



RITTER SPORT

LOGISTICS APPLICATION CONTROLS GOODS RECEIPT BASED ON MARKET DYNAMICS

QUICK FACTS

Company

- Name: Alfred Ritter GmbH & Co. KG
- Location: Waldenbuch, Germany
- Industry: Consumer products
- Products and services: Chocolate
- Revenue: €290 million (2007)
- Employees: 800
- Web site: www.ritter-sport.de
- Implementation partner: SAP® Consulting

Challenge and Opportunity

Align production with sales and market opportunities to optimize the supply chain

Objectives

- Establish new goods receipt processes
- Implement a new supplier managed inventory (SMI) solution in which suppliers are responsible for planning and delivering raw materials and packing materials

SAP Solutions and Services

- SAP Supply Network Collaboration application
- SAP NetWeaver® Process Integration technology

Implementation Highlights

- Solution implemented without modifications
- Standard enhancements used
- Full update compatibility enabled

Why SAP

Full integration with the existing system landscape

Benefits

- Better responsiveness to market and competitive situations
- Lower stock levels and, consequently, less capital tied up
- Stock information updated hourly
- Dynamic adjustments to safety stock based on seasonal requirements
- Shorter lead time between goods receipt and production
- Strategic partnership with suppliers
- Easy Internet access to the company network for suppliers with firewalls
- Reduced workload for planning, freeing up planning and development capacity

Existing Environment

- SAP ERP application
- SAP Advanced Planning & Optimization component

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Steffen Kindler, Production Planner,
Alfred Ritter GmbH & Co. KG



High-quality cocoa, handpicked hazelnuts, full-cream milk from the Alps, and more than 70 other raw materials go into the chocolate made by Alfred Ritter GmbH & Co. KG (Ritter Sport). Customers can choose from more than 20 variations of the product, which is marketed with the tagline “Quality. Chocolate. Squared.” The mid-size company based in Waldenbuch, Germany, has established an instantly recognizable brand profile with the distinctive square shape, color, and design of its packaging. The chocolate competes successfully against products from much larger food companies.

Aligning Production with Market Demand and Consumer Behavior

“We used to manufacture for stock and bring our products to market,” says Steffen Kindler, production planner at Ritter Sport. “But this push method didn’t allow us to respond rapidly to achieve better results.” Chocolate sales are subject to constant fluctuations caused by many factors, such as the weather, competitors’ new products, and advertising and sales campaigns. That is why Ritter Sport completely redesigned its production processes based on the kanban method. Now, a pull principle applies, in which production processes and quantities are oriented solely to market demand and consumer behavior.

However, this change of strategy could only be effective if suppliers could deliver raw materials and packing materials to Ritter Sport to meet production demand. So Ritter Sport decided to implement

the SAP® Supply Network Collaboration application and SAP NetWeaver® Process Integration technology – integrated with its existing SAP ERP application and SAP Advanced Planning & Optimization component – to help it make its supply chain transparent and efficient.

With help from the SAP Consulting organization, the chocolate maker implemented SAP Supply Network Collaboration within four months, adhering to the schedule and budget. “It went well,” confirms Hartmut Klatt, IT project lead at Ritter Sport. “We implemented the solution without any modifications and only used standard enhancement options.”

Optimizing Stock Levels to Deliver Freshly Made Chocolate

SAP Supply Network Collaboration, which went live at Ritter Sport in August 2007, has redistributed responsibilities. Suppliers receive precise information

about the quantities the company will require of their products for a planning period of three months. Following the supplier managed inventory (SMI) method, the suppliers are responsible for ensuring that they manufacture and supply the required materials. They must maintain minimum stock levels to ensure that production processes always run seamlessly. However, to make sure that stock levels are optimized, the suppliers must not exceed the maximum stock levels.

Ritter Sport is now in tune with the market, from the suppliers and all production phases to product shipment. The company has established more reliable production processes yet has less stock in its warehouse, thus tying up less capital. “We’ve reduced the lead time between goods receipt and production,” says Kindler. “This enables us to supply our customers with freshly made chocolate – and that, of course, tastes much better.”



“If you consider that we use over 34,000 miles of wrapping material per year just for the 100-gram bars, it is clear that every saving brings a real benefit.”

Michael Veltens, Former Packing Materials Purchaser, Alfred Ritter GmbH & Co. KG

Adjusting Safety Stock Precisely to Match Demand

SAP Supply Network Collaboration eases planners' day-to-day workload. They no longer have to trigger each individual ordering transaction because the suppliers organize goods delivery to Ritter Sport themselves. Planners are now in a position to adjust safety stock precisely in line with the seasonal sales situation. They can also plan for future demand – for example, demand generated by new developments or sales campaigns.

Stock levels are now visible to everyone involved at all times. A timeline shows whether the right quantities of raw materials and packing materials will be available at the right time in the coming quarter. Color coding shows the supply situation and warns if it looks likely that stock levels in the warehouse will be lower or higher than agreed. Hourly updated data on stock levels and demand is also available. Suppliers communicate with Ritter Sport over an easy-to-use Internet platform. This gives them more flexibility in their manufacturing operations and enables them to avoid producing too much.

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Equipping Suppliers to Trigger Order Transactions Themselves

With the SMI method, suppliers now trigger the individual orders themselves. First, they use the software to simulate how their planned delivery will alter stock levels. If this check, which also affects the contract conditions, is positive, the order transaction is triggered. Since SAP Supply Network Collaboration is linked directly to SAP ERP, which includes materials management functionality, a purchase order is created

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automatically. “The closer cooperation between Ritter Sport and its suppliers is a real win-win situation for everyone,” concludes Kindler.

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