



## ConAgra Mills:

Up-to-the-minute insights drive smarter selling decisions and big improvements in capacity utilization.



– Bill Stoufer,  
President,  
ConAgra Mills

When Bill Stoufer first joined ConAgra Mills some 20 years ago, agreements to deliver wheat flour to food manufacturers—even the largest deals—were consummated with a handshake. Customers bought largely on price, the spot price of wheat moved about a dime a day, and a good deal of everyday decision-making came from the gut. Today, handshakes still seal deals in the milling industry, signifying the enduring importance of trust as the cornerstone of customer relationships.

But from his current vantage point as president of ConAgra Mills, Stoufer looks out on an industry where just about everything else has changed dramatically. Driven by food manufacturers catering to more diverse consumer tastes, millers have vastly broadened their product lines; ConAgra Mills, for example, makes about 800 different types of flour. Upstream, grain price volatility has grown exponentially, with daily price moves on the order of five to six percent now commonplace. In their offices overlooking downtown Omaha, Stoufer and his colleagues, as always, keep a close eye on weather trends, rainfall and harvests.

### Leadership Spotlight

Bill Stoufer has seen a world of change in the grain milling industry since he joined ConAgra Mills two decades ago—most of it in the last few years. Through his impetus and leadership, ConAgra Mills' sales personnel can now make smarter decisions in the face of skyrocketing complexity.

### How ConAgra Mills got smarter

Companies in the food industry—especially those in the agricultural space—have always kept their eyes on the weather. Now they look at many more factors—from the price of oil to disasters to geopolitics—that have made commodity prices more volatile than ever in a hyper-connected market. For the ConAgra Mills team selling flour to food manufacturers, such an environment makes it hard to negotiate the “optimal” deal, one that delivers the right margins and efficient use of production capacity. Leveraging powerful models and algorithmic engines, ConAgra Mills is now able to translate a vast array of market and production information into smarter recommendations for its deal-makers, enabling higher margins where they're justified and increasing capacity utilization by five percentage points.

**Let's Build a Smarter Planet**

The difference today is that they're just as likely to be talking about world oil prices, ethanol subsidies, currency movements and a long list of other factors with the potential to impact future grain prices. As complexity has become an everyday fact of life in the food industry, the risks embedded in business decisions have grown along with it.

### Food manufacturers asking for more

Perhaps the biggest change Stoufer has seen is a shift in what food manufacturing customers have come to expect from their flour suppliers. As Stoufer notes, these customers are facing many of the same operational challenges and they're looking to suppliers like ConAgra Mills to help address them. "Today, we see ourselves as a solutions business that has to continue bringing new capabilities to our customers, such as risk management around commodity prices and advanced transportation solutions," explains Stoufer. "We recognize that today's industry environment rewards innovation, so we make an active effort—day in and day out—to get our employees to think and act that way."

People who know Stoufer are just as likely to cite his personal modesty as they are his restless drive to do things better. A good example of the latter trait in action goes back to his previous role as vice president of Supply Chain. It started as a one-to-one conversation with the CFO about the less than rigorous way some of the company's most important and fundamental decisions were made—and, more specifically, how something *had* to change. The basics of a deal are that customers need a specific type of flour, in a certain amount and delivered at a specific time. It's up to ConAgra Mills' salespeople to size up the production capacity situation, determine whether the company can commit delivery and, if so, come up with the right price.

### The benefits of ConAgra Mills' smart sales optimization solution

- One hundred percent payback in less than three months
- Maximization of revenues through improved margin decisions
- Improved ability to focus on the most profitable products through more accurate reflection of underlying costs
- Up to five percent increase in production capacity utilization
- Improved ability to capitalize on emerging business opportunities without risking "oversold" production capacity

**ConAgra Mills' salespeople may not think of themselves as decision optimizers, but beneath the covers they are.**

# What resonated was the strategic benefit of giving salespeople the intelligence they need to structure the best possible deal with the customer.

## A new game with higher stakes

To Stoufer, the chief problem was that when decision time came, hard facts generally took a backseat to gut instinct. It's not that the "facts"—production and capacity data from ConAgra Mills' ERP system, as well as commodity market data from external sources—weren't available. It was instead that salespeople lacked the means to transform these facts into actionable intelligence as fast as it was needed. ConAgra Mills' salespeople may not think of themselves as decision optimizers, but beneath the covers they are. Every agreement they make—or decline to make—has a direct impact on ConAgra Mills' production utilization, as well as its margins. The goal, Stoufer puts simply, is for ConAgra Mills "to execute what is sold and to sell what we can execute." That means minimizing unused production capacity without overbooking resources, and thus increasing the risk of failing to deliver on customer expectations.

With the range of variables involved in production planning and pricing, these decisions get complicated fast. Start with 23 plants, running seven days a week, producing any of 800 different kinds of flour. Add in the variability of grain prices on the commodity market, while allowing for the production and supply chain issues that inevitably crop up. In Stoufer's view, the judgment of even the most experienced salespeople was no match for the overwhelming complexity that underpinned selling decisions. For that, a new approach to decision-making would be required. Now he just had to find it.

A few weeks later, Stoufer was at a food industry conference when he had an epiphany. He saw that the animal protein industry had successfully figured out a way to apply decision optimization principles to meat production. From that observation sprang an intuitive leap that while "protein and grain milling may be different industries, we do basically the same thing—which is to *disassemble*," Stoufer recalls. "If their [optimization] approach will disassemble a cow, then it can disassemble a kernel of wheat." It was only when Stoufer began searching for such a solution in the marketplace—to no avail, for none existed—did the idea's out-of-the-box quality become evident.

