

# Tips for Optimizing Inventory Management



## Food & Beverage

# Inventory Management

In 2023, effective inventory management has never been more important. Record-level inflation, supply issues, labor shortages and economic uncertainty are continuing to make finding success in food and beverage manufacturing harder than ever. But there's hope. Leading manufacturers are finding ways to optimize their inventory management practices and uncover opportunities they didn't know were there. How are they doing this? With the help of Enterprise Resource Planning (ERP) software built for the food and beverage industry.

In this guide, we look at common inventory challenges food and beverage companies face, tips for optimizing inventory management in your own facility and how software works to overcome challenges and streamline processes throughout your warehouse.

### Common Inventory Challenges

Managing stock and materials that are perishable requires immense care and caution. While the safety of consumers is of critical importance, so too is a manufacturer's ability to produce products at a profit. Ensuring that each item that leaves your warehouse adheres to strict industry standards, satisfies customers and makes you money is no easy feat.

Here are some common inventory challenges faced by food and beverage manufacturers like you:

#### Lack of Real-Time Visibility

Small or growing food and beverage businesses can get by on using spreadsheets and manual processes to monitor and account for inventory. But as a company expands, they need more complex tools for managing inventory. Without complete visibility into inventory levels, companies face issues around spoilage, over-ordering and stock-outs.

#### Inability to Manage Multi-Site Operations

Multiple locations require business leaders to maintain stock counts for multiple warehouses, which takes time and resources, especially if you're moving material between

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sites. A lack of communication between locations is common for businesses without the tools needed to streamline inventory management processes. When multi-site manufacturing is involved, it's even more critical to accurately manage inventory to ensure the right ingredients are at the right place at the right time.

### No Visibility into Inventory Valuation

Leading food companies have strict inventory valuation processes in place to account for the cost of goods sold and the cost of unsold inventory. Without this visibility, manufacturers can't accurately manage excess or shortages of inventory, which can affect production and the profitability of a business.

### Excessive Waste

Food waste can occur at all levels of manufacturing and even with concerted efforts to manually rotate products, avoid cross-contamination or track spoilage dates, many food manufacturers struggle with keeping on top of it.

### Lack of Traceability

Manually tracking ingredients throughout your warehouse is not easy. Without the right system in place to assign lot numbers when inventory is received, apply accurate labelling on product batches or ensure full recall readiness, manufacturers may not be in compliance.



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The most effective food and beverage companies rely on streamlined and efficient inventory management processes to ensure success. This includes the management, warehousing and processing of finished goods, raw materials and additional components. Improving inventory management in your facilities requires great command of all warehouse operations and the physical stock inside.

Here are some ways you can work on inventory management in your organization:

## Tip # 1

### Evaluate Current Practices

Before you start making changes, take an overall look at your operations. Effective inventory management is purpose-driven, so it's important to understand what each link in the chain does. Consult with other members of your team to identify potential problems or bottlenecks and start there.

## Tip # 2

### Ensure Forecast Accuracy

Throughout the year, customers often show different buying habits for food and beverage products. While some trends are obvious and relate to seasonal holidays, others are hard to catch without data analysis. To avoid having too much or not enough inventory, businesses can utilize data technology to stock items at the right time.

## Tip # 3

### Evaluate Current Practices

A critical part of effective inventory management is knowing how much of each item you have in stock. But tracking what you bought against what you sold will not provide you with the full picture because inventory can get lost, stolen or damaged after it enters your warehouse. Confirm that physical inventory counts match your inventory records by performing cycle counts or full inventory counts as needed.

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## Tip # 4

### Optimize Stock Replenishment

Working to put a system in place for restocking inventory ensures your business is never entirely out of materials. During busy periods, a system is even more critical for the smooth flow of production. Many food manufacturers use a system called just-in-time manufacturing, where supplies are replenished each day based on sales and forecast demand. This helps businesses maximize food shelf life.

If you are not using a just-in-time strategy, it's important to have a policy in place to replenish inventory at set levels. If stock of an item falls below a certain number, an order should be placed for that item. Systematizing the replenishment process helps avoid a lapse in product availability between the time an order is placed and the time you receive a shipment. Technology helps analyze trends, which can alert staff to when they need to reorder more of a certain product.

