



macs Software Customer Solution

Case study

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Evi Wallner
Controller
Alpenhain



Dairy Producer seeks to implement Controlling & Management Accounting Best Practices whilst leveraging an Integrated Budgeting and Planning Approach

Alpenhain is a 105 year old producer of Camembert and Brie specialty cheeses and other related products. Due to the competitive nature of the industry Alpenhain was looking for a software tool that would enable better decision making, indicating which products and processes were yielding the highest contribution to organizational profitability. Alpenhain was also seeking to improve their budgeting and planning process, wanting to integrate Sales and Operations activities with Finance and have the ability to determine expected financial outcome based on an expected demand.

CUSTOMER PROFILE	BUSINESS SITUATION	SOLUTION	BENEFITS
<p>Located in Lehen, in the Bavarian Alps, Alpenhain is a 105 year old producer of specialist cheese and related products. With revenues in excess of \$130m Alpenhain is the market leader in the production of crispy breadcrumb coated cheeses in chilled and frozen formats to the catering, wholesale, manufacturing and retail trade industries.</p>	<p>As the cheese and related dairy industry was maturing and becoming more commoditized price pressure was increasing. Alpenhain was looking for a tool to leverage cost and management accounting best practices indicating the contribution that products, customers and parts of the organization made to overall organizational profitability. Alpenhain also wanted to integrate financials into their overall planning process.</p>	<p>Using macs Software Alpenhain was able to improve their budgeting and planning process by being able to integrate their sales, production and finance activities into one comprehensive plan. Greater insight was reached into the profitability of customers and products. The cost of idle capacity could now also be measured.</p>	<ul style="list-style-type: none"> ▪ Integrated budgeting and planning process incorporating sales, production and finance activities ▪ Greater management and reporting of the cost of unused capacities ▪ Flexible iterative top-down, bottom-up planning at customer and product level ▪ Detailed customer and product profitability reporting ▪ Improved Product Costing

Situation

Alpenhain is a 105 year old producer of factory cheeses and related products. It operates in a highly competitive industry where margins are low and the key to success is determined with knowing which products are yielding optimal contribution. Of critical importance is also the ability to innovate and bring new products on the market as well as ensuring high level of quality control.

What began 4 generations ago in the upper foothills of the Bavarian Alps has since grown to a \$130m operation with 450 employees.

As the operations and product lines grew it became increasingly important to distinguish contribution margins of the various product lines. Alpenhain management was well versed in the best practices of management accounting and wanted a tool that could help them manage the profitability of their various product lines. Alpenhain also saw it as critical to find an approach that integrates their sales plan with their operations and include the financial cost of being able to execute a specific sales demand. Becoming a leader in the industry would also require flexibility in that more than one such plan/budget would be required – the process would have to be repeated a number of times to attempt to get to a sales/volume and capacity mix that provides for overall organizational profitability.

A critical requirement for Alpenhain was the measurement of capacities. Certain product lines would consume certain processes and therefore establishing and changing the product mix could have significant impact on the utilization or non-utilization of certain parts of the business.

A tool indicating where these areas of potential over or under utilization could be

taking place would be of tremendous benefit.

Solution

Alpenhain chose macs Software as its Solution of choice after performing a thorough software selection process. Explains Von Hagman, CFO, “We at Alpenhain understand best practices in Controlling & Management Accounting. We were ecstatic to find a software tool with the *depth of best practice functionality* that macs Software has provided. We are truly able to put best practice theory into action with an easily usable, flexible tool.”

Customer & Product Planning

The planning process starts off with estimating forecast sales quantities using history as a base. A combination of top-down and bottom-up planning approaches is used. The most important customer product combinations expected quantities are planned individually at the detail level. For the balance of the several thousand customer and product combinations planning takes place at a higher level on the product/customer hierarchy and then based on certain rules the values are exploded to individual customers and products.

Actual results are also imported into macs and as planning has taken place at the detail customer / product level plan/actual comparison is made possible.

Cost Center Planning

As soon as the customer/product combinations is completed the sales quantities steps through a process of exploding the bill of materials to determine the material quantity requirements. In this process the activity driver requirement on the cost centers is also established. Each cost center has a predefined activity types

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Barbara von Hagman
Chief Financial Officer
Alpenhain

with certain capacities. Capacity reports indicate where over or underutilization of capacity is taking place. Where demand exceeds capacity appropriate steps must either be taken to increase capacity or change the mix of the products so as to relieve the constraint. Explosion of the bill of materials also indicates forecast material requirements which are passed over to the procurement department.

The production plan drives the demand for resources requirements (activities or cost drivers) in cost center accounting. Says Wallner, “Altogether we have 265 cost centers, our cost center plan is very detailed. On the Coagulator cost center, which represents one of our cheese making machines a certain number of manufacturing hours is planned. We call these hours’ runtime hours and have an activity type/driver called runtime hrs. For each runtime hour we plan the amount of energy required, cleaning agent and indirect support like service and maintenance of the machine. The system then automatically does an activity rate calculation based on the expected number of hours. This rate is split between fixed and proportional values.”

“We are most excited at having the ability to manage capacity also within our cost centers. Normally organizations try and manage capacity but it is not very often that it is integrated into their cost center management environment. The ability to do this really benefits our ability for performance measurement as we are now able to “flex” our plan results which are then compared to actual expenditure. Previously we would have to manually do the calculation of standard qty * operating rate to get to my flexed or allowed values but macs now provides this for us automatically” explains Wallner

Planned Income Statement

Once product costs have been calculated (combination of materials and activities (cost drivers) consumed), the planned income statement is created. The product cost is broken down by the various cost components, each split between a fixed and proportional value. Indirect costs are allocated over combinations of products and customers. A stepped planned income statement is created using the original sales quantities as the basis for the revenue.

Benefits

Says Evi Wallner, “the introduction of the macs software has enabled us for the first time to leverage the integrated planning process, creating planned profit and loss statements for different scenario’s indicating where we should focus our efforts to maximize profits.”

User-friendly to operate

“The macs Software is also very user-friendly – complex situations are represented and made usable in a very efficient manner. Those with limited finance experience immediately got the hang of it and were well on their way.

Customer and Product Profitability

Leveraging a combination of top down and bottom up planning has enabled efficient planning at the customer / product level. Actual sales is compared with plan values allowing for very efficient customer and product profitability and variance reporting. This greatly assists in deciding where to focus efforts and which combinations should be discontinued.

Capacity Utilization & Idle Time

Managing capacity utilization and measuring the effects of over or under utilization (idle time) of resources and its effect on profitability has provided significant insight into how it impacts the bottom line.

“What is tremendous about our new planning process is that it is a closed loop approach – we just establish the input sales quantity and then simulate the whole production process including the financial drivers to arrive at a planned profit and loss statement. Wonderful.”

Evi Wallner
Controller
Alpenhain

For More Information

For more information about macs Software products and services call the macs Sales Information Center at (800) 946 3160 in the US and Canada. Outside of the US please contact your local macs Software subsidiary.

Details of the subsidiary nearest to you can be found at www.macsoft.com

More information about Alpenhain and its products can be found at www.alpenhain.com

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