



# CONAGRA FOODS

## OPTIMIZING INVENTORY WITH SAP® SOFTWARE

### QUICK FACTS

#### Industry

Consumer products – packaged foods

#### Revenue

US\$12 billion

#### Employees

24,500

#### Location

Omaha, Nebraska

#### Web Site

www.ConAgrafoods.com

#### SAP® Solutions and Services

SAP® ERP application; SAP Supply Chain Management application; SAP Enterprise Inventory Optimization application by SmartOps

#### Implementation Partners

IBM Corporation, SmartOps Corporation

ConAgra Foods Inc. is one of North America's largest packaged food companies. Among its most popular brands are Healthy Choice, Chef Boyardee, Hebrew National, PAM cooking spray, Egg Beaters, Orville Redenbacher's, and Slim Jim. The company also provides food and ingredients to major foodservice establishments and commercial customers worldwide. ConAgra Foods' brands and products help fill the pantries of 95% of America's households.



#### Key Challenges

- Improve revenue, earnings, and return on investments
- Reduce operating costs and working capital
- Improve days in inventory, store in-stock rate, forecast accuracy, case-fill on-time rate, and metrics for weekly production-cycle achievement
- Migrate from 8 planning organizations to an enterprise structure with a single, unified strategy
- Replace 11+ supply chain planning applications with 1

#### Implementation Best Practices

- Strong executive support from ConAgra Foods Inc.
- Deep involvement of business process owners and planning community in implementation
- Use of proven implementation methodology from SmartOps Corporation and ConAgra Foods

#### Financial and Strategic Benefits

- Significant reduction in inventory costs
- Improved customer satisfaction
- Improved capacity planning and adherence to schedule in manufacturing
- Reduced expediting costs in transportation
- Improved productivity through automation of manual processes

#### Why SAP Was Selected

- Leadership in the consumer packaged goods industry
- Support for supply chain management and planning
- Superior functionality for inventory optimization
- Ability to model production constraints, batch size requirements, bills of material, and variability

#### Low Total Cost of Ownership

- 7-month implementation of SAP® Enterprise Inventory Optimization application by SmartOps on schedule and within budget
- Legacy system retirement with all 11+ to go by 2008
- Minimal ongoing IT support requirements
- Integrated supply chain planning and governance infrastructure, minimizing need for custom interfaces
- Platform for ready incorporation of new applications

#### Operational Benefits

Key Performance Indicator	Impact
Days in inventory (finished goods)	-7%
Store in-stock rate	+0.7%
Forecast accuracy	+30%*
Case-fill on-time rate	+0.2%

\* Average of most recent 12 months

“Our SAP software . . . supports our strategy to drive supply chain efficiencies, enhance planning, and improve our ability to meet customer needs.”

**Bob Masching**, Vice President, Sales and Operations Planning, ConAgra Foods Inc.

[www.sap.com/contactsap](http://www.sap.com/contactsap)

## ConAgra Foods Transforms Its Supply Chain

ConAgra Foods Inc. became one of the leading suppliers of consumer packaged goods by doing an excellent job of popularizing many of the most recognizable brands on store shelves around the world. In 2006, to achieve similar levels of excellence in business processes, ConAgra Foods' senior executives launched a major three-year company-wide initiative for unifying its fragmented organizations into a single enterprise. ConAgra Foods set top-level goals that were ambitious: to substantially improve sales and earnings while cutting costs just as dramatically.

ConAgra Foods knew that one of the most promising avenues was to improve performance in the supply chain, especially one of its key components, inventory. Therefore the company established detailed goals for improving key supply chain metrics, starting with a significant overall inventory reduction. Case-fill on-time rate, a measure of ConAgra Foods' ability to satisfy retailers' orders from inventory, had to reach the top quartile of the industry, as did forecasting accuracy. At the same time, ConAgra Foods' store in-stock rate, a measure of retailers' ability to satisfy consumer demand from stocks of ConAgra Foods products in stores, had to increase dramatically. Achieving improvements in all these areas at the same time is especially challenging, since smaller inventories tend to make it more difficult to meet demands.

## SAP Software Optimizes Inventory

ConAgra Foods' first step in improving the supply chain was to examine IT, where more than 11 disparate systems were playing roles in supply chain management. None of these systems, however, were from SAP, whose software runs several of ConAgra Foods' enterprise business processes. The company's first order of business was to select a single, integrated application suite to replace them all. It found what it was seeking in the SAP® Supply Chain Management application and the SAP Enterprise Inventory Optimization application by SmartOps. These applications work smoothly with each other and all of ConAgra Foods' SAP applications. They also provide all the functionality ConAgra Foods was seeking, especially in the area of inventory optimization.

Experts from SmartOps Corporation, an SAP software solution partner, played key roles in the implementation. Using the proven implementation methodology from SmartOps and ConAgra Foods, they met a seven-month schedule for implementation of SAP Enterprise Inventory Optimization while staying within budget. Soon the company began retiring legacy systems.

## First-Year Results Are Right on Plan

Just a year into the project, ConAgra Foods is making excellent progress toward achieving its goals. The company has increased its forecasting accuracy by 30%. Case-fill rate is up by 0.2% and store in-

stock rate by 0.7%, improving both revenue and customer satisfaction. Finished goods inventories in targeted operations are 7% smaller. By dynamically and automatically updating inventory targets, previously a manual operation, SAP Enterprise Inventory Optimization has helped ConAgra Foods cut costs even further. Encouraged by this progress, the company is continuing to find optimization opportunities across its supply chain. John Westra, vice president of SAP integration at ConAgra Foods states, “In fast-moving consumer packaged goods, you can't satisfy demand in California with inventory in Jersey. SAP helped us solve that.”

50 085 423 (09/06) Printed in USA.

©2009 by SAP AG.

All rights reserved. SAP, R/3, SAP NetWeaver, Duet, PartnerEdge, ByDesign, SAP Business ByDesign, and other SAP products and services mentioned herein as well as their respective logos are trademarks or registered trademarks of SAP AG in Germany and other countries.

Business Objects and the Business Objects logo, BusinessObjects, Crystal Reports, Crystal Decisions, Web Intelligence, Xcelsius, and other Business Objects products and services mentioned herein as well as their respective logos are trademarks or registered trademarks of Business Objects S.A. in the United States and in other countries. Business Objects is an SAP company.

All other product and service names mentioned are the trademarks of their respective companies. Data contained in this document serves informational purposes only. National product specifications may vary.

These materials are subject to change without notice. These materials are provided by SAP AG and its affiliated companies (“SAP Group”) for informational purposes only, without representation or warranty of any kind, and SAP Group shall not be liable for errors or omissions with respect to the materials. The only warranties for SAP Group products and services are those that are set forth in the express warranty statements accompanying such products and services, if any. Nothing herein should be construed as constituting an additional warranty.

THE BEST-RUN BUSINESSES RUN SAP™

