

Sage ERP Solutions

Fresh Business Practices for Food and Beverage Manufacturers
and Distributors to Meet Today's Top Three Issues



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Everyone consumes food and beverages—but few know the challenges facing manufacturers and distributors of what we consume. The already demanding business of transforming and handling agricultural products is getting more complex. Beyond shifting consumer tastes and trends, retail and food-service customers are asking suppliers to do more. Recent food contamination episodes have reinforced the need for good manufacturing practices and handling processes, and also raise the specter of further regulations. The three top issues facing manufacturers and distributors of food and beverage products are:

- Offering appealing and fresh products, even as trends shift based on new research or popular notions about what is fresh, healthy, interesting, and convenient
- Complying with new FDA and USDA regulations to ensure products are safe, meet allergy labeling requirements, and adhere to hazard control points and the Bioterrorism Act
- Delivering total solutions to customers, including special packaging, complementary products, timely delivery, and services that vary for every channel and every major retail or food-service customer

Food and beverage companies must employ fresh business practices to profitably meet the challenges these issues present. Processes and systems must keep up with customer and consumer demands as well as new regulations. Piecemeal or manual systems will no longer allow companies to continue to compete successfully.

Appealing and Fresh

Those who process and distribute minimally processed agricultural items—fresh meat, fish, and poultry, plus produce, juices, and frozen or dried foods based primarily on them—have built expertise in delivering consistently fresh, high-quality output despite the variation of plants and animals. Today, innovation to keep products not only appealing and fresh but interesting and convenient is stretching the capabilities of many food and beverage companies. Companies must develop the following business practices to succeed:

- Control inbound supplies and documentation to ensure the freshest, highest quality agricultural products go into each lot or unit processed
- Create daily production and distribution plans factoring in expiration dates of raw and finished goods as well as seasonal materials and buying patterns
- Innovate in delivery to ensure products arrive in good condition based on customers' fluctuating needs and policies to establish ongoing partnerships
- Work in collaboration with packaging suppliers to develop state-of-the-art packaging to preserve freshness and make use convenient for each type of customer
- Seek organic and kosher certifications of plant and warehouse operations to open up new segments of the market, which requires stringent oversight of growers and operating conditions
- Control and analyze inbound materials for key characteristics such as size, flavor, color, texture, and nutritional content as well as track allergen exposure

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To sustain these practices, companies need enterprise solutions that support all of the information inherent in this wide variety of products and freshness requirements, as shown in the top section of Figure 1. These include demand and recipe management, materials, and inventory management, procurement, and delivery. Data flows need to keep up with the speed of business and demand changes as well.

Enterprise Solution Requirements for Appealing, Compliant Total Solution Food and Beverage Companies
Demand management based on seasonal trend buying and consumption patterns
Recipe management for batch or continuous processing based on incoming materials characteristics to ensure consistency and quality
Materials and inventory management based on catch weights, laboratory analysis, and freshness dates
Document management to distribute current good manufacturing practices (GMP) to every employee
Procurement for packaging including package design
Direct store delivery (DSD) and vendor-managed inventory (VMI) with customers
Fully automated lot traceability and tracking through all materials levels and suppliers for Bioterrorism Act compliance with real-time and historical look-up
Labeling based on recipe management and supplier certificates of analysis
Automated data collection feeding into track and trace records
Production planning for ingredient-specific plants and lines (allergens, organic, and more)
Compliance documentation automatically generated from ERP data on materials, production conditions, and times
Single integrated operational system of record for tracing incoming materials, operations, inventory management, and customer shipments
Ability to handle many low-volume SKUs as well as some high-volume SKUs throughout planning and execution process
Careful matching of packaging to not only product but customer destination
Electronic Data Interchange (EDI) case or pallet tagging to food-service and also to retail industry standards, such as radio frequency (RFID) and electronic product codes (EPC)
Catch weight management through incoming, production, and pricing/labeling
Specialized distribution management to account for refrigeration or freezer needs as well as expiration and freshness dates
Integrated customer service management and CRM for cross-selling and up-selling components of total solution to each ship-to location

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Figure 1: Food and beverage companies need highly capable enterprise software applications to support fresh business practices that result in appealing, compliant total solution offers to customers and consumers.

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Compliant and Safe

Food and fresh beverage producers have always been subject to FDA, USDA, and other food safety regulations, but recently HACCP (Hazard Analysis Critical Control Point) and Bioterrorism Act regulations have increased pressure on both production and end-to-end product traceability. New labeling requirements such as Food Allergen Labeling and Consumer Protection Act (FALPCA) create even more controls and labeling. Recent outbreaks of e.coli in produce and peanut butter have raised the alarm. To maintain profits in the face of these regulatory requirements, food and beverage companies need to institute the following practices:

- Full lot traceability for 2-hour Bioterrorism Act Title III compliance and limiting recalls to a single lot of products; this is also called one-up, one-down lot tracking
- Consolidate supplier, logistics provider, and internal views of product history for a full compliance record
- Strong control of supplier certificates, lot handling, tracking, and critical control points
- Run facilities tightly, including segregation of equipment and even facilities to isolate allergen hazards and allow organic, kosher, or other certifications
- End-to-end quality assurance and audits by recognized facilities
- Centralized record development and maintenance to satisfy government agencies
- Ingredient declaration and analysis integrated to nutritional facts for labeling

Full compliance puts special demands on enterprise software systems, as shown in Figure 1. Systems need to be flexible to meet regulations as they change, even beyond current regulatory compliance needs.

Total Customer Solutions

Many medium-size food companies sell to a variety of customers, from grocery, big-box, and convenience retailers to restaurants, food-service, and food processors. In each instance, they can provide more than a simple agriculture-based product: They can provide expertise in how to preserve freshness, recipes for how to use the products effectively, and collaborate on strategic development for how to sell and market, making the customer more effective. Practices include:

- Operating efficiently while maintaining quality control to be cost-effective, managing invoicing to account for spoilage, and handling broker and sales commissions
- Collaborating with customers on recipe and usages, and becoming a strategic partner for product and market expansion
- Ensuring responsive logistics such as direct store delivery (DSD) and bread-run style vendor managed inventory (VMI) to retail and as-needed to food-service and food products customers
- Mastering temperature-controlled logistics through inbound and outbound transportation and warehouses, and tracking all materials to ensure frozen, refrigerated, or fresh products are handled safely
- Innovations in packaging for each customer type to improve merchandising value, convenience, or both, and to be ready to respond to requests for RFID or special tagging
- Offering a range of products and services to support each customer more fully in “one-stop shopping”—whether packaging, accessories, signs, complementary ingredients, or kitchen preparation advice and recipes for food-service customers

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To support these total solutions practices, companies need a comprehensive enterprise system. Specific capabilities are shown in Figure 1. Key capabilities include EDI, integrated catch weights, distribution, and customer service management.

Healthy Food, Healthy Business

Making sure that fresh, healthy products reach customers as total solutions is an enormous challenge. As food and beverage regulations continue to shift, making safe food at a profit is ever more challenging. Companies must adopt fresh practices and support them with capable enterprise systems or be left to rot in the field.

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Cambashi, based in Cambridge UK and Cummaquid, MA USA, provides independent research and analysis of the business reasons for use of IT in industry, world-wide. Its specialist fields include engineering and enterprise applications and the infrastructure to enable industrial firms to use IT effectively.

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