

Selecting and Implementing an ERP System at Alimentos Peru¹

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The case describes the implementation process of an ERP (Enterprise Resource Planning) system at Alimentos Peru, one of the largest foods manufacturing companies in Peru. It discusses the organization's major concerns during the mid-90's, including increasing competition, inefficiency of business processes, and lack of timely and accurate information.

To address these concerns Alimentos Peru launched several projects, one of which involved the implementation of an ERP system. The case explains the criteria used to evaluate and select the system, as well as the main issues and problems that arose during the implementation process. More specifically, the case focuses upon a set of implementation factors, such as top management support, user participation, and project management.

Finally, the case concludes with a discussion of the benefits obtained from the introduction of the system as well as the new organizational challenges.

BACKGROUND

Alimentos Peru manufactures and sells food products for direct or indirect human consumption including cookies, non-alcoholic beverages, bakery products, and sweets, yeast and other ingredients for bread making. It is a subsidiary of International Food Group (IFG), one of the world's largest food products manufacturers and sellers. In Peru, its leading brands are Turtora, Real, Tako and Remo.

IFG has been present in the Peruvian market since 1939 with the opening of its subsidiary Real Peruana Inc. In 1993, as part of a number of mergers and acquisitions of food

producers in Latin America, *IFG* bought the *Estrella S.A.* cookie maker, the then leader in the Peruvian market. The merger of the Peruvian subsidiaries started operating as *Alimentos Peru*.

Alimentos Peru has two production plants. The first one is located in Lima and concentrates on cookie and candy manufacturing. The other is located in Callao and is devoted to producing inputs for bread making and powder drinks.

Alimentos Peru has faced a long fall in demand as well as intense local and foreign competition. Its executives were aware that their success hinged on introducing a comprehensive strategy that would comprise satisfying the consumers' expectations and needs, as well as reducing operating costs. By the mid-90's, the company introduced new manufacturing techniques and launched a number of projects to formalize, restructure and standardize its processes.

Its leading production line is cookie making, the source of the company's largest (45%) share of profits. Until 1994, the cookie market was rather dull and led by local brands. However, in 1995, substantial changes started to occur. The acquisition of *Molinos* by the *Atlantic* consortium and the arrival of a new competitor, *Chilex* - a Chilean company - introduced a new dynamic to the market. Furthermore, imported cookies started to arrive from abroad including those distributed by *Alimentos Peru*, *Orval*, *Rose* and *Crasp*. Imported cookies increased their share of the local market from 2% to 10%.

To face the new competitive environment, *Alimentos Peru* changed the packaging in most of its *Estrella* products to make them more attractive and improve their preservation. It introduced new products, including *Chocosonrisa* and *Marquinos*, as well as a new line of imported cookies that are leaders in the international market. Blanca Quino, head of product lines at *Alimentos Peru*, told a local publication: "We have introduced innovations in our line products at least once a year. Now the winners will be those who can introduce more innovations in a market where the consumer makes the final decision."

In 1996, *Alimentos Peru*'s share in the cookie market exceeded 30% and its *Estrella* brand name remained as the local leader with 23% market share. However, the consortium *Atlantic* reached the same market share after buying *Molinos*, manufacturer of *Gloria*, *Zas* and *Ducal*. Moreover, although aimed at a different market segment, *Empresa Galletera*, through its *Grano* and *Pepis* brand names covered over 21% of the market. This firm's strategy was to sell cookies at a lower price than its competitors.

The beverages and desserts market, a line that creates 29% of *Alimentos Peru*'s revenues, also suffered changes due to international competition. The company upgraded the packaging of its *Tako* line of drink powders to meet consumer preferences and introduced a larger variety of flavors. *Remo* beverages went through a number of innovations including a new range of flavors and a ready-to-drink line of products launched at the end of 1995.

In 1996, *ASPA Alimentos* was the market leader for powder beverages with a 53% share at company level, followed by *Alimentos Peru* with 37.1%. *Tako* - *Alimentos Peru*'s brand name - was the leader in the sugarless beverages market segment with 19% of the market. It further benefited from the growth in the sugarless market segment. Growing consumer preference for sugarless products, sold at a lower price, strengthened *Tako*'s position against the semi-sweet *Kino* and *Bingo* products from *ASPA Alimentos*. In the sweet products segments, *Alimentos Peru*'s *Remo* held strong to its 62% market share but faced strong competition from other brands, including locally produced *Dinang* and *Fructal*, a

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