



NUESTRO QUESO

START-UP LEVERAGES SAP® BUSINESS ALL-IN-ONE SOLUTION TO FACILITATE ASTONISHING GROWTH

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Guy Paproski, President, Nuestro Queso LLC

QUICK FACTS

Company

- Name: Nuestro Queso LLC
- Headquarters: Elk Grove, Illinois
- Industry: Consumer products – food companies
- Products and services: Hispanic cheese manufacturing and distribution
- Revenue: US\$20 million
- Employees: 108
- Web site: www.nuestroqueso.com
- Implementation partner: Optimal Solutions Integration Inc.

Challenges and Opportunities

- Establish a new company supported by an IT solution that could provide a robust platform for aggressive growth
- Facilitate the integration of acquisitions
- Deploy efficient and scalable business processes

Objectives

- Convert IT to a “utility” model
- Establish a powerful IT foundation
- Adopt industry best practices
- Support corporate strategy

SAP® Solutions and Services

- SAP® Business All-in-One for Consumer Products solution, specialized for food and beverage companies
- SAP Catch Weight Management application
- SAP Mobile Direct Store Delivery application

Implementation Highlights

- IT fully outsourced
- Fast-start implementation
- 9-week deployment
- On time and on budget

Why SAP

- End-to-end business coverage
- Best industry fit for the business requirements
- Built-in support for best practices
- Highly qualified and experienced IT partner

Benefits

- Ability to manage all aspects of the business
- Business strategy enabled and realized
- Ability to integrate acquisitions and standardize them to company practices
- Scalability of the solution as the company grows

*Nuestro
Queso*

Here's an attention-grabbing acceleration statistic: zero to a US\$20 million run rate in one year. That was the performance that Nuestro Queso LLC, headquartered in Elk Grove, Illinois, delivered in 2010. To help manage the multiplicity of challenges associated with a fast-growth start-up, Nuestro Queso's management selected the SAP® Business All-in-One for Consumer Products solution, specialized for food and beverage companies.

By the time you read this, all these numbers will be dwarfed by their updates, but at the end of 2010, Nuestro Queso has approximately 108 employees, all of whom participate in company ownership; three distribution centers – in New York, Chicago, and Sacramento, California; 175 unique SKUs; and US\$20 million in revenue. The company arrived at this point in less than one year, which included a four-month production hiatus while the manufacturing plant underwent a retrofit.

Hispanic Cheeses

On June 23, 2009, a team of investors solidly grounded in the food industry finalized the funding for a new operation dedicated to the development, production, sales and marketing, and distribution of Hispanic cheeses. On the same day, the purchase of a manufacturing plant was completed. A highly qualified team of managers then shifted into high gear to design the manufacturing line and prepare the plant as a state-of-the-art cheese production facility.

Simultaneously, the new management team began the implementation of their

SAP Business All-in-One solution. Nuestro Queso president Guy Paproski describes the conditions the new IT system had to accommodate: "We have a tremendously complex business. We were setting up essentially three businesses – a manufacturing business, a distribution business, and a sales and marketing business. We needed a fully integrated system in order to exercise the degree of control over our assets that we have to have."

Nuestro Queso manufactures a very delicate, highly perishable product that is FDA and USDA regulated. Add to that a complex sales and distribution process that takes the product right to customers' shelves. "We recognized that a significant chunk of our business would be cash," says Paproski. "We'd be selling to small bodegas and tiendas, little Hispanic independents, so our fleet of drivers would be out every day delivering cheese. Our customers pay cash on an order-to-order basis, and it turns out that over 60% of our receipts on invoice are cash collected by our drivers. So the need for very robust control over our assets is very acute."

Given the complexity of Nuestro Queso's business, there were very few IT options available to the company. "The SAP software system is very deep inside the food industry, especially on the distribution side," says Paproski. "And it has a lot of strengths on the food manufacturing side as well; it's a bit of a standard within our industry. I would say that the SAP Business All-in-One solution combined with its fast-start program and support for best practices, all of that together, was very much the deciding factor in our selection of the solution."