Leadership is...

### Being an active champion

Bill Stoufer not only set ConAgra Mills' smart sales support initiative into motion, but he also recognized the need to stay closely involved and keep it high on the agenda. "Given the fundamental change [among salespeople] we were seeking, we knew that strong advocacy would be necessary for it to successfully take hold."

— Bill Stoufer, President, ConAgra Mills

What he did find was a provider of predictive analytics and margin optimization solutions—IBM Business Partner SignalDemand—that understood Stoufer’s vision and had the advanced modeling and algorithmic capabilities to make it a reality.

### **A new level of customer engagement**

When Stoufer took the proposal to then-president Paul Maass, he was able to present a solid business case that showed an increase in both capacity utilization and margin. But what resonated even more strongly was the strategic benefit of giving salespeople the intelligence they need to structure the best possible deal with the customer. Ultimately, he says, it’s a question of confidence.

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***“For salespeople, having the right intelligence enhances the value of experience and judgment.”***

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“It was less a question of numbers than the fact that it instills confidence in our people to engage the customer at a different level,” says Stoufer. “For salespeople, having the right intelligence only enhances the value of experience and judgment.”

From the time the project kicked off, it was Stoufer’s intention—as the project’s executive sponsor and chief visionary—to remain highly engaged at every stage of implementation. Part of this stemmed from the understandable instinct to shepherd the project closely in order to get it right, and part of it was the belief that he could truly learn something from the experience. But above all, it was Stoufer’s belief that strong executive leadership and a willingness to actively champion the project would prove essential. His actual experience as the project unfolded to its successful conclusion only strengthened this conviction.

#### Lessons Learned

##### **Capitalizing on success**

Strong sponsorship of the project meant taking ownership of the project’s risks. Stoufer also recognized that it was just as important to take ownership of the project’s benefit stream to gain support for future initiatives. “When the project’s champions establish ownership of the benefits, their success becomes tied to the success of the project.”

– Bill Stoufer

# Precision leads to confidence, and confidence leads to better decisions.

## Dealing with confidence

There's a large, bustling room in the Omaha headquarters where ConAgra Mills' sales personnel negotiate and close business with food manufacturing customers. Tickers showing the latest spot and futures prices for key commodities crawl constantly across a display in the room, and CNBC—a proxy for the wider business world—is always on the room's large-screen TVs. But what salespeople have traditionally relied on most is a tool that guides their negotiation by providing margin recommendations. The cloud-based solution implemented by SignalDemand didn't replace this tool, it dramatically *strengthened* it, by integrating dashboards whose granular, up-to-the-minute insights enable salespeople to achieve a new level of optimization in the deals they strike with customers.

Behind the scenes are a series of models and engines that ingest real-time information from ConAgra Mills' internal ERP system (including orders and the latest production schedules from all plants) as well as market data such as commodity price forecasts. How does it make things different? Put simply, precision leads to confidence, and confidence leads to better decisions. Take margin, for instance. Even though the factors that determine what the “right” margin should be—such as commodity prices and production capacity utilization levels that are always changing, negotiated margins often carry over because salespeople lacked the means to support a change in the margin. The fact that ConAgra Mills' solution synthesizes all key inputs into an intelligent pricing recommendation that disrupts this “margin inertia” benefits both ConAgra Mills and its customers.

Though it's true that the cost of overbooking production capacity is steep for grain millers, excess idle capacity is the equivalent of leaving money on the table—money they can't get back. The fact that ConAgra Mills salespeople have a far more granular view of their committed production capacity going forward means they have the confidence to seize business opportunities that might have seemed too risky in the past. In the 12 months since the system has been in place, ConAgra Mills' capacity utilization has increased by up to five percent, representing millions of dollars of incremental revenues. On the strength of benefits like that, the company received a full payback on its investment in less than three months.

## ConAgra Mills: The parameters of smarter sales management

### Instrumented

The solution ingests continuous real-time data from all the key sources—internal and external—that go into configuring the right deal with customers.

### Interconnected

Dashboards provide integrated recommendations that incorporate market forecasts, production capacity conditions, underlying cost parameters and margin.

### Intelligent

Powerful mathematical models enable ConAgra Mills to proactively optimize sales operations by balancing market, production and margin variables in the creation of the “right” deal with customers.

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## Thinking big

With the new sales support tool in place within ConAgra Mills, Bill Stoufer isn't resting on its success. Instead, he's spearheading an effort to spread adoption of the new solution to other ConAgra Foods businesses and, in the process, leverage the lessons that came out of his own unit's valuable experience.

With commodity volatility and interconnected markets here to stay in the grain milling industry, ConAgra Mills has little choice but to think globally. But equally characteristic of the company today is an eagerness to act *locally*. With Stoufer's enthusiastic support, ConAgra Foods has been an active supporter of Feeding America, raising money, providing thousands of volunteer hours in local communities, and—perhaps closest to home—donating food that ends up in the backpacks of the children that need it most. “The idea of giving back to the community is closely woven into our culture, and it's a value I've tried to strengthen even more,” says Stoufer. “The ability to see ConAgra Foods make a difference—to see great things happen every day—makes it all worth it.”

## ConAgra Mills' smart sales management solution is ...

### Servers

IBM BladeCenter® E Series

### Software

IBM ILOG® CPLEX®,  
IBM Cognos® Business Intelligence

### Business Partner

SignalDemand®

### Solutions

Global Alliance Solutions: SAP® ERP;  
SAP Supply Chain Management  
(SAP SCM)

### Industry Solutions

Consumer Products: Smarter Supply  
Networks and Manufacturing,  
Commodity Price Optimization

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