



BUILDING A BUSINESS CASE FOR FOOD AND BEVERAGE MANUFACTURING ERP

INTRODUCTION

Do you have easy access to your business and information systems, or do you have to use various software for different processes? Are these problems leading to longer and more difficult accounting and operational tasks? Is your information technology complex, time-consuming, and disconnected? Are your sales results or customer satisfaction suffering? If you answered yes to any of these questions, it is quite possible that your organization is ready to implement the proper ERP system. Within this whitepaper, you will discover the difference between manufacturers operating with an ERP software and those without, and several benefits that food and beverage manufacturers receive through ERP.

Is ERP the Answer?

The first step in building your business case for ERP is to identify if such a system will help you address your problems. While ERP software can be an essential tool for organizations that want to advance in the marketplace, it's not a blanket solution for every problem, here are a few things to think about when deciding whether or not ERP is your answer.

Growth. When a company reaches a certain size the way they did business previously may not apply to the increased competition, sales volume or increased complexity that comes along with it.

An ERP system can help you keep up. For example, an Aberdeen Group Survey declared that 88% of midmarket organizations that do not currently have ERP software can no longer track business processes effectively. ERP software comes equipped with the tools and automation to help you change that.

Further, if you're experiencing difficulty with your current processes such as heavy reliance on spreadsheets, multiple disparate systems, excessive manual processes, and duplicate data entry; then ERP can be your solution.

Accounting applications do not have the functionality to effectively manage customers and do not respond to the continuous business changes. And if your business uses multiple applications, that means not all of your data is not contained and organized in one source; therefore, is not easily connected. One of the top reasons to implement ERP software is to better integrate multiple locations and overlapping databases.

If you're not using ERP, what are you using and how is it impacting your business? A survey of midmarket companies found that 83% of respondents use spreadsheets, 78% use basic accounting applications, 78% use multiple disconnected applications, and 56% use home grown or heavily customized applications. Of these businesses, the insufficient systems result in problems including:

- They cannot track business processes (89%)
- Business systems cannot interact with other systems (83%)
- Inaccurate data (83%)
- Redundant Data (78%)
- Inability to access data when away from the office (72%)

These organizations surveyed also reported to have difficulty with collaboration, visibility, and efficiency. All of these weaknesses can cause an organization to move slowly when working with their customers and vendors, limit their ability to compete, and open the business up to unnecessary risks.

Take for example the 83% who reporting having business systems that are unable to interact with other systems.

Disconnected systems means that departments throughout the organization are utilizing systems that cannot easily share data; thus, creating silos of information. Consider a food manufacturer that can't share data across the business. How are they going to reduce costs, negotiate contracts with suppliers, or share information vital to vendors to better serve their customers? What happens if there's a recall or a price change that only part of the company is aware of? The impact of using disparate business systems can be extreme in many conditions.

The Business Case for Food and Beverage Manufacturing ERP

According to the Panorama Consulting Solutions 2014 Manufacturing ERP Report, system integration and operational standardization are the two most common reasons that influence manufacturing organizations to implement Enterprise Resource Planning (ERP) Software. Of those organizations surveyed, the reasons for ERP implementation are listed below.

To Better Integrate Systems Across Multiple Locations (22.3%)

It's difficult to view a business's performance as a whole in a timely manner if you have multiple overlapping databases and a disconnected software system – which is why it is beneficial to receive an integrated view of your company's operations such as reports about finances, marketing, service, sales, etc. ERP software allows you to extract this type of data on a daily basis providing accurate, complete, and timely information across all areas of your business.

To Standardize Global Business Organizations (21.9%)

Several companies are standardizing functions across not only people, but also across processes and technology. This type of standardization allows organizations to achieve significant cost savings, improve competitiveness, and increase customer satisfaction. Almost all organizations that share components and processes across product platforms are projected to develop differentiated products proficiently and also to be more reactive to market changes.

To Replace an Old ERP or Legacy System (17.9%)

Implementing ERP systems improves and automates accounting processes by eliminating many manual processes and disconnected spreadsheets. With automated processes, you can increase labor efficiencies significantly costs. For example, according to the publishers of Sage ERP Inventory Advisor, ERP can reduce time spent on forecasting alone by as much as 50%. And that's just one small piece of the entire ERP system.

