CASE STUDY: H-E-B®

Grocery chain gains productivity and inventory visibility and control

Overview

H-E-B is a privately held independent grocery store chain with estimated revenues of over $13 billion annually. The San Antonio, Texas-based company produces a line of 3,000 private-label products for its more than 300 locations throughout Texas and Mexico. Production takes place in 11 of H-E-B’s own plants.

The plants were using an outdated business management system with limited functionality and were no longer supported. When H-E-B decided to upgrade its system, the company selected Microsoft® Gold Certified Partner, RSM US LLP, in part due to its JunctionFB solution, which is built into Microsoft Dynamics® AX and is an end-to-end solution designed especially for the food and beverage industry.

JunctionFB gives H-E-B increased visibility into inventory levels that positively impact the company’s bottom line. With JunctionFB, one of H-E-B’s plants reduced ingredient and packaging inventory by 40 percent. Due to improved inventory rotation, H-E-B also now only keeps frozen food inventory in the warehouse for three weeks instead of 60 days, improving product quality and customer satisfaction. Across the enterprise, the chain now also enjoys streamlined and standardized processes that increase employee efficiency and lower costs—both for the customer and for H-E-B.

Background

One of the cornerstones of H-E-B’s success has been the popularity of its private-label brand. Eleven manufacturing plants help support the sale of more than 3,000 H-E-B “Own Brand” products. Each plant was using a legacy Cimpro® software system to report vital inventory and financial information back to the H-E-B headquarters.

The system was only recording basic information, and monthly inventory level and financial reports were completed manually. Few automated reports were available. Because Cimpro was an older system, the provider no longer supported it and the stability of the software was a concern. Cimpro would often crash—hindering work at the plants.
The company wanted a new enterprise resource management solution that would provide an automated approach for improved forecasting, inventory control and production. H-E-B hoped that migrating to a new system would enable the company to improve and automate processes, make reporting easier and drive further growth.

Teaming with RSM, H-E-B implemented JunctionFB in all 11 manufacturing plants, integrating the solution with multiple legacy systems. Now, H-E-B runs on a state-of-the-art, fully integrated, multilingual business management solution.

“We required a flexible, innovative solution that would improve efficiency while streamlining and standardizing processes across all of our manufacturing facilities,” says Bob McCullough, group vice president of manufacturing at H-E-B. “And, after a thorough evaluation of several industry-leading products, including SAP® and Oracle®, JunctionFB on the Microsoft Dynamics AX platform proved to be the clear winner.”

The solution

Easy to integrate
JunctionFB is integrated with five legacy H-E-B systems, including production floor control and time and attendance software. RSM also customized Dynamics AX during deployment to seamlessly exchange data with these existing applications, ensuring that the new solution aligned with the grocery chain’s established business patterns.

Says Linda Espino, project manager at H-E-B, "Our business processes include layers of legacy systems that have been in place for a decade. They're too ingrained in our processes to replace, so we have to work with them. JunctionFB does just that by easily integrating with each one."

Flexible functionality
JunctionFB appealed to H-E-B for a variety of reasons. The solution’s robust features and integration with other Microsoft technology added up to a low total cost of ownership for H-E-B and a shorter learning curve for H-E-B employees.

JunctionFB enhanced the functionality of Dynamics AX, helping H-E-B improve efficiency in both production and distribution processes. The integrated solution enables precise scheduling, procurement, inventory management, accounting and order management. Unlike the application it replaced, the solution provides H-E-B with increased stability and reliable uptime. RSM and H-E-B team members migrated the manufacturing plants—on time and within budget—customizing the solution as required. Each deployment was completed on schedule, typically within three to five months.

“The inherent flexibility of this solution is unmatched,” says Nick Bova, RSM principal. “Each H-E-B plant has a common system and collects the same accounting information, but they’re very different operationally. The plants produce distinct products, have varying physical layouts and use different machinery. H-E-B’s state-of-the-art food and beverage solution is easy to adapt to meet the unique needs of every plant.”

Results

Real-time operations information available
As part of the implementation, RSM installed touch-screen monitors, together with barcode readers, throughout H-E-B facilities to make the business management technology more accessible to employees.

The touch screens are strategically positioned by receiving docks, exit doors and production lines, enabling employees to immediately locate purchase orders (POs) and process the receipts when a shipment arrives. The technology also allows workers to start work orders to consume ingredients, ship finished goods and invoice the receiving warehouse. The processes are paperless, fast and accurate.

“This is a huge improvement over what we used to do. Our employees would receive goods and mark up the correct paperwork, but it could take at least a week—and sometimes even a month—for the shipment to be entered into the computer. Now, we're actually operating in real time,” states McCullough.

The manual process also resulted in occasional errors, according to McCullough. “Now we receive directly against the PO. Before, we just took receipt based on the shipment information provided by the vendors. We were getting double shipments and over shipments—both of which we eliminated with our new system.”

Reduces ingredient inventory by 40 percent
Streamlined processes and increased inventory visibility had an immediate—and dramatic—impact on materials management. Previously, H-E-B only took stock of inventory levels once a month. Some H-E-B plants had a vast excess of ingredients in storage. Plants now have complete, real-time inventory visibility.

“One plant saw a 40 percent reduction in ingredient and packaging inventory since real-time information through JunctionFB became available. The slow manual processes occasionally led to out-of-code ingredients and emergency replacement of those ingredients,” says McCullough. “All these extra costs certainly didn’t contribute to our bottom line.”
By implementing tools that provide complete management of inventory and the warehouses, JunctionFB significantly increased the timely availability and usage of those ingredients. Greatly improved production scheduling and control are also positively affecting H-E-B’s output. Before adding a product to the production schedule, H-E-B employees can now be certain they have all the ingredients they need—and can avoid accidental, expensive reordering.

Fresher inventory available in retail outlets
Tighter inventory controls and increased scheduling capabilities are in place, enabling H-E-B warehouses to ship products more efficiently to the stores. The solution has doubled product turn-around in H-E-B warehouses.

Software to support quality and regulatory management
Translates into much greater efficiency for H-E-B and fresher inventory for customers. Says McCullough, “We’ve passed along improved freshness to our customers. Now, products from our frozen food plant are in the warehouse for just three weeks, rather than 60 days.”

The faster inventory rotation is also apparent with baked goods, ice cream and other H-E-B private label products. “And, in the grocery business, freshness makes a huge impact on taste—and customer satisfaction,” concludes McCullough.

Accelerates completion of financial tasks
By consolidating financial management for the plants running on JunctionFB, the finance team at H-E-B headquarters has already reclaimed a substantial amount of time each month. JunctionFB also provides tools to the corporate purchasing department that coordinates contracts and buying across all of the plants.

“We now have immediate access to financial data from plants, rather than having to hunt down manually-generated reports,” says McCullough. “This increased efficiency means that both accounts payable processing and the month-end closing take just a third of the time they used to take.”

In the meantime, at the plants, H-E-B is now using recipe and production costing functionalities. By automatically scaling in the plants, the company is able to cost the product based on yield variance calculations. Normally a very complicated process, JunctionFB provides automated support to handle the accounting of the complex process.