

# THE LUMENE GROUP RELIES ON

## automated cash flow forecasting



The redder the women's lips, the tougher the economic times. This so-called lipstick index is based on a theory that consumers turn to less expensive indulgences when they are uncertain about the future. Instead of lipstick sales, Lumene Group has witnessed a growing global demand for all their cosmetics products which use arctic plants as raw materials. In the expanding business, automated liquidity management and forecasting play an important role.

A small but bold challenger in one of the world's most competitive business areas Lumene was the first cosmetics company in the world to start using hand-picked wild berries in its products in 2001, kicking off a trend that many others have later followed. The company slogan – The Power of Arctic Nature – expresses its ideology: natural plants contain considerably more nutrients

***“We run an international business with a small number of staff. It is thus important to have good cooperation partners and tools that make the work easier; automated liquidity management and forecasting is such a tool.”***

*Marjut Artimo, Treasury Manager at Lumene Group*

and antioxidants than corresponding varieties that are cultivated or grown further south.

This concept has proven successful on international markets. The company's products are already sold in 12 major retail chains across the USA, in altogether 14,000 retail outlets. In Russia, the brand can be found in over 3,000 stores. Lumene is also sold in Sweden, Estonia, Ukraine and Chile, among others.

*“The cosmetics industry is one of the world's most competitive business areas. Compared with the global giants, Lu-*

*mene is a small but bold challenger,” says Marjut Artimo, Treasury Manager at Lumene Group*

There is constant pressure from consumers to renew the product range. To fulfil their needs, the R&D people forecast the upcoming trends and match the products with them or alternatively create a whole new trend by launching a breakthrough product.

*“We have a wide product range and over 1,000 different stock-keeping units. This amount creates challenges for product life cycle management, working capital*

**Challenge**

- » Having a wide product range which is constantly renewed creates challenges for Lumene’s product life cycle management, working capital management and eventually for liquidity management.

**Solution**

- » OpusCapita liquidity management and forecasting have decreased the amount of manual work, increased the amount of valuable information, and thus made operations more efficient.

management and eventually also for liquidity management.”

**One report says it all**

Since 2007, Lumene’s cash flow management has been automated with OpusCapita’s Liquidity Management system, which collects cash flow information from the group’s bank accounts and the ERP system. Reports help to monitoring the group’s cash position and its division between the subsidiaries.

“Our ERP system does not provide us with information in the format we need, so the liquidity management system has helped us in this respect,” Artimo points out.

The major currency risks for the group arise from the Russian rouble, US dollar and Swedish krona, and these exposures are also hedged. The automated system is used to follow the group’s currency position and currency flows.

“Both the US and Russian markets are huge, and they have their own peculiarities with

regard to payments and customers’ payment behaviour. We have to understand all these factors and their effect on cash flow and cash flow forecasting,” she says.

**Looking forward instead of looking back**

Cash flow forecasts are made almost daily at Lumene on a rolling 60-day basis. The cash flow report and longer-term liquidity forecasts are an essential part of the monthly reporting package for the management and the board of directors.

“They are also important for our financial covenants. One of our result indicators linked with them is the cash flow cover ratio. No company wants to have problems with covenants in the present financial situation, since it might mean a new round of negotiations with the bank about the cost and availability of funding. Liquidity forecasting enables us to follow and forecast our cash flow carefully and ensure that we reach our targets,” Artimo says. “The perspective has changed. In the past, the emphasis was more on following the

actual figures, but now we are interested in the future and where the discrepancies between the forecasts and actual figures arise from. I am looking forward to the new 4G version of OpusCapita’s Liquidity Management which features web access. We might expand the use of the automated forecasting system to our Russian subsidiary as well.”

**More information, better process**

Artimo appreciates the ease of use and reliability of automated liquidity forecasting as well as the time savings. Having a tool that provides more and better information than spreadsheets has clearly changed her work, too.

“It has increased my awareness of many things. Now I know which of our customers always pay on time or use the cash discount, and the amount of overdue receivables at a given time. By enabling me to dig deeper into various levels of events, automated liquidity forecasting improves the whole liquidity management process,”

**LUMENE**  
FINLAND

A beauty and well-being company with two brands: Lumene (skincare and colour cosmetics) and Cutrin (professional haircare products). Net sales EUR 85 million (2011), of which 50% from Finland and 50% from international markets. About 530 employees, 330 of whom work in Finland where the factory is located. Subsidiaries in the USA and Russia. Owned by Langholm Capital LPP 79%, CapMan 13%, and management and the other shareholders 8%.

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