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# Navigating the New Supply Chain

How Food Manufacturing Businesses  
are Dealing with Disruption



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## Food and Beverage Trends and Challenges

Recent challenges caused by the pandemic have shown us how important it is to understand our supply chain. Now more than ever, we must know where our ingredients come from, who our alternate suppliers are, where our products are going, and which alternative sales channels are available. We need choices and a better plan. Companies are changing how they do business and serve their customers, and the companies that supply them must also change. Whether you're a food manufacturer or an ingredients supplier, you need to better understand alternate distributor possibilities and find creative ways to get your products out. Areas like inventory management, which are vital to food manufacturers and distributors, are increasingly critical during these turbulent times. Business owners must know lead times, limit wastage, and manage order fulfillment. The right business management system offers a complete view of inventory, the supply chain, and costs to help companies plan better and make faster strategic decisions to adjust to curveballs in the market. With technology, businesses can make swift changes to survive future slowdowns and disruptions in the industry.

### **+ For more than 30 years, San Diego-based Intermex Foods has been providing pastas and cookies manufactured by parent company PAGASA to supermarket customers throughout the U.S.**

The company, which has grown by double digits in the last six years, was ready to take their business to the next level. From the beginning, they've been managing their operations with manual business management tools like QuickBooks, Excel spreadsheets, and binders. For a growing company, those methods are challenging. Lorenza Macilko, Intermex Foods' general manager, acknowledged, "It got to the point where I was just accepting everything that came in. I spent so much time doing the daily operational tasks that I didn't have time to dive into where we were losing money."

Intermex Foods reported little to no communication between departments, with employees so focused on the volume of orders they could process that they had no time to evaluate company successes and failures. They couldn't track profitability, and it took months to pull together data for reports – by which time the data was obsolete. Like too many small or mid-sized food and beverage companies, they'd outgrown their patchwork system. If Intermex Foods hadn't recognized the need for a new business management solution and continued attempting to force their systems to work, imagine how COVID-19 would have affected them. With no flexibility, siloed information, and no way to make quick decisions and rapid changes, they would struggle to keep up.


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**The list of issues facing food and beverage SMEs is long and growing. It's not just the typical day-to-day business tasks that can impact growth if accurate business intelligence is hard to access and departments across the company can't easily communicate with each other.**



“The challenge for small and mid-sized enterprises (SMEs) is getting one version of the truth,” said Jeff Van Pelt, principal of Global Food & Beverage Industry at OSIsoft. “There can be such a rush to solve a problem that they don't have time to address the underlying core of having inconsistent data. But those barriers are dropping. Costs are coming down, so they don't have to compromise on quality technology. Smaller companies aspire to become big companies, and, with the cloud in particular, they have the same opportunities to grow as large enterprises.”






Businesses that chucked jerry-rigged siloed systems and replaced them with company-wide business management software have the advantage of making quick decisions using a single, on-demand version of the truth. They can readily address production issues, respond quickly to recalls, avoid product waste, and access real-time data and communications to prevent problems from developing. They can also adopt new technologies, such as blockchain, the internet of things, and automation/robotics.

According to Food Engineering's State of Food Manufacturing Survey, the top manufacturing operations trends include:

- ✚ **Automation**
- ✚ **Equipment-related issues**
- ✚ **Food safety**
- ✚ **Government regulations**
- ✚ **New products**
- ✚ **Clean labeling**
- ✚ **Outsourcing**
- ✚ **Tech-related advancements**

A grayscale photograph of two women in a factory or food processing plant. They are wearing white lab coats and hairnets. The woman on the right is wearing glasses and is looking towards the woman on the left. They appear to be in conversation. The background is slightly blurred, showing other workers and equipment.

Plants are employing more automation to increase efficiency and keep up with growing demand, rising labor costs, and new regulations. Automation is especially important during the COVID-19 pandemic and will play a significant role as we move out of it. Automation helps businesses adhere to public health officials' social distancing guidelines and ease concerns among employees, consumers, and the public.

As SMEs produce more goods in additional sizes and varied packaging, they must manage their equipment, keep operations flexible, and have insights on the processing floor and across the business – plus what they need from supply chain partners. Capturing and analyzing accurate, real-time data on demand is critical. As Food Engineering notes, “More innovative companies are leveraging cloud technology, as well as employing more Industrial Internet of Things solutions, to get real-time data in order to drive key improvements and optimize production capabilities.” Food and beverage companies like Intermex Foods can't achieve these transformative feats with the status quo of discrete spreadsheets.

