Clemens Food Group
Corrals the Power of the Digital Core

Pork Processing Company Turns to SAP S/4HANA to Integrate Operations

by **Ken Murphy**, Editorial Director, Data & Analytics

For companies that do business in the wildly fluctuating markets of the perishable goods industry, gaining precision in consideration of yields, costs, and prices can make a difference of millions of dollars. Clemens Food Group, a vertically coordinated pork production company based in Hatfield, Pennsylvania, raises and processes roughly five million hogs each year. In operation for over a century, Clemens Food manages procurement, production, and logistics services from birth to finishing, supplying food service companies and retailers with a full range of pork products.

Managing this responsive and flexible pork production system requires real-time visibility into a network of more than 100 family farms and several production facilities. As the company neared end of support for its aging and heavily customized ERP system, Clemens Food saw an opportunity to modernize its infrastructure with an integrated platform to provide better visibility into production and more efficient planning and available-to-promise processes. Ultimately, Clemens Food wanted real-time insight into plant profitability, including daily profitability margins on an order-by-order basis.

"We wanted to improve our IT structure and systems to optimize our supply network and better handle multi-business operations from scheduling, optimization, and margin visibility," says Joshua Rennells, Senior Vice President at Clemens Food Group.

Clemens Food created a five-year plan near the beginning of 2010 to modernize its infrastructure with an integrated platform, a plan that gained steam four years later when the company announced plans to develop a third processing plant — a 550,000-square foot pork processing facility in Coldwater Township, Michigan. The company anticipated that the significant increase in volume from the new facility would double revenue, provided that Clemens Food could keep pace with a modern IT platform.

"We were unsure our existing ERP system could handle the increased volume and multi-plant complexities, so we thought it best to put our software implementation plan in place prior to opening the Coldwater facility," says Rennells.

Going All-In

With the new facility on the horizon as well as the anticipated growth, Rennells says that building a business case for a fully integrated platform was not hard to make. Rather, a modern platform was an absolute necessity — a key ingredient in crafting the five-year vision Clemens Food had for the business. "At that point, we went through a pretty extensive decision-making process," he says. "We researched a lot of new technologies as far as their ability to meet our needs. One of our strategies is to use proven best technology for what works in our industry. Where there is market volatility and inherent risks in selling a perishable product, we have to be very precise on yields and costs, and a lot of those factors pointed us to SAP software."

To achieve its growth targets and the goal of sharing data across organizational boundaries with a fully integrated system, Clemens Food chose to implement SAP S/4HANA across the enterprise with a big-bang implementation of SAP S/4HANA Finance, as well as the functionality for materials management and production planning, targeted in time for the opening of the Coldwater plant. "We knew that SAP S/4HANA would be a platform that would not require another significant upgrade for 15 years, and that was another big driver," Rennells says.

According to Rennells, Clemens Food opted for a big-bang SAP S/4HANA migration in part because it followed a phased approach for its previous ERP implementation 15 years earlier. That prior rollout ended up taking several

At a Glance

Goals: Retire legacy ERP system in favor of a modern, integrated platform capable of scaling with anticipated growth of the business, and migrate systems in advance of new processing plant becoming operational

Strategy: Implement SAP S/4HANA to replace environment consisting of more than 70 disparate applications

Outcome: Significantly improved production planning, shipping, invoicing, order entry, and pricing processes; simplified communication processes and customer documentation; and enhanced visibility into integrated plant operations to include daily insight into per-order invoicing and plant profitability

years and resulted in heavy customization — by the time Clemens Food migrated to SAP S/4HANA, its legacy ERP system was linked to more than 70 applications. "Taking a big-bang approach was the only way to be up and running before the Coldwater plant went live," he says. "To realize the full potential of the solution from day one, we thought it was important to go all-in with the full suite right from the beginning."

Finding Business Process Experts

Being in the perishables industry made it imperative for Clemens Food to have master data in place at go-live to avoid disruptions to production or shipping capabilities. "We thought we had good master data in our legacy system, but we found quite a few master data flaws that showed up in testing," Rennells says. "Knowing this now, I would stress the importance of going through a master data cleansing process before going live with any future projects."

To help with master data and other migration issues, Clemens Food elected to partner with an implementation consultant. For its partner, the business chose itelligence due to its experience steering other meat-processing companies through similar large-scale implementations, according to Rennells. "We asked them to be our business process experts to help challenge the way we did things," he says. "We followed their lead for any modifications, budget management, the overall testing cycle, and the philosophy of implementation."

