

## SAP Customer Success Story Consumer Products – Food Products



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David S. Marberger, Senior Vice President and Chief Financial Officer,  
Tasty Baking Company

### AT A GLANCE

#### Summary

Tasty Baking Company is well known for its Tastykake products. But the company needed to execute a turnaround in order to get its financials in line with the power of the brand. It decided to restructure and optimize its infrastructure, including IT solutions, and chose to implement the mySAP™ ERP solution and integrate industry best practices.

#### Web Site

[www.tastykake.com](http://www.tastykake.com)

#### Key Challenges

- Restructure the company and bring it back to profitability and growth
- Strengthen the company's overall operations, efficiency, and ability to seize growth opportunities
- Find a proven, credible, affordable solution for a midsize company
- Improve productivity and competitiveness

#### Project Objectives

- Achieve data integration, timely reporting, and increased visibility of information across the company
- Implement mySAP ERP and industry-specific best practices in a midmarket food company

#### Solution and Services

mySAP ERP

#### Why SAP® Solution

- Leadership in consumer products and bakery industries
- Ease of finding resources and complementary solutions
- Compelling value proposition and lowest total cost of ownership
- Best fit of requirements and best position to meet future needs

#### Implementation Highlights

- Accelerated implementation by using configuration templates and industry-specific best practices
- Adapted business process templates to company-specific requirements through guidance of employee process experts

#### Key Benefits

- Achieved productivity efficiency gains across the company, including supply chain integration, inventory control, automation of financial activities, and centralization of procurement
- Improved competitiveness and responsiveness through visibility of customer demand and inventory and through business intelligence reporting that provided insights for better decision making
- Complied with food safety regulations and Sarbanes-Oxley legislation

#### Implementation Partners

Deloitte Consulting;  
SAP® Consulting organization

## TASTY BAKING COMPANY

### mySAP™ ERP Solution Modernizes Business of an Old Favorite

How does an old favorite maintain its profitability? For Tastykake bakery products, the answer involves the mySAP™ ERP solution.

Tasty Baking Company, best known for its Tastykake brand of bakery products, has been a Philadelphia icon for over 90 years. Its concept of small cakes, snack pies, cookies, and donuts – prewrapped fresh at the bakery and sold through the local grocer – has long appealed to its customer base. The company, which sold US\$28 of cakes on its first day of business in 1914, rang up sales of US\$259 million in 2004.

But while Tasty Baking is the fourth-largest bakery in the United States and one of the most recognizable food companies, its recent path hasn't been smooth. A small-size enterprise in a maturing business, Tasty Baking began hitting the road bumps in the mid-1990s. Its financials didn't look good, and there wasn't much innovation. As market share and sales dropped, the company recruited a new CEO and management team and put together a whole new SAP® software-based technology plan.

The new management team and the latest mySAP ERP solution, with software designed specifically for the food and beverage industry – implemented by SAP Consulting and Deloitte Consulting – has already had an impact. In 2004, Tasty Baking revenues rose 3.3%, with net income coming in at US\$1.8 million compared with a loss of US\$2.4 million the year before.



“The implementation of the new fully integrated ERP solution was a big step forward for Tasty Baking. Along with the solution change, many process changes were made throughout the business to better leverage the solution’s capabilities,” says David S. Marberger, senior vice president and chief financial officer at Tasty Baking Company.

Today, the company has almost 400 employees using mySAP ERP, which allows for wider use of technology and increased reporting on all fronts – in financials as well as manufacturing. The ability to create satellite inventory warehouse locations has improved responsiveness to market demand. “It’s all been about overall renewal and growth,” says David Frost of Deloitte Consulting, the firm that helped implement the solution.

Traditionally, Tasty Baking has baked its products in facilities in Philadelphia and Oxford, Pa., and distributed them through

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David Frost, Deloitte Consulting

more than 500 independent sales distributors located in the Northeast and in Ohio. Much of the information it gathers about sales and products comes directly from its sales distributors. To obtain the sales and distribution data that it wanted, Tasty Baking needed to create better connections between the company and its sales operation that would allow for real-time reporting and access. “We were not trying to change the business, simply the way they reported the information and the manner in which they used it,” says Frost.

“It was clear to all of us that the systems in place were in pretty bad shape,” says Autumn Bayles, chief information officer at Tasty Baking Company, who was a consultant from IBM/PricewaterhouseCoopers before joining its new management team. “The company was saddled with a lot of manual processes. Working around them was getting more and more cumbersome,” she recalls. The company had a difficult time keeping track of its inventory, contributing to thrift (waste in the bakery business) and cuts (missed shipments).

In terms of infrastructure, the company was working with a technically challenged system. It was difficult to get timely reporting for pricing and inventory control. Managers couldn’t access the data rapidly enough for key management decisions and planning.

There was a clear need for new technological controls, but Tasty Baking wasn’t convinced there was a readily available ERP solution that could meet its requirements. “We were looking for a big solid player who had a viable financial component and one that was capable of catering to a smaller company such as ours,” says Bayles.

In its search for a new solution, Tasty Baking looked at all of the major providers, including Oracle, JD Edwards, PeopleSoft, and SAP. It settled on mySAP ERP, because of SAP’s record of customer service, its attentiveness to the needs of a company such as Tasty Baking, and its ability to scale the solution for the bakery company. And when it came to the robustness of the software, “they were the best,” says Bayles.

For SAP and Deloitte the big question was whether they could provide a solution that could fit the needs of a small company and be easily adopted. Small companies simply can’t afford long delays in implementation, nor can they afford the cost of back-up systems. As Frost says, “Could we deliver a system that would reduce cost and implementation time? And could we learn to do projects cheaper and faster?”

The collaboration between SAP Consulting and Deloitte was vital to the software implementation. Since SAP customers include some of the largest food and beverage companies, such as Nestlé, Tyson, ConAgra, and General Mills, and Deloitte is a leading provider of consulting services to many leading food and beverage companies, the combined industry knowledge of these two providers is virtually unmatched. Given this in-depth knowledge of the industry and a rapid implementation strategy, the cost for a company such as Tasty Baking can be significantly less – in capital expenditure and time.

Beginning in February 2004, the design team began to look at the various operating processes used at the baking company. But instead of configuring a system from scratch, it started with

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Deloitte’s food and beverage industry template. “The best process leads were still the resources we pulled from across the business,” says Frost. But the ability to graft existing practices at Tasty Baking to the industry template accelerated the entire implementation. The system went live in November and was “a significant milestone for the company,” says Bayles.

Tasty Baking’s mySAP ERP implementation, which currently consists of software for financials, order entry, manufacturing resource planning (MRP), and scheduling, has already yielded significant benefits. “We’ve got the integration we wanted,” says Bayles. More important, the company has the real-time information needed for inventory and warehouse management. Manufacturing output and warehouse shipments were not

previously recorded in real time. Now, Tasty captures what was manufactured and shipped on a real-time basis, giving the company much more accurate information. “We have the MRP capabilities we need for the high velocity business of baking,” says Bayles.

For SAP, the challenge at Tasty Baking was twofold. Could it design a solution for a midsize company that was cost effective for both the customer and the vendor? Could it introduce technology-based best practices into a company where the day-to-day operations remain traditional?

The success achieved is largely due to the collaborative alliance between SAP Consulting and Deloitte. While SAP Consulting addresses vertical market segments with mySAP ERP and industry-specific best practices that focus on subsegments, Deloitte provides seamless implementation services. Indeed, the ability to merge industry best practices with the customer’s best practices enabled easy adoption at Tasty Baking.

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