FERRERO
DELIVERING A SWEETER LOGISTICS AND FULFILLMENT FLOW

QUICK FACTS

Industry
Consumer products – food (confectionary)

Revenue
€6.6 billion (2007/2008)

Employees
22,000

Founded
Alba, Italy

Web Site
www.ferrero.com

SAP® Solutions and Services
SAP® Extended Warehouse Management (SAP EWM) application

Implementation Partners
SAP Consulting and major international system integrators

Ferrero manufactures high- quality, innovative, and fresh confectionary products for consumers worldwide. To enhance its warehouse and logistics processes and meet growing product demand, the company deployed the SAP® Extended Warehouse Management application at its central warehouse in Germany with a strategy to extend it to other warehouses. Using SAP software, Ferrero streamlined warehouse processes and improved shipping performance.

Key Challenges
- Support corporate growth with efficient business processes and IT solutions
- Streamline warehouse processes to fulfill regional and global product distribution
- Create integrated warehousing and logistics environment to enhance efficiency of product movement and product transparency
- Effectively manage distribution data despite rapid corporate growth

Implementation Best Practices
- Created clear vision and detailed blueprint for new processes
- Assigned personnel with right skills at right time to right project
- Adopted innovative and effective testing methodologies, including the SAP® Solution Manager application management solution
- Had best integration with legacy systems
- Received management commitment

Financial and Strategic Benefits
- Projected payback in just 3 years
- System reliability, allowing on-time goods dispatch
- Enhanced competitive advantage
- Improved management of logistics resources
- Increased speed to market for goods through more efficient warehouse processing
- Boosted warehouse and distribution performance, enhancing delivery timeliness and customer satisfaction
- Exceeded seasonal peaks for goods received and issued

Why SAP Was Selected
- Complete, integrated, scalable logistics solution to replace legacy warehouse software
- Lower cost of ownership than with legacy systems
- Scalable solution able to grow with changing business needs
- Integration with SAP applications already at global Ferrero facilities
- Part of ongoing SAP effort to improve Ferrero logistics and fulfillment processes

Low Total Cost of Ownership
- Deployed software on time to achieve expected benefits
- Completed project during low season, with minimal impact to business processing
- Deactivated legacy systems, reducing maintenance effort
- Assigned key users to perform user training
- Increased system availability significantly

Operational Benefits
- Increased logistics transparency and control
- Improved on-time delivery
- Cut IT efforts by eliminating legacy systems
- Maximized corporate storage capacities
- Cut logistics users' IT support needs
- Enhanced daily movement of 350 trucks between Ferrero and external locations with potential for further growth
- Minimized warehouse administration
- Developed logistics standard based on SAP solutions

FERRERO

SAP

Taste for Growth

Consumers around the world love the sweet chocolates and confectionary treats from Ferrero. The family-owned company, which was founded in Italy and which makes such brands as Ferrero Rocher, Nutella, Kinder Surprise, and Tic Tac, specializes in fresh, high-quality, and innovative products. Yet rapid corporate growth was creating a hunger for new logistics and fulfillment management functionality.

Ferrero's primary warehouse facility in Germany consists of more than 70,000 storage bins, an extended picking area, and more than 40 loading gates. Goods move through different temperature areas, transition from production to sales organizations, and are readied to ship. More than 350 trucks per day move products in and out of the central warehouse in Stadtallendorf to other Ferrero locations, distributors, and customers. A legacy warehouse management system tracked product movement but couldn't accommodate Ferrero's growth.

Company managers recognized the need for a new logistics and fulfillment management solution – one that offered storage and fulfillment functionality, using streamlined warehouse operations to help ensure high order accuracy. To meet this need, Ferrero chose the SAP® Extended Warehouse Management (SAP EWM) application.

"We wanted software that could integrate with our other SAP and non-SAP systems and extend our logistics and fulfillment processes throughout our supply chain," says Martin Flegenheimer, IT director for Ferrero Germany. "The SAP software became an important ingredient in our IT strategy."

Recipe for Success

Driven by active commitment from Ferrero and SAP executives, the project team performed testing, designed effective methodologies, and executed detailed integration flows to its other production and business systems. To ensure that business was not disrupted, the company went live with SAP EWM software during the annual low product-demand period in May 2008.

The IT organization deactivated the old mainframe-based logistics systems, reducing overall maintenance effort. To decrease the time to value for the new software, key users were assigned to perform user training and the team used the SAP Solution Manager application management solution to support, coordinate, monitor, and document the deployment and all customization efforts.

"We are very satisfied with this successful implementation," says Flegenheimer. "The SAP MaxAttention™ support option delivered an umbrella of additional competence on all products and risk mitigation activities."

Sweet Victory

With the SAP EWM application as a foundation, Ferrero is realizing tasty new benefits. Better visibility is improving management of corporate logistics resources. More efficient warehouse processing is enabling streamlined logistics and fulfillment operations. Increased performance in warehousing and distribution contributed to a significant improvement in on-time delivery, which will improve customer satisfaction.

Ferrero has reduced inventory levels and maximized corporate storage resources. Logistics users now require less support from IT to do their jobs, freeing technology experts to perform more value-added tasks. With growing corporate sales, the logistics organization is moving more products than ever, with greater efficiency and speed. Since the original deployment in Germany, Ferrero has been successfully implementing SAP EWM at facilities in Canada, Italy, and Russia as well.

"SAP EWM is the first global solution to cover extended warehouse management processes with integration to other business applications," says Enzo Bertolini, group CIO for Ferrero. "The standardized integration and automation it provides are a real revolution, one that will help us sustain Ferrero's growth well into the future."

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