One invaluable piece of guidance provided to Clemens Food through management of the project was helping to shift the mindset from the implementation being an IT project to one being led by the business, which Rennells says was key for optimization at go-live without resorting to customizations. "We started with the project being IT-led, but about five months in, we dedicated internal leaders of the business to be the project leads," he says. "That switch forced us to be more objective through all the different testing phases; after each testing cycle, we had objective scoring from the dedicated team leads through the lens that this was a business process improvement project. That helped us progress closer to a finished product versus waiting until going live to find out we missed the mark."

The philosophy also paid dividends because team updates that were instituted as part of this approach and included the business as equal partners helped ensure that customizations were avoided.

The Benefits of an Integrated System

Clemens Food brought its two production plants live on SAP S/4HANA in May 2017, without any business disruption, three months before production operations began at the Coldwater facility. So as not to disrupt production or shipping capabilities, the business built in a planned downtime for production to address any issues with shipping or procurement — functionality that is tied to the plant's main

Clemens Food Group

Headquarters: Hatfield, Pennsylvania

Industry: Commercial and antibiotic-free hog farming, food production, and logistical services

Employees: 3,350

Company details:
- Founded by John C. Clemens in 1895
- Brands include Hatfield Quality Meats, Farm Promise, Premium Reserve, Prima Porta, and Butcher Wagon
- PV Transport was created in 2006 to merge livestock drivers, delivery drivers, CFC Logistics drivers, truck washers, and other personnel into one company
- www.clemensfoodgroup.com

SAP solutions:
- SAP S/4HANA
- SAP BusinessObjects Business Intelligence solutions

itelligence Helps Clemens Food Group Digitally Transform with SAP Solutions

itelligence is a global SAP Platinum Partner with over 25 years of experience. We offer a full range of services from implementation consulting to managed services in support of our clients through their digital transformation.

The path to digital transformation is as unique as the companies we serve. Clemens Food Group identified itelligence as a partner with deep SAP food-specific knowledge and experience, including fresh and processed meat.

"The cornerstone of the project was taking our proprietary Hog Procurement solution and enabling Clemens to deliver an on-time and on-budget project with minimal disruption to their business," said Don Mackenzie of itelligence.

"We are still in the go-live stabilization period and Clemens is ordering with accurate pricing, shipping, and invoicing and is providing customers with accurate documentation," continued Mackenzie. "As our partnership with Clemens evolves, we will provide them with all necessary real-time reporting capabilities needed to meet the unique challenges of their business, including changing consumer preferences, yield management and variable costs, regulatory compliance, and food safety."

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distribution system. The planned downtime also ensured that any master data flaws potentially discovered through testing would be cleaned up and master data would be in place prior to go-live.

"We went live in May with the expectation that there would be about a six-month stabilization period, and that turned out to be accurate," Rennells says. "We're now at the point where we are starting to optimize and improve our processes."

Process optimization includes managing margins and analyzing opportunities from knowing profitability on a per-plant basis. Sales forecasting in the meat-processing industry has unique challenges because of the many variables from dealing with perishable products, raw material by-products, and seasonality considerations. According to Rennells, the business previously ran a sales report on Thursdays that showed the previous week's sales, so visibility into profitability was delayed. "Now, we know where we're at on an invoice-by-invoice basis, and we know the profitability of each order right away," he says. "In this business, prices change daily, so it's hard to underestimate the importance of having a real-time line of sight into profitability."

Deeper insights and visibility translate to improved customer service; with available-to-promise processes running on SAP S/4HANA and with SAP S/4HANA integrated with its warehouse management system, Clemens Food can assure customers placing a phone order whether there is inventory available. In the pork industry, this can be more complicated than it seems when one considers that a single hog can be broken down into hundreds of by-products. Prior to SAP S/4HANA, Clemens Food was able to provide the same assurance only when an order was ready for shipment. "Right now, users are still getting familiar with the new system, but they are certainly excited about what they now can do with the information they will have available to them," Rennells says.

Taking Reporting to the Next Level

Once the system is fully stabilized, Clemens Food will tackle a reporting upgrade, using SAP HANA Live views with its existing SAP BusinessObjects Business Intelligence suite, according to Rennells. "We have a single source of truth now and everything is integrated — whereas before we had similar data spread over multiple systems," he says. "With a single source of truth and the ability to put information at people's fingertips, it was the right time to take our reporting to the next level, create dashboards, and focus on making reporting far simpler than it's ever been."

In other words, SAP S/4HANA is the springboard that will keep Clemens Food at the top of the food chain, so to speak, in pork processing. "It's pretty clear," says Rennells, "that SAP S/4HANA is going to be a big part of who we are for years to come." ∎