



Alta Via Consulting, LLC

# SUCCESS STORY

## Success in the Food Flavoring Industry

McCormick produces extensive product lines of herbs, spices, marinades, and food brands that can be found in stores across the United States and around the world. Their global network of business units share a passion for innovative flavor formulations and generates net sales in excess of \$3.2 billion annually.



A lesser known fact about this Maryland-based company is it provides countless combinations of industrial flavor solutions for its international business partners. These worldwide business partners rely on McCormick's ability to competitively supply their requested custom-formulated products as efficiently as possible. In 2004, McCormick launched a new initiative called *Winning the Business* aimed at redesigning their request for quotation (RFQ) process to provide its industrial business units with better quoting capabilities.

With the combined expertise of Alta Via Consulting and SAP's Research and Development team, McCormick became the first pilot customer for the new **SAP Product Design Cost Estimate (PDCE)** business solution. The task was to accomplish McCormick's straightforward goal; no sample recipe should leave the kitchen lab without a customer price tag on it.



*Do Your Business a Flavor!™*



***"We consider Alta Via's expertise in Cost Management and related SAP configuration as key to an advanced cost management solution at McCormick."***

**— Mary Ruth, MIS Manager, McCormick**

The project's objective was to refine McCormick's Request For Quote (RFQ) process which at that time took approximately one week to complete—spread over several mainframe applications with multiple manual steps in between—and prone to many processing errors.

A key infrastructure aspect was that a large number of recipe simulations had to be generated before the customer selected the final and most suitable recipe. McCormick's Price Analysts relied on SAP's Enterprise Core Component (ECC) for the pricing of raw materials, routing activities and overhead costs; however these same analysts also required a flexible environment capable of dealing with 'temporary' or 'non-existent' master data for the purposes of creating new recipe simulations.

In order for these multiple recipe simulations to be performed in the core ERP environment, too much master data would have to be maintained, slowing down valuable processing time and generating a huge volume of unnecessary data within the core system.

Conversely, if simulations were completed out-

side of SAP's ECC system, elementary information could not be accessed easily and maintain data integrity. The infrastructure had to be flexible enough to allow temporary data input, plus allow access to existing 'in-use business logic' currently within the ECC structure. McCormick's logic examples include:

- Quantity structures (e.g. BOMs, routings)
- Business rules/logic (e.g. Overhead, Costs-To-Serve algorithms)
- Price strategies (e.g. purchasing info-records, standard material prices)

SAP designed the PDCE application to specifically address these types of system challenges.

Following the installation and configuration of PDCE, McCormick can now quickly gather and produce consistent pricing information for existing and new recipe combinations for all of their customer's RFQ inquiries.

McCormick's quotation process can now be accomplished within a few short hours—compared to the previous week-long process—including the ability to run multiple pricing simulations.

1.877.ALTAVIA

[877.258.2842]

www.altavia.com

info@altavia.com



## Alta Via Consulting, LLC

"A Better Use of Information"

**Key Benefits:**

After one year of prototyping, development and configuration, the integrated PDCE application had made several significant impacts:

- **Increased sales** from faster turnaround times in the RFQ process allowed McCormick's to meet and exceed the expectations of their business partners and clients.
- **Better margins** as immediate costing simulation information can distinguish profitable from non-profitable endeavors.
- **Enhanced customer service** with low-margin jobs being identified faster, giving McCormick's more time to focus on strategic pricing opportunities for key customers.
- **Greater insight** with PDCE simulations supports analysis for the best production locations, offering business partners and clients additional options.
- **Immediate Return on Investment (ROI)** as PDCE streamlined McCormick's processes, they could retire several system components, which positively reduced their licensing fees, support and maintenance costs, while simultaneously freeing up IT resources enabling them to focus on achieving new successes.



*Alta Via Consulting is passionate about what we do and proud of our record.*

*"The SAP PDCE system is one of the key remaining pieces to 'Winning the Business' and maintaining business profitability."*

— JoAnn Glaeser, Pricing Director, McCormick

**Publications:**

**GPK: Cracks In The Silver Bullet?**—by Dawn Sedgley & Peter von Zimmermann published in *Cost Management* (Jul/Aug 2010) examines two management accounting approaches, GPK & RCA in an effort to determine how they fit—and to what degree—in the current business and management environments.



**The Management Accounting Philosophy I, II, & III Series**—by Anton van der Merwe published in *Cost Management* (May/Jun; Sep/Oct; Nov/Dec 2007) discusses how the explosive growth in tools, theories, and approaches during the 1980s fueled defensive infighting within the profession. This series discusses acceptable solutions based on proven philosophical principles and the laws of logic in management accounting.

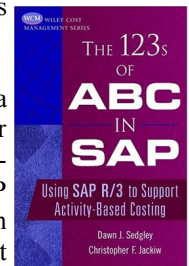
**The Lowdown on Lean Accounting**—by Anton van der Merwe, Alta Via partner, and Jeffrey Thomson, Institute of Management Accountant (IMA's Past President & CEO), published in *Strategic Finance* (February 2007) and fea-



tured as the cover story focusing on answering the question "What is lean accounting all about?"

**The Case For RCA (Resource Consumption Accounting)**—by David E. Keys & Anton van der Merwe introduces a three-part series of articles in *Cost Management* (Jul/Aug; Sep/Oct; Nov/Dec 2001) that outlines RCA as a solution that provides a resource view and a direct expression of the inter-relationships between resource elements detailing the benefits gained.

**The 123's of ABC in SAP**—Alta Via partners, Dawn Sedgley and Christopher Jackiw wrote this seminal work on advanced cost management using the SAP suite of products. This work has been characterized as a book that "do[es] not suffer fools".

**Awards:**

In 2006, Anton van der Merwe was presented with the prestigious **Bonsack Award** for his distinguished contribution in the advancement of cost management from the Consortium of Advanced Management - International (CAM-I).