To Make Employee Jobs More Effective (11.2%)

Eliminate inefficient and disorganized processes (especially tedious, low value tasks) by implementing automation tools in the ERP system so that employees can spend more time on critical value-added activities. Manual data entry, task prioritization, and analysis is a major drain on employee efficiency hampering the agility that your organization needs in order to grow. With automatic systems in place, employees can focus on more important aspects of the business such as order fulfillment, customer service, invoicing and collections, and expense management.

To Ensure Reporting/Regulatory Compliance (10.4%)

ERP software is critical for managing compliance. Whether it is for financial reporting purposes or for complying with Sarbanes-Oxley (SOX), or quality assurance initiatives, ERP software can enforce standardized business processes eliminating data entry errors and validating that the process and the information adheres to internal and external compliance requirements for processes and data security with tools to help you produce reliable and consistent results.

To Position the Company for Growth (9.2%)

Paper-based reporting is time-consuming, creates delays in processing data, and produces inaccurate financial reports. Remove inefficient processes and gain the financial insight that your organization needs by deploying ERP. ERP integrates real-time data and processes into one cohesive system without duplicate data entry so that information is accessible across your business. As a result, ERP increases the quality of accounting information allowing you to make informed business decisions to grow your business strategically.

To Reduce Working Capital (7.2%)

According to the same Sage ERP Inventory Advisor study, another key benefit of ERP relates to improved inventory turns and just in time purchasing which improves access to working capital by freeing up 15-20% of cash tied up into inventory. Through ERP systems you will be able to identify potential problems and ideal inventory stocking levels standing to ensure that you have just enough stock on hand to serve your customers' needs but not too much that you are wasting shelf space or worse, stocking items that may eventually be discontinued.

Performance Comparison: With ERP Versus Without

Following is a comparison between organizations surveyed with and without ERP systems. The midmarket businesses with ERP software are clearly more likely than those without to advantages over their competition.

For instance, organizations that utilize an ERP system are 3.5 times more likely to be able to standardize procedures enterprise wide for procurement, cash collection, and financial reconciliation than those without. These businesses are likely to establish best practices and communicate them to employees in all of their different locations. This ensures consistency in products as well as services. It also enables efficiency when completing processes since best practices are communicated using ERP as their form of delivery.

Organizations within the middle market, with ERP software, have the ability to complete demand planning and forecasting activities 4 times faster than those without ERP. ERP systems impact the standardization of processes and the processes themselves. This can be essential for maintaining ideal inventory levels to reduce stock-outs while ensuring that inventory is not sitting idle on the shelf.

ERP allows for constant improvements due to its status as a communication gateway. Businesses with ERP are 141% more likely than those that do not have ERP to have cross-functional continuous improvement teams. This aids the participation of more people in the business, and as a result, supports the innovation and process improvements.

The absence of visibility can cause difficulty in generating efficiency. If an employee cannot access data, the decision process is much slower and affects the input of data throughout the organization. Therefore, one of the most important reasons businesses implement ERP systems is because of the visibility that it provides to the decision makers. Redundant, inaccurate, or incomplete information will cause employees to devote unnecessary time looking for data. The studied shows that 48% of companies with ERP claim they have real-time visibility into the status of quote to cash processes compared to just 6% of those surveyed without ERP!

Having the ability to share data with the organizations' extended enterprises allows them to collaborate with customers, distributors, resellers, regulators, and suppliers. As a result, it becomes easier to do business.



Let's break it down some more. Research demonstrates that on average, middle market organizations with ERP perform better overall. Direct benefits of an ERP software include:

- Improvement in inventory turns (40%)
- Improvement in complete and on-time shipments (12%)
- Reduction in administrative costs (6%)
- Reduction in operational costs (8%)
- Reduction in inventory (10%)

ERP allows organizations to ensure tight control on costs and inventory, reduce overhead, address internal efficiencies, and create cash flow from within. An enterprise resource planning system will remove inefficiencies that slow your organization down and will provide you with the resources and insight you need to maximize cash flow opportunities no matter what conditions are thrown your way.

Additional Benefits of Food and Beverage ERP

Protect Your Margins: You probably have a goal in mind, but with ERP you will be able to see where you stand through the analysis by product, customer, time of the year, and region.

Monitor Key Performance Indicators: Intelligence tools will provide you with clarity for costs at every purchase and will give you the ability to improve purchasing decisions while monitoring fluctuating conditions.

Maximize Cash Flow: ERP allows you automate payment collection and processing to reduce the period it takes to get paid.

