



Natural Foods Company Streamlines Business with Business Management Solution

Overview

Country or Region: United States

Industry: Food and drug

Customer Profile

Based in Petaluma, California, Barbara's Bakery, which began as a one-person bakery in 1971, grew to become a maker and distributor of natural foods that are sold to more than 25,000 retailers in the United States.

Business Situation

The natural foods company needed to replace its aging industry-specific software with enterprise resource planning software that includes strong manufacturing and distribution components, and supports easy customization.

Solution

Barbara's Bakery customized Microsoft® Business Solutions–Navision® to support its business processes and complicated structures for retailer payments and sales commissions.

Benefits

- Streamlined business processes
- Increased growth
- Provided easy modification
- Improved reporting and analysis
- Increased accountability and competitiveness

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Dave Weber, Vice President of Finance and Administration, Barbara's Bakery

Barbara's Bakery, founded as a natural foods bakery by a 17-year-old woman in 1971, has expanded to become a major manufacturer and distributor of natural food products. By 2002, the company had outgrown its financial and distribution software, which ran on an IBM AS/400 computer. Barbara's Bakery needed a business management solution with strong manufacturing support to replace the aging, inflexible system. In 2003, the company deployed Microsoft® Business Solutions–Navision®, which works with the company's existing Microsoft Windows Server System™ integrated server software and was easily customized to support its business processes and complex payment structure. Now that Barbara's Bakery has a business management solution with real-time information, the company has improved the efficiency and accountability of its operations and expects to maintain healthy growth for years to come.



Situation

Barbara's Bakery, a leading natural and organic foods manufacturer and distributor headquartered in Petaluma, California, was founded by 17-year-old Barbara Jaffe in 1971 as a natural foods bakery. Customers developed such a taste for the young woman's products that the bakery grew rapidly. In 1986, the Jaffe family sold the successful company to Weetabix, a prominent British manufacturer of breakfast cereals.

Today, Barbara's Bakery remains a leader in the industry, marketing natural and organic cereals, crackers, cookies, snack bars, and salty snacks throughout the United States. Its brands include Barbara's Bakery, Nature's Choice, and the Weetabix and Alpen brands of its parent company. The company also manufactures snack bars for other customers at its production location in Sacramento, California.

By 2002, Barbara's Bakery, which had almost 200 employees, sold its products to more than 25,000 retailers. But it was still using the financial and distribution software that it had bought in 1989, which ran on an IBM AS/400 computer. The software, primarily intended for transaction processing, provided little help for manufacturing. And as the company's manufacturing operations grew, the inflexibility of the software hindered the ability to expand the business.

For example, the AS/400-based software could not provide company executives with information about the quantities of materials used in manufacturing, the products produced on a specific work shift, or which products were placed on hold for quality-assurance testing. Employees had to track inventory in a separate system, which sometimes resulted in errors and omissions. Even the basic information that executives received was out-of-date by the time they received it.

Accounting staff also had to manually manage unauthorized invoice deductions that customers took; often staff members had to re-invoice a customer for the disputed amount and track the receivables. If the customer did not pay, the accounting staff had to enter the amount as a loss for tax purposes.

The accounting team calculated commissions manually, as well, because the AS/400-based software was not equipped to apply different commission rates nor could it split commissions between brokers when products were sold across multiple sales territories.

Although the AS/400-based software included financial reporting, the administrative staff had to export data from the software into Microsoft® Office Excel 2003 worksheets to generate other operational and departmental reports. "We had lots of data, but it was isolated. The system made it difficult to assemble a comprehensive picture of the business," says Dave Weber, Vice President of Finance and Administration, Barbara's Bakery.

Barbara's Bakery also wanted to tailor its shipments to distributors according to how quickly they sold their inventory. The company hoped to ensure that consumers would always get a fresh product, regardless of where it was sold, by linking product expiration dates to the distributors' inventory turnover rates. But the AS/400-based system could not do that, either.

To automate the manual processes and obtain better data, the company would have had to link its manufacturing operations with its inventory, sales, and financial systems. But modifying the AS/400-based software would have required extensive reengineering and a lengthy implementation—and the costs would have been prohibitive.

Even if the money had not been a problem, the executives at Barbara's Bakery had other concerns. Although the software provided financial support specific to the food industry, it was marketed by a small company that could not offer complete business management and assurances of future development. "We had gone about as far with it as we could," says Weber. "The constraints against adding features seemed insurmountable. We knew it was time to look for another system."

