



## Microsoft Dynamics Customer Solution Case Study



### Overview

**Country or Region:** United States and Mexico

**Industry:** Manufacturing—Consumer Nondurables

### Customer Profile

Independent grocery chain H-E-B has more than 300 stores in Texas and northern Mexico. In 2005, the popularity of the company's private-label brand contributed to record sales.

### Business Situation

The 11 plants that create H-E-B "Own Brand" products used an enterprise resource planning system no longer supported by its maker, and issues led the company to search for a new solution.

### Solution

Together with Microsoft® Gold Certified Partner Junction Solutions, H-E-B deployed Microsoft Dynamics™ AX and extended its capabilities with a Food & Beverage suite from Junction Solutions.

### Benefits

- Makes real-time operations information available
- Reduces ingredient inventory by 40 percent
- Makes fresher inventory available in retail outlets
- Accelerates completion of financial tasks

## Grocery Chain Gains Productivity, Information Visibility for Better Inventory Control

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Bob McCullough, Group Vice President of Manufacturing, H-E-B

For a hundred years, H-E-B grocery stores have provided people in Texas and Mexico with superior products and service. The H-E-B private-label brand contributes greatly to the grocery store's success. The 3,000 products H-E-B makes originate from 11 plants, which were using an outdated business management system with limited functionality that was no longer supported. Teaming with Microsoft® Gold Certified Partner Junction Solutions, H-E-B implemented Microsoft Dynamics™ AX, formerly known as Microsoft Business Solutions–Axapta®, and enhanced it with industry-specific software from Junction Solutions. The solution gives H-E-B increased visibility into inventory levels, enabling one plant to reduce ingredient and packaging inventory by 40 percent. The chain also enjoys streamlined and standardized processes that increase employee efficiency.



“One plant saw a forty percent reduction in ingredient and packaging inventory since real-time information through Microsoft Dynamics AX became available.”

Bob McCullough, Group Vice President of Manufacturing, H-E-B

## Situation

The story of H-E-B began more than a hundred years ago in a tiny, family shop in Kerrville, Texas. By staying true to its small-town roots, H-E-B continues to prosper as a family-owned—and family-focused—chain of grocery stores. Today, H-E-B boasts more than 300 locations throughout Texas and northern Mexico and employs upwards of 60,000 people.

H-E-B is one of the largest independent grocery chains in the nation. One of the cornerstones of the company's success has been the popularity of its private-label brand. Eleven manufacturing plants help support the sale of more than 3,000 H-E-B “Own Brand” products. These facilities include an ice cream plant, a tortilla plant, three industrial bakeries, and more.

Each plant was using a legacy Cimpro software system to report vital inventory and financial information back to the H-E-B headquarters in San Antonio, Texas. The information recorded, however, was extremely basic. Local managers assessed inventory levels monthly and manually compiled financial reports. Few automated reports were available.

Because Cimpro was an older system, its manufacturer no longer supported it and stability was a concern. Cimpro would often crash—hindering work at the plants.

The company wanted a new enterprise resource management solution that would provide an automated approach for improved forecasting, inventory control, and production. H-E-B hoped that migrating to a new system would enable the company to improve processes, make reporting easier, and drive further growth.

## Solution

Teaming with Microsoft® Gold Certified Partner Junction Solutions, H-E-B implemented Microsoft Dynamics™ AX, formerly known as Microsoft Business Solutions–Axapta®, in all 11 manufacturing plants, integrating the solution with multiple legacy systems. Junction Solutions also deployed a specific Food & Beverage solution—JunctionF/B—which is built on top of Microsoft Dynamics AX. H-E-B now owns an integrated, multilingual business management solution.

“We required a flexible, innovative solution that would improve efficiency and standardize processes across all of our manufacturing facilities,” says Bob McCullough, Group Vice President of Manufacturing at H-E-B. “And, after a thorough evaluation of several industry-leading products, including solutions by SAP and Oracle, Microsoft Dynamics AX was the clear winner.”

## Easy to Integrate

Microsoft Dynamics AX is integrated with five legacy H-E-B systems, including production-floor control and time attendance software. Junction Solutions customized Microsoft Dynamics AX during deployment to seamlessly exchange data with these existing applications, ensuring that the new solution aligned with the grocery chain's established business patterns.

Says Linda Espino, Axapta Project Business Leader at H-E-B, “Our business processes include layers of legacy systems that have been in place for a decade. They're too ingrained in our processes to replace, so we have to work with them. Microsoft Dynamics AX does just that by readily integrating with each one.”

“We now have immediate access to financial data from plants, rather than having to hunt down manually generated reports.”

Bob McCullough, Group Vice President of Manufacturing, H-E-B

### **Flexible Functionality**

Microsoft Dynamics AX appealed to H-E-B on multiple levels. The solution’s robust features and integration with other Microsoft technology added up to a low total cost of ownership for H-E-B and a shorter learning curve for H-E-B employees. The addition of the food industry-specific extension, JunctionF/B, enhanced the functionality of Microsoft Dynamics AX by adding capabilities for the food industry, enabling manufacturers to accommodate complex variables such as seasonal supply, fluctuating market demand, and variable ingredient qualities.

