

Swiss quality – now in planning as well



Financial processes disentangled and accelerated at Emmi



Emmi

Switzerland is known for the impeccable reputation of its export products. Aside from fine watches, Swiss cheese is also regarded as a top-quality product. The company largely responsible for that image is Emmi, the largest milk-processing firm in Switzerland and one of the most innovative premium dairies in Europe. In addition to milk and cheese, the Emmi Group's production program also includes fresh products for the lifestyle, convenience and health segments. And of course Emmi – which maintains several international branches and partnerships – has also positioned itself as the world's leading supplier of Swiss cheese. Through all of these activities, Emmi has evolved into a highly diversified enterprise that needs a sophisticated planning system in order to project and "streamline" that diversity in a professional manner. A typical case for TN Planning.

Milkshakes, muesli to go and the famous cave-aged cheese: Emmi is anything but lethargic when it comes to innovation. That is also attributable to the fact that the company has mapped out a clear path and pursues a clearly defined strategy based on three pillars: maintaining its market lead in Switzerland, systematic growth abroad and consistent, sustainable cost management. Applying this strategy, Emmi plans to achieve a net profit margin of between 2.5 and 3.5 percent – a respectable value in the food industry – with an equity capital structure of at least 40 percent. The Group also aims to generate sales of CHF 4 billion through organic growth and acquisitions in key foreign markets over the medium term. The Swiss company hopes to achieve these ambitious goals not only with outstanding products but with the aid of the key success factor of efficiency – through productivity enhancement measures as well as rigorous cost management.

#### *Emmi AG:*

*In 2011, Emmi recorded net sales of CHF 2,721 million and net profits of 83 million. 3,890 employees processed 1,017 million kilograms of milk. Emmi is one of the leading suppliers of premium dairy products in Europe and ranks number one in the world among suppliers of Swiss cheese. Urs Riedener has served as Emmi CEO since 2008.*

Sustainable planning is certainly one important contributing factor, yet it was precisely in this regard that Emmi reached the limits of its capacity. Numerous autonomous systems made it necessary to merge data manually. Actual performance, target, revenue and cost plans originated from different sources and ultimately led to a situation in which "we were spending too much time processing data and had little time left to analyze them. And the poor quality of our data resulted in a loss of trust in our forecast data," explains Markus Tschumi, Director of Finance & Controlling Projects for the Emmi Group. In short: The planning workload was too heavy in relation to the outcome, in-house coordination was overly time-consuming and the process of harmonizing local and international data and reports was too complex. In this scenario, dynamic planning adjustments were simply too complicated. Something had to be done.

Consequently, the decision was made to re-engineer the entire financial planning process, within which the planning solution can be incorporated into a larger planning framework at best. In any event, the decision-makers at Emmi hoped to achieve a significant reduction in complexity in the planning process and a substantial gain in efficiency. The result is already evident today: goals achieved.

This can be illustrated, for example, by a look at the Group's concrete quantity structures in the areas of volume, revenue and logistics planning: 50 clients, over 5,000 articles, over 7,000 different customer groups consisting of invoiced customers, purchasers of goods, points of discharge, etc., combine theoretically to generate millions of different planning variations. Much the same applies to cost and performance planning. More than 3,500 cost centers or 800 different cost items generate a huge planning workload, which Emmi wanted to make more manageable with the help of TN Planning.

Consequently, executives at the Swiss Group can now have individualized planning reports prepared on the basis of specified levels of hierarchy and even combine different dimensions in the lines with each other. As a result, planning is much more variable and flexible and offers individual users a range of freely definable characteristics with which to develop their reports – from rough to fine, so to speak.

One example: the Budget Director can switch from the "retail trade Switzerland" customer group to the "milkshakes" segment, then to the "Caffè Latte" brand and from there to the specific product "Caffè Latte Espresso." In other words, he can draft reports that meet his granular planning needs precisely ("drill-through"). This degree of precision makes it possible to make exact plans even for individual containers. Theoretically, Emmi managers can plan for per-customer purchases of individual 230ml portioned packages of Caffè Latte from a ten-pack.



