



Premium Specialty Coffee Roaster and Distributor Manages Growth with Outstanding Quality

Overview

Country or Region: United States

Industry: Food and beverage retailing—
Grocery and specialty food retailing—
Specialty coffee

Customer Profile

Rapidly growing through multiple distribution channels, Peet's Coffee & Tea provides freshly roasted coffee beans, hand-selected teas, equipment, and accessories to consumers and businesses in the United States.

Business Situation

The company wanted to ensure best product quality while continuing to grow; make business technology more scalable, reliable, and manageable; and be more effective in taking control of the business.

Solution

Peet's implemented Microsoft Dynamics AX together with JunctionMCR and JunctionF/B and integrated these products with existing software tools to create a single, unified technology infrastructure.

Benefits

- Take control of business performance
- Sustain and manage rapid growth
- Streamline technology administration
- Provide consistently high quality and prompt delivery

"With help from Microsoft Dynamics AX and Junction Solutions, we can maintain Peet's uncompromising focus on delivering the freshest roast-to-order coffee beans possible in minimal time. We can execute flawlessly, every day."

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An unwavering commitment to artisan quality and the freshest roast-to-order products resulted in success for Peet's Coffee & Tea. Growing order volumes in all distribution channels and steady growth meant the company could no longer use the same legacy, custom-written, and unconnected software to maintain the momentum. By collaborating with Microsoft Gold Certified Partner Junction Solutions, Peet's moved to a complete retail solution based on Microsoft Dynamics AX. Today, Peet's efficiently practices its high-quality and customer service standards while growth continues. With a unified business management solution that enables efficiencies in all company activities, managers can conduct smart decision making and take control of the company's future. Employees across the organization are fully empowered to deliver the excellent quality customers expect.



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Situation

Alfred Peet, whose family was involved in the coffee and tea trade in the Netherlands, founded [Peet's Coffee & Tea](#) in Berkeley, California, in 1966. From the beginning, Peet set the high standards the company maintains today. Peet's selectively sources the highest-quality Arabica beans and roasts them by hand in small batches to present the characteristic flavors of each bean. Peet's only roasts to order, delivering the freshest coffee possible. A publicly traded company (NASDAQ: PEET), Peet's is headquartered in Emeryville, California, in the San Francisco Bay Area. During the past five years, the company has doubled its revenue.

Roast-to-Order for Multiple Distribution Channels

Peet's distributes its products through multiple channels, including 193 retail locations in six states. Customers can also order online or through a toll-free number. A selection of Peet's coffees is available in more than 9,000 grocery stores across the United States. In addition, Peet's serves a large number of food service and office accounts through a team of account managers, who maintain business relationships with food service and office distributors in select markets.

Competing with other industry leaders, coffee shop chains, and specialty retailers, roasting to order and delivering the freshest products possible are competitive distinctions Peet's is proud of. The company does not keep an inventory of ready-to-ship roasted coffee. Starting at 3:00 A.M., Peet's roasters working at the company's only production facility in Alameda, California, perform the roasting for the orders from all channels that came in until midnight of the previous day. Delivery always takes place within 24 to 48 hours of the order submission.

Outgrowing Business Technology

Growing quickly in an increasingly complex business, Peet's had soon surpassed the capabilities of its older software systems and the tools that its IT department had developed. As Shawn Conway, Chief Supply Chain Officer at Peet's Coffee & Tea, explains, “Our software systems did not have the scalability to help us manage the business effectively. The IT group worked hard to maintain a plethora of legacy systems, but even so, we lacked reliable, real-time information to enable smart decision making.”

In addition to supporting several, partly redundant legacy systems, Peet's IT group had created a large number of custom integrations between the software applications. The resulting technology environment was extremely complex and challenging to maintain; some of the solutions created in-house occasionally crashed, interrupting operations. During peak transaction times, system performance was not as fast and reliable as Peet's would have wished. In addition, business managers had reservations about the accuracy of the information in the company's systems because it was often not current. Just once a month, the finance team received an inventory update, which was based on information from several systems. That inventory update resulted in a general-ledger entry that business planners had to work with until the next update became available.

