

Maruchan, Inc



Providing Total Support From System Development to AMO, The Multi-Cultural Team with Japanese Approach Adapts to US Business Practices, and Leads The Project to Success.

In August 2007, at Maruchan, Inc, the North-American base of Toyo Suisan Kaisha Ltd., the ERP project to implement SAP/ ECC6.0 began. ABeam Consulting Ltd. put their multi-cultural hands and knowledge on the project, successfully completed a cutover in October '08, and continues to support the new business today. The new system has timely managed performance data, ensured promotional cost management, and achieved higher extensibility to meet future clients' needs. In this success story, the highlights are the deep knowledge of US business customs, the well-developed project KPI (Key Performance Indicator), thoroughly examined additions, and critical performance of the "bridge consultant" who delivered information to the offshore.



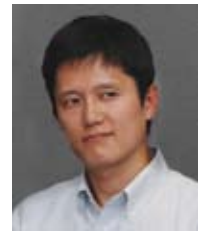
Mr. Kiyoshi Fukagawa

MARUCHAN, INC.
President

Mr. Tsutomu Yoshimura

MARUCHAN, INC.
General Manager of
Sales & Marketing

Mr. Takashi Ueno

MARUCHAN, INC.
Information Systems
Manager

Mr. Masashi Yamamoto

MARUCHAN, INC.
Information Systems
Manager

ABeam's Multi-Cultural Approach Eases ERP Transition at Maruchan North America

Maruchan, Inc. is the North American manufacturing and sales arm of the Japanese food manufacturer Toyo Suisan Kaisha Ltd. Its line of ramen noodle products is sold across North America, with the company commanding 83% of total sales in the Mexican market, and 63% of sales in the US. Despite its Japanese roots, the company is wholly American, with extensive manufacturing and sales bases throughout the North American continent.

Asked to describe the company, Maruchan, Inc. President, Kiyoshi Fukagawa, says, "You can think of a company like Pepsi as a 'penny business' due to the sheer volume of their production, where saving a penny here or there adds up to a significant amount. Maruchan is more like a 0.001 penny business! Production and cost efficiencies of even a fraction of a cent can make a difference."

Despite the ongoing economic recession, demand for its products is running high, with Maruchan running its three factories day and night to meet demand. To

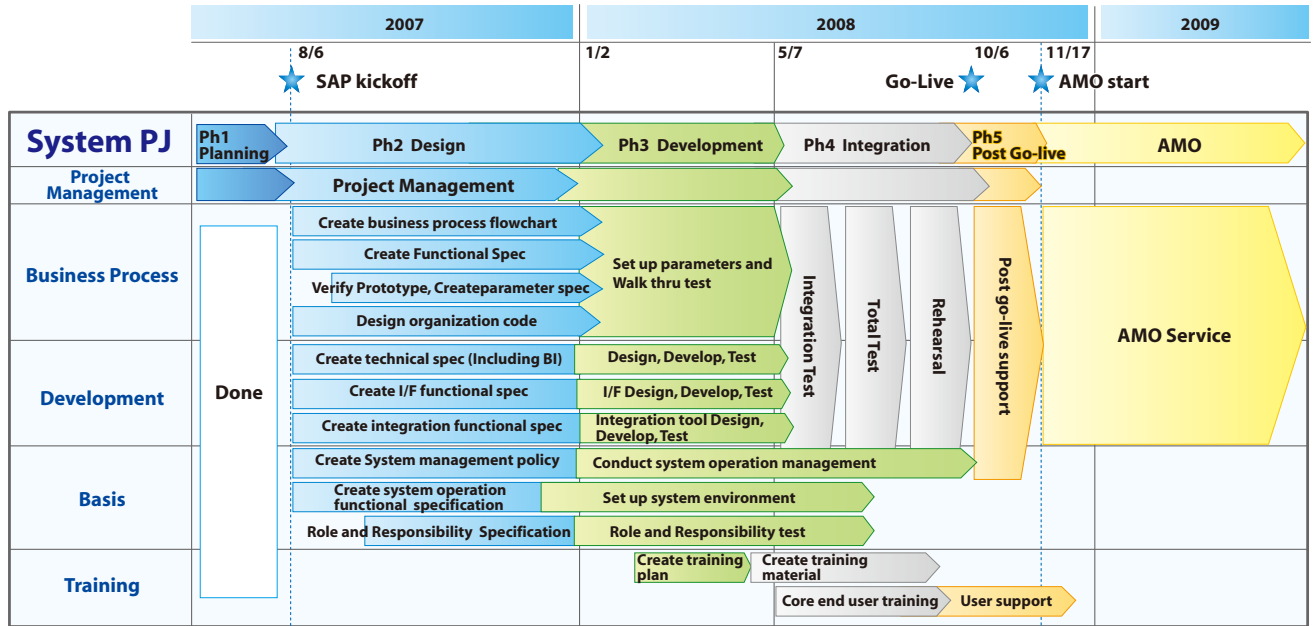
meet the challenge of implementing an ERP system in the subsidiary of a multi-national company, ABeam assembled a team of consultants from Asia and North America.

