



GLOBAL LOGISTICS & SUPPLY CHAIN STRATEGIES

CASE STUDY

Small Specialty Foods Importer Has Big Supply Chain Challenges

BY JEAN V. MURPHY

Liberty Richter needed a supply chain solution that was the right fit for its small size, but robust enough to handle its healthy growth and international operations.

Shop the gourmet or all-natural food aisles in most U.S. grocery stores and you will find such brand names as Sacla Italia, Kitchens of India, Knorr, Finn Crisp and Ka-me. These, and many other international and specialty foods are imported and marketed in the U.S. by Liberty Richter, Saddle Brook, N.J.

Founded in 1926, Liberty Richter was acquired in 1999 by Tree of Life Inc., Jacksonville, Fla., which is a subsidiary of Netherlands-based Wessanen, one of the world's largest food companies. Liberty Richter retained its identity through this change in ownership and continues to operate essentially as a small business—albeit one with a global and complex supply chain. “We are a small company—only about 50 employees,” says John McLennan, vice president and controller of the com-

pany. “But we import products from all over the world, primarily from Asia and Europe but also from South America.” Imports represent about 65 percent of Liberty Richter's products, McLennan says, with the remaining 35 percent being manufactured in the U.S. Domestically, the company sources product from Texas, California and Illinois.

As a small company, Liberty Richter outsources many services, including information technology and logistics. The company's primary distribution center in New Jersey is run by Advanced Warehouse Systems, a division of Regency Warehousing and Distribution, Franklin, Mass. Smaller amounts of stock are positioned at 10 public warehouses around the country, while transportation and customs clearances are handled by freight forwarders and customs brokers. These include ETS

Transport and Logistics, Bremen, Germany; General Noli, Modena, Italy; Jagro, Irvington, N.J., and Coppersmith, El Segundo, Calif.

The company's primary sales channel is through some 200 distributors that, in turn, service grocery and other food stores. It also has an online sales channel through mybrandsinc.com, which sells specialty and hard-to-find brands over the Web. In addition to importing and distributing foods, Liberty Richter helps clients market and grow their brands. “Since a lot of the brands we carry are made by foreign companies, we become their eyes and ears in the U.S. market,” McLennan says.

One of the perils of this model is that the company sometimes works itself out of a job. “It probably averages about once a year that we lose a brand because it either becomes attractive to a bigger company

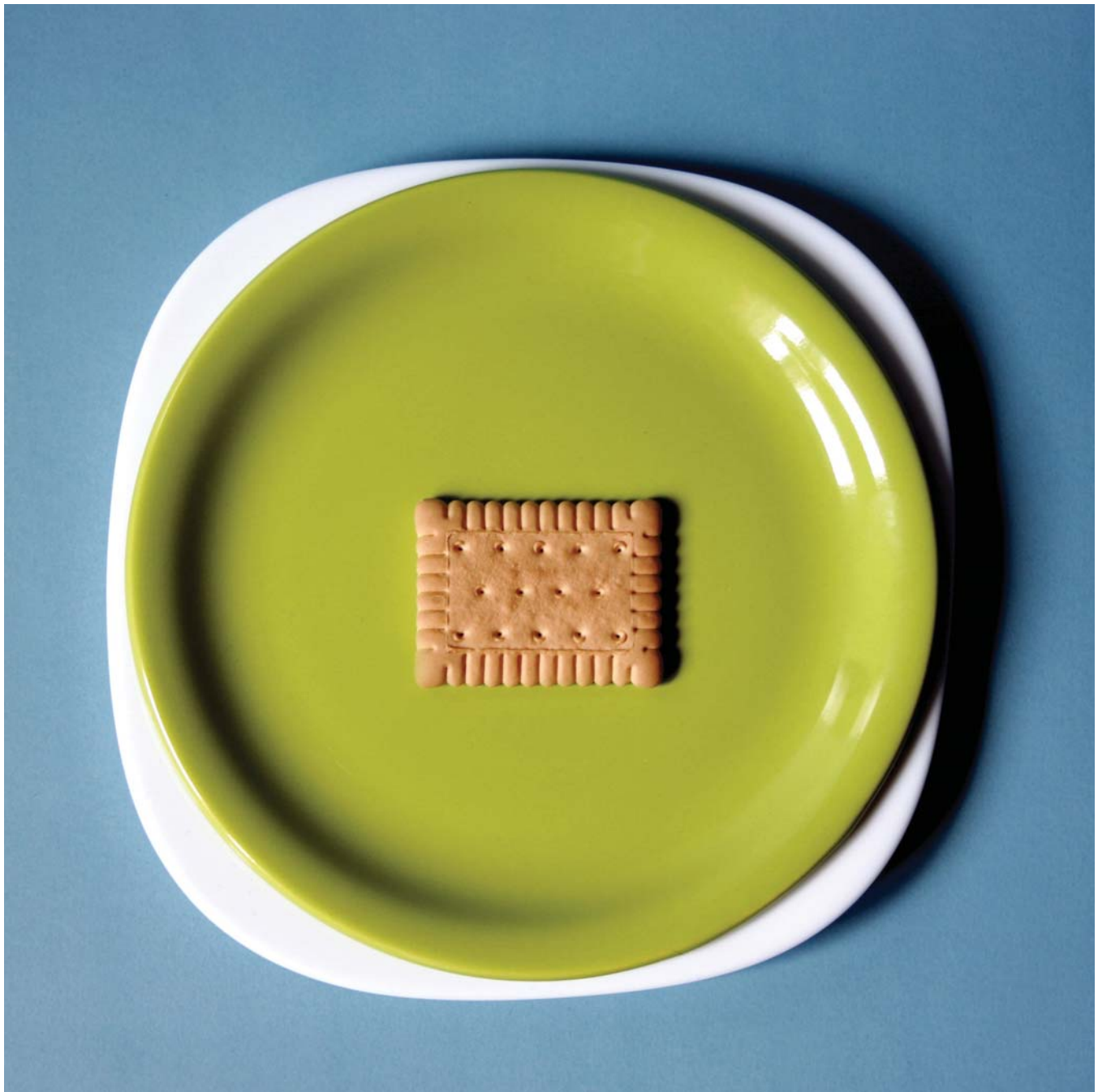
that acquires it and blends it into their infrastructure, or it becomes big enough to want to bring its marketing and distribution in-house,” says McLennan. That was the case for Wasa, which Liberty Richter lost last year, he says. “It’s part of the risk of our business model, and we accept that. We actually enjoy these success stories,” he says. And there is no dearth of foreign food companies looking to introduce their brands to the U.S. market. Liberty Richter quickly replaced Wasa with a similar product from Finn Crisp, for example. “We are approached by hundreds of companies at the various food shows,” McLennan says.

