

SCA Product Costing and Channel Management Improves A Food Company's Pricing Process

Overview

The food company that makes sauces, condiments and frozen foods is one of the world's leading marketers and producers of healthy, convenient and affordable foods specializing in condiments, sauces, meals, soups, snacks and infant nutrition. They provide superior quality, taste and nutrition for all eating occasions whether in the home, restaurants, the office or "on-the-go." The company is a global family of leading branded products, including condiments, sauces, soups, beans, pasta and infant foods (representing over one-third of their total sales). The food company is famous for its iconic brands on six continents.

Challenge

A food company that makes sauces, condiments and frozen foods provides hundreds of products to thousands of foodservice distributors around the US. Traditionally, The food company uses a complex, delivered pricing model for its customers with regional differences and many non-standard structures such as "FOB delivered." The existing model had several drawbacks:

- Delivery cost increases were absorbed by the company
- Smaller loads were often shipped at a loss to the food service company due to price policy bracket exceptions
- Pricing administration is difficult with an exception-based policy

As a result, managing channels and pricing was dysfunctional. Senior managers at the food company recognized a significant opportunity to develop a logistics and pricing solution that would better serve different customer segments. This would simplify the process and provide better results. They needed a tool that could define "cost-to-serve", understand dependencies across segments, and provide detailed implementation capability. The model would improve pricing administration and make it easier for customers to work with them. Moreover, the new pricing model would provide the company with the ability to improve profitability by passing along delivery cost variances to the customer.

About SCA

For over a decade, SCA Technologies™ has provided category sourcing and cost management solutions that help industry leaders maximize profits by better managing market, supply and demand volatility. Supply chain, procurement, finance and corporate social responsibility professionals use the unique cross-functional approach of the SCA Planner™ suite to make better decisions for billions in category spend each year. With our patented technology, customers can finally address the tough challenges of volatile commodity prices, extended supply chain networks and corporate social responsibility tradeoffs in a coordinated manner. Our innovative, cloud-based solutions deliver increased visibility and quicker response, leading to an average 3-5% reduction in the cost of goods sold on an annual basis. Learn more at www.scatech.com

Solution

The company's management team quickly recognized there were gaps in the tools, expertise and methodology needed to accurately model an extended supply chain and facilitate pricing analysis. The food company that makes sauces, condiments and frozen foods engaged SCA Technologies to assist with the pricing optimization initiative. Leveraging the integrated operations and finance modeling capabilities of SCA's predictive, cost-modeling software suite, SCA supply chain consultants and the company's analysts teamed up to create a holistic supply chain model that would accurately predict profit impacts from various volume and pricing options.

SCA's software suite, SCA Planner™, is a predictive cost modeling and optimization tool that brings together three critical elements to improve strategic analyses:

- Financial modeling using activity-based cost drivers
- Comprehensive supply chain simulation
- Cost optimization for multiple decision variables

SCA Planner provides an integrated framework that allows business managers to develop a 20/20 view of their supply chain network and the impact that each decision will have on operational and financial metrics at all the levels of the organization. Business managers can make faster, more insightful decisions, and develop more effective, robust and implementable operating strategies. SCA Planner provides them with an enterprise decision analysis capability that simulates the financial and operational impact of changes in demand, pricing, factor costs, and utilization and process efficiencies. With SCA Planner, the food company is able to accurately assess the P&L and operations impacts of strategic supply chain decisions and identify operational strategies that satisfy business objectives and customer expectations.