Challenge

In Spring 2007, Maruchan's management decided to replace its old ERP system, Protean, which had been implemented primarily to deal with the Y2K problem. Ironically, the old system was not optimized for the demands of a 21st century manufacturing leader; EDI requirements with large customers were not being met, real-time performance analysis could not be accommodated, and new technologies such as RFID and GTIN (Global Trade Item Number) could not be implemented. Top management needed an accurate representation of the company's day to day performance and the ability to visualize performance data and profit and loss.

According to Takashi Uedo, Maruchan's Information Systems Manager, the old system could not support the business and technical innovations of today's

■ Project Master Plan



business environment. He said, “Unlike Japan where a monthly invoice is issued for payment, in North America invoices and payments must be processed for every shipment. The cycle of business is much faster. And, at a time when the economy is as big an issue as it is today, it becomes crucial to offer management a timely grasp on the company’s performance, profit and losses.”

Solution

The first phase of the project was the Design Phase, during which time options and add-on functionality are scoped out and requirements drawn up. Unfortunately, the team faced a challenge of limited time and labor resources. “All managers working on the project implementation were also responsible for their daily work load at the same time, but we still maintained a goal to go-live in October of 2008,” said Masashi Yamamoto, Information Systems Manager at Maruchan.

ABeam stepped in and created a detailed breakdown of the project by developing KPI’s (Key Performance Indicators) that clarified the time and cost in programming for each add-on so Maruchan could evaluate the pros and cons of each. Add-ons were prioritized and the merits of each were debated during weekly review meetings. The add-on “wish list” was first submitted to the PMO (Project Management Office) and an often lively discussion was held regarding whether it was to be produced by a team of nine reviewers; core-users from each department such as US Sales, Shipping, and Manufacturing. As a result, 200 add-ons taken to the PMO were reduced to 50. “One success factor during the process, I believe, was