The SAP Business All-in-One for Consumer Products solution provides mid-size companies with the in-depth functionality they need to run their entire business efficiently. Designed for rapid implementation at a predefined price, it helps deliver a fast ROI to support increased sales and decreased costs. The foundation of this solution is the SAP Best Practices for Consumer Products package, based on the best business practices of consumer products companies that SAP has identified in several thousand implementations.

Outsourced IT

Nuestro Queso management also decided that they were in the food business, not the IT business. They established a relationship with Optimal Solutions Integration Inc. of Irving, Texas, and proceeded to outsource the company's entire IT requirement to Optimal. "Knowing we were a start-up with a rapid growth trajectory, we needed a software infrastructure that was going to facilitate this," says Paproski. "Only SAP or



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Guy Paproski, President, Nuestro Queso LLC

maybe Oracle could do that. SAP software’s flexibility and scalability, combined with Optimal Solutions’ food and beverage industry experience and delivery model, provided us with the affordable and risk-free solution we were looking for. So that’s the thinking that led us to the SAP solution, and Optimal to deliver it.”

For Nuestro Queso, Optimal brought to the table an application management services solution that solved all its IT requirements. “Nuestro Queso bought a fully hosted and managed solution from us,” says Elliott Garofalo, Optimal’s senior vice president. “We support the

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Elliott Garofalo, Senior Vice President, Optimal Solutions Integration Inc.

software, we provide functional support, we host them, we do everything. They have no IT people and no IT infrastructure and yet leverage SAP to best run their business and achieve their tactical and strategic goals. And they pay for it all through a subscription model resulting in a fixed monthly fee that makes the whole thing affordable for them. And maybe best of all, as they grow, the whole thing scales with them.”

Optimal Solutions also provided the SAP Catch Weight Management application and the SAP Mobile Direct Store Delivery application to meet Nuestro Queso’s

needs for production and distribution control. “I still don’t have an IT department,” says Paproski. “We’ve outsourced the vast majority of that as part of the software and solutions package that we purchased from Optimal. And that made the cost of entry sufficiently attractive that we could step into a potentially large-scale system like SAP’s that could grow with us as we took off.”

With the best practices supported by SAP smoothing the way, Nuestro Queso had its SAP solution and entire IT infrastructure up and running within an accelerated nine-week time frame.

Growth Management

In less than one year, Nuestro Queso has achieved a US\$20 million revenue run rate, and the company continues to grow at astonishing rates. How is its SAP solution contributing to the management of all this growth?

“When you’re growing at 20%, 30%, 50% a month, as we are, there are so many factors you need to stay on top of,” says Paproski. “They range from what are our quality measures in the plant to what are our selling prices per pound, what’s our margin activity, what

are our return rates, what’s the profitability on every given route, what are the pounds per drop on any given route, and so forth. Because of those three silos we have – manufacturing, distribution, and sales and marketing – there are probably 20 key performance indicators that we need to keep our eyes on. And the only way you can get that kind of reporting in real time is to have information technology that is robust across your entire company. So SAP is key to seeing where we stand at any given point in time and being able to rapidly adjust to changes in the marketplace.”

Nuestro Queso’s plan is to grow, and expectations are huge. “We expect in three to five years to be at US\$150–\$200 million in sales,” says Paproski. “And in that same time period we intend to open another 20 distribution centers.”

Nuestro Queso has a tool that can support that growth and can go all the way with the company. “There are a million ways to expand our SAP solution, far beyond the base package,” says Paproski. “But as a starting point with infinite growth capability, never having to leave the SAP platform, you can’t beat it.”

“The SAP implementation really was the enabler of execution for Nuestro Queso,” says Garofalo. “The company had a strategic plan in mind, complete with financial projections, and SAP was selected to enable that plan. The plan is being successfully implemented because Nuestro Queso has the power of SAP behind it.”

Wish List

What exactly would Paproski like to add to his current SAP solution? "A ton of stuff," is his answer. "We want to flesh out and build on our material requirements planning module. We want to fully flesh out the HR module. We want to add in the full-meal-deal quality control module. We are going to do a bit of expansion, perhaps even a bit of a change on the direct store delivery side, using the management piece of the tools that's there for the sales force. A lot of what we want to do is already there; it's sitting there in the software. We just need to have the expertise to be able to leverage it, to utilize it. But those are some of our next steps."



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