

Synopsis

Client: One of the largest pet food producers in the US with 400 employees, 5 manufacturing facilities and 2 distribution centers supplying 6,000 retailers across North America.

Key Pains: No real cost accounting capabilities, no ability to manage and track products and customer profitability, long report turnaround times, and a system that was unable to handle continued growth.

Solution: Microsoft Dynamics AX

Key Benefits: Greatly diminished yield losses, reduced order fulfillment time, faster access to management reports, standard costing capabilities and the ability to produce detailed budgets for individual cost centers.

The Client

Merrick Pet Care is one of the largest specialty pet food manufacturers in the United States. A family owned business in operation for the last 4 decades; it produces over one million cans of pet food weekly and over 1,000 tons of dry pet food monthly. Its business is unique in that it is the only specialty food producer that manufactures its own canned, dry, and treat products, allowing it to maintain unmatched quality standards and to products that are truly unique.

Merrick supplies over 6,000 retailers across North America, and carries a broad product line for dogs and cats. With over 400 employees working in 5 manufacturing facilities and 1 distribution center, and sourcing inputs from over 300 suppliers, the business is highly complex. They compete head-on in terms of production process efficiency with far larger bulk pet food manufacturers.

Merrick has also continuously posted strong double-digit growth throughout their corporate history, as demand for their product has consistently expanded among distributors and customers alike.

The Challenge

Having experienced steady growth, and having seen the resulting scale and complexity of their operations balloon, Merrick had reached a point where their existing financial, production, and distribution management systems became woefully inadequate.

Inventory management and control had become particularly problematic. The Excel spreadsheets that were the dominant management mechanism for this just weren't cutting it anymore. Tracking and monitoring all stages of the manufacturing process had become critical in order to limit waste, spoilage and to improve production "yields". This was needed to be cost-competitive. Cost accounting capabilities were minimal, so it was impossible to know which products were profitable, and which were not. This rendered it impossible to develop a sound product strategy. Management control was challenging at all levels of the organization, because it took almost a month to prepare key financial and management reports. Order response times had become exceedingly long, putting the company at a competitive disadvantage.

All in all, it was time for a major overhaul of key business processes in manufacturing and distribution, as well as the systems that supported these processes.

The Solution

Clients First was known to Merrick's COO & CFO from previous positions in other firms. In fact, they had used them on 2 prior occasions, and always successfully. Starting in 2006, they began installation of a Microsoft Dynamics AX solution, beginning with the basics – accounts payable, accounts receivable, and inventory control.

Order entry functionality was added next, along with elements that enabled far more robust control of the manufacturing process from the factory floor right on back to suppliers. For the first time ever, bills of materials were made available for all of Merrick's products. Master scheduling capabilities, along with payroll and other HR related functionality, then completed the mix.

In the end, nearly 80 users were accessing the system to perform their various jobs, and overall efficiency had taken a quantum leap forward.

The Benefits

Two years after starting their use of the Microsoft Dynamics solution, Merrick has realized the following business benefits:

- ▶ They have greatly diminished "yield losses". In any food manufacturing setting, yield is critical. For every pound of raw material coming into the process, ideally a pound comes out. To the degree this is not the case, a "yield loss" occurs. Merrick was able to cut these losses by 50% with the new solution.
- ▶ Order turnaround went from 23 days to 7. Wholesalers are getting their orders delivered in record times, resulting in them having a greatly reduced working capital requirement. This makes Merrick products far more attractive to carry and promote.
- ▶ Key financial reports take 3 rather than 28 days to produce. This allows Merrick senior management to more proactively manage the business, take prompt corrective action with respect to expense variances, and decrease the amount of working capital required to operate the business.
- ▶ Detailed budgets are developed for individual cost centers. These are monitored, allowing for more rapid management response at all levels, more efficient operations and tighter financial controls.
- ▶ Standard costing is now a reality, which allows for individual product profitability to be known for the first time ever. Merrick can now concentrate on selling more profitable product, and can shift its product mix over time in response to current and projected demand.

In Summary

Jimmy Witcher, COO at Merrick, sums it up this way:

“The biggest advantage to dealing with Clients First is that you’re not just buying software. You’re buying better business results. Clients First knows their software, but they are also astute business people, and they really understand manufacturing and distribution in particular. In the end, they helped us engineer better business processes first, and installed the software solution that made the most sense second.”