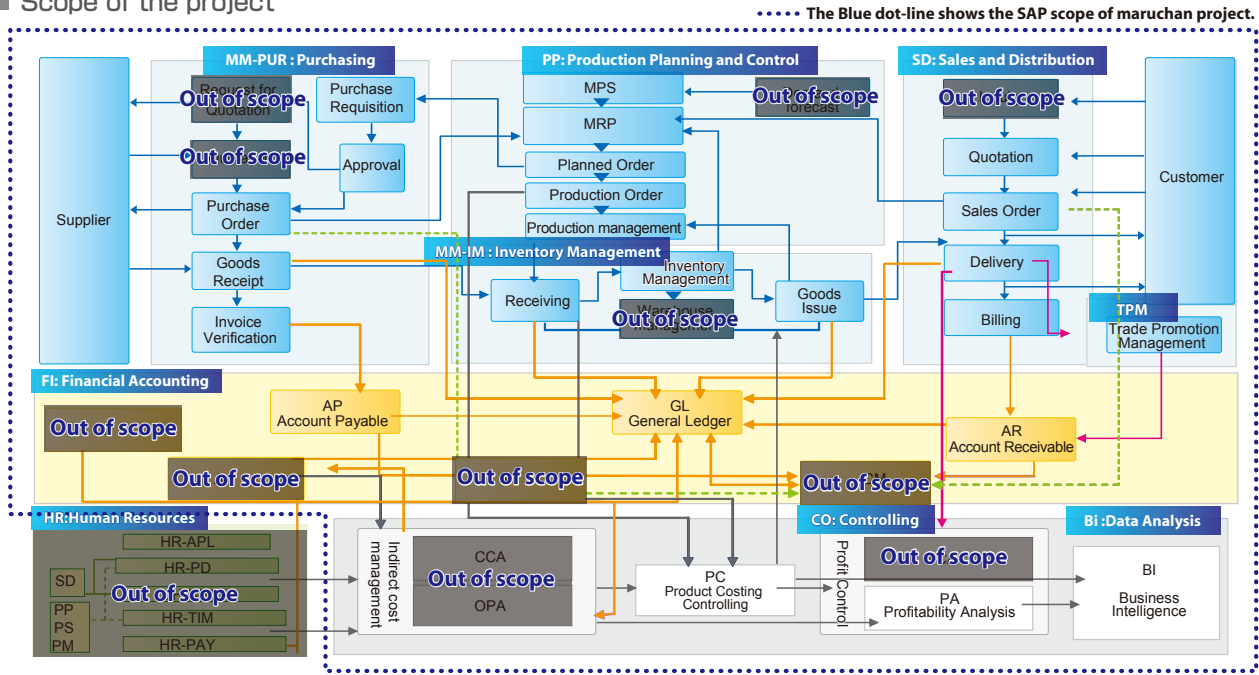
balancing a combination of never-compromising Japanese service spirit and American simplification,” said Ueno.

The add-ons were developed at the Shanghai GDC (Global Development Center) of ABeam within 4 months from January ‘08. After careful examination of the requirements, a “Development Bridge Consultant” documented the add-on designs with on-site consultants. The Development Bridge Consultant was crucial in not only minimizing the recognition gap between on-site and offshore team members, but also drastically improving the quality of the finished product.

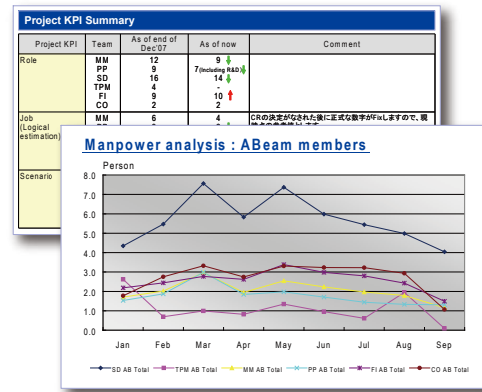
The invisible Opponent in US Distribution – Trade Promotion Management

Maruchan, rooted in US soil, dealt with a business practice that was completely foreign to their Japanese colleagues, that is the need to visualize promotional costs. In the US, Consumer Products Manufacturers like Maruchan do not sell through a wholesaler, as in Japan. Instead, brokers perform as middlemen between manufacturers and retailers. In the case of a promotional campaign, the discounts are applied not upon shipping but upon actual store sales. It’s standard practice that a manufacturer is not paid for the goods until the promotion is over, and the discount will be applied at that time. Because the amount of promotional cost is not known upon shipping, the manufacturer funds it as a “trade promotion allowance” to be accrued by the accounting department. Complicating matters is the fact that much of the control of this process lies with the brokers, leaving the manufacturer with little visibility

■ Scope of the project



Maruchan was able to regain control over this uncertainty and manage promotional costs by linking a TPM (Trade Promotion Management) add-on to the ERP package. ABeam's Satoru Matsubara, Manager at Dept. of Manufacturing/Consumer Business, said, "Our mission was to first understand the mechanism of brokers' commissions and the complexity of TPM in the US, then adopt them into the new system." To manage the promotional costs in the links of the new system, Maruchan selected Account Review 6 (Synectics Group, Inc.), implemented using an application service provider model.



