



Benefits at a glance

- ▶ *99% customer service performance*
- ▶ *World class performance achieved in less than 15 months*
- ▶ *Project rolled out as global strategy across four continents*
- ▶ *24-month horizon for New Product Development strategy*
- ▶ *Demand and supply accuracy have just 5% and 2% volatility respectively*
- ▶ *Safety stocks of key products reduced*
- ▶ *Financial accuracy has volatility of 2%*
- ▶ *Awarded Oliver Wight Class A Milestone for capable integrated business management*

Customer profile

Oliver Wight serves up Class A performance for Heinz

What began as a localised programme to improve the predictability of its European operation, quickly became Heinz's global strategy for business improvement. The benefits have been far-reaching and the programme has delivered performance metrics of up to 99 percent.



Heinz is the most global U.S.-based food company, with a world-class portfolio of powerful brands holding number-one and number-two market positions in more than 50 countries. The Heinz brand is a \$2.5 billion global icon and Heinz's top-15 power brands account for two-thirds of annual sales. Today, Heinz brands are cultural icons to consumers everywhere, symbolising quality, convenience and great taste.

In February 2005 HJ Heinz embarked on an improvement programme for its business planning and forecasting processes. The objective was to support continuous improvement of the profitability and predictability of its European operations but within three months the project had become the company's global strategy and extended beyond planning and forecasting into finance, customer service and new product development (NPD).

For an organisation the size of Heinz, eliminating volatility in these key business areas presents enormous challenges - retailers are demanding ever greater levels of customer service, with daily deliveries and zero inventory, whilst the massive demand for its products like the company's iconic tomato ketchup, necessitates meticulous control of supply, right down to SKU level. What became known as the 'Heinz

Business Management' (HBM) programme was established across all four continents - a team of 12 'regional implementation managers' supported by Oliver Wight consultants, was appointed to manage the programme and following a two week workshop at the Heinz UK offices, the team set itself the challenging target of reaching world class performance inside 15 months. Not only did they achieve their objective - Heinz received its first Class A Milestone award from Oliver Wight in June 2006 - but some benefits came immediately the programme began - establishing 'one set of numbers' allowed Heinz to identify a gap in its forecast revenues and the resultant sales and marketing campaign delivered a return of five percent direct to the bottom line.

This first Class A Milestone (for 'capable integrated business management') was awarded to the company's northern

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Gerard de Bruijn
HBM business leader

and eastern European operation, under the stewardship of HBM business leader Gerard de Bruijn. He says Europe had an advantage over the rest of the Heinz organisation because it had already successfully implemented a Sales and Operations Planning (S&OP) programme (HBM extends the principles of S&OP into NPD, financials, forecasting and strategic planning) “The other regions are only just a little behind us; HBM began as a project but it has now become the established way of working for the entire company.” Gerard de Bruijn says that before HBM, if there was a forecast shortfall in revenues at the end of the quarter, there might be a temptation to rush through the introduction of a new product to try and fill the gap - risky if this meant compromising retailer and consumer testing. “NPDs can be problematic because of great variation in the duration of projects and availability of personnel; resources have to be carefully balanced between local and international, permanent and temporary staff and getting it wrong can be very costly.”

Now, with its supply and demand volatility minimised, Heinz has a 24-month horizon for its NPD strategy with between 20 and 30 high-end NPDS in progress every year - via a new ‘product management review’ (PMR) process, products

are introduced according to a structured launch programme with robust financial projections, and rigorous consumer and retailer testing. Meanwhile, its business review process ensures that individual objectives and activities are linked right through to the corporate strategic plan, with slick monthly reviews carried out at all levels of the organisation allowing the company to respond quickly and effectively to change.

The establishment of cross-functional teams and improved communications ensures production and inventory are properly matched to demand, rather than just to fill any shortfall in the forecast. A monthly ‘reconciliation review’ involves key personnel from sales, marketing, supply and finance who meet to discuss the current forecast Vs the strategic plan (based on PMR, demand and supply reviews) and to engineer co-ordinated business solutions to meet any shortfall; these along with a revised forecast are forwarded to all the individual regional management boards thus providing a complete monthly business review for the entire Heinz organisation.

The original objective of predictability in the European business has also been achieved, with improved customer service, and enhanced consumer and business relations as a result - customer service performance now averages 99%, while demand and supply accuracy have just 5% and 2% volatility respectively; safety stocks of key products have been reduced and financial accuracy has a volatility of 2%.

Class A is Oliver Wight’s industry-recognised standard for business excellence, only awarded to those companies able to sustain performance metrics of 95 to 99 percent. Receiving the Award from Oliver Wight EAME president Andrew Purton, de Bruijn said teamwork and inspirational leadership have been fundamental to the success of the programme: “Heinz management gave the HBM team carte blanche. The biggest challenge is to keep people on board – it’s a rigorous process and it involves an enormous amount of communication to the whole company; you can’t do that in isolation and we had a fantastic group of people to work with. That’s proved vital.”

As other Heinz regions achieve Class A Milestone Awards for their integrated business planning programmes, de Bruijn is leading his region to Class A performance for advanced strategic planning.



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