Track Changes in Demand: Capitalize on your customers' purchase trends and increase upsells by recommending products to customers. ERP allows you to monitor what does not sell in order to avoid tying up cash in undesirable inventory.

Master Your Inventory: Maximize cash flow by stocking the minimum amount of inventory to satisfy the maximum number of customers. ERP will enable you with effective tools to control inventory costs, help you analyze trends and changes in demand, avoid stock-outs, and to decrease excess inventory.

Expand Online Opportunities: ERP will allow you to easily integrate inventory with your organization's website. As a result, online sales flow seamlessly through your supply chain. Customers will be able to access your site 24/7, see accurate inventory counts, and get their shipping status updates. Gain new customers through virtue of the internet and attract potential customers by promoting the inventory you need to move through ERP.

Consolidate all Your Software into One ERP System: An ERP system integrates all of your receivables, payables and sales into one system. The process of taking customer orders and fulfilling them will no longer be a time-consuming manual process. ERP integrates these systems so that every aspect of the business function relies on a single database. This single database demonstrates real-time, accurate data allowing for employees to make better decisions more quickly.

Have Immediate Access to Key Data: ERP allows executives to have an all-inclusive view of the organization's operations at any time, and other staff members can access the information they need in order to work more efficiently. An ERP solution gives you prompt access to key performance metrics such as your average sales margin, sales per date, and orders per date. Additionally, employees can view a customer's entire transaction history through this software; thus, expand renewal rates while increasing cross-sell and upsell opportunities.

Simplify & Automate IT Requirements: ERP allows you to customize your system to fit your organization specifically to respond quickly to all your internal business needs and external customer and supplier requirements. Also, new features and modules are easy to add as your organization changes and grows.

Make Accounting Easier: With all the financials in one database, your accounting staff will not have to spend any time rekeying financials, reconciling data manually, or cross-posting information anymore. ERP allows for the accounting department to become a truly strategic part of the business by increasing productivity with improved accuracy and new insights into every aspect of your business.

Increase Sales and Customer Satisfaction: Control inventory management and ensure the exact number of products are in the right location at the right time. Maintain sales, customer data, and inventory together to ensure that you do not run out of stock before the next shipment arrives. ERP organizes this type of information allowing for customers to retrieve the status of their purchase while the warehouse can see if stock is low.

Food and Beverage Manufacturing ERP Selection Considerations

It is important to have an ERP system that has a strong process manufacturing foundation that can support your distinctive requirements as a food or beverage manufacturer. Some common requirements specific to food and beverage manufacturers include:

- Recipe and Formulation management
- Production scalability and measurements
- Cradle to grave lot traceability & recall
- Contract management
- Product cost management
- Food safety management
- Nutritional labeling
- Co-products and by-products
- Variable packaging options
- Flexible unit of measure conversions
- Food waste management
- Integrated quality management
- Recipe and Formulation management
- Production scalability and measurements
- Cradle to grave lot traceability & recall
- Contract management
- Product cost management
- Food safety management
- Distribution Management
- Integrated data collection
- Customer service
- Reporting and business intelligence
- FIFO picking for perishable inventory
- Catch weight Management
- Regulatory Compliance
- Integrated material requirements planning
- Supply chain management
- Customer Relationship Management
- Human Resource Management
- Manufacturing Resource Management
- Nutritional labeling
- Co-products and by-products
- Variable packaging options
- Flexible unit of measure conversions
- Food waste management
- Integrated quality management

ERP for the food and beverage industry can streamline inventory management and provides accurate data for higher quality products and more profitable sales. It allows for lower manufacturing costs, quicker inventory turns, and faster time to market. ERP can protect your brand and customers by tracking products and ingredients from suppliers to manufacturers with traceability throughout your entire manufacturing process protecting you in case of product recalls from your vendors. Food and beverage ERP software supports decisions to enhance quality, eliminate costs, increase production throughput, and advance your customer relationships. Additionally, ERP helps you manage high data volumes, fees and rebates, pricing, and regulatory compliance requests.

CONCLUSION

Manufacturers with ERP can gain significant advantages in their businesses to drive down costs, increase profits, and improve their competitive positions in their respective markets. ERP ensures consistency, reduces overhead, and automates time consuming tasks through integrated organizational systems and processes. ERP software designed for the unique needs of food and beverage manufacturers provides recipe or formula-based production, regulatory compliance, and materials traceability. ERP software improves decision making, strengthens business relationships, helps cut costs, and improves supply chain planning – often with a positive return on investment in a very short period of time.