

Sage 100 ERP | Customer Success

There in a Pinch for Smokey Mountain Snuff

Snuff dippers love having a good pinch between the cheek and gum. And when they want a fine tasting tobacco-free alternative, they reach for Smokey Mountain Snuff.

Smokey Mountain all-natural herbal blend in Classic, Wintergreen, Cherry, and Arctic Mint is America's original and best-selling tobacco-free snuff.

Unrealized Potential

When he joined Smokey Mountain Chew as CFO in January 1999, Dan Calandro discovered that a great product doesn't automatically provide great margins. After conducting a thorough financial and operational review, he found that Smokey Mountain's quality and profitability fell way short of its tremendous potential.

Its inadequate off-the-shelf accounting package was part of the problem. It had to be replaced with a system that could handle Smokey Mountain's complex manufacturing and distribution operations. Calandro selected Sage 100 ERP.*

Boosting Quality and Profitability

Quality assurance was Calandro's initial concern. Product taste and texture were inconsistent from batch to batch. This called for tighter manufacturing controls, closer production monitoring, and batch analysis.

"My first move was to create a formula and production sheet, which identified each ingredient and its associated costs," says Calandro. "This way exact ingredient quantities would be released per batch and tracked as they moved from raw materials to work-in-process through finished goods."

Through Sage 100 ERP, a yield analysis report was created utilizing a standard deviation schedule to highlight significant variations by batch. Some batches yielded 1,500 one-ounce cans, while others yielded as many as 3,000 cans. By pinpointing production dates and associated yields, The Sage 100 ERP Bill of Materials module allowed Calandro to establish a quality control matrix.

*Sage 100 ERP was named Sage ERP MAS 200 when Smokey Mountain Chew, Inc. initially implemented this solution. The product names have been updated in this case study to reflect current naming.

Customer

Smokey Mountain Chew, Inc.

Industry

Nontobacco snuff manufacturer

Location

Darien, Connecticut

Number of Locations

One

Number of Employees

Eight

System

Sage 100 Advanced ERP



Challenge

Obtain an advanced business solution that can provide complete management of a complex manufacturing/distribution operation, including quality control and profitability.

Solution

Sage 100 ERP manufacturing and distribution modules.

Results

Exceptional process and profitability analysis; precise P&Ls for strategic management; fixed manufacturing issues; improved product quality; saved \$20,000 in bill-backs; increased margins by 20 percent.

Almost immediately, patterns emerged. The longer raw materials spent in work-in-process (sometimes up to ten days) the more they settled, became dense, and lost moisture and flavor. So Calandro established new criteria to ensure that batches were systematically mixed one day and canned the next, dramatically improving both product quality and yields.

Guidelines were created in the Bill of Materials module for all steps in the manufacturing process, giving Calandro criteria for refusal. The onus of responsibility then fell on the contract manufacturer. Materials falling outside of the criteria are now destroyed, and the costs plus a service charge are billed back to the contract manufacturer. Bill-backs totaled \$20,000 during the first year.

Here's how Calandro's system works. When a batch moves from work-in-process to finished goods within the Sage 100 ERP Bill of Materials module, a posting shows the yield. A poor yield posts a debit to the profit and loss, while a good yield posts a credit. The same is true when raw materials are transferred to work in process. By way of the profit and loss statement, Calandro immediately knows if a problem exists and whether it is due to yield or cost.

"That one line in the P&L says it all. The figures jump off the page, and I can immediately take the steps to rectify the situation," he says. Before Calandro's tenure, physical inventory reconciliations were performed annually. "I can't understand how any company operates with anything less than quarterly inventory checks," he comments. "We perform physicals monthly. If nothing else, they are a great way to double-check your manufacturing accounting."

"Sage 100 ERP has everything I expected and more. Our margins are way up, and we have total control over our manufacturing process."

**Dan Calandro
Smokey Mountain Chew**

Sage 100 ERP helps Calandro maintain exact inventory quantities. His data is so accurate that he once identified the exact date that a bucket of flavoring was accidentally tipped over at the factory. The contract manufacturer subsequently reimbursed Smokey Mountain for the loss. Improved quality and consistency have factored into double-digit growth for Smokey Mountain Chew. Furthermore, margins have improved by more than 20 percent. "Sage 100 ERP was everything I expected and more," Calandro says. "Our margins are way up, and we have total control over our manufacturing process."

About Sage

Sage North America is part of The Sage Group plc, a leading global supplier of business management software and services. At Sage, we live and breathe business every day. We are passionate about helping our customers achieve their ambitions. Our range of business software and services is continually evolving as we innovate to answer our customers' needs. Our solutions support accounting, operations, customer relationship management, human resources, time tracking, merchant services, and the specialized needs of the construction, distribution, manufacturing, nonprofit, and real estate industries. The Sage Group plc, formed in 1981, was floated on the London Stock Exchange in 1989 and now employs 12,300 people and supports more than 6 million customers worldwide. For more information, please visit the website at www.SageNorthAmerica.com or call 866-996-7243. Follow Sage North America on Facebook at: <http://www.facebook.com/SageNorthAmerica> and Twitter at: <http://twitter.com/#!/sagenamerica>.