

CLIENT PROFILE

A Structured Approach to Choosing a BPM Solution Leads to Early Payoffs for International Marketing Company

Novamex is the leading marketer of branded Mexican food and beverage products in the USA, where it holds exclusive distribution rights for Jarritos, Sangria Señorial, Sidral Mundet, Mineragua, Aguas Frescas de Mi Tierra, San Marcos, Chocolate Ibarra, Cholula, D'Gari, Rogelio Bueno, Mexichef and MicheMix. As a marketer, Novamex focuses on all aspects of brand management, from production in Mexico to consumption in the USA. Novamex also manages a network of over 50,000 distribution points from coast to coast.

When Novamex's CEO, Luis Fernandez, demanded stronger technology for budgeting and reporting, team leader Karla Legaspy explains, "We put together a task force, which began by researching on the Internet, and talking to peers at other companies." Some of those peers had never heard of reporting software and were stretching Excel to handle budgeting and reporting. Others were in full gear with what Legaspy calls "big name reporting software."

"Reports for our C-level team have to wait until the end of the month," said Legaspy at the time. "And while we do have a balanced scorecard at Novamex with indicators, it's posted on a bulletin board in our building and not always updated."

With an initial mandate to upgrade Novamex's Excel-centric methodology and supplement its SQL-based general ledger from Epicor, Legaspy didn't know she was about to enter the world of BPM.

"As we began talking to the major BPM vendors, and saw the capabilities of their budgeting tools and the possibilities for integration with other performance management functions, our goal began to evolve. We saw the potential, and realized how important it could be to Novamex." Legaspy's team found itself facing a bigger project, one of strategic impact for the 400-person company.

As the potential scope of the project expanded, so too did the need for in-depth research of both Novamex's requirements and the solution choices. It became difficult for Legaspy and her colleagues to balance those tasks with their ongoing workload and time constraints, as well as their ongoing IT maintenance workload. "In addition," she points out, "We didn't know the methodology for selecting a solution in this unfamiliar area."

Recognizing the Need for Performance Management Expertise

It was this realization -- that a structured approach, based on experience, would be valuable -- that led Legaspy's group to recommend that Novamex engage outside help. They saw a three-fold need: obtain guidance and impartial advice, clarify Novamex's requirements, and identify the best solution. With approval from senior management, Novamex retained BPM Partners to help them choose the right performance management solution.

"We hired BPM Partners to manage the project from a budget standpoint," said Novamex's CFO, Tomas de Leon. "Because it was the first performance management project for our team, the need to involve outside expertise was clear. Given the importance of the project, we needed early successes, and we recognized that BPM Partners could help us achieve that."

Legaspy's team next spent several weeks working with the consultant to ensure Novamex's requirements were clearly and completely defined. From this process, it emerged that Novamex needed to track a wide variety of metrics, including sales and sales growth, gross margin, earnings and earnings growth, return on capital and return on equity. Taking these metrics to a granular level, covering each SKU within a product line, would enable flexible sales analysis and better decision-making.

Less traditional measures would also be required, including economic value added, product profitability, and profitability by customer. An important objective was to obtain these metrics in near real-time, to enable more rapid decision-making and management responses. The system should allow Novamex's users to drill down from their strategic goals, all the way down to key performance indicators. Additionally, with facilities and warehouses in both Mexico and the US, and significant growth ahead expected, Novamex needed scalable, automated consolidation.

Novamex and BPM Partners then created a detailed RFP which was distributed to several vendors. Working together, they scored vendors' responses to this RFP using a structured evaluation methodology supplied by BPM Partners. Finally, the team engaged in an intensive week of five vendor demonstrations, with one six-hour session each day, leading up to the final selection decision.

It's important to note that Novamex worked with, but did not hand over the reins to BPM Partners. "In fact, we became more involved in the process," explains Legaspy. "And by following the structured approach BPM Partners recommended for evaluating software vendors, it freed up our time."

BPM Partners helped spell out specific guidelines for the vendors that focused the product demonstrations directly on Novamex's particular requirements, avoiding the distraction and time drain of running through long feature checklists. The demo guidelines required vendors to show in detail their capabilities for budgeting, forecasting, consolidation, and reporting, all functions Novamex had been performing 'manually' via Excel.

BPM Partners helped guide the selection process, which encountered surprises and pressures to take steps out of sequence. "After we had already reviewed the BPM-specific vendors," recounts CFO de Leon, "Our ERP vendor asked for an opportunity to present their software offering."

It was quickly apparent that the ERP vendor's functionality was too limited. Novamex's team had adopted BPM Partner's structured approach to getting in-depth responses, with the result that, according to Legaspy, "Our people were asking very sophisticated questions, and the ERP vendor was unable to give specific answers. By contrast, the vendor we chose definitely has the capabilities we need. We were able to verify that."