■ Some of project KPI Materials

■ Testing and Go-Live

Testing began in May '08 immediately after add-on development was completed at ABeam's Shanghai GDC site. The staff at Maruchan was engaged in integration testing and user training, while simultaneously converting data into the new system. The core users developed a user manual themselves with assistance from ABeam, and were committed to a series of end-user training sessions.

The company makeover would not have been accomplished without the support of retailers and brokers. Tsutomu Yoshimura, General Manager of Sales & Marketing at Maruchan, Inc., worked closely with them so that the transition would be seamless. He said, "Americans in general do not have a 'follow-the-crowd' mentality. Each individual needs to understand the process and the value to them by adopting it." Yoshimura, with 20 years of experience in US business, knows communication is an essential key to success. The sales department team worked closely with each

client on the EDI data collaboration, making it possible to manage performance data in real-time, as well as profits and loss. "If we failed, some major clients would charge us an enormous penalty. We had to meticulously work through every scenario," commented Sasaki. As a result, the test run, which was backed up by the old system, was completed in only 3 weeks.

■ AMO Service Supports Operation Phase

After a successful go-live, ABeam was engaged for AMO (Application Management Outsourcing) for continuous support of Maruchan in their operation phase. AMO serves as total support for the new business by providing rapid response to newly arising needs and issues while stabilizing the new system. ABeam offers effective and reliable AMO services to their clients by assigning the same consultants who have completed the system implementation to AMO.

■ Core ABeam Consulting members



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Real Benefits

Maruchan's new system has delivered timely managed performance data, ensured promotional cost management, and achieved higher extensibility to meet future needs. A large part of the Maruchan ERP project's success is owed to the commitment by both teams to a single goal of success, and working together to achieve it. "It's neither the knowledge nor the skills alone, but ABeam showed their dedication and ability to get things done. Success was a product of the open exchange of ideas and sense of mutual respect expressed by both sides," commented Ueno.

When asked what is to be expected from an effective consulting firm, Mr. Yoshimura describes one that can "provide advice on invisible risks that might arise by gain or sacrifice. ABeam's approach to the project and appreciation of our Japanese sensibilities ultimately contributed to its success." Adds Mr. Fukagawa, "It is important to build an equal partnership to strive for the same goal; I see this as the true essence of partnership."



ABeam Consulting Ltd.
Manufacturing / Consumer Business
Principal

Hiroyuki Aitani

This project required us to operate exactly according to the internal control master plan, adopt "Big Bang" policies limiting total investment, and implement multicultural resource management. Cost/scheduling transparency through project KPI, and off-site communication were extremely useful in accomplishing these objectives.



ABeam Consulting (USA) Ltd.
Process Manufacturing
Principal

David Quilici

The successful completion of the Maruchan project can be attributed to the steadfast commitment of the combined Maruchan and ABeam team.

Their efforts are substantiated by how quickly Maruchan's employees have adopted both the new technology and business processes.

■ User Chart

Company Summary

Corporate Name	MARUCHAN, INC.
Address	15800 Laguna Canyon Road, Irvine, California 92618, U.S.A.
Establishment	Dec. 1972
Capital Representative	Kiyoshi Fukagawa, President
Sales	30 Million USD (March 2008)
	499,5 Million USD (March 2008)

Project Outline

Objectives	Building systems including following area; Material Management, Production Planning and Control, Sales and Distribution, and a part of financial accounting, and Trade Promotion Management
Duration	14 months
Application	SAP/ECC 6.0



Case Study
**Manufacturing /
Consumer Business**

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