HOW TO SAVE MONEY IN

FOOD PRODUCTION AND INVENTORY MANAGEMENT

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How to Save Money in Food Production and Inventory Management

Like all manufacturers, food manufacturers and processors are facing recurring challenges wrought by the pandemic. From evolving customer demands and ongoing labor shortages to continuing supply chain disruptions, you can expect the challenges to remain a factor for the foreseeable future. It's a daunting thought, but Food Processing's 21st Annual Manufacturing Survey reveals the "industry is feeling pretty good heading into 2022—but with some major qualifications."

The survey found that 47% of respondents were "somewhat optimistic," 25% were "very optimistic," and 8% admitted to "pessimism." When asked about dealing with the aforementioned challenges, the respondents had differing opinions and plans but did not address how they were dealing with the loss of productivity and profitability due to these negative external forces, which are often compounded by internal production and inventory management inefficiencies.

Such inefficiencies include downtime, errors caused by multi-step processes or during manual data entry, lack of production optimization, ineffective inventory management, and inadequate waste management. A long and concerning list of inefficiencies, yet it doesn't sound the death knell for food manufacturers who seek out and find modern food manufacturing software, such as FoodBusiness ERP.

> "To manage the challenges unique to the food and beverage industry, companies require industry-specific software that helps them better manage their company, support compliance, connect departments and increase customer satisfaction. To do this, an ERP vendor can't just customize generic software. Instead, they need to have the experience, features and functionality already developed, so that you can ensure you're choosing the best tools to run your food and beverage manufacturing business."
>
> - Food and Beverage ERP Selection Guide

Solving Challenges with FoodBusiness ERP

The problems that have arisen from an unexpected pandemic (and from poor production and inventory management processes pre-pandemic) can be resolved with the right food business software. To show how, we'll review the five inefficiencies one-by-one and explain how manufacturing-specific software can help make your manufacturing process streamlined and efficient.

1. Downtime

Downtime is the halting of production, something every manufacturer dreads. Downtime occurs for various reasons, such as food quality issues, equipment failures or staffing shortages. With equipment and employees at a standstill, your cost as a food manufacturer can be thousands of dollars per hour. If the downtime is significant, the raw materials being used in the equipment may need to be discarded, adding to the overall cost.

Let's use a specific manufacturing example to explain. Parbaking is cooking a bread or dough product approximately 80% before rapidly freezing and packaging it. The process involves mixing, dividing, forming, proofing, baking, cooling and freezing. It's a continuous line that moves forward 1-2 minutes. If something halts the production (e.g., equipment breaks or an ingredient is missing), the costs immediately begin to add up, from paying non-working employees, fixing the equipment and throwing out the works in progress to calculating the reduction in output and the increase in waste.

A common food manufacturing concern, but it can be avoided.

Solution
FoodBusiness ERP can help you resolve downtime with its aptly named Downtime Incident Management feature. This feature provides you with visibility into your operations, allowing you to track and analyze downtime incidents. You can see when, where and why the downtime transpired. You will be able to spot trends, make changes and prevent the downtime from happening again.

For example, if you have a specific product line that shuts down regularly, you can easily and quickly review the data and discover the root cause of the shutdowns. You may find that an ingredient is continuously unavailable and then take steps to alleviate the concern by sourcing the ingredient from a new supplier or by swapping it out for a different ingredient.

Downtime can be reduced, if not eliminated, with food manufacturing software.

2. Potential for Errors

Your food manufacturing process is complex, requiring multiple steps and a safe, hygienic and consistent environment. For food manufacturers and processors relying on manual data entry during the production and inventory process, the complexity is increased, as is the margin for error.

Think of a warehouse packing line that packs a small item, like trail mix. The trail mix is put into a packet, packed into a smaller box or case, and the smaller box or case is packed into bigger boxes or pallets. There are multiple steps and touchpoints along the way. If the employees are using keyboards to manually input lot codes or values and to facilitate the process, it's not only time consuming, it's inevitable that an error (or errors) will be made.

Solution

Automate the warehouse process with FoodBusiness ERP's built-in Scan and Pack feature. The feature replaces keyboard-dependent processes with a scanner and barcodes. Barcoding allows for a single scan instead of scanning multiple items. This scan-once-and-done scenario requires less labor, saves time, increases the line's speed, and improves accuracy.

The Scan and Pack feature also improves performance and safety across the warehouse packing process. Manufacturers and customers are assured that the edible products being produced and consumed have been tracked from its origin to its destination, which adheres to GS1 standards.

What Are GS1 Standards?

According to the GS1 website, "GS1 standards are the most widely used system of standards in the world. By enabling the sharing of trusted quality data everywhere, they tell the story behind products—where they originated, what they contain and where they have been during their supply-chain journey. This, in turn, removes friction between business partners and improves performance and safety across the entire supply chain."

3. Lack of Production Optimization

Production optimization is the process of streamlining the production line, thereby saving time, resources, and money. Optimization may come in the form of new equipment, a different layout, or adding technology. It can also include grouping items in a production order to simplify the scheduling and order process.

Food manufacturers and processors who forego modern technology and continue to utilize manual scheduling with spreadsheets are spending time and effort best spent on other business-building activities.