The gradual implementation plan has progressed smoothly. Junction Solutions and H-E-B team members are migrating the manufacturing plants—on time and within budget—from Cimpro to Microsoft Dynamics AX and JunctionF/B, individually, customizing the solution as required. Each deployment so far has been completed in three to five months.

“The inherent flexibility of Microsoft Dynamics AX is unmatched,” says Nick Bova, Practice Director, Food & Beverage at Junction Solutions. “Each H-E-B plant has a common system and collects the same accounting information, but they’re very different operationally. The plants produce distinct products, have varying physical layouts, and use different machinery—Microsoft Dynamics AX is easy to adapt to meet the unique needs of every plant.”

### **Benefits**

The solid foundation created by Microsoft Dynamics AX and JunctionF/B helps H-E-B improve efficiency in both production and distribution processes. The integrated solution enables precise scheduling, procurement, inventory management, accounting, and order management. And unlike the application it replaced, Microsoft

Dynamics AX provides H-E-B with increased stability and reliable uptime.

“Microsoft Dynamics AX, together with JunctionF/B, offers an unprecedented capability to tailor best practices to fit our specific food-manufacturing needs,” states McCullough.

### **Makes Real-Time Operations Information Available**

As part of the Microsoft Dynamics AX implementation, Junction Solutions installed touch-screen monitors, together with bar-code readers, throughout H-E-B facilities to make the business management technology more accessible to employees.

Strategically positioned by receiving docks, exit doors, and production lines, the touch screens help enable employees to immediately locate purchase orders (POs) and process the receipts when a shipment arrives. The technology also allows workers to start work orders to use ingredients, ship finished goods, and invoice the receiving warehouse. The processes are paperless, fast, and accurate.

“This is a huge improvement over what we used to do. Our employees would receive goods and mark up the correct paperwork, but it could take at least a week—and sometimes even a month—for the shipment to be entered into the computer. Now, we’re actually operating in real time,” states McCullough.

The previous process also resulted in occasional errors, according to McCullough. “Now we receive directly against the PO. Before, we just took receipt based on the shipment information provided by the vendors. We were getting double shipments and over-shipments—both of which we eliminated with Microsoft Dynamics AX.”

### **Reduces Ingredient Inventory by 40 Percent**

Streamlined processes and increased inventory visibility had an immediate—and dramatic—impact on materials management. With Cimpro, H-E-B took stock of inventory levels only once a month. Some H-E-B plants had a vast excess of ingredients in storage. “There were boxes upon boxes filling the aisles and walkways,” says McCullough. “One plant saw a forty percent reduction in ingredient and packaging inventory since real-time information through Microsoft Dynamics AX became available.”

The slow manual processes occasionally led to out-of-code ingredients—and emergency replacement of those ingredients. Continues McCullough, “All these extra costs certainly didn’t contribute to our bottom line.”

In addition, improved materials management through Microsoft Dynamics AX has increased the timely availability of those ingredients. Before adding a product to the production schedule, H-E-B employees can now be certain they have all the ingredients they need and can avoid accidental, expensive re-ordering.

### **Makes Fresher Inventory Available in Retail Outlets**

Tighter inventory controls and increased scheduling abilities because of Microsoft Dynamics AX impact customers directly, enabling H-E-B warehouses to ship products more efficiently to the stores. The solution has doubled product turnaround in H-E-B warehouses.

Says McCullough, “We’ve passed along improved freshness to our customers. For example, by leveraging efficiencies gained through Microsoft Dynamics AX, on-hand inventory in our ice cream plant has been reduced by over fifty percent.”

The faster inventory rotation is also apparent with baked goods and other H-E-B private-label products. “And, in the grocery business, freshness makes a huge impact on taste and customer satisfaction,” concludes McCullough.

### **Accelerates Completion of Financial Tasks**

By consolidating financial management for the plants running on Microsoft Dynamics AX, the finance team at H-E-B headquarters has already reclaimed a substantial amount of time each month.

“We now have immediate access to financial data from plants, rather than having to hunt down manually generated reports,” says McCullough. “This increased efficiency means that both accounts payable processing and the month-end closing take just a third of the time they used to take.”

## For More Information

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[www.microsoft.com](http://www.microsoft.com)

For more information about H-E-B Grocery Company products and services, call (800) 432-3113 or visit the Web site at:

[www.heb.com](http://www.heb.com)

For more information about Junction Solutions products and services, call (847) 947-7950 or visit the Web site at:

[www.junctionsolutions.com](http://www.junctionsolutions.com)

## Microsoft Dynamics

Microsoft Dynamics is a line of integrated, adaptable business management solutions that enables you and your people to make business decisions with greater confidence. Microsoft Dynamics works like familiar Microsoft software such as Microsoft Office, which means less of a learning curve for your people, so they can get up and running quickly and focus on what's most important. And because it is from Microsoft, it easily works with the systems that your company already has implemented. By automating and streamlining financial, customer relationship, and supply chain processes, Microsoft Dynamics brings together people, processes, and technologies, increasing the productivity and effectiveness of your business, and helping you drive business success.

For more information about Microsoft Dynamics, go to:

[www.microsoft.com/dynamics](http://www.microsoft.com/dynamics)

### Software and Services

- Microsoft Dynamics
- Microsoft Dynamics AX

### Partners

- Junction Solutions