

Case study: How traditional ERP helped meet modern business expectations

RM Foods took a phased approach to implementing Sage ERP X3 to minimize risk and improve customer responsiveness.



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By Will Kelly

RM Foods, a 50-year-old food and beverage manufacturer and distributor, has grown from a supplier to El Torito and Acapulco restaurants into a much larger customer base that now includes Trader Joe's, Costco, Sam's Club, and Whole Foods. The company started with no functional ERP system, which put them at a disadvantage when it came to managing and tracking their business.

In a world full of ERP implementation failures, RM Foods conducted a very successful phased implementation of Sage ERP X3. The ERP now enables RM Foods to run its business more profitably by increasing data accuracy with more visibility into product and production data. This is especially critical as they transform from a food distributor to a manufacturer. According to Michael Siegmund, president of RM Foods, previously they had no capability for manufacturing or manufacturing resource planning prior to the implementation.

Building a base for a successful ERP implementation

Siegmund was already familiar with Sage Software products and their approach from his previous work as a food and manufacturing consultant. He used this experience to his advantage in establishing the foundation for a successful ERP implementation.

Siegmund and RM Foods approached the project by adopting their operating procedures to the software and not the other way around.

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—Michael Siegmund, president of RM Foods

"Then you start writing code, and you get into trouble," warns Siegmund.

"Systems such as Sage, or any other ERP, are generally designed to accommodate not only common industry practices but more often than not worldwide best practices and standards," says Siegmund. "For any company to say 'My way is better' is the height of conceit. It's a whole lot easier to train users in the system than it is to rewrite code and then find that something screwed something up and you get into a hopeless mess."

Siegmund adds: "Not only does it become much more expensive and fraught with errors and problems but it will take a lot longer. It's kind of a losing proposition all in all."

The project team

Siegmund explains the composition of his ERP implementation team by saying it's most important to have people skilled with the business and how systems work within the business that you're in.

"I had Sage consultants, but I also had my own consultants who were knowledgeable of the way I did things, what our business is about, and some of the unique aspects about what we did and how we did it. RM Foods had employee representatives from logistics, manufacturing facility, finance, and purchasing."

This helped in instances particular to RM — like when RM Foods would lose 3 percent in yield in a particular process and then program that into the ERP routings

telling how the product is being made for proper costing.

"This helped us do the implementation in such a way that everybody in effect was speaking the same language by talking through these interpreters who were the consultants."

The food industry consultants could talk to Sage's consultants and both were talking in the same language. As a result, Siegmund and his crew were able to implement the ERP system in a short amount of time, going live in only six weeks.

"That included training, setup, and everything. We don't have the most complex business, but at the time we were a \$120 million business so we weren't chump change either."

Elements of a successful ERP implementation

RM Foods chose to do a very basic ERP implementation upfront. They wanted all of their users using the system properly and well grounded in its form and function and using the system the way it was intended.

After the initial phase implementation, Siegmund advises, "Once that is mastered, you go onto the next feature or capability and prioritize as you see fit. If I were still in the distribution business, for example, I would choose to implement a bar code scanning device with the warehouse management system. That capability exists. If I were in mail order retail, I might choose to implement a website capability. There are so many things you can do, but you don't have to do them instantaneously."

RM Foods continues to use outside consultants on an ongoing basis to help phase in new ERP features. Siegmund said it was almost a year before they turned on lot control, for example.

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weeks.

"We wanted to make sure that we could manage our business in a manner consistent with the systems tracking of code dates, shelf life, and lot codes. By taking a progressive approach we minimized risk. The chance for failure and that helped us a lot."

Spending the time to enter the data into the system is also key. Otherwise, you only achieve minimal function. Not entering data caused the RM Foods ERP implementation some issues in the accounting department.

As RM Foods transitions into more of a contract food manufacturer, it plans to phase in Sage ERP X3's manufacturing features. According to Siegmund, "The product that is being made is a little different to that in another manufacturing facility, and you have to be able to account for those differences. That's what the system is trying to help you do. You can come in with a generic template to put around the business because that's what you know how to do. That's OK, but you aren't going to have a full solution."

Towards success

Siegmund says the definition for project success for the implementation was a bit clouded. Around the same time, the corporate parent was attempting to implement Sage and failed. The failure was due to people not understanding the new system. They responded by returning to their legacy system.

He relates, "Our implementation went smoothly. We set a timetable. Achieved it. Turned it on and started working with it. Within three weeks I didn't have people going to consultants or super users with questions. No hiccups."

He takes a long-term view of the project's success. "Without this information it would cause me to work in a less efficient fashion. As you have information about what you are doing, you can tweak your operation, tweak your procedures, and become more efficient. You can't put a dollar figure on it. But as the business grows there would be a limit to which I could expand and beyond that there would be a need for an ERP

system."

Results

The parent company of RM Foods came out of bankruptcy nearly a year ago, which nearly killed Siegmund's division. Post-bankruptcy growth is at triple the amount of revenue in less than a year. Siegmund expects RM Foods to double that growth in another year and couldn't do it without an ERP system like Sage ERP X3 in place.

According to Siegmund, part of the food manufacturing industry is being responsive to questions like: "Hey I need you to make cheese balls. What's it going to cost me?". Formerly, they used Excel spreadsheets with a two-week turnaround time to get quotes to prospective customers.

"The Sage ERP X3 system shortens the response time to 48 hours. The only reason it takes that long is because I haven't finished the routing in Sage. When that's done it will go down to two hours."

The RM Foods Sage ERP X3 implementation shows how best practices, including a phased implementation using ERP and using industry expert consultants, lead to an ERP system that supports greater customer responsiveness and business transformation.