With the aid of TN Planning, planners can also incorporate different levels of hierarchy or characteristics required for planning, such as "bio label," "production method," or "main production site" simply and easily and thus define reports according to their own individual planning concepts. The different viewpoints can be explained effectively by using the article characteristic "statistical product line." This feature was integrated into TN Planning because the conventional structure is not suitable for the sales viewpoint. That is strictly oriented toward the product portfolio and its composition and ingredients. This means that plans normally distinguish between "fruit," "aromatic" or "natural," for instance. "That is not helpful for our sales people, as their emphasis is on sales packing units," explains Philipp Christen, Sub-project Manager, Finance Planning und Reporting at Emmi. And: "An assessment based on the successful product 'Toni yogurt in glass' could never be achieved using the conventional structure, but is essential for Sales. It is really something like the viewpoint of Sales with respect to the portfolio," says Christen.

The planning process for "intra-Group deliveries" for food producers is now more transparent and precise. To explain in detail, volume sales of products produced by international subsidiaries are always booked through the intermediate company Emmi International back to Swiss headquarters. The sales volumes generated there are then booked to cost accounting and within cost accounting to the individual production companies.

*Benefits at a glance*

- *Integration of numerous autonomous systems within a single efficient planning tool*
- *Replacement of manual data merging by a single solution*
- *Significant reduction of time required for individual planning operations*
- *Increased transparency at all planning levels*
- *Projection of the Group's complex volume structures with more than 5,000 articles and several thousand customers, for example*
- *Supply of individualized planning reports for various users based on multi-dimensional hierarchies; thus immensely improved flexibility and numerous possibilities for variation*
- *Exact description and analysis of the complex "internal deliveries" process within the Group*
- *Ad hoc changes can be made to the planning situation and subsequently aggregated.*

*If you are confronted with similar challenges or if you have questions concerning this project, please feel free to contact us.*

*We will be glad to help you.*

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When, for example, Emmi Belgium plans the sale of a certain quantity of Caffè Latte, which it acquires from Emmi in the Netherlands, then TN Planning “knows” that an internal price applies and books an intra-Group sale accordingly. Emmi Netherlands could also acquire this product from Emmi International, and the system would once again book an intra-Group delivery. This operation is performed within the software logic as follows: When the data is entered and saved, the intra-Group delivery process is triggered in the background. The planned sales volumes specified in the planning mask trigger an (internal) purchase by Emmi International. In this way an internal sale is generated at Emmi International, while an internal purchase by Emmi Switzerland is generated at the same time. The altered data are then aggregated in TN Planning to ensure that the overall plan remains consistent at all times.

In the meantime, planners at Emmi AG can review and reconstruct all current aggregations on an information screen. They are also able to monitor individual steps in the process. They can also check previously effected deliveries in a specific audit report. This “Buintli” process (short for “Budget-interne-Lieferungen” – budget-internal deliveries) in TN Planning then displays the entire sales chain, from the company that sells to external customers to Emmi International to Emmi Switzerland AG as the outgoing Swiss delivery company. A genuine success story: “This ‘Buintli process’ in TN Planning has enabled us to increase our speed. Previously, analyses could not be performed until the next day, as a processing batch was always run every night. And the scalability of the current solution offers a major advantage, of course. We used to have to do much more ‘hard coding.’ The consistency and traceability of every individual booking, from the sales company back to Emmi Switzerland AG is much better now, and we can respond much more flexibly to adjustments with the new solution,” notes Philipp Christen.

This level of planning transparency is no longer limited to internal processes within the Emmi Group. Spontaneous changes can be easily integrated into the overall plans. If, for example, the price of milk falls due to political developments, this circumstance can be incorporated globally into all planning scenarios. New plans can be made for every affected article – automatically, precisely and with a high level of transparency. Much the same applies to seasonal articles such as ice-cream, for which sales volumes can also be adjusted quickly and easily.

#### Summary:

Emmi's vision of achieving long-term success as an independent enterprise in open markets now faces no obstacles, at least with respect to planning. Thanks to TN Planning, the organization has taken a major step forward, especially in terms of transparency, speed, and the reduction of complexity.

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