The executives at Barbara's Bakery outlined several requirements for its new software solution, including:

- Full business management, including strong manufacturing support
- Easy customization and modification
- Advanced reporting and analysis features for financial and operational areas
- Support for adding functionality and expanding over time

And because Barbara's Bakery had lost confidence in its solution vendor's ability to meet its future software needs, the company wanted its next vendor to offer a long-term vision for growth and demonstrate through its experience and financial standing that its vision was credible.

Solution

To help the company find the right software, the executives at Barbara's Bakery began researching options. As part of their efforts, in May 2002, they hired Jeff von Raesfeld, Corporate Project Manager, to help with the selection and implementation.

Searching for the Right Software

Working with a consultant recommended by von Raesfeld, the Barbara's Bakery selection team reviewed offerings from nearly two

dozen vendors before eventually narrowing the choice to two: an AS/400-based vertical-market solution from a small company and Microsoft Business Solutions-Navision®.

The product from the small vendor offered many special features designed expressly for the food industry. But it presented many of the same difficulties that the original AS/400-based software did: It could only be customized by having the vendor alter the source code, a costly and time-consuming process.

Microsoft Navision presented no such problems. "Microsoft Navision is designed to be customizable," says von Raesfeld. "The development tools are available to us, giving us the option to make modifications ourselves, have our provider do it, or both—a big plus." And because Microsoft Navision comes from Microsoft—which plans to release regular updates of the software—the executives at Barbara's Bakery had more confidence that the software would serve their long-term needs.

The executives also believed that they could save money on their hardware infrastructure with Microsoft Navision. Barbara's Bakery ran most of its day-to-day operations on Microsoft Windows Server System™ integrated server software, including the Microsoft Windows® 2000 Server operating system and Microsoft SQL Server™ 2000. Company executives liked the fact that because Microsoft Navision fit with the company's existing infrastructure and could use SQL Server for database storage, Barbara's Bakery would not have to buy any specialized hardware for its new business management system.

Implementing and Customizing Microsoft Navision

Barbara's Bakery selected Microsoft Navision in December 2002. The company relied on the assistance of Specialists in Custom Software (SCS) to help it implement the software.

SCS, a Microsoft Gold Certified Business Solutions Partner, drew on its extensive experience in Microsoft Navision implementations to help with the deployment. The implementation was scheduled to take place in phases. In June 2003, the implementation group completed the first phase, which included deploying modules for financial management, sales orders, purchase orders, and inventory. The group finished the second phase, for warehouse management of the company's distribution center, in October 2004. The third phase, in which warehouse management was deployed in the production facility, along with the manufacturing component, was completed in March 2005.

During the implementation, SCS used the Navision Object Designer and other tools built into Microsoft Navision to develop several customizations for Barbara's Bakery. The customizations included:

- Adapting the inventory management software to control inventory by pallet (the portable platforms used to contain and move products, throughout the warehouse).
- Integrating bar code scanning into the inventory software, so that workers equipped with handheld PCs can scan products as they move through the warehouse. In this way, Barbara's Bakery gains real-time tracking of package and pallet movement.
- Adding an inventory status designated as "hold," for products that need to be held for pending quality-assurance inspections or for other reasons.
- Setting up an inventory rotation to force or guide the selection of items for production or shipment based on expiration date.
- Providing for the tracking of quantities of finished goods and materials for manu-

facturing processes, in which quantities can vary for each production run.

- Enabling the automatic tracking of rebates, discounts, and returns and automatic billing for unauthorized discounts and commissions—including commission splits.

The entire implementation proceeded smoothly, in large part because of the close working relationship between Barbara's Bakery and SCS, with support from Microsoft. "Together, we deployed a large, complex implementation in two separate locations. We created a business management solution that is easy to customize and expand," says Michael Wisner, Executive Vice President, Specialists in Custom Software. "For a mid-sized company like Barbara's Bakery, that makes Microsoft Navision an attractive choice."

SCS also trained IT staff at Barbara's Bakery in the use of the customization tools, so that the natural foods company can handle some modifications on its own as it expands the system. SCS modified templates and materials developed by Microsoft to train the food company's employees.

