

Wise Foods: Strategic Migration from Legacy Environment Leads to E-Commerce Breakthrough

By Steve Rosen

For many companies, the challenge of implementing and managing business-to-business e-commerce relationships is not new at all. But executives in these organizations often face subtle and complicated challenges as they take technologies like EDI to the next level. The reason: entrenched and established technologies, business procedures and relationships must be scrutinized and changed, creating discomfort and even resistance if the process is not properly managed. But change is inevitable in the world of electronic commerce because:

- Business strategies often evolve to respond to new marketplace realities; and
- New technological developments create opportunities to introduce operational efficiencies that have strategic implications.

That was the situation facing Neil Bixler, Director of MIS at Wise Foods Inc., as he evaluated his e-business infrastructure options.

Legacy Systems a Byproduct of M&A Activity

Founded in 1921, Wise Foods is now the largest regional snack food company in the United States, manufacturing and distributing its products—like Wise Potato Chips, Cheez Doodles, Cottage Fries, New York Deli, Waffies, and Krunchers—primarily on the east coast. (The company continues to expand West beyond Ohio, and has a growing



presence in Alabama, Texas, and other western states.)

Since its inception, the company has been through a number of mergers and acquisitions (Borden in 1964, KKR in 1995 and Palladium Equity Partners in 2000). While the Wise brand and culture has remained largely intact throughout this period, each change of ownership brought with it operational and management implications, as different parts of the company were kept or released based on the specific interests of the parent corporation.

Wise itself began taking business advantage of electronic commerce in the 1970s when it established peer-to-peer data exchanges with major customers using magnetic tapes. In the early 1980s, Borden implemented standards-based EDI technology with large retailers, which created the op-

portunity for Wise to gain economies of scale benefits by consolidating its billing processes with sister Borden companies.

As a result of this initiative, Borden created an in-house service organization called Resource Partners, to support the EDI needs of all Borden companies, including Wise.

But during the KKR divestiture of the Borden companies (which eventually saw Wise land with Palladium Equity Partners in 2000) Resource Partner was sold to another company to become an entity separate and distinct from Wise. With its former “in-house” resource now an outside vendor, Wise found itself forced to pay what an analysis showed to be exorbitant costs for EDI. Service levels were poor and that had a direct impact on Wise’s ability to conduct business.

“Whenever we wanted to add a new partner it was a slow, painful thing. If we wanted to create a new transaction or add a new transaction it was very painful and costly.”



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Moreover, it was clear that we now had an added point of failure because there were software, systems, and communications issues we could not control or manage.” – Neil Bixler, Director of MIS, Wise Foods, Inc.

This was especially true since Wise had replaced its legacy systems with new System i platforms running JD Edwards Enterprise Resource Planning (ERP) applications. A business case to bring EDI capabilities into the Wise MIS operation was thus formed.

However, a major challenge lay ahead: convincing key internal audiences—including the interim management team and some members of the board of directors—that the business case was strong enough to justify making significant changes on how Wise processed tens of millions of dollars worth of electronic transactions.

Bixler and his team put together an analysis of the issues associated with moving EDI capabilities in house, and were able to support the conclusion that the company would save a minimum of \$100,000 per year by implementing an appropriate solution.

Characteristics of the Solution

The first point of consideration for Wise was to find solutions that operated in the System i environment. While there were many PC EDI applications on the market that claimed to support the mid-range platform, Bixler wanted a native System i solution.

“I’ve always felt that the closer you are to the source of the data, the fewer points of failure you’re going to have. As I looked at the market for EDI translators and mappers, I felt that the PC-based products were not secure or stable enough to handle the type of volume we were doing. I mean, we were billing between \$50 and \$60 million via EDI at that time. I had already made a commitment to the System i platform because I concluded it is one of the most stable boxes out there. Today we have four times the trading partners and

have expanded EDI transactions for orders and invoices to inventory movement, vendor managed inventory, remittances, and price confirmation.” – Wise Foods’ Bixler

The Bottom Line

As a result of this strategic migration, Wise Foods has expanded its trading partner base, improved the efficiency of the entire supply chain, accelerated cash flow, and decreased the costs of EDI services by nearly \$100K per year. Moreover, the EXTOL-based EDI implementation has allowed Wise Foods to engage in price synchronization initiatives (using a service called viaLink).





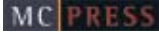





“We now synchronize pricing with two major retailers (Nice N Easy and Winn-Dixie) and are currently in negotiation with Kmart. And, our Extol mapper allowed us to become the first of 50 companies to register our items through !SYNC to Wal-Mart... this too we will expand to Food Lion, Ahold, Shaw’s, and many more as they subscribe to !SYNC.” – Wise Foods’ Bixler

About the Author

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