Solution

Production Sequencing is the process of grouping production orders based on attributes, such as type of product, allergens, size, and labor requirements. Attempting to manage groupings manually is challenging, if not impossible, to do well because there are many moving parts.

Food manufacturing production software provides simplified production scheduling, minimized production line set up, improved operational efficiency and reduced production waste. In addition, because changes to a work order are often necessary, the Production Sequencing feature, as provided by FoodBusiness ERP, allows you to make the changes easily.

This flexibility is also seen in the suggestions made by Production Sequencing, which are not restrictive and allows users to revise as needed.

4. Ineffective Inventory Management

As you know, Inventory Management is the ordering, warehousing, processing, and distribution of raw materials, components, and finished goods. The key to successful inventory management is having what you need on hand to fulfill your orders and processes without ordering too much, which may result in spoilage or damage, or too little, which leaves you in a lurch. It's a dance every manufacturer (and distributor) takes part in, and if done poorly (e.g., manually tracking inventory with spreadsheets), it can negatively impact the bottom line.

For example, envision warehouse managers who print out a pick order for items their inventory spreadsheet tells them they have in stock, but the workers, after taking time searching for the items in the large warehouse, come back and report they can't find them. The warehouse managers and/or workers then need to fill out a report to highlight the lack. The hours of time (and money) wasted are too many. Even worse, the order is delayed or unfulfilled.

Solution

Thankfully, the inventory guessing game doesn't have to be played by manufacturers who choose to implement FoodBusiness ERP and its inventory management capabilities.

You'll have clear visibility into the items in your inventory, from the minute it enters your warehouse until it leaves it. Track everything through the entire lifecycle, knowing where everything is and how much is available; this is a benefit directly connected to the Scan and Pack feature.

Additional benefits of automated inventory management include:
- Accommodating different storage conditions
- Multiple date functionality (e.g., shelf-life/expiration dates)
- Consistent quality
- Insights into costs

Avoid wasting time looking for items that aren't there, finding lost or misplaced inventory, short shipments, and missing ingredients.

And end-to-end, bi-directional traceability—an absolute must for every food and beverage manufacturer—is supported by FoodBusiness ERP along with product recall management, batch processing, formula and recipe management, allergen designation, production costing and more.

5. Inadequate Waste/Ingredient Management

Food waste is a global concern. According to Boston Consulting Group (BCG), 1.6 billion tons of food are lost or go to waste every year, even as approximately 870 million people are not getting the nourishment they need. BCG notes, "The amount of food that is lost and wasted annually is estimated to be worth some $1.2 trillion."

Inadequate waste and ingredient management in food manufacturing is a huge contributor to the problem. Baked goods manufacturers are a good example. A main ingredient in their product is butter. While considered a fairly stable ingredient, it must still be stored safely at the proper temperature without fluctuations. Should it go rancid due to insufficient safety measures, the chemical structure changes, causing it to behave differently than it should during the production process.

When this happens (with butter or any other ingredient), then you're forced to throw out the item and make accommodations throughout the entire production cycle by substituting or changing ingredients on the fly.

This is not a recipe for success.

Solution

As a food manufacturer and processor, you're aware of this enormous issue, but you may struggle to reduce waste due to the aforementioned inefficient inventory management. It stands to reason that implementing FoodBusiness ERP and utilizing its inventory management capabilities will alleviate waste.

Knowing what you have in your inventory, how long you've had it, when it expires, and how it should be stored will help you minimize the variation and the degradation in quality. And you don't have to rely on inadequate and error-prone spreadsheets to do it.

"We're now able to track scrap and waste in ways that weren't feasible before. It's been very helpful both in honing our own practices, and also to match scrap and waste back to the source of the plantains. We've identified suppliers from which we receive a higher amount of scrap and waste and work with them to help them improve their handling procedures."

- Marta De Varona, VP Finance and Administration, ARA Food Corp

Saving Money and Satisfying Customers with FoodBusiness ERP

WHEN YOU IMPLEMENT FOODBUSINESS ERP to tackle the challenges posed by an evolving marketplace and by an inadequate business management solution, you'll experience new efficiencies. Ultimately, these new efficiencies will translate into you saving—and making—money while simultaneously satisfying customers with your safe, affordable, and tasty products.

FoodBusiness ERP is a software solution built in Sage X3 and delivered by food and beverage business and technology experts. It includes the most commonly used features that we've built for our food and beverage process manufacturing customers who are using it to run some of the world's most respected organizations.

NEXT STEPS

See FoodBusiness ERP
in action:

SCHEDULE A DEMO

"FoodBusiness ERP does an amazing job for us. We have nothing but good things to say about their skills, professionalism, responsiveness and level of support."

Marta De Varona, VP Finance
and Administration, ARA Food Corp

food BUSINESS ERP

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About FoodBusiness ERP by NexTec Group

NexTec Group is one of North America's largest and most experienced technology consulting firms, specializing in industry-specific solutions for mid-sized organizations. For nearly 30 years, NexTec has been a trusted partner to businesses, delivering, implementing, and supporting the core Enterprise Resource Planning (ERP) and Business Intelligence (BI) solutions they need to scale and grow. With seasoned consultants from coast to coast, and a premium portfolio of innovative business management solutions including Sage X3, we help you get the most out of your technology investments. Visit www.nextecgroup.com or follow us on LinkedIn.