

Case Study

ConAgra Foods SAP Logistics Process Re-engineering

Solution Overview

Industry

Retail/Commercial Food
Manufacturing

SCM Area

Post-manufacturing
distribution logistics
SAP Integration
Manugistics Integration
Red Prairie Integration
AS400, Mainframe and Java
development

Business Issue

Merging of multiple, business unit-
centric transportation and
warehousing organizations into an
efficient, Integrated Logistics
organization, servicing the
enterprise-wide finished goods
distribution needs.

Solution

Provided functional transportation,
distribution, customer service,
inventory, and finance subject
matter experts and senior project
leadership skills that managed the
solution implementation and rollout
services over a three year period.

Benefits

Creating processes managing
transportation, distribution center
operations, streamlined customer
service functionality, and improved
supply chain visibility allowed the
client to restructure its entire
finished goods distribution network,
realizing \$166M annual savings.

ConAgra Foods relocated existing transportation and warehousing operations staff to suburban Chicago, completing the first step of a major enterprise conversion of its logistics function. Taking its existing processes and technologies, a project team was assembled by Encore to begin the re-engineering effort of the initial business unit conversions.

The Challenge

In many enterprise-wide initiatives, the areas that require the most focus because of their ability to increase risk are: business process, technical environment, financial impact, and change management. Analysis of the initial business units showed that there was not a significant difference in the order fulfillment and forward replenishment processes. The technology selected was new to the client (comprising SAP, Manugistics, and Red Prairie), but had been implemented in numerous other food manufacturing and distribution environments. The cost outlay and expected savings were solid, if not conservative. The real challenge was in the management of expectations of the business units, which took the role of the internal customers during these initiatives.

As this initiative was the first enterprise activity that touched the client's customer, the business unit senior management teams were very concerned that minimum service level agreements (SLAs) with their customers did not change. This expectation was the most significant hurdle, as the design of the new network required significant changes to the SLAs in the form of combining orders from different business units at the distribution centers, consolidating orders to the same customer onto outbound trucks, for delivery to customers. These changes were initially resisted by the Sales and Customer Service teams because the changes did not benefit all of their customers and improve all of the logistics costs. Upon recognition of these senior-level push backs, the project leadership engaged the Integrated Logistics senior management team to help push the benefits to the company that outweighed isolated

incidents of equal or lesser cost benefits or service to the customer. This attention to change management was instrumental to the success of the early stages of these initiatives.

The Solution

The first resources Encore provided this client were subject matter experts (SMEs) to support the early testing of the initial standard operating procedures and training documents. These SMEs were experts in Manugistics and SAP transportation planning, execution, and freight payment processes, order fulfillment and inventory control processes, Red Prairie warehouse operations, and financial reconciliation processes. As the need for additional resources grew with the project, Encore demonstrated the ability to source supply chain-experienced functional and technical SMEs and senior project managers. As the second phase began its Scope and Design steps, Encore assisted the client in their effort to use client-employed resources leading the newest initiatives while Encore transitioned resources to backfill support positions and complete the remaining tasks.

The Benefit

The first phase of this initiative was to cost approximately \$50MM to implement, and return a reduced operating cost of \$33MM annually. It was completed on time and under budget, with first year savings calculated at \$33.5MM. The long-term benefits of this initiative were realized in the secondary and tertiary phases, with new transportation, warehousing, inventory, customer service, and financial SOPs and systems. These next phases would generate approximately \$133M in annual savings against the baseline operating costs through similar process improvements, operational cost reductions, and expanded procurement leverage in transportation and warehousing services. The success of the initial phase gave confidence to the senior leadership team that these changes would put the company in a position to transition themselves from a group of independent business units to an organization that generates efficiencies from their combined size and leverage.