Looking for Better Control and Efficiency

In other company operations, the technology tools were limited in helping employee effectiveness. For example, different software supported each of the company's distribution channels. Gathering the information at the start of every day, assembling it into a practical production

schedule, and ensuring the timely roasting and shipment of coffee had become complicated tasks that Peet's hoped to streamline. In serving customers, the call center team needed to access two different software systems to review customer information, and tracking the progress of a customer order through the workday was not an easy task. The inventory management software provided financial data but did not give enough visibility and flexibility to manage and track inventory movements.

When Peet's decided it could not continue to maintain both excellent quality and fast growth without making a change in its business management technology, the goals of simplifying IT administration and giving business decision makers reliable, current information became important. The company also wanted to streamline reporting and compliance with financial and industry-specific regulation by the Securities Exchange Commission (SEC) and the Food and Drug Administration (FDA). Says Conway, "We wanted a single system that would let us reliably manage the quality goals we set, run as efficient an

operation as possible, and sustain the company's momentum."

Solution

Peet's created a request-for-proposal document and invited responses from technology vendors, including Microsoft. Peet's connected with [Junction Solutions](#), a Microsoft Gold Certified Partner with vast expertise in the retail industry, and reviewed solution demonstrations that the Junction Solutions retail team presented. Company leadership did not take long to decide on [Microsoft Dynamics AX](#) together with two Junction Solutions products, [JunctionMCR](#) for multichannel retail operations and [JunctionF/B](#) for the food and beverage industry. "We realized that we could deploy Microsoft Dynamics AX relatively quickly and at a comparatively low startup cost," says Conway. "The solution would work well with our other Microsoft technologies and was attractive to employees because of its ease of use. What's more, Junction Solutions had the domain expertise and specific software tools to help us tailor the technology to reflect our business goals."

Discovery Provides Road Map to Successful Implementation

To plan the software implementation for best impact and meet the requirements of the different business groups within the company, Peet's began with a thorough, two-month discovery project performed by the technology partner. In that stage, Peet's noted everything it hoped to accomplish, took a detailed inventory of existing software, and developed a detailed functional and technical implementation plan. The resulting design and strategic assessment report outlined how teams from the two companies would collaborate to perform the work. "The project-planning report gave us heightened confidence that our technology provider would be able to

Tubs with packages of freshly roasted coffee ready for shipment in Peet's production plant.



deliver the solution on time, within our budget, and to our standards," comments Conway.

Peet's planned a two-stage deployment of a single instance of Microsoft Dynamics AX together with the Junction Solutions retail software at the company's business and production locations. To start, finance, business administration, order management, and other lines of business received the solution's functionality. In the second phase, the solution extended to production. Junction Solutions and the Peet's IT team collaborated closely, with Peet's IT specialists largely responsible for the integration of the solutions with third-party applications.

Unified Solution and Standard Capabilities Replace Customizations and Software Plurality

In addition to implementing Microsoft Dynamics AX, JunctionMCR, and JunctionF/B, Junction Solutions helped Peet's deploy Microsoft BizTalk Server to connect systems and exchange data between them, Microsoft Visual Studio Team System 2008 Team Foundation Server to control applications and coding tasks, and Microsoft SharePoint Server to track and manage integration issues in a single team resource. The project team created integrations between Microsoft Dynamics AX, Junction Solutions software, and a number of business systems and resources that Peet's uses, including the company's consumer website, a point-of-sale system, shipping and labeling software, and a store replenishment system.