“That is usually where we first make contact with new clients.”

Because of vendor interest and growing consumer demands for specialty and natural foods, Liberty Richter’s business blossomed and began to outpace the capability of its old operating software. “The old software was a heavily modified package that was more geared toward manufacturing,” McLennan says. Because it had been so heavily modified, he says, reports often contained inconsistent and conflicting data. “You could run a report and get one sales or inventory number, then run a different report and that same data element would

show up as something else,” he says. “That was extremely frustrating and unproductive because we would then spend a lot of time arguing about which number was correct.” The root cause, he says, “was because the system had been so modified and we had used so many different software companies and different methodologies. A lot of good people worked on it, but it had just become impossible to manage. Basically, we had spaghetti code.”

The company also suffered from poor communications and integration between its operations and finance departments. “In the old system, the purchase orders were



done outside the system, often just using word processing software, and then they were tracked in spreadsheets,” says McLennan. “From a foreign currency planning standpoint, that did not serve us well at all.” Nor did it help inventory management, leading to poor inventory accuracy, fewer inventory turns and a much longer cash cycle than the company wanted.

In addition to these internal issues, Liberty Richter also needed to improve communications with customers and suppliers. “At that time we did absolutely no EDI, so we were interested in acquiring that capability,” McLennan says.

Selection Process

To address these problems, Liberty Richter hired IBM to help it identify potential software solutions that would be a good fit. Together, the companies developed an extensive request for proposal (RFP). “IBM provided great insight on software that was available in the market at the time,” McLennan says. “We ended up looking at about a dozen packages, but by using a check list that IBM had helped us prepare, we quickly whittled that down to about five packages that we wanted to look at more in depth.”

The company took four or five field trips to see demonstrations of existing installations of solutions on its short list. “In the end, we selected 3rdwave from Blinco Systems,” McLennan says. One of the key attributes in Blinco’s favor was the integration of its various functionalities, he says. “Obviously, all of the software packages that we examined had foreign currency capabilities—that was one of our absolute must-haves since we do business internationally. But in some of the packages, this capability seemed to be a bolt-on and was not as seamlessly integrated as it was in 3rdwave,” McLennan says.

This also proved to be a key issue when the company was acquired by Tree of Life. “We installed 3rdwave shortly before they bought us,” says McLennan. “Of course, at first they suggested that we migrate to their system, but what they had was designed more for a distributor than for an importer. In particular, their package did not handle foreign currency well. If we had had to run our business on their software we would probably have ended up doing a lot of things on spreadsheets again. So, fortunately, they had the wisdom to let us continue with the system that better fit our business.”

Another reason Liberty Richter chose 3rdwave was the completeness of the product. In addition to its forecasting and supply chain modules, 3rdwave has a full financial suite, which meant that it was the only software that a small company like Liberty Richter needed. “It’s really a mini-ERP system, though ‘mini’ doesn’t really do it justice because it is more robust than that,” McLennan says.

