



Simplot Turns Earth's Resources into Australia's Favourite Brands with Efficiency

Simplot Australia, a major Australian manufacturer, distributor, and marketer of packaged food products, has reaped a range of benefits from its combined use of i2 Supply Chain Management™ (SCM) and focused sales and operation planning processes. Among its initial efficiency gains, the company reported a 5 percent improvement in customer service, a 20 percent reduction in finished goods inventory, and a 50 percent reduction in obsolete stock.

Simplot Australia, being the 'home of Australia's favourite food brands,' including Birds Eye, Edgell, Four'n Twenty, and Leggo's, supplies retail, catering, fast food, route, and export customers from multiple distribution centres and multiple product sources. The constant and far-reaching demand for Simplot's brands means that it's imperative that the company effectively plans, manages, and integrates its complex supply chain.

One of the key business constraints Simplot faces is the variability and availability of agricultural raw food materials. There are long lead times on raw produce used for manufacturing, and the seasonality of both the supply of raw produce and the demand for finished food products must be planned for. In addition, raw materials and end products have different shelf lives ranging from one month to 24 months, and storage requirements vary between frozen and dry. To complicate matters further, Simplot has thousands of SKUs, 53 product categories, 75 supply chain channels, nine manufacturing sites, 42 outsourced manufacturers, 30 warehouses, approximately 400 suppliers, and more than 500 customers.



Simplot

Challenges

- Tame a complex supply chain
- Provide visibility across the business
- Differentiate itself in the market

Solutions

- Produce a single supply chain plan
- Enable greater visibility across business units
- Enable "what-if" analyses

Results

- Increased delivery in full by 5%
- Reduced inventory by 20% and obsolete stock by more than 50%
- Reduced warehousing costs by 8% and transportation costs by 10%

Company Description

Simplot Australia manufactures and sells frozen, canned, and baked products. Distribution is through an extensive network of major supermarkets, convenience stores, and food service outlets such as restaurants, cafes, and caterers. The company employs more than 2,000 people and has total sales of A\$725 million.

“We’ve already achieved 100 percent ROI at this stage of our i2 implementation, and expect to achieve further business benefits as we make additional enhancements and there’s continued uptake by the business.”

*—Jeff Phipps
Chief Information Officer
Simplot Australia*



The key business driver for Simplot’s strategic supply chain project was the need for operational efficiency as a means of competitive advantage. The primary objectives of the project were:

- reduced inventory levels,
- improved customer service levels, and
- reduced supply chain costs.

The project involved the implementation of i2 Supply Chain Management, with a specific focus on demand and supply management, supported by business process changes.

“Before we initiated these changes, we didn’t have total visibility of planning across the different functional units of our business. It was very difficult to operate as a single company when sales, manufacturing, and distribution each had their own planning processes. We needed a consolidated planning system to enable us to run the business efficiently,” said Jeff Phipps, Chief Information Officer of Simplot Australia. “We also needed to continuously improve our business processes, to not only operate more efficiently, but smarter. This is important in a highly competitive industry such as ours.”

“i2 demonstrated a clear understanding of our complex supply chain and unique business challenges. It offered a solution that was tailored to address our current needs and able to scale to achieve our future supply chain vision,” Phipps said.

Why i2?

“i2 demonstrated a clear understanding of our complex supply chain and unique business challenges. It offered a solution that was tailored to address our current needs and able to scale to achieve our future supply chain vision,” Phipps said. “i2 also showed a commitment to innovation and a strong local support network. Other Australian and overseas consumer packaged goods (CPG) companies using i2 spoke with Simplot about the considerable value that has been delivered from their implementations. i2’s proven experience in the CPG industry makes it a good strategic supply chain partner for Simplot.

“In addition, i2 SCM has been integrated with our existing enterprise resource planning (ERP) solutions, building on this investment by incorporating ERP information into the supply chain planning process,” Phipps said.

i2’s Contribution

The project encompassed the incremental rollout of i2 Demand Planner™ and i2 Supply Chain Planner™ simultaneously across the business. Both solutions are now live and delivering value.

The demand management solution was initially rolled out in the Fast Food division, and then expanded to include the rest of the Food Service and Retail businesses. Simplot reports that it can now more accurately forecast customer demand for its products. It has fully integrated all planning functions across the businesses with the aim of providing much greater visibility.

Through significantly improved modelling, demand forecasting, and business processes, Simplot reports it has been able to better service its customers and reduce storage and transportation costs, inventory, and waste. The company expects additional value as promotions and scan data from retail customers is incorporated into demand plans.

The initial stages of the supply management implementation focused on improving distribution planning and then expanded to include production planning across Simplot’s nine manufacturing plants. Constraint-based planning is now being done at most plants. Simplot’s key constraints include production and warehousing capacity and distribution constraints.

Simplot now generates weekly plans, which are used by plant planners for tactical execution and managers for strategic management by exception.

“Now that we have greater visibility of potential business problems, we can spend more time solving problems instead of wasting valuable time searching for them, or making corrections to unexpected incidents,” Phipps said. “For example, we now know when there may be a problem delivering a certain shipment on time, and we can make alternate arrangements to ensure that the shipment is not late. Beforehand, we wouldn’t know there was a problem until we received an irate call from the customer.”

Simplot Australia's Results

"In parallel with the i2 SCM implementation, Simplot has independently attained MRPII/Class A accreditation and the institution of sales and operations planning processes," Phipps said. "Simplot has improved delivery in full and on time by 5 percent and reduced finished goods inventory levels by 20 percent. We've reduced the amount of obsolete stock by more than 50 percent, and we are realising savings of 8 percent on warehousing costs and 10 percent on transportation. We now have a much greater understanding of our customers' requirements and are better positioned to meet their needs without large amounts of safety stock."

"We've already achieved 100 percent ROI at this stage of our i2 implementation, and expect to achieve further business benefits as we make additional enhancements and there's continued uptake by the business," Phipps added.

"As a result of these changes, we are now running the whole business more efficiently and effectively," Phipps said. "We are able to operate with much greater velocity and have improved visibility of the constraints within our supply chain. This knowledge is helping us to optimise processes, including the purchase of raw materials, manufacturing, warehousing, distribution, and sales."



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