The project team used many prebuilt integrations to streamline the implementation and replaced a large number of customizations with more manageable and dependable functionality present in its retail software solutions. Both

JunctionMCR and JunctionF/B offered capabilities that were important to Peet's. The batch expiration and lot traceability capabilities in JunctionF/B, for example, help Peet's meet stringent, complex FDA regulations. The team deployed JunctionMCR to enable promotion management for consumer marketing, including catalog sales, and to facilitate call center operations with specific tools and workbenches, including order creation and order management functionalities. An order integration workbench makes it easy to trace and fix errors in zip codes, credit card numbers, or other details.

Improved Efficiencies Across the Lines of Business

Today, order taking, raw inventory, roasting, packaging, and shipping follow an extremely efficient, connected process based on a holistic transaction framework. The technology partner used an integration template created for multichannel retailers, like Peet's, to gather all product orders from the various distribution channels and maintain them within Microsoft Dynamics AX as unique order types. However, because fulfillment for all orders involves the same tasks, it became possible to simplify the roasters' work by giving them a single set of information with optimal production sequencing instead of separate data from each distribution channel. By using convenient touch screens, roasters, packagers, and shipping employees provide timely updates in the business system as soon as they complete tasks. Through the Wireless Warehouse software from Junction Solutions and wireless devices, warehouse workers can quickly redistribute inventory between facilities and move inventory into pick locations to ensure it's available for completing the next day's orders. Inventory reporting now considers actual transactions and updates in real time.

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Microsoft Dynamics AX integrates with the point-of-sale system in Peet's retail locations. Financial updates from the stores reflect in the general ledger in Microsoft Dynamics AX. Peet's can closely track replenishment inventory in transit from the roasting plant to the stores. When the stores receive the products, store managers confirm the quantities and note any discrepancies, which they were not able to do in the past. Managers at Peet's roasting plant, on the other hand, now can easily review all replenishment orders from the stores, and distribute limited inventory to minimize the likelihood of shortages in the retail locations.

Smooth Transition to a New, Scalable Technology Environment

Team leads from Peet's took ownership of the implementation project, starting with the design phase, setting proper expectations and firm schedules. A progressive knowledge transfer throughout the implementation process made it easy for the leads to produce their own documentation and familiarize their colleagues with the new software. The 100 employees who use the integrated solution are in all business groups. For them, Microsoft Dynamics AX, the Junction Solutions software, and the connected third-party systems appear as a unified, comfortable software environment that encompasses all aspects of Peet's operations. In this environment, Microsoft Dynamics AX is the sole source of all business data. In business reporting and finance management, the flexibility and extensive reporting capabilities of Microsoft Dynamics AX are critical. The solution also includes such functionality as key performance indicators to support purchasing and planning.

The first phase of the implementation went live in August 2009, and the second phase

happened in October 2009. Peet's is continuing to explore the advantages of the new technologies and expects to upgrade to the next release of Microsoft Dynamics AX, which will be available in 2011. Says Conway, “With Junction Solutions and Microsoft Dynamics AX, we have a technology partner and a solution that align with the Microsoft vision and can support our business for years to come.”

Benefits

Having implemented Microsoft Dynamics AX and the retail software tools from Junction Solutions, Peet's enjoys a business management solution that supports the company's quality standards and enables it to keep growing. Says Conway, “Our business succeeds by combining artisan skills and technological enablement. We did not automate anything that humans could do better, but Microsoft Dynamics AX and Junction Solutions technology help our people and our products be at their best every day.”

Take Control of Business Performance

Today, Peet's business managers receive meaningful, current information from a single system. Company leadership has more accurate, timely information to assess and manage performance of the company's distribution channels. Generated in a consistent, efficient workflow, the company's reporting capabilities are more dependable and support FDA and SEC compliance. Many decisions that happen every day now can better align with the company's goals. “Accurate yield information shows us exactly how much green coffee beans turn into how much roasted coffee output,” says Conway. “Our purchasers can buy more efficiently and at better terms, avoiding passive inventory in the service of the best roasted product.” Peet's is still in the process of discovering in how many ways real-time information can

help business planners take better control of the operation. As Conway explains, "We see that better intelligence and better insight lead to more control and more sound decisions. We now understand our cost structure better and always have current inventory detail so that we can use our resources more wisely and manage for a better return from our spending."