For example, Legaspy's team questioned the ERP vendor about its forecasting and "what if" capabilities, and how Novamex's balanced scorecard process, which is now on Excel and manual systems, would be engaged and integrated in their software. "At a certain point," said de Leon, "the ERP vendor's salespeople expressed surprise that we already had this level of knowledge. We explained that we had undertaken a process with outside expertise and had investigated our requirements in detail."

After the week of product demonstrations, a front-runner emerged. Comshare's functionality and an excellent demonstration made it the leader. Another contender was SRC Software of Portland, Oregon, which offered tight integration with Excel. Cognos sparked interest, too, with a product that Novamex judged to be on a par with the Comshare system.

As Novamex neared a final vendor decision, news came that would impact the outcome: Comshare was being purchased by GEAC. "That made us step back," says Legaspy. "Comshare has a great product, but any acquisition brings a certain risk with it. We had to weigh that risk against their product edge."

"The acquisition by GEAC threw everything into the air again," notes Barb Barker, the senior consultant from BPM Partners who had been assisting Novamex. It was back to a three-way race." The final stage of the evaluation process was a tough battle between Comshare and Cognos. When Novamex inked its decision in July, according to Barker, "Cognos prevailed with their ability to provide functionality for both short- and long-term Novamex requirements and by demonstrating their commitment to Novamex as a business partner."

Early Success and Benefit to Sales

Novamex then began implementation of its new Cognos system, beginning with budgeting and reporting. Novamex is now moving from an analytic system that Legaspy described as 'walk around and ask everybody' to one that is highly customized, linking to a datamart that supports the reporting process. One of the first significant wins came in reporting.

With Cognos' Metrics Manager linked to Novamex's financial ledger system, an early success was to automate and offer on-line a series of sales reports. Until recently, the sales force had to wait for paper reports and phone the accounting department for detailed account data. It is a significant deliverable to enable the sales force to access this information easily, online, at any time.

Liberato Aguilar, a brand manager with Novamex, has been making use already of reports concerning profit analysis, sales history and detailed account analysis. "The important thing is that these reports are very easily manageable. Changing fields, for example, is very easy."

Training was a critical aspect that Novamex had attended to in its planning. Aguilar and other sales and marketing personnel were trained personally in a three-hour session. "Also, any time that I'm working with any report and I have any doubts I have the people from the Reporting team available," comments Aguilar. "The only way to become familiar with the new reporting system is by using it as much as possible."

The new systems and reports have already delivered value on the revenue-generating side of the company. Aguilar explains, "The new reports have been very useful in sales because of the speed they give me to analyze information. Previously I would have requested this analysis from the IT department and the turnaround might be several days."

Aguilar's use is mainly for analyzing trends of sales. "But also I try to go as deep as possible into specific details on the monthly P&Ls by product and by customer", he adds. He mentions that in a specific brand, Novamex carries over 40 different SKUs. Whenever the sales force analyzed a mix of products it was a long and tedious process. "With this new software, the analysis is done in less than a minute, giving us a lot of information that translates into rapid decision-making in sales strategies for each market."

From the Finance side, the benefit is also apparent. "Before this, our process was very manual, with more time spent creating and checking reports," says Legaspy. "Now we publish reports quickly. We are able to get the reports out quickly and are able to spend more time on analysis."

Taking Stock and Looking Ahead

Less than one year from implementation, 80% of Novamex's users have online access to at least part of the system for ad hoc inquiries. Reporting information is accessed from a data warehouse. To allow for business changes, senior management has instituted the practice of holding a yearly strategic meeting to develop company goals, and from there will update the indicators used in the performance management system.

Novamex plans to continue automation of its reporting and balanced scorecard, with auto alerts and web-based solutions, as well as adding consolidation. Novamex is also taking the ambitious step of integrating the system with their sister company in Mexico.

Working with an outside advisor brought useful methodology, prior knowledge of the vendors and their products, and a helpful surprise in the final stage; Novamex had not known that some of the vendors' annual fees could be negotiated. This late discovery was both welcome and economically beneficial.

"At the beginning, going to an outside consultant looks like an added expense. But it was the right decision, because BPM Partners saved us much time and money," said CFO de Leon. "Often, it is time that is more expensive, but that fact is easily overlooked because time doesn't appear on your profit and loss statement. BPM Partners was key in our selection process; without them, it would have been easy to choose the wrong software."

Novamex's project objective evolved during the vendor evaluation, growing from a desire to improve on Excel budgeting and reporting to a more sweeping performance management scope. This led Novamex to reexamine what it could gain from such data presentation features as ad hoc analysis, KPIs, dashboards, and balanced scorecards. The project became more ambitious and strategically important, enabling fast and flexible analysis by sales and marketing managers. "We now see this initiative as distribution of information, and putting information to work through analysis," says Legaspy. "And while this system is maintained and used by finance, they are initially responsible for the creation of reports for *all* areas of the company. We expect the functions of the team members to change from month closers to true analyzers of our business"