

Fresh direct business intelligence

[Business](#)



Case Summary FreshDirect is the largest online grocery firm in the New York market, and one of the largest in the country. With more than 250, 000 customers ordering over 8, 500 products every day, the company faced severe logistics and management decision making issues. To solve these issues, FreshDirect adopted a comprehensive enterprise data base system from SAP which utilized a number of business intelligence applications to track orders and customers. SAP AG is a German multinational software corporation that makes enterprise software to manage business operations and customer relations.

Headquartered in Walldorf, Baden-Wurttemberg, with regional offices around the world, SAP is the market leader in enterprise application software. The company's best-known software products are its enterprise resource planning application (SAP ERP), its enterprise data warehouse solution - SAP Business Warehouse (SAP BW), SAP BusinessObjects software, and most recently, Sybase mobile products and in-memory computing appliance SAP HANA. SAP is one of the largest software companies in the world. 1.

How is it possible, as Braddock noted, to have a great deal of data but little information? How does the SAP data base and business intelligence component change this? Answer: ' To have a great deal of data but little information' is only possible when there is a lot of data but none of it is sorted or organized properly. If we distinguish between ' data' and ' information then we'll see that; Data is raw, unorganized facts that need to be processed. Data can be something simple and seemingly random and useless until it is organized.

Whereas when data is processed, organized, structured or presented in a given context so as to make it useful, it is called Information. FreshDirect has to deal with thousands of customers, their order, delivery time and place and the required human resource for the business to run. But this required huge amount of data collection in a very organized way, which they lacked. While the end goal was to deliver fresh food to thousands of customers everyday on schedule, the exact location of orders at any moment was not understood, or who was in charge of them.

Mistakes were happening routinely, but there was no record of how orders were moving through the logistics chain. Mr. Braddock knew that FreshDirect needed a system of continuous feedback, a real-time database that would follow every step and misstep of each business day, so that minor gaffes could be resolved before they turned into big problems. SAP ERP is the corporation's Enterprise Resource Planning, an integrated software solution that incorporates the key business functions of the organization.

Enterprise resource planning (ERP) systems integrate internal and external management information across an entire organization, embracing finance/accounting, manufacturing, sales and service, customer relationship management, etc. ERP systems automate this activity with an integrated software application. The purpose of ERP is to facilitate the flow of information between all business functions inside the boundaries of the organization and manage the connections to outside stakeholders.

Today, if a truck goes out 15 minutes late or if a container of jalapeno hummus is left off an order, the problem can be traced to its source. Also, the real-time data reports allow FreshDirect to shift its resources to areas of

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customer demand, beefing up capacity based on the popularity of delivery zones and time slots, anticipating which products might sell out and stocking up on them in advance. Thus by using SAP's business intelligence software ERP FreshDirect changed their weakness into strength. . What is meant by "visibility into the workflow" and why is it important to FreshDirect's success? What are exception screens and how are they used? Answer: Business process is the set of activities that run the business. Business process visibility allows end users to gather business information to improve non-IT related issues, helps enable fast determination to see if business issues are truly IT-related, ensures that IT is aligned with the business and helps improve overall business efficiency.

Business process visibility plays very important role in FreshDirect's success. It is such type of business organization which required highly efficient workflow with rapid response ensuring best quality. It has to deliver fresh food to thousands of customers daily on a pre-fixed schedule and in different location. As there was no visibility of workflow before lots of mistakes were happening, the exact location of orders at any moment was not understood, or who was in charge of them.

Mistakes were happening routinely, but there was no record of how orders were moving through the logistics chain. But after installing a business intelligence software FreshDirect ensured its visibility in business process. FreshDirect was profitable for the first time in 2008. The key to profitability has been improving their execution of the initial concept. In recent years, they have introduced the following "customer centric" ideas: 1 Produce:

Employed experts to rate the freshness of all produce and set prices accordingly.

This reduces customer concerns about not being able to feel the product. 2

Packaging: Eliminated the use of foam, and reduced the number of cardboard boxes by 1.5 million in response to customer complaints. 3

Favorites: Developed a customer relationship management system that tracks each customer's past purchases, and presents them on-screen for re-ordering. Increased order size by 10%. 4 Recommender system: Added a YMAL (You-Might-Also-Like) cross-selling tool, which recommends products that other customers purchased. Added 5% to total revenue.

Now in control of its logistics, and with powerful business intelligence tools, FreshDirect increased customer loyalty and reduced its churn rate (the number of customers who leave the service). Currently, 65% of its total customer base are repeat, loyal customers, whose average order size is over \$100, and who contribute 80% of FreshDirect revenues. According to a recent SEC filing, in 2011 FreshDirect has raised \$50 million in additional equity from outside investors. FreshDirect now has almost 2,000 employees, 250,000 customers, and has delivered more than 6,000,000 orders.