

The Cream Always Rises to the Top

Challenge Dairy Spreads Company Growth with Managed EDI Services

By Stephen Rosen

Challenge Dairy knew it was time for a change. Their EDI system was a bottleneck to company growth. An antiquated technology was keeping the company from obtaining its goals. The company's IT leaders knew they had to change their processes, and they had to do it quickly.

A legacy EDI translator was proving unreliable. Data was frequently lost, and there was no error notification system. This caused Challenge Dairy to miss orders, not transmit invoices reliably, and incur occasional charge-backs and penalties.

In addition to potentially damaging existing relationships, the premium butter supplier was also threatened with missing out on new revenue opportunities. New customers, sold on the quality of service and product Challenge guarantees, often

waited weeks or even months to begin active trading. "It would take several months of fiddling around to get a new customer up and running," reported Alan Maag, CFO of Challenge Dairy. "We knew that if we couldn't meet our customer's service requirements, we could lose sales. IT did not want to be the obstacle to achieving business goals."

The legacy EDI system needed constant manual intervention. It could not be customized or provide integration to other applications. It required one full-time-equivalent (FTE) staff person just to manage daily activities. End user departments did not have access to transaction and order data. Documents would get lost, and connectivity with customers was not readily verifiable by users due to inaccessibility to acknowledgements and transaction history.



Challenge Dairy Products, Inc. is a cooperative association responsible for the marketing and distribution of butter products from 700 large, family-owned dairies. Headquartered in Dublin, CA, Challenge is the most recognized, largest selling brand of premium butter in the Western United States. Challenge Butter is often specified by the leading chefs at gourmet restaurants and hotels. The company also sells to retailers, manufacturers, restaurants and bakeries, and has 23 EDI trading partners including Wal-Mart, Tyson, Safeway, Albertson's, Costco, and Kroger/Ralph.

Maag approached his challenge by asking his ERP vendors for a recommendation. "Besides certain functionality, and integration with our ERP system, we needed the fastest conversion possible," said Maag.

Maag identified a vendor that was able to provide the right software solution and a rapid implementation through its Managed Services program. With the EDI and business integration software installed on Challenge Dairy's System i 520 server, the day-to-day management of EDI operations is handled remotely by the vendor's business process experts. This arrangement enabled a quick launch because it does not involve the time for user training, deployments, integration, or the errors associated with a learning curve. The implementation and roll-out met or exceeded every deadline Challenge set. And none of the Challenge Dairy's limited IT team is involved with the tasks required to manage and run a robust and agile EDI initiative.

Another substantial benefit of Managed EDI Services, as opposed to outsourcing, or hosted services, is that the





implemen-
tation, data,
and processes
are on Chal-
lenge Dairy's
own server.

Their IT de-
partment can easily take over manage-
ment at any time. "We like the fact that
the software is behind our firewall," stated
Maag. "And we also like the efficiency with
which we're already running."

Challenge Dairy is now running on a
regular, near-perfect schedule. On-
boarding new trading partners takes a few
hours for full implementation and testing,
as opposed to the long cycle they previ-
ously had. Resolving errors and changing
EDI documents is simple and immediate,
and does not cause delays or
affect other partners or
processes.



"There's been a big
improvement in order
acknowledgements," said
Maag. "And now we can
monitor activity, and easily
respond to customer's
changes and requests.
Our Credit Department
can do their own investi-
gations with the 'User View,'
and can even resend invoices."

Maag and his team are clearly doing
their part to help grow the company.
Immediately upon installation of the
new solution, they were able to on-board
a number of new partners and repair
damaged relationships with customers.
Through this effort Challenge Dairy
realized a substantial sales and revenue
infusion. In addition, they are saving
on charge-backs and penalties because
automation has enabled accuracy, and
their ongoing relationships with partners
has improved. "We were risking the trust
of our customers," said Maag. "We knew
we had to change ... to respond faster
to customers' changes and requests.



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is much higher."

Challenge Dairy also
replaced their legacy
VAN with an IP Portal,
an economical, Internet-
based alternative that al-
lows them to connect to
trading partners no matter

which connectivity or security
method they prefer. This enables secure
transaction exchange and protected
communication via the Internet using
AS2 protocol. "We consolidated our
B2B vendors from four to one when
choosing this last piece of our solution.
We sought to minimize integration is-
sues and wanted a strong business part-
ner to help raise our capabilities. With
the confidence and flexibility we've
gained, we will no longer need to pro-
cess EDI transactions through food bro-
kers," explained Maag. "Now we can go
direct to all customers and we're look-
ing forward to pushing B2B initiatives
through our supply chain as well."



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The provider's Managed Services staff is in constant communication with Challenge Dairy via VPN client and email. The remote staff's responsibilities include partner provisioning, document setup and customization, reporting, administration, issue resolution, problem

detection, and more. Ultimately, Challenge Dairy will take over these tasks, once they are able to allocate the resources. The hand-off will be simple since all systems, applications, and data are located on the Challenge Dairy iSeries server.

The next phase of the project is to further integrate EXTOL Integrator, Ross Computer Systems ERP, and other applications. Transactions will flow from Integrator into Ross for use by customer service, accounting, and shipping, just to name a few departments. Accuracy and efficiency will be dramatically increased, eliminating re-keying, decreasing order fulfillment errors, and greatly reducing the amount of time and resource needed to rectify incorrect shipments.

High standards for service has been at the foundation of the company from its beginnings with only three employees, a wagon, and a rented horse in 1911, to the multi-million dollar provider of premium butter to nearly half the United States. That commitment to quality and service is now supported by their electronic commerce program. They have the IT agility to rapidly respond to the demands of new and existing customers, as well as changing market requirements and business opportunities. 

About the Author

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