Journey to the Top: Digital Transformation at Royal FrieslandCampina

KYRIBA CASE STUDY

Royal FrieslandCampina is one of the world's largest dairy companies; a cooperative with more than 18,000 member farmers in the Netherlands, Germany and Belgium.

Five years ago, its corporate treasury team initiated a journey from corporate policy maker towards a strategic and pro-active corporate treasury department. With a centralised operations team as part of a new organisational set-up. The purpose of this change was to gain global insight and control of the company's cash and support the basic treasury functions in the shared service centers.

The first step was the implementation of a centralised payments hub that supported the standardisation of the global payments processes. After one of the main cash management banks announced its termination of the global cash management services, the corporate treasury team realised that if they wanted to initiate change and achieve the envisioned results, each team member needed to have a focus. A dedicated treasury operations team was created to include a treasury project manager and treasury systems manager. Also key in the foundation of this transformation was the development of a dedicated treasury-owned IT strategy that set clear guidelines for the selection of new systems. Choosing cloud solutions was particularly important in future-proofing the treasury operations, in order to reduce overall dependence on internal IT, and always have an up-to-date version in order to improve speed of decision-making.

FrieslandCampina

Headquarters:
Amersfoort, The Netherlands

Revenue:
11.6bn Euros

Employees:
23,769

Offices:
34 countries

"We now have the tools to further optimise our cash flows and processes, quickly and efficiently. We can provide better internal insight and authority to our stakeholders and because of the automation we have more time for strategic thinking."

— Jeroen Brieffeis
Group Treasurer, Royal FrieslanCampina

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This setup kick-started acceleration towards an optimal global payment and collection process that would become more time and cost efficient and less error-prone using an efficient and lean IT infrastructure. Project Everest, as it was named, was born in 2017 to realise these objectives. After careful consultation by the main stakeholders, the project plan was mapped out with four camps to reach the summit.

FrieslandCampina's Project Everest

- **Everest Summit**
- **Camp 4**
  FX Risk Management
- **Camp 3**
  Payment Factory
- **Camp 2**
  In-house Bank
- **Camp 1**
  Intercompany Netting
- **Base Camp**
  - One SAP system for the whole company
  - Administration transferred to shared service centers
  - Single payment hub

1) Intercompany Netting: The shared service teams spent a lot of time on correcting errors with intercompany invoices. The settlement of internal payments were processed on a gross basis via external bank accounts. In 2017, corporate treasury selected Coprocess as their global netting tool for matching, discussing and monthly netting. The netting of one million invoices per year is now a continuous process, which releases the pressure of month-end processing by the shared service centers and reduces the transaction charges by 100,000 euros per year. The largest savings though are gained via the realised process optimisation.

2) In-house Banking: To provide a basis to further reduce external payments and move away from notional pooling, an in-house bank system was selected and implemented in 2018. During the selection process Kyriba provided FrieslandCampina with an opportunity not only to set up a solid in-house bank, but also to update and integrate the TMS functionality within one solution. The total solution was implemented in six months and went live at the end of 2018, with full treasury functionality and an in-house bank. After

the conversion of notional pools to zero balancing pools, the in-house bank has over 180 accounts, and a balance of 3.7 billion euros. The first cashless payments of intercompany interest, FX, and netting are booked via the in-house bank, and the number of external bank accounts is reduced by 50.

3) Payment Factory: With the in-house bank in place the last step on the route to the summit is the implementation of a payment factory. With the use of virtual accounts, FrieslandCampina wants to further reduce the number of bank accounts and gain control of outgoing and incoming cash flows. A pilot has been started in 2019 with multiple banks.

4) Beyond the Summit: FrieslandCampina is continuously looking at digital optimisation, and using the efficient set up of the treasury operations team to achieve objectives. Next on the agenda is the implementation of Kyriba's FX risk management module (formerly FiREapps), to automate FX trading and centrally calculate and monitor FX exposure. RPA (Robotic Process Automation) will also be implemented to further reduce manual steps in the treasury and netting processes.

Thanks to the focus the team now has on operational excellence, the project Everest has so far been delivered on time, with integrated processes, without interruption to the business, within budget, and beyond expectation. "We are so proud of the digital transformation journey initiated by treasury," says group treasurer Jeroen Brieffeis, project manager of Everest. "We now have the tools to further optimise our cash flows and processes, quickly and efficiently. We can provide better internal insight and authority to our stakeholders and because of the automation we have more time for strategic thinking."