hostanalytics
decide

customer case study

Otis Spunkmeyer, Inc., is known nationwide for its cookies and muffins, often seen at retail stores, food-service facilities, catered functions and fundraising events. Behind the whimsical name and the sweet baked goods, however, is a complex business that faces challenges to plan and budget in today's volatile economy.

They operate several sales channels by two means of distribution. From four production plants located around the United States, Otis Spunkmeyer delivers directly to its largest distributors, who sell to operating companies. For smaller customers, the company fulfills orders through 51 regional sales centers, a method it calls direct store delivery. Sales representatives, sales center managers, corporate budget analysts, and executives all need to have input into budgeting on the front end and to understand how the numbers on the back end affect their responsibilities. With all these variables and people involved, budgeting and planning gets complicated.

Until recently, Otis Spunkmeyer did all its planning using spreadsheets created in Microsoft Excel, the desktop productivity software. But Excel was not designed to handle collaborative, company-wide tasks. The sales plan is a case in point. "We want to measure what we sell in three different ways: by customer or channel, by product, and by delivery method," says Joel Feldman, director of Financial Planning & Analysis, based at corporate headquarters in San Leandro, CA. "Right there you've got a lot of different combinations that get hard to manage in Excel."

In addition, using stand-alone software and files that reside on the PCs of individual users makes it hard to get everyone on the same page – even regarding the same order. "For every sale that goes out of the sales center, two people are responsible for it: the sales center manager and the salesperson who owns that customer," Feldman says. In the past these people would do their own separate sales plans, based on limited information. Ensuring consistency between them wasn't possible. This occurred across the country at each sales center.

When it comes to finance, issues of control and quality of information are not only impediments to productivity, they can impact a company's bottom line. By mid-2007, people at Otis Spunkmeyer – from the highest levels of Finance to individual sales reps and managers – agreed that something had to be done to bring consistency and completeness to planning and budgeting.

A team composed of IT and finance people, with executive sponsorship from the CFO and the controller/vice president of Finance, as well as input from sales and marketing, began to look for a more organized way to collect, store and use data needed for the budget. The group wanted a tool that would be affordable and easy for nontechnical employees to use. It had to be ready to use for the upcoming annual budget exercise but could not occupy the company's limited IT staff, which was beginning a multi-year implementation of enterprise resource planning (ERP) application. After a thorough research project, which included speaking with several vendors, the team selected the Host Analytics CPM Suite for budgeting, planning and reporting.

"With Host Analytics, we now have consistent data that can be shared easily. And the flexibility to do top-down or bottom-up planning, at whatever level we think is appropriate, is a big deal for us."

—Joel Feldman, Director of Financial Planning & Analysis, Otis Spunkmeyer

Otis Spunkmeyer
Oh...so Good!

Access for all

Changes for the better soon were apparent. Host's Software-as-a-Service (SaaS) delivery method minimized the involvement of Otis Spunkmeyer's IT team, but more importantly it expanded participation in the budgeting process. Previously the budget data existed in "hundreds of huge spreadsheets linked together," Feldman recalls, which were cumbersome to search through and, for traveling sales staff, "took a long time to open on a remote connection." As a result, these mobile users had little input into the sales plan they would have to execute from.

That's no longer the case. Now, many more people, including salespeople on the road, are involved because they can use a browser to access Host CPM on the Web. "They just access the hosted Web site to do their planning," Feldman explains. "That's been a big win." Implementation initially began with 25 users of the system and expanded quickly to 125, among them managers in the 51 nationwide sales centers.

Opening up the process has unburdened some other employees and distributed ownership of data to those most affected by it. In the past, because the system was so cumbersome, finance leadership strictly limited the number of users. As a result, "a handful of people would have to go really deep into the data," says Feldman. "Now that we've spread it out, those people can concentrate on their particular area of responsibility and don't have to try to speak for the entire organization." These key participants can use the time saved, from doing things for others, to concentrate on the analysis that turns data into a budget.

Ironically, when fewer people were involved, the process was more chaotic, again due to the mass of dispersed, inconsistent data held in the many Excel spreadsheets. "With Host Analytics we have a reliable data repository that is easy to access, which is critical," Feldman asserts.

Details and flexibility

A corresponding benefit is the level of detail that plans and budgets now include. As noted earlier, Otis Spunkmeyer tracks sales by three measures: customer, product and delivery method. Previously because of the mass of unconnected data in spreadsheets, Finance had to restrict each track to high-level, overall information. In the product hierarchy, for example, "you couldn't go much lower" than cookies, muffins and other basic categories, according to Feldman. Using Host Analytics Budget, in contrast, analysts can start there and go into much greater depth – down to the individual stock-keeping unit (SKU) and sales of that SKU to every customer. For delivery method, they can go from regions down to individual sales centers. "We have a lot more detail than we ever had in Excel, and it makes for a more useful plan," he says.