Sustain and Manage Steady Growth

With a highly scalable, extensible business management solution, Peet's is poised to continue sustainable growth and increased transaction traffic in all channels, with full confidence that the technology will follow where the company leads. The flexibility and ease-of-use of the solution will also make it easier for the company to grow through acquisitions. Bringing new employee teams and operational entities into the company's infrastructure, previously a daunting task, is now an efficient, predictable sequence of steps. "Sharing the same real-time business information and an all-round view of the business across the entire organization is going to be critical for our growth," says Conway. "By using Microsoft Dynamics AX

and the Junction Solutions software, we have the scalability and flexibility to support our growth and any changes in the way we work."

Streamline Technology Administration

The Peet's IT team now manages a unified, streamlined software environment that makes optimal use of existing Microsoft technology skills and resources and minimizes the training and support workload for the IT group. With a much smaller number of solution components, customizations, and custom integrations, the new business infrastructure anchored by Microsoft Dynamics AX is vastly more manageable and reliable than the challenging, unwieldy technology the IT group was accustomed to. "Our business management solution now helps people succeed," adds Conway. "It is highly dependable; presents a familiar, comfortable user interface; makes information easier to find; and helps employees to accomplish more on their own instead of looking for assistance."

Provide Consistently High Quality and Prompt Delivery

Customers don't know about the new business management solution Peet's implemented with Junction Solutions, but it has a direct impact on enhancing their experience with Peet's and the company's products. "With help from Microsoft Dynamics AX and Junction Solutions, we can maintain Peet's uncompromising focus on delivering the freshest roast-to-order coffee beans possible in minimal time," says Conway. "We can execute flawlessly, every day."

In the company's call center, representatives now can interact with customers and easily access all pertinent information from a single system, always providing current order updates. All orders

A roaster making updates in the new solution based on Microsoft Dynamics AX.



from all channels travel through the company systems dependably in the same way. Roasters and their colleagues in the warehouse and shipping teams work from a consolidated roasting and packaging schedule that the new solution provides. "Our roasting artisans don't have to worry about priorities and seasonal order changes. When they start working at 3:00 A.M., they can use their time in the most efficient way," explains Conway. And, when it comes to fulfillment, employees can easily isolate the orders for overnight shipment and fill them with priority. For the retail locations, new replenishment and inventory management capabilities mean that Peet's can prevent shortages altogether, or minimize their impact, more effectively than in the past.

Says Conway, "With our integrated business management solution, we will dependably get the right products out to customers on time and with the quality we are known for. We can do this to any degree regardless of how the business will experience growth and change."

Additional Resources

- [Connected Experience for Retail with Microsoft Dynamics](#)
- [Microsoft Dynamics in retail](#)
- [Microsoft Dynamics AX demos](#)
- [Microsoft Dynamics events and webcasts](#)
- [Microsoft Dynamics customer stories](#)

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For more information about Peet's Coffee and Tea products and services, call (800) 999-2132 or visit the website at:

www.peets.com

For more information about Junction Solutions products and services, call (303) 327-8800 or visit the website at:

www.junctionsolutions.com

Microsoft Dynamics

Microsoft Dynamics is a line of integrated, adaptable business management solutions that enables you and your people to make business decisions with greater confidence. Microsoft Dynamics works like familiar Microsoft software such as Microsoft Office, which means less of a learning curve for your people, so they can get up and running quickly and focus on what's most important. And because it is from Microsoft, it easily works with the systems that your company already has implemented. By automating and streamlining financial, customer relationship, and supply chain processes, Microsoft Dynamics brings together people, processes, and technologies, increasing the productivity and effectiveness of your business, and helping you drive business success.

For more information about Microsoft Dynamics, go to:

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- Microsoft Server Portfolio
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