## Tip # 5

### Evaluate Current Practices

Sometimes recalls are inevitable. If handled poorly, a recall event has the potential to cause permanent damage to your brand, so it's critical you act quickly and ensure minimal damage. With access to real-time data about production and inventory, food and beverage manufacturers can quickly pinpoint where the problem occurred, address issues with confidence and transparency, provide consumer reassurance and mitigate the overall cost of a recall. The best strategy is to communicate with authenticity and demonstrate your control over the situation.

**"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. We've identified suppliers from which we receive a higher amount of scrap and waste and work with them to help improve their handling procedures."**

– Marta de Varona, VP Finance and Administration,  
[ARA Food Corp](#)

# Where Software Fits In

ERP software purpose-built for food and beverage manufacturing gives leaders the tools they need to increase profits, streamline inventory management and ensure food safety and compliance.

With the help of food and beverage ERP software, manufacturers can optimize their inventory management and:

# 1

## Improve Visibility

Software built for the food and beverage industry centralizes inventory data from across your entire business, giving you a full view of inventory levels. This holistic approach to inventory management makes it possible to keep costs and discounts low, while keeping production running efficiently and customers happy.

gives you a clear idea of product volume, ensuring you don't order too much or too little of any ingredient. With the right tools to account for overall inventory and product transfers, your staff saves valuable time trying to find ingredients and more time focusing on production instead.

# 2

## Manage Multi-Site Operations

Industry-specific software comes equipped with the multi-site inventory management functionality your business needs to be successful. A solution like FoodBusiness ERP, for example, has Material Requirements Planning (MRP) features built in, which helps manage inventory and production at multiple locations at the same time. Full visibility into inventory at each warehouse or facility

# 3

## Improve Visibility into Inventory Valuation

Industry-specific ERP software allows for multiple costing options for valuing inventory. Since the price of inventory is always changing as it is sold and then restocked, it's critical that management analyze the different methods for inventory valuation and choose the one that works best for the company. With a solution like FoodBusiness ERP, business owners can use varying costing methods to value inventory, such as First-In, First Out (FIFO) costing, standard costing or average costing. The right costing method can have a direct impact on an organization's profit margins.

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## 4

### Reduce Waste

With ERP for food manufacturing, inventory is tracked using bar codes and scanners that feed data, such as expiry dates or allergens, into the solution when it enters the warehouse. With full traceability throughout the manufacturing process, users can effectively segregate ingredients and ensure safety, better manage expiry dates and reduce spoilage, limit recall exposure and improve cash flow that is currently consumed by waste.

## 5

### Implement End-to-End Traceability

ERP software built specifically for the food industry gives manufacturers complete visibility and control over their ingredients. With an ERP solution, users can assign lot numbers when inventory is received, used in production, transferred to and from a warehouse, completed in production and shipped to customers. This number, then, can be used in real-time reporting to account for all transactions from the time an ingredient enters a facility until the time is shipped out to customers. With this information, manufacturers can quarantine materials based on shelf life, allergen risk and point of origin to adhere to food safety compliance rules and regulations.



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# The FoodBusiness ERP Difference

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

With FoodBusiness ERP, customers can:

- Streamline financial and operational management.
- Access robust quality and audit capabilities that support compliance mandates, including SQF, BRCGS, FSMA, GMP, HACCP and HARCP.
- Improve manufacturing, inventory management and traceability.
- Increase inventory accuracy and gain insight into actual costs.



See FoodBusiness ERP in action

**Schedule a Demo**



FoodBusiness ERP

Connect with NexTec expert to explore how a modern ERP can improve your business.

Let's Talk

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**nextec**

FoodBusiness ERP

NexTec FoodBusiness ERP is a complete business management solution purpose-built for food and beverage manufacturers and distributors. Powered by Sage X3 and delivered by NexTec Group food industry experts, FoodBusiness ERP provides a single system to manage your entire business through finance and operations, compliance, quality, and traceability. Leading food and beverage companies trust NexTec FoodBusiness ERP to manage their day-to-day operations and make food better.

To learn more, visit [www.nextecgroup.com](http://www.nextecgroup.com) or follow us on LinkedIn.