

Case Study Best Brands



Best Brands Achieves Business Turnaround and Doubles Profitability With Blue Ops

ORGANIZATION:

Best Brands Corporation

LOCATION:

Minnetonka, Minnesota

INDUSTRY:

Baked Goods Manufacturing

“Blue Ops provides the tools you need for real-time visibility, allowing you to look through the front window rather than the rearview mirror as you’re trying to steer a business. With the help of Blue Ops experts, we were able to better understand the profitability of our products, product lines and customers and tie them to business decisions – it was a real enabler for our business turnaround.”

– G. Scott Humphrey, Former CEO

Blue Ops provided critical information to guide data-based decision making during a business crisis

Organization Information

- One of the largest premium bakery manufacturers in the US market; sold to a worldwide bakery products supplier in 2010.
- Product portfolio included laminated dough, cakes, muffins, fillings and mixes, along with a leading position in value-added frozen products sold to in-store bakeries.
- Served food service customers and retail wholesale bakeries through three distribution centers.
- Operated six major production facilities across the United States with a workforce of more than 1,500 people.
- Founded in 1971 and headquartered in Minnetonka, Minnesota.





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“With the Blue Ops tools, we were better able to understand the profitability of specific products and product lines, optimize manufacturing operations, provide our sales team with the information they needed to focus their efforts on our most profitable customers and products, and manage raw materials costs.”

**-Scott Humphrey,
former Best Brands CEO**

\$42MM

EBITDA GROWTH IN 16 MONTHS

Problems Identified:

- Played a key role in business turnaround during a cash-flow crisis.
- Provided much-needed item and customer-level cost and profitability information to guide pricing decisions at a time when commodity prices were rapidly rising.
- Enabled company executives to make strategic data-based decisions to realign operations, pricing and products in order to ensure profitability and satisfy loan conditions.
- Integrated financial data from multiple legacy ERP systems to provide a real-time, company-wide financial view and facilitate a successful sale.

Solutions Implemented:

- MGMT3D business intelligence consulting services.
- Enterprise Business Management (EBM®) General Ledger Cube™, Purchasing Cube™ and Profitability Cube, Financial Planning, Sales Planning, and Procurement Planning tools.

Benefits Realized:

- EBITDA grew from \$30 million to **\$72 MILLION**
- Net cash available grew more than **\$40 MILLION**
- Gross margins improved nearly **SIX POINTS**





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“We needed a way to quickly react to marketplace changes, and to do this we needed visibility of our information in real time. Blue Ops gave us that.”

**-Scott Humphrey,
former Best Brands CEO**

\$40MM

GROWTH IN NET CASH AVAILABLE

It was 2008, and it was a hard time to be in business anywhere: banks were collapsing, commodity prices were rising rapidly, and lending requirements were tightening severely. At Minnesota-based Best Brands Corporation, these factors combined to create a “perfect storm” that put the bakery products business in jeopardy.

“The commodities we were using to make our products – including flour, sugar, oil and eggs – were experiencing rapid, record inflation,” says Eric Ahlgren, who was Best Brands Vice President of Finance. “The price of everything was rising and our business was relatively immature in the way it could react. We didn’t have quick access to the right information, and as a result we were very late in changing our pricing to reflect commodity prices. This resulted in a significant cash-flow crisis that started to trip the covenant protection on our loans.”

Feeling the Pressure

As a result of the cash-flow problems, the banks began putting pressure on the Best Brands leadership to sell the business. However, the company’s executives and private equity investors knew selling during the crisis would result in big losses for the investors and that the sale price wouldn’t reflect the company’s true value. They negotiated an extension with the banks – but they would need to turn the business around quickly if they wanted to avoid even bigger problems with their lenders.

Because of the tight timeline and financial pressures, starting from scratch with a new ERP system wasn’t a viable solution. However, the company had several different legacy ERP systems as a result of acquisitions, as well as multiple subsystems within those systems. They needed a way to pull together consolidated reporting from those disparate systems quickly and effectively. To accomplish this goal, they partnered with Minneapolis-based business intelligence provider and advisory firm Blue Ops to implement the Enterprise Business Management (EBM) Software solution.





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“We can much more quickly and accurately see all of our customers and see what our gross margins are. There’s no place to do that in the ERP. You could download all these Excel files and build a spreadsheet, but it would take just an enormous amount of time.”

**-Josh Anderson,
VP of Finance**

SIX POINT
GROSS MARGIN
IMPROVEMENTS

Gaining Essential Insight

Knowing they had no time to spare, the Blue Ops team immediately began implementing the full suite of software tools. The General Ledger Cube was used to combine three legacy ERP systems into a single, consolidated financial look that allowed executives to gain a clear picture of the company’s overall financial status. They also quickly rolled out the Profitability Cube to provide complete visibility into Best Brands’ financial picture through a powerful customer and item-level profitability analysis tool. As a proactive compliment to the cubes, the EBM Financial Planning and Volume/Rate Planning modules created a clear picture of the company’s financial outlook through a web-based sales planning interface, real-time budgeting and forecasting tools, and accurate volume planning for the company’s eight production facilities.

By leveraging these powerful tools to make strategic business decisions, Best Brands management was able to rapidly retool the business. “With the Blue Ops tools, we were better able to understand the profitability of specific products and product lines, optimize manufacturing operations, provide our sales team with the information they needed to focus their efforts on our most profitable customers and products, and manage raw materials costs,” says Humphrey.

A Rapid Turnaround

The results of the Blue Ops implementations - coupled with the management team’s strategic decision making - were quickly evident. “In relatively short order, financial performance improved dramatically,” says Paul Cascio, a partner at Best Brands private equity investor group Brantley Partners. “Blue Ops allowed us to get the information we needed to make management decisions based on real-time information - it was a critical component of the management’s ability to execute a turnaround plan.”





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“Our sales team has much more clarity into how their customers are doing, which allows them to make better decisions on how much money to invest into a certain customer and when to pull back.”

**-Josh Anderson,
VP of Finance**

Within just 16 months, EBITDA had grown from \$30 million to \$72 million and gross margins had improved nearly six points. Now, Best Brands was in a position of strength that its investors could use to negotiate a profitable sale – and again, the software Blue Ops installed proved invaluable. “We were able to answer all the questions that came up in the sales process at an extraordinary level of detail thanks to the Blue Ops solution,” says Cascio.

In 2010, Best Brands Corporation sold to a leading worldwide bakery supplier for more than \$500 million. The company’s executive team says Blue Ops played a critical role in the profitable turnaround and highly successful sale. “The EBM software suite Blue Ops installed is fairly inexpensive, fast, and it delivers critical real-time business insight,” says Ahlgren. “Perhaps most importantly, the Blue Ops team has the business expertise needed to interpret the information, make decisions and drive results.”

\$500MM

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BLUE OPS **EBM**[®]
SOFTWARE