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## Streamlined Business Management Software System Benefits

John Palmer is an enterprise resource planning (ERP) subject matter expert for Vision33 UK. Vision33 consults with food and beverage companies to implement the SAP Business One ERP solution. Palmer noted that when they talk to potential customers, there's a common theme: The businesses started with an entry-level solution, but as they grow, more complex operations are necessary. So, for example, they source a discrete customer relationship management (CRM) software package to address customer service issues. But it turns out the CRM can't talk to finance. Or the warehouse. Or supply chain partners.

"It's common for us to go into an organization with multiple solutions heavily supported by manual processes and leaking information," Palmer said. "It means there are inefficiencies in the whole process. They must duplicate data entry, which means inconsistencies between systems. These point solutions become a growth inhibitor. The systems they have can't cope with the volume of data they're trying to put through. Sometimes, that's because the systems weren't designed to hold that volume of data; sometimes, it's because the actual process of keeping systems up to date is so time-consuming they can't cope with more business. That's typically when they start to look for something more sophisticated, something more integrated across the organization."



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**+** Organizations that utilize this type of solution have an advantage in growing the business, being more transparent, being more efficient, having more dexterity in controlling the supply chain—and, of course, expanding margins.

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As Palmer's colleague, Mike White, a senior solution consultant, added, "Growing companies will put a Band-Aid on things. They aren't intended to be long-term solutions, just quick fixes."

The antidote is ripping off the Band-Aid and implementing a comprehensive business management software system that addresses:

- +** Inventory/supply chain management
- +** Quality control
- +** Process automation
- +** Ingredient tracking
- +** Cross-functional reporting
- +** Batch control/traceability for regulatory compliance

These integrated systems connect every business process and are scaled to the organization. Instead of multiple sets of manually controlled ledgers, data is stored in a single, centralized location to facilitate access to real-time information. Such systems also offer several deployment options, including on-premise or in the cloud. Organizations that utilize this type of solution have an advantage in growing the business, being more transparent and efficient, effectively controlling the supply chain, and expanding margins.



“But,” warned Van Pelt, “ERP solutions aren’t a magic bullet. They’re a foundation. Their existence doesn’t eliminate data silos. Companies that implement ERPs must have a data management or data warehousing strategy. What are you trying to accomplish beyond standardizing the data? What are the critical business drivers – improving customer engagement? Better inventory management? When you have the data and ERP, you’re in a much better place to be agile in achieving your business goals.”


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## "What are you trying to accomplish beyond standardizing the data?"

Jeff Van Pelt, principal, Global Food & Beverage Industry at OSIsoft



That’s what happened with Intermex Foods. The company created a list of requirements for their ideal business management software and selected SAP Business One Cloud. Instead of binders, they now have all their business information in a centralized location. The reports that took months to complete are now available in just minutes – with data they can trust. SAP Business One allows them to adapt to changing market demands because they can track key performance indicators with accurate, real-time data and streamline their operations. The insights provided by SAP Business One have helped Intermex Foods cut expenses, keep prices low for customers, and drive growth. They also experienced 34 percent in savings on implementation.



Similarly, specialty food manufacturer Dave's Gourmet in San Francisco had issues growing their business. For owner David Hirschkop, the primary concern was a lack of a formal inventory management system. They were working with a small business accounting software package, even after 13 years in business, and they had difficulty tracking their products' transit across state lines. Other issues included:

- ✦ **Little visibility into costs due to different price structures in various grocery channels.**
- ✦ **Inability to keep up with the status of higher order volumes.**
- ✦ **No insights into customer service queries and buying patterns.**

For Hirschkop to be able to dig deeper with insights into the business, he needed to increase administrative expenses – or find a new technology solution. He chose SAP Business One. Working with Vision33 to implement SAP Business One resulted in more effective inventory management and the ability to understand customer buying patterns and how specific products are selling. Because Dave's Gourmet has accelerated order flow and shipping times by 35 percent, reduced inventory, and lowered incidences of stockouts by 15 percent, they've enjoyed a boost in sales and profits.

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## How It All Works

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An integrated ERP system is a platform for digital transformation that streamlines operations through technology. It offers tighter integration, from ecommerce to customer portals like Amazon and Shopify, allowing businesses to build stronger relationships with their customers. With the current industry situation, technology and ERP go hand in hand to tackle the challenges facing manufacturers and distributors. COVID-19 offers no room for mistakes when making decisions about your supply chain. With ERP and the right partner, businesses can alter strategic business models to cope with downturns in the economy.

