

Krispy Kreme Taps Business Integration to Bake Waste out of Business Process with EDI

By Stephen Rosen

Krispy Kreme Doughnuts' commitment to high product quality and sound business management has translated into a balance sheet that has made it a stand out among its competitors and garnered the attention of the investment community. It has been refreshing for investors to see a company post real profits with tangible deliverables. Consequently, the company is seen today as an innovator in a mature and established industry that is not known for innovation.

Case in point: When the industry dismissed the idea of nationally distributed freshness as fanciful thinking, Krispy Kreme stuck with it. The company put in place a production and delivery system that guarantees the freshness of the 5 million baked goods it makes per day, at any of its own stores or retail partner outlets throughout the U.S.

The secret to the company's success has revolved around how it harmonizes the competing interests of product quality and profitability. By delivering only what each outlet can sell within a four-hour shift, and then following up with fresh shipments a few hours later as demand permits, the company has rendered the notion of a stale Krispy Kreme product an oxymoron.

The quest for profitability has pushed the company to become a sophisticated supply chain management operation. But as the company's products exploded onto virtually every regional market in the country, Krispy Kreme executives sought to implement best-in-class e-business strategies to help automate and manage their aggressive national rollout without sacrificing quality.

Krispy Kreme's freshness imperative produces astronomically high volumes of transaction traffic. The tidal wave of

invoices, purchase orders and remittance information that are processed every day—often several times per day—has stressed both its IT and financial management infrastructures. For instance, just one of its major grocery partners generates over 10,000 invoices per week, nationwide.

But when executives decided to develop a next-generation electronic data interchange (EDI) strategy to address the transaction-intensive challenges of its national expansion, Krispy Kreme once again bucked conventional wisdom. Rather than automating the documentation associated with product flow (purchase orders and invoices), which is how the vast majority of companies jump into EDI, Krispy Kreme pursued a more sophisticated—but more impactful—effort: to automate its financial operation.

The effort — and the risk — paid off. Six months after launching the enterprise-wide EDI initiative by tracking remittance data, the ensuing acceleration of cash flow produced a 100 percent return on investment

(ROI) — including all costs associated with the acquisition of System i™ computer platform hardware and software.

Krispy Kreme attributes almost 50 percent of its ROI to time saved in posting of checks and processing remittance information from its banks. Specifically, the company has cut its days sales outstanding significantly.

Moreover, the company is taking advantage of business collaboration tools that allow the finance and accounting staffs to process a greater percentage of its transactions in a completely automated fashion, even as it puts in place technology-enabled processes that let staffers handle the exceptions, transactions which do require human intervention, in a more efficient and accurate manner.



Technical Profile

Company: Krispy Kreme Doughnuts
 Ownership : NYSE: KKD
 SIC Code: 5812, Eating Places
 Employees: 5,025
 Annual Revenue: \$707.8 million
 CPU: iSeries 820
 Applications: ERP-Macola,
 Other Systems – in house dev.
 B2B Software: EXTOL Integrator.
 EXTOL Secure (AS2)
 Functions Supported with EDI/Integration:

- Remittance Processing
- Accounts Receivable
- Accounts Payable
- Sales Reporting

“When one check from wholesale customers covers an average of 1,000 invoices, accuracy, accountability, and time spent waiting means a lot,” explains **Greig Radford**, Manager of AS/400 Technology at Krispy Kreme.

The company automated and centralized the accounts receivable (A/R) using business integration software with EDI functionality designed for the System i platform. The new automated and streamlined process has allowed the company to manage rapidly growing transaction volumes with the same accounting staffs, and a significant number of manual steps have been taken out of the process.

“Fewer procedures translate into fewer errors, and less time wasted. Krispy Kreme has been able to reallocate much of their A/R staff to more profitable activities for the company, and is now

Copyright © 2006 EXTOL International. All Rights Reserved.

About the Author

Stephen Rosen

is Vice President, Marketing, at EXTOL International, a provider of B2B integration software. He can be reached at srosen@extol.com.





Hot off the line


able to post money through its banks, and clear transactions from its books more quickly," says Radford.

With a major bottleneck thus removed through automation enabled by integration of EDI into business processes, the company then turned its attention to the challenge of getting its trading partners, some of which are literally mom-and-pop retail operations, to do business with Krispy Kreme electronically.

Prior to the EDI initiative, Krispy Kreme's corporate and retail partner stores kept sales records on uncoordinated PC systems. Weekly sales reports would be printed out

and mailed to customers individually. "The process took a long time, left room for lots of mistakes. Tracking and auditing records was complicated and unreliable," says Radford. "Turn around time at corporate headquarters in North Carolina was a big problem. Invoices would typically languish for seven weeks before getting paid."

With 218 stores (and climbing) spread throughout 33 states, and outside distributors including supermarkets, convenience stores, and gas-and-go outlets, Krispy Kreme needed an e-business solution that could manage transactions and processes across a variety of platforms.

"We needed an EDI solution that could be quickly implemented, and was easy enough for our personnel and trading partners to start taking advantage of right away," says Radford. "We selected a proven product for the System i environment, that enabled our existing IT team to rapidly integrate our customer focused transactions and processes with our legacy applications, including internally designed systems." 

The New Face of System i













Just in case you didn't have a chance to attend Opening Session at the recent Fall Conference in Miami Beach, I want to share this with you. During his *iSociety* presentation, **Trevor Perry** included this tongue-in-cheek portrait ("The New Face of System i"), which pokes fun at IBMers **Elaine Lennox** and **Mark Shearer**. See more System i humor at <http://isociety.comon.org>.

—Vaughn



//advertisers'.index

Sponsor		Page	Web site
Bytware		C2	www.bytware.com
2007 Annual COMMON Conference		12	www.common.org
Help Systems Incorporated		C3	www.helpsystems.com
IBM System i		15,17	www.ibm.com
iTera, Inc.		7	www.iterainc.com
MC Press		11	www.mcpressonline.com
Real Vision Software, Inc.		3	www.realvisionsoftware.com
RJS Software Systems, Inc.		21	www.rjssoftware.com
T. L. Ashford		C4	www.tlashford.com
Toronto Users Group - TEC '007		22	www.tug.ca/tec