Host Analytics permits more flexibility as well. Users in corporate management, finance, sales and manufacturing roles can view data from the same source in ways relevant to them, according to the three categories and the depth they need. A salesperson, for instance, can view the plan by channel or customer, the direct store delivery organization can view the plan by sales region or sales center, while manufacturing can view the plan by product category or SKU. "The flexibility to do top-down or bottom-up planning, at whatever level we think is appropriate, is a big deal for us," Feldman insists.

challenges

- Budget planners used Excel to create separate sales plans which was inconsistent and incomplete
- Limited visibility into sales data for different functional areas and no access to variance details
- Limited number of users involved due to complexity

solution

- Enabled 5 times as many people, including sales, to access information and provide input frequently
- Users in various departments can view data from a centralized source in ways relevant to them and drill into details
- Perform top-down and bottom-up budgeting dynamically, including "what if" analysis

results

- More accurate forecasts are created quickly, and provide in-depth insight into forecasts and expenses
- All functions can now collaborate without guessing
- Now able to accurately model various budget scenarios and revise projections on demand
- Automated reporting for standard reports and dashboards

As well as giving each user the information he or she needs, increased flexibility also enables coordination across functions. "We've enabled better linkage between sales and marketing on the demand side and between manufacturing and logistics on the supply side, so they know what to make and where to move it to," he says. In the case of demand planning, which is vital to production, Manufacturing no longer has to make guesses based on high-level assumptions. This targeted production reduces expenses from excess inventory and prevents lost sales from stock outages.

Doing more and looking ahead

Otis Spunkmeyer brought in the Host CPM Suite for immediate help with its fiscal 2009 budget, including the gross sales plan. The company also used Host Analytics Budget right away to plan operational expenses, including selling and general and administrative (G&A) expenses. To do this, the team pulls payroll and salary-related HR information into the budget application, so it's able to tie in labor costs and other expenses by linking Host Analytics Budget to other systems already in use.

The solution's flexibility also makes it easier to update the budget. Traditional annual budgets become increasingly obsolete during the year as conditions change, but they're too rigid and complex to be adjusted in timely fashion. Having all the data in a single repository and using the Host Analytics Budget tool to manipulate it, Otis Spunkmeyer's Finance group can compare the budget to actual data and produce more accurate budget forecasts, more frequently. "In the past we did forecasting on an ad-hoc basis after the full-year budget was done," Feldman recalls. Now, having much more detail available for reporting, he says, "As actuals come in, we can compare on a more detailed level." Performing variance analysis enables users to investigate, for example, why retail sales of muffins were lower at a particular outlet so salespeople can take steps to fix the problem.

The company has made significant gains in effectiveness. "The Host Analytics solution allows us to do things we haven't done before," says Feldman, and to involve many more people. He also expects to see efficiency increases down the road from having consistent data that can be shared easily.

The initial focus was to get "more bang for the buck," he says, by marrying sales, manufacturing and logistics into a single, more accurate and comprehensive plan. This should help reduce inventory, improve production scheduling and as a result free up working capital.

Adding more detail about expenses to the gross sales plan should yield more accurate net sales figures. Integrating manufacturing costs, currently held in a separate costing system, likewise will contribute to a more complete profit-and-loss (P&L) statement.

By moving the budgeting, planning and forecasting processes from stand-alone spreadsheets to the Host Analytics CPM Suite, the finance organization at Otis Spunkmeyer has taken a significant step forward. This step, and others to follow, should make life sweeter for the whole company.

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—Joel Feldman, Director of Financial Planning & Analysis, Otis Spunkmeyer

About Host Analytics, Inc.

Host Analytics helps executives see the full implications of decisions – both risk and reward. Our leading on-demand corporate performance management solution helps financial executives improve their budgeting, forecasting, financial consolidations, dashboarding, scorecarding, reporting and analysis. Most importantly, it helps drive fact-based decisions based on sound financial justification. Host Analytics delivers its product suite using Software as a Service (SaaS) on-demand delivery to increase security while reducing cost and deployment time. Founded in 2000, Host Analytics serves the enterprise, large and midsize companies across industries. Host Analytics was included in JMP Securities' prestigious "*Hot 100: The Best Privately Held Software Companies*" and was the recipient of the Best of SaaS Showplace Award from market research firm THINKstrategies.