Snyder's of hanover: new systems for an old family company assignment

Assignment 8 | Snyder's of Hanover: New Systems for an Old Family Company | Harry V. Warehime began tempting the taste buds of southern Pennsylvanians with his Hanover Olde Tyme Pretzels 1909. Since then, Snyder's of Hanover, as the company came to be known, has expanded its business beyond any scope that its founder might have dared to imagine. Snyder's of Hanover remains a family-owned and family-run company, but it has become the world's second largest pretzel maker, with 12. percent of the pretzel market. Snyder's pretzel and chip varieties include Old Tyme Pretzels, Jalapeno Pieces, Butter Snaps, and EatSmart All Natural Veggie Crisps, as well as other popular snacks. In 2002, Snyder's posted revenues of $164 million, trailing only Rold Gold, the reigning champion of the pretzel industry. In addition to manufacturing its complete line of snack foods, Snyder's distributes its own products, as well as those of other snack food companies such as Tasty Baking Company's Tastykakes.

With 40 distribution facilities all over the United States and Europe, over 4, 500 products, and over 150 product lines, the home office in Hanover, Pennsylvania, has a considerable amount of data to manage. If there was one last vestige of old-fashioned business left at Snyder's, it was the company's method of managing and analyzing data. Although Snyder's sells more than 78 million bags of pretzels, chips, and organic snack items each year, some of its core systems were still heavily manual and paper-based.

Snyder's financial department was using electronic spreadsheets for much of its data-gathering and reporting. Lois Stambaugh, Hanover's financial analyst, would spend the entire final week of each month collecting Excel spreadsheets from the heads of more than 50 departments worldwide. Then

she would consolidate and reenter all the data into another Excel spreadsheet, which would serve as the company's monthly profit-and-loss statement. The financial data were harvested and consolidated the same way at the end of each fiscal quarter and the end of each year.

The overwhelming presence of the human factor made data-entry mistakes a concern. If a department needed to update its data with last minute information after submitting its spreadsheet to the main office, the head analyst had to return the original spreadsheet, and then wait for the department to resubmit its data, before finally entering the updated data in the consolidated document. Perhaps most important, this system of gathering the company's financial statistics at regular, but infrequent, intervals meant that important data simply were not available as often as they were needed.

Snyder's lacked the ability to react to sudden trends and unpredictable events because the data were supplied too late to adjust shipping schedules, pricing schedules, or delivery counts. CEO Michael Warehime and his management team could track the gross profits of business units but not the performance of each of Snyder's 4, 500-plus products and over 150 product lines. For example, the spreadsheet-based system lacked the detail to show whether a specific snack product such as Sourdough Hard Pretzels or Pumpernickel & Onion Sticks was actually making or losing money.

For a business focused on both production and distribution, this was a hindrance to growth. Additionally, the spreadsheets could not reveal which distribution routes were worthwhile and which were cutting into the

company's profit margin. Under these circumstances, Snyder's could only use the sales data it collected to make rough predictions about how much of a product should be manufactured and how quickly a product run should be repeated on particular distribution route.

Snyder's market share had been growing steadily until 2002, when it suddenly stalled; its annual sales growth, which had outpaced the industry's for years, was then no better than average. It was time to leap forward to a more modern approach in which the company could react to data immediately. In late 2002, Snyder's of Hanover solicited the help of Satori Group, a provider of business performance management solutions to the consumer packaged goods industry that is headquartered in Conshohocken, Pennsylvania.

Satori Group demonstrated how Snyder's could implement its proCube software to gather better sales and marketing data and, therefore, make better business decisions. ProCube would automate Snyder's budgeting processes, creating accurate forecasting facilities, improving financial reporting techniques, and refining Snyder's product marketing analysis so that Snyder's could evaluate the viability of each of its individual brands and products. Such analytical power was just what Snyder's would need to compete with Rold Gold, which is backed by the corporate powerhouses of Frito-Lay and PepsiCo.

What Snyder's found so appealing about proCube was the ease with which it could be integrated with the company's existing information systems. ProCube enables Snyder's department heads to continue using Microsoft

Excel spreadsheets to collect sales and returns data. These data are collected in a large data repository, where they are consolidated and organized before being used by proCube reporting software for analysis. The proCube software also uses manufacturing data from Snyder's enterprise system.

Snyder's financial department now spends a couple of days preparing those same monthly, quarterly, and yearly statements that used to devour weeks' worth of productivity. This is only the first step in what Snyder's hopes is a chain of improvements that will result in new growth. The next step is to add new levels of detail to the profit and loss data that Snyder's can collect and report so that the company can track and assess the profitability of individual products.

