

## The Company

From its humble beginning in the kitchen of Clara and Russell Stover's Denver bungalow home, Russell Stover Candies (RSC) has grown into the third largest American chocolate manufacturer. The Kansas City, MO-based company's three brands — Russell Stover, Whitman's and Pangburn's — account for more than 60 percent of all boxed chocolate sales in the United States. Russell Stover confections are sold in more than 50 company-owned retail stores and through 70,000 wholesale accounts in the United States, Canada, the United Kingdom and more than 20 other countries throughout the world. The family-owned company manufactures more than 100 million pounds of chocolate annually and continues to use the same small batch candymaking techniques and recipes developed by the Stovers more than 80 years ago. This painstaking dedication to quality has allowed Russell Stover Candies to become America's No. 1 seller of boxed chocolates.

## The Challenge

In 1997, Russell Stover Candies outsourced its legacy information systems. However, by early 1999, they were unhappy with their chosen outsourcing provider — one of the world's largest outsourcing companies. The outsourcer's poor performance affected RSC's ability to conduct business, and several attempts to fix the relationship were unsuccessful. The company experienced regular network outages, which affected employee productivity; invoicing fell behind, and critical financial processing and order fulfillment was often significantly delayed. In addition, while outsourced, Russell Stover had chosen to purchase and implement Baan's enterprise resource planning (ERP) solution, in part to mitigate its Y2K issues. The outsourcing provider, along with other consultants, had configured and built the company's new ERP environment. Unfortunately, Baan's ERP application appeared to be a poor fit for RSC by not meeting critical business requirements. Further, the project was behind schedule, a "go-live" date was not planned, and RSC's busy season and Y2K were approaching fast. Because of these issues, Russell Stover considered bringing its entire IT infrastructure and support back in-house.

To help navigate these challenges, the company hired a seasoned IT executive, David Copas. After weighing available options, Copas decided rather than go through the expense, upheaval and multi-year process of rebuilding an in-house IT staff, Russell Stover Candies would find a new outsourcing partner. The criteria for a new partner were: 1) be knowledgeable of mid-sized manufacturing company IT requirements; 2) have deep Baan expertise; and 3) have business process knowledge

# Bigger Isn't Necessarily Better

Why A Leading Candy Manufacturer Chose A Mid-Market Specialist

A ONENECK IT SERVICES CASE STUDY



that would enable them to optimize the company's ERP environment. Copas reviewed the usual list of big brand IT outsourcers but wasn't encouraged given the company's recent experience. He decided he needed a partner that could move fast, be flexible and add value beyond the traditional scope of outsourcing services. After an exhaustive evaluation process, Copas selected OneNeck IT Services.

## The OneNeck Solution

OneNeck was selected to manage Russell Stover Candies' IT operations with contract commencement in July 1999 — just months from the company's busy season and Y2K. With its work cut out for it and nearly impossible deadlines, OneNeck developed a plan to swiftly transition and later optimize Russell Stover's ERP environment. With a unique approach by staffing this customer with resources at both RSC's headquarters in Kansas City and at OneNeck's operations in Phoenix, OneNeck's Baan experts worked directly with Russell Stover's users to understand and resolve all mission critical issues as quickly as possible during the transition.

OneNeck's team created manual workarounds for poorly developed interfaces between Baan and Russell Stover's warehouse management system, while in parallel developed and tested automated solutions that would replace the transitional workarounds. During this period, down time was incredibly costly, and OneNeck needed to keep the environment available while developing better, optimized and permanent IT solutions for the company. Today, OneNeck manages 100 percent of Russell Stover's IT operations.

## The Benefits

Russell Stover has realized significant benefits since OneNeck took over, including an immediate savings and a broader scope of services. Additionally, IT costs have decreased year over year as a percentage of revenue from 4.0 percent in 1999 to 3.1 percent in 2004. But more important are the savings Russell Stover has realized as a result of having a stable IT environment. Initially, Dave Copas thought Baan was a poor fit for Russell Stover's business and believed the "useful life" of the application was only five years.

As a result of OneNeck's optimization of Baan, the application will meet Russell Stover's needs for an additional three years, and probably longer. The stabilized environment also enabled significant process improvements and cost savings in Russell Stover's distribution/logistics functions. From 2002 to 2004, Russell Stover increased distribution volume by a CAGR of 17 percent per year with a decrease in distribution/logistics costs of 20 percent per year — at the same time, improving service levels such as on-time delivery. In 2006, Russell Stover signed a four-year contract extension with OneNeck, marking the third renewal in the seven-year RSC/OneNeck partnership.

*"Our decision to replace our outsourcing partner vs. bring our IT support back in-house was fraught with challenges. We were entering our busiest season of the year, Y2K was fast approaching and the relationship with our existing outsourcer was untenable. We had to make a decision to jump off the cliff and build our wings on the way down. OneNeck provided us a soft landing."*

David Copas, Senior Vice President,  
Logistics and Information Systems

## Russell Stover Candies Facts

Organization	• Russell Stover Candies
Industry	• Manufacturing/Consumer Products
Business Challenges	<ul style="list-style-type: none"> <li>• Transition of troubled IT environment from existing vendor</li> <li>• Support and optimization of entire IT environment in time for Y2K compliance and high-volume seasonal production requirements</li> </ul>
User Environment	<ul style="list-style-type: none"> <li>• 950 Users</li> <li>• 5 U.S. Locations</li> <li>• 1 Puerto Rico Location</li> </ul>
Application Environment	<ul style="list-style-type: none"> <li>• Baan ERP</li> <li>• JDA Retail Solutions</li> <li>• Warehouse Management</li> <li>• Supply chain</li> <li>• Data Warehousing</li> <li>• Microsoft Exchange</li> </ul>
Technical Environment	<ul style="list-style-type: none"> <li>• 21 IBM UNIX Servers</li> <li>• 5 Windows Servers</li> <li>• 23 WAN Circuits</li> </ul>



For more information, contact:  
OneNeck IT Services Corporation  
5301 North Pima Road, Suite 100  
Scottsdale, Arizona 85250 USA  
Phone: +1-480-315-3000 Fax: +1-480-609-4308  
info@oneneck.com | www.oneneck.com

Part Number B0105.1-4  
©2007 OneNeck IT Services Corporation.  
All rights reserved.