leakage rates are now less than 0.1%. Previous leakage rates were approximately 1.2% per annum or 7747 decoders. Leakage has effectively been eliminated or charged back to third party contractors representing a saving of \$1.16 million per annum
- Previously missing inventory is now being identified and recovered due to the level of detail on inventory movements that Axapta provides - at 0.006% per month, this equates to 460 decoders and smartcards per annum or \$68,500 per annum

- The ability to identify equipment failures at the point of installation and recover costs from the warehouse is currently estimated at \$10,000 in savings per annum
- The ability to identify incorrect equipment installations due to faulty technician training and recover costs from contractor companies is currently estimated at \$302,000 per annum
- The ability to proactively manage non-serialised items and control non-serialised inventory leakage is currently estimated at \$500,000
- The ability to report and streamline the management of forecasting and procurement of inventory is estimated at \$43,000 per annum

## The Future

Mr Schulstad said, "Microsoft Dynamics AX provides AUSTAR with the tools to aggressively pursue best practice in supply and logistics and target world class levels of performance."

While the benefits to the business have been measured in the millions of dollars, AUSTAR did not anticipate the level of detail they would see in the reports. This detail has revealed other issues to fix which are being prioritised currently.

In the future, AUSTAR also plans to track its 6000 repairs a month through Dynamics AX in order to pick trends in equipment failures that can be addressed with more education or improved product design.

Other future considerations for AUSTAR include buying the demand planning, purchasing, and forecasting modules from Professional Advantage.

"It is only when you implement a system like Microsoft Dynamics AX that you realise we weren't really managing our inventory previously. With our new system we can now manage the complete lifecycle of our equipment and hold contractors completely accountable for stock in their possession," Mr Schulstad concluded.

## About Professional Advantage

Professional Advantage was established in 1989 and today employs around 250 people in Sydney, Melbourne, Brisbane, London and Fargo, USA. The company is the largest provider of leading brand global business management systems, such as financial management, ERP, CRM, retail, and business intelligence, to midsize organisations in Australia, supporting over 850 clients nationally. Its multi product offering is complemented by its development, systems integration, consulting, training, and support services. Professional Advantage is the winner of many business and vendor awards, including Microsoft Global Customer Care Excellence 2006, Epicor ANZ Reseller 2005, Epicor Global Vertical Market Solution 2005 for Senior Living Solution, Microsoft Inner Circle and President's Club Member 2006 and SunSystems Asia Pacific Partner for 2005.

The company's clients include medium to large public and private companies and government departments.

For more information go to [www.pa.com.au](http://www.pa.com.au).

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