Foresight Consulting, Inc. Case Study

Client: Kraft Foods Inc., Northfield, IL
Industry: Food Service

Kraft Foods Inc. (KFT - NYSE) is engaged in the manufacture and sale of packaged foods and beverages both in the United States and internationally. The company's products are sold to supermarket chains, wholesalers, distributors, convenience stores, and other retail food outlets. Kraft Foodservice, a division of Kraft Foods, has been serving the food service industry for nearly 100 years. The division has evolved and grown stronger with the additions of the Oscar Mayer, General Foods, and most recently, Nabisco foodservice.

Challenge:
The National Equipment Center is a business within Kraft Foodservice, which handles Orders, Accounts Payable, Work Orders, Purchase Orders and Warehousing applications for beverage equipment for all of the United States. There are seven different functional components comprising NEC. These are: Service Agents, Manufacturers, Freight Carriers, Sales Staff, CEMA (Customer Equipment Merchandising Associate is an employee that visits the consuming account to collect information about the account, check on the Kraft equipment and leave merchandising material), Warehouse and Call Center. Before they came to Foresight, NEC's existing Microsoft Access system was severely overloaded and very labor intensive. Customer Service lockouts and server reboots were a daily occurrence. All Orders (with no approval process), Purchase Orders and Work Orders were processed via FAX and manually entered into the system. All Accounts Payable were mailed to the Call Center, processed by AP staff and then entered into the system while separately selecting the General Ledger to charge costs. Every invoice received was reviewed and approved manually. No systematic edits existed to validate items such as equipment and parts prices, service agent labor rates, and other charges. Limited follow up was performed manually outside of the system. The Sales Staff, CEMA, Freight Carriers, Manufacturer and Service Agents had no view to their information and no reporting was available. No measurable metrics could be used in calculating efficiency for any of the functional areas. The system was inadequate for asset tracking with limited inventory control, no forecasting of equipment purchases, and a manual refurbishing process in disarray. Current inventory was inaccurate and returned equipment was creating a backlog.

Foresight Solution:
Foresight developed a web-based logistical application that is event driven. It employs a self-policing method of follow-ups and alarms that replaced many manual processes. We designed this custom solution utilizing .Net and SQL Server. This was Kraft's first .NET application and it would empower over 500 users across the United States with secure 24/7 access to the system. This application went through the entire product life cycle from analysis and feasibility, to design, development, implementation and support. **Foresight was the complete outsourced solution for this project, which saved Kraft Foods over $8 million in the first three years alone.**

This new system integrated all functional areas of NEC. Sales staff now has full access to the Customer database and full view to all Orders and Work Orders associated with the accounts. It allows Manufacturers to view all orders dynamically. Service Agents choose their method of communication and receive Work Orders automatically via FAX, Email, or Web Service. Manufacturers, Service Agents and Freight Carriers now have the ability to enter their Invoices directly into the system, integrate their internal system with Kraft's via Web Service or mail them into Accounts Payable. The Freight Carriers are now notified in real time of pending shipments to plan for shipment pickups and deliveries. Complete warehouse management functionality was incorporated into the system to include order fulfillment and inventory tracking. All business partners now have a view to live invoice status. CEMA employees can now plan their daily account visits to increase efficiency and generate and electronically submit call forms to update the system with the latest asset maintenance records.

Foresight reengineered this application from the ground up. The database was redesigned in a hierarchical structure to allow for unlimited growth. Role-based security was implemented to allow screen access based upon role definition. A process flow of screens and functions was incorporated to accurately reflect the information flow between departments and vendors. Foresight then designed a dynamic reporting system that enables the user to run predefined reports and dynamically create and save custom reports in a data warehouse.

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Benefits:

Order processing and account retention are at an all time high. Management now has an accurate view of assets in their inventory and at customer accounts at all times. Accounting now has controls in place to audit and manage prices. They can view actual book value and service records of these assets in real time.

Account sales representatives have been empowered with up-the-minute information about their accounts at their fingertips. They receive have immediate feedback from Service Agent calls and CEMA calls, the ability to create their own reports as needed and the ability to process their own Orders. These orders now go through an automated approval process with edit parameters defined. Inventory is checked first to ship refurbished equipment when available.

Purchase orders are issued to manufacturers and orders ship automatically. Manufacturers now have the ability instantly to see purchase orders that have been submitted to them from Kraft. Order fulfillment is no longer a labor intensive process. Manufacturers and service agents are rewarded for meeting service levels. They can enter their invoices directly into Kraft's system, and as long as they remain within set defined parameters, payment is authorized automatically. The Accounts Payable department, the biggest bottleneck in the past at NEC has virtually been eliminated.

Freight Carriers have immediate notification of when they will be receiving equipment from Service Agents to help improve dispatching and shipping efficiency. Data is exchanged with the freight carrier via web services so the turn around time on shipping and payment has been dramatically decreased. The CEMA process used to be completely manual. Call sheets were faxed to NEC and then data entered into the system. CEMA support costs including, staff, shipping, lost opportunities and turnaround time have all decreased dramatically.

The customer service call center boasts perhaps the most noticeable improvement in efficiency due to the new system Follow Up Queue. This series of screens is used by many different roles, or categories of users. Based upon the role of the user signed on, the main screen shows a real-time system generated "To-Do" list. This list includes items that need to be followed up on by user, team and priority. We integrated a telephony solution into the application that provides screen pops when a customer calls in. It matches caller data against the database to populate a screen with account and equipment history before the customer service agent even answers the phone.

Since Foresight's solution has been implemented in production:

- Previously, 60,000 invoices were processed manually. In the new system, 75,000 invoices are processed annually and 81% of those are processed automatically through the system using validations and control parameters. Only 19% require manual review prior to authorization.

- Previously, 24,000 order items were processed manually each year with very limited approvals, no refurbished inventory check, and no follow up. Equipment orders submitted by the sales force were not subject to review or approval by sales management, all were processed and placed.

  In the new system, 29,000 order items are processed systematically each year. Every item is first checked against available refurbished inventory, product volume is compared with equipment already at the account, and automated real-time edits and approvals are applied within an allowable tolerance.

- Previously, 54,000 work order items were issued per year manually. In the new system, 79,000 work order items are processed each year after applying editing, auditing and product verification.

- The Accounts Payable department at NEC was completely eliminated, and the AP function now conformed to standards acceptable to be handled by the national Kraft AP facility in San Antonio, TX.

- NEC was able to reduce Call Center Staff by 38% while achieving record volume and compliance.