Management could then use the proCube software to find out information such as how many bags of Honey BBQ Pretzel Pieces were sold in Michigan last week, or which stores and delivery routes are best servicing customers who like this product. The system will also enable managers to project sales for their unit for the next quarter or next year. Such a system requires additional work to implement. Dave Thomas, Snyder's director of information technology, noted that to achieve the desired level of detail in its data analysis, the company must study all of its business processes.

A comprehensive review will enable Snyder's to determine what types of data result from their business processes and which data they actually want to use. These system enhancements will eventually provide information enabling Snyder's to increase production and distribution frequency of its

most popular products almost immediately, rather than having to wait for an end-of-the-month report. Likewise, production and shipping of less popular products can be curbed.

In other words, Snyder's will be able change its business model from one dependent on forecasts to one that's more demand-driven. The first two phases of the proCube implementation carried a price tag of approximately a quarter-million dollars. The next phase introduced a corporate portal to provide Snyder's department heads and executives with easier access to sales figures and distribution plans. The portal features a user-friendly Web interface through which managers can retrieve key data, as they require them.

Upon completion, the cost of the entire venture should approach a half-million dollars. Snyder's has also incorporated improved IT into other areas of its business. In 2003, Snyder's chose Gelco Trade Management Group's TMS Passport solution for its trade promotion funds management. Again, Snyder's found an IT solution that could be implemented quickly without sacrificing power. Gelco's TMS Passport promises a quick return on investment (ROI) for a competitively priced and scalable software package.

The package features fund management, deduction management, payments, and analysis and reporting capabilities. In turn, Snyder's is confident that it can effectively plan and manage its trade promotion activities for years to come, even as the business continues to expand. The American consumer has continued to increase its intake of pretzels over the last decade, and the snack food industry as a whole continues to boom.

Snyder's faces stiff competition from rival Frito-Lay and other major players in the snack food industry such as Utz, Kellogg's, and Kraft Foods.

At the very least, Snyder's has made a sincere attempt to transform its business practices with an eye toward rocketing to the top of the boom. The question remains whether a family-owned organization can continue to compete with major corporate players in an industry that has yet to hit its ceiling. Source: Larry Barrett, " Twisted Logic," Baseline Magazine, January 2004; " Solutions for the Consumer Packaged Goods Industry," www. satorigroupinc. com, accessed March 31, 2004; " Snyder's of Hanover Selects Gelco's TMS Passport Solution," www. gelcotrade. om, accessed April 5, 2004; " Snyder's of Hanover Company Profile," biz. yahoo. com, accessed April 5, 2004; " Snacks: The Next Generation," www. consumerreports. org, March 2004; and www. snydersofhanover. com, accessed March 31, 2004. Case Study Questions | 1. | Assess Snyder's competitive standing in the pretzel and snack food industry. | | 2. | What types of information systems are essential for this company? | | 3. | How well did Snyder's information systems support its business? Explain. | | 4. | How much did proCube improve Snyder's systems?

Which management, organizational, and technology issues did it address? How does it provide | | | value? | | 5. | Assess the impact of Snyder's new systems on the way it runs its business and its business model. How much do these systems improve its | | | competitive position? | Snyder's Of Hanover Snyder's Of Hanover Question 1 . Asses Synder's competitive standing in the pretzel and snacks food industry ? Answer 1. Synder is a

family owned business with 12. 1 percent market share in the pretzel manufacturing industry. It is the world's second larget pretzel maker.

In addition to manufacturing its complete line of snack foods, Synder's distributes its own products as well as those of other snack food companies such as TastyKakes . With 40 distribution facilities all over   the United States and Europe , over 4500 products and over 150 product lines . In 2002 Synder posted revenues of $164 million , trailing only Rold Gold the largest manufacturer of Pretzels . Looking at it from a layman's point of view, Synder's sells more than 78 million bags of pretzels , chips and organic foods items each year . Question 2: What types of Information Systems are essential for this company?

Answer 2: Synder's has an enormous amount of data and information that it has to be handled in a proper way. The information systems needed by Synder are as follows: • Executive Support System – The ESS is essential for the top level executives to track the progress of the products at different locations. The ESS also provides the top level executive with data to make decisions regarding the hiring, firing and expanding of the business. • Management Information System / Decision Support System – This information system provides the data required for Intermediate managers.

Helps in tracking the product in different departments at a particular location. For Example, the production of a particular brand of pretzel in the state of Ohio is high among the children and thus the the market needs to prepare the packaging and the taste keeping in mind the children. The intermediate managers are responsible to make decision regarding the

changes to that particular brand of pretzel. • Transaction Processing System-

This is the required by the first level or management. The work

requirements,…