ERP also allows businesses to automate standard processes. According to Palmer, SAP Business One provides a single point of entry for information that flows through the entire organization – there's no system, process, or data entry duplication. "It allows people to do more with their time," he said. "They can grow the organization without taking on additional costs because their people can do more with the time they have."


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**"It allows people to do more  
with time they've got."**

John Palmer, ERP Subject Matter Expert, Vision33 UK







Although SAP Business One is a plug-and-play system, it also offers tools that allow it to be tailored without customization. Although Vision33 occasionally customizes for customers using portals they developed, Mike White says the solution is implemented out of the box and tailored to the company's needs 80 percent of the time. This means it's to implement than a custom solution. Smaller companies usually require two to three months; larger companies might need four months – but no matter how long it takes, daily business never stops running.

No matter how big or small a company is, they follow Vision33's six-step process:

- ✚ **Analyzing needs**
- ✚ **Creating a business blueprint**
- ✚ **Migrating data and conducting system pilot tests and multiple tests with customer data**
- ✚ **Conducting end user training**
- ✚ **Doing final data mitigation**
- ✚ **Launching next-phase planning**



These steps ensure that the new system and processes fit the customer's business needs. White added that the benefits of the system come fast. There's a huge ROI in terms of time, he said, especially at the first close of the fiscal period. What used to take weeks to prepare can now take an hour. Another benefit is that customers get the data they want – and it's better and more accurate data. "SAP Business One can send alerts and notifications, so customers tell us they now practice fire prevention instead of firefighting," White said. "They don't have to wait to get a report to learn there's a problem. The system can alert them of issues in real-time." And, he noted, as they use the system, more return on investment opportunities are identified, such as new revenue streams. Direct-to-consumer technology is increasing in importance for businesses. Both B2C and B2B consumers expect an online presence and the ability to purchase online. Products such as Vision33's B2B Marketplace for SAP Business One can provide self-service access to customers, which reduces administrative efforts and provides real-time updates for customers and distributors. Solutions like Shopify offer an alternative sales channel for manufacturers and distributors, providing an easy-to-use website for customers. Seamless integration with SAP Business One means business owners can simplify processes, eliminate the need for additional resources, and save time.

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The system can alert them in real time that there's an issue."**

Mike White, Senior Solution Consultant, Vision33

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## Looking Toward the Future

If there's one thing food and beverage companies can rely on, it's change. Customer trends change. The economy changes. Technology changes. One of the technologies that Vision33's White hears a lot about from customers is the internet of things. "Customers want SAP Business One to communicate with food processing equipment and scales to automatically calculate catch weights and grade products like produce as it goes through the line. We've come across a lot of integration with optical scanners and other production devices that eliminate manual scanning to improve quality control and job costing."

Another thing that comes up a lot, he added, is that customers want to access their data remotely, whether that's on the road with their mobile device or working from home. SAP Business One offers mobility options that allow even the busiest CEO to make informed decisions based on real-time data wherever they are.

SAP Business One adapts to innovation. Palmer has seen artificial intelligence being built in so the system can present online customers with suggested products based on previous orders. And while robotics isn't big yet in the food and beverage industry, SAP Business One can integrate with the robotics some companies use on their production line because SAP has open API architecture. Vision33's development group can map those APIs to the robotics.

Food and beverage manufacturing and distribution SMEs can only keep up with these technology innovations with a scalable, flexible, company-wide technology. Using dated legacy systems or unintegrated ad hoc approaches that can't communicate with each other or vendor/supply chain partners is asking to be left behind. With reliable business management software that integrates operations and with partners, 21st-century food and beverage companies can access accurate, real-time, on-demand data to make decisions that reduce risk, satisfy customers, and increase the bottom line. An ERP like SAP Business One also allows businesses to be more competitive, as they can deploy new technologies as they appear in the industry.

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**With reliable business management software across the organization that can be integrated with partners, the 21st-century food and beverage company can access information on demand.**







Vision33 Inc. is a global IT professional services consultancy that solves customer business challenges through the promise of technology and the value it delivers. We partner with growing and large organizations in both the public and private sectors to understand their vision and help them reach it with the right blend of strategy, consulting, and technology. Vision33 global team of results-driven resources provide world-class experience through our office locations in North America and Europe. For more information about Vision33, visit: [www.vision33.com](http://www.vision33.com).

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