Benefits

By deploying and customizing Microsoft Business Solutions–Navision, Barbara's Bakery gained a fully integrated business management system. Now, the company has the software it needs to manage key business functions, including sales, manufacturing, distribution, inventory, and finances. The software is easy to customize and update, and reporting and accountability have improved. And Barbara's Bakery has created a solution that it can rely on as it continues to grow.

Streamlined Business Processes

Microsoft Navision provided Barbara's Bakery with a business management system that has improved just about all of the company's business processes. "Every time a sales order is created or an invoice is generated, those transactions automatically post to the general ledger," says von Raesfeld. In short, the software helps the company ship products to its distributors as they need them, issue prompt and accurate payments, monitor its manufacturing and distribution processes, and keep tight control of its finances.

For example, with the tracking and inventory rotation provided by Microsoft Navision, the company finds it easier to pick and ship products that match the shelf-life requirements of the customers without having to carry excess inventory that can become obsolete. The detailed tracking helps the company to meet lot code tracking requirements mandated by the U.S. Food and Drug Administration. And the fully integrated business management system provided by Microsoft Navision makes it easier for Barbara's Bakery to provide distributors with consistently fresh products.

In addition, Barbara's Bakery can quickly and accurately track the compensation owed to retailers and distributors for such things as in-store promotions like special aisle displays. Now, employees no longer track and calculate credit amounts manually because Microsoft Navision handles those transactions automatically—from the assignment of credits and deductions to the billing of retailers for unauthorized credits, or even deducting tax losses if retailers fail to reimburse the company. Says von Raesfeld, "We haven't quantified how much we have saved by streamlining our processes, but we know it's significant."

Increased Growth Without Increase in Staff

Microsoft Navision has allowed the company to handle double-digit growth in sales volume without increasing the number of staff responsible for order entry or accounts receivables. Similarly, Microsoft Navision automatically tracks and calculates commissions for the company's regional sales managers and brokers. Now, even if commissions are split—such as when distributors ship products to more than one geographic area—Microsoft Navision automatically calculates the correct amounts.

Provided Easy Modification

With Microsoft Navision, Barbara's Bakery can also quickly modify the software as the company's needs change. "The development tools give companies such an advantage that they can justify the cost of the software based on the tools alone," says Wisner.

In fact, when Barbara's Bakery had to change its fiscal year at the request of its parent company, the transition went smoothly. "With our old system, we would have had to use an external reporting tool to report history under the new fiscal year," says von Raesfeld. "With Microsoft Navision, it was simple to convert and still be able to report history on either the old or the new fiscal year."

Improved Reporting and Analysis

The level of detail that Barbara's Bakery can track increased significantly with Microsoft Navision. Barbara's Bakery uses the Dimensions component of Microsoft Navision to attribute characteristics to data that the company wants to record and track. This detailed tracking, in combination with the modifications that SCS created, gives Barbara's Bakery a clear picture of its operations at any given time—from the number of pallets and packages in the warehouse, to the number of items placed on hold, to production statistics.

For financial reporting, Barbara's Bakery uses account schedules and analysis by Dimension for an unlimited number of unique, company-specific reports based on general ledger, budget, and dimensional data. With the Dimensions component in Microsoft Navision, the company gets a better understanding of how well the business is operating and what kind of performance to expect in the future.

Plus, as a result of the improved reporting of the Microsoft Navision solution, the company closes its financial books one week earlier than it did with the previous system. And because the company now produces an extra biweekly income statement, executives don't have to wait for the end-of-the-month closing to get current financial data.

The integration of the financial management system with most of the company's business processes has also all but eliminated the numerous Excel worksheets that once circulated at the company. "With our previous system, 40 to 50 percent of our business systems were Excel spreadsheets," says von Raesfeld. "Now, Microsoft Navision is our business system—which saves us a substantial amount of time. Plus, accuracy is improved, and there are no competing versions of the same data."

Increased Accountability and Competitiveness

The availability of detailed data has also helped Barbara's Bakery to transfer the responsibility for managing the operational data from the accounting department to individual departmental managers. For example, the production department can now track material usage variances in real time, instead of waiting for accounting to do it at the end of the month. This allows real-time decisions that improve production efficiency.

The executives at Barbara's Bakery expect that the increased accountability will help the company continue to grow. "With the information that Microsoft Navision provides, our management can delegate decisions to the appropriate individuals. We have more accountability, and we can be more competitive. That may be the most significant thing about our implementation," says Weber. "It will help us continue to grow."

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