Blinco worked with Liberty Richter to develop a road map for implementation. “Sales information is very important to us, so forecasting was one of the first things we implemented,” McLennan says. “With 3rdwave we are able to establish an excellent historical base and then we marry that with any marketing activities or sales programs that are planned for the brand or a



particular item.”

Currently, Liberty Richter is implementing the 3rdwave trade promotions module. “Promotions are critical to the profitability of our business,” says McLennan. “We want to make our spend in this area smarter.” In the food industry, he notes, retailers often use bill-backs, or deductions for agreed promotional activity. “For example, for every jar or bottle that goes through the checkout scan, the consumer may get a few cents off,” McLennan explains. “During a given time period, the retailer will bill back or deduct that amount from payments to the distributor and the distributor will then

bill that back to us. The trade promotions software will help us make sure that we are making offers that will help and not hurt our bottom line.”

In the logistics area, Liberty Richter’s key implementation was Global Inbound Management. This 3rdwave module provides complete execution and control over the physical movement of product in transit, explains Ned Blinick, vice president of sales and marketing for Toronto-based Blinco. “Details relating to ocean, air and overland shipment are captured and tracked within the Inbound Logistics module in either real-time or batch mode,” he says. This module also enables communications with suppliers and service providers, from the ultra-sophisticated to the most manual operations. “Shipment details can be entered into the system through EDI, web interfacing or manual entry,” Blinick says. “Once the information is entered, it is immediately posted throughout the system updating all related modules.” Any changes to a shipment’s status is noted in 3rdwave and alerts are sent to authorized persons in real time.

Having visibility to inbound containers was a key requisite for Liberty Richter, McLennan says. “That was something that our old software did not have at all and it has been tremendously beneficial for us. Now we can execute and manage supplier and customer commitments against in-transit shipments.” The result, he says, is increased order fulfillment, asset utilization and inventory turns.

This capability is one reason that service levels have gone up since implementing 3rdwave, McLennan says. Before, the company was averaging from 92 percent to 93 percent on order fill rates. “Last year, we hit 97.5 percent,” he says.

Inventory turns also have improved, thanks to 3rdwave’s visibility to inbound freight. “Before we made the switch we were turning inventory at about three-and-a-half times a year,” says McLennan. “Last year we got it up to six turns a year, which is really good for the food industry and especially so since we are dealing with imports and long ocean transit times.” In addition to the new software, McLennan says this improvement was also attributable to “changing people’s perceptions. At first, people were unsure they could trust the information so we tended to have a little too much safety stock, but we have since been able to tighten our safety stock up.”

Another important aspect for Liberty Richter of the 3rdwave implementation is performance dashboards and reporting. “This is a topic near and dear to my heart,” says McLennan. “The executive dashboard has been a tremendous tool for us.” Liberty Richter implemented the 3rdwave dashboard with an eye toward a balanced scorecard approach, which is how its parent company manages business at the corporate level, he explains. “Of course, the idea is to keep your metrics in balance,” he says. “It obviously is easy to drive service levels up by increasing the amount of inventory in your warehouse, but the goal is to improve service levels at the same time that you improve inventory turns. Keeping these in balance ensures that you are not spending too much money on working capital to drive service improvements.”

Immediate Action

Dashboard information is in near real time, he notes. Throughout the day, “I refresh the dashboard to see how we are doing,” McLennan says. “For example, I can check to see if we are going to hit our monthly forecast for sales—I know our president does that as well. I also can see our inventory levels and service levels.” This visibility allows the company to take action immediately when things are not moving according to plan, he says. “We don’t have to wait for a period to end to get this information, which is always too late.”

A couple of other sales metrics that Liberty Richter has found interesting are the number of invoices for the day and for the month and the number of lines per invoice, he says. “The number of daily invoices has remained fairly constant, but the number of lines per invoice has increased. That’s an important metric for us.”

Another aspect of the dashboard that McLennan likes is the ability to drill down into the numbers. “We can drill down by customer or by profit center to see as much granular detail as we want and it can all be graphically displayed,” he says. “By doing that, we have found that a lot of our supply chain graphs look like a saw-tooth. When a container comes in, the inventory for that item shoots up and then it drops off as those products go out, just like a saw.” This also is a great visual indicator of safety stock, he says. “If the bottom of that saw-tooth never comes close to zero or if that spread is big, we know we have too much safety stock. If we see an



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item where the gaps are large, we know we may need to rethink our safety stock.”

Since implementing 3rdwave, Liberty Richter’s return on investment, particularly working capital tied up in inventory, “has improved nicely,” McLennan says. Moreover, the company has doubled sales while only hiring “one or two additional people.”

“You’ve probably heard it before, but the biggest lesson we learned from this project was to expect the unexpected,” McLennan says. “Things you figure will go

smoothly don’t and things you think will be a big headache turn out to go a lot smoother than expected. I think that is true with any implementation.” ○

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Blinco Systems, www.blinco.com

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Panos Brands, www.panosbrands.com