Selecting an ERP Solution -

# Food & Beverage

*ERP for The Food & Beverage Industry –
Achieving great results.*

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What are the key criteria Australian companies operating in the Food & Beverage industry need to consider when selecting an Enterprise Resource Planning solution?

## Australia's Highly Regulated Food & Beverage Industry.

HACCP, traceability, quality control - these are just some of the key aspects that companies operating in the food & beverage industry must consider when selecting an ERP system. The list goes on!

In this e-book we explore some key aspects to consider when selecting an ERP Solution for the food & beverage industry.

# Australian Food & Beverage Industry Overview and Key Challenges.

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*With strict regulation and compliance requirements the food and beverage industry presents opportunity and risk when implementing a new ERP solution.*

The food industry in Australia is going from strength to strength – with a growing population and an abundance of great locally produced food products the Australian food industry is well equipped for further growth.

**The industry appears to be split into three core sectors across food processing and food distribution;**

When considering a new ERP solution for the food industry there are multiple complexities – for small and large players. Challenges like traceability of raw materials and finished goods, random weight, expiry dates, weighing scale integration, run/delivery management and process manufacturing can offer challenges for ERP providers.

The key for the smaller players in the food processing or food distribution market is to be able to find an ERP provider that offers the required level of functionality and expertise without the associated price tag and complexity.

The intention of this whitepaper is not to recommend any specific ERP applications, but more to give general advice on ERP product selection for organisation operating in the food & beverage industry.

**01** Smaller businesses offering food distribution into niche markets.

**02** Mid-size food processing and distribution companies.

**03** Larger food processing and distribution multi-nationals.

# Things to Consider when Selecting an ERP Solution for the Food Industry.

## Functional Requirements

As always when selecting an ERP solution, it makes sense to list your functional requirements in each area of the business. This includes functional requirements for finance, sales, purchasing, inventory, manufacturing, transport and all other business processes.

In the food industry your requirements for finance will usually be reasonably standard. As a result, a lot of focus is placed on the operational side of the business.

Most specifically a lot of focus should be placed on the food industry specific ERP requirements - expiry dates, random weight, traceability, HACCP etc.

## Budget

There are some great ERP products suitable for the food industry available in Australia. These products are offered at very different price points. There is no point investigating a great ERP product for the food industry with lots of reference sites only to find that the implementation would require a budget of three times your intended spend on ERP. Unfortunately, we all need to be realistic and budget has to play a role.

Generally speaking, ERP products can be divided into three broad categories:

**Tier 1** normally indicates the more advanced, high end ERP solutions used by multi-nationals and bigger companies with larger budgets.

**Tier 2** is the mid-range sector where many Australian food sector SMEs are looking for ERP products. The ERP players in this sector offer a complete ERP application aimed at medium sized business.

**Tier 3** is typically the smaller end of the market - less complexity, lower implementation investment and quicker implementation timeframes.

The challenge with ERP for the food industry is that very often ERP solutions should not be selected purely based on the size of an organization but rather on the complexity of the business requirements.

Put another way – what are the business needs? As we have already mentioned, the food industry has some relatively complex requirements. The challenge is that a small food processing business can have relatively complex ERP requirements.

This will require a higher budget to implement. Even if the ERP software requires a relatively low monthly cloud investment, experience tells us that more complex requirements by their nature take longer to implement and therefore require greater investment in services and support.

## Methodology

Whatever industry you are in, when you implement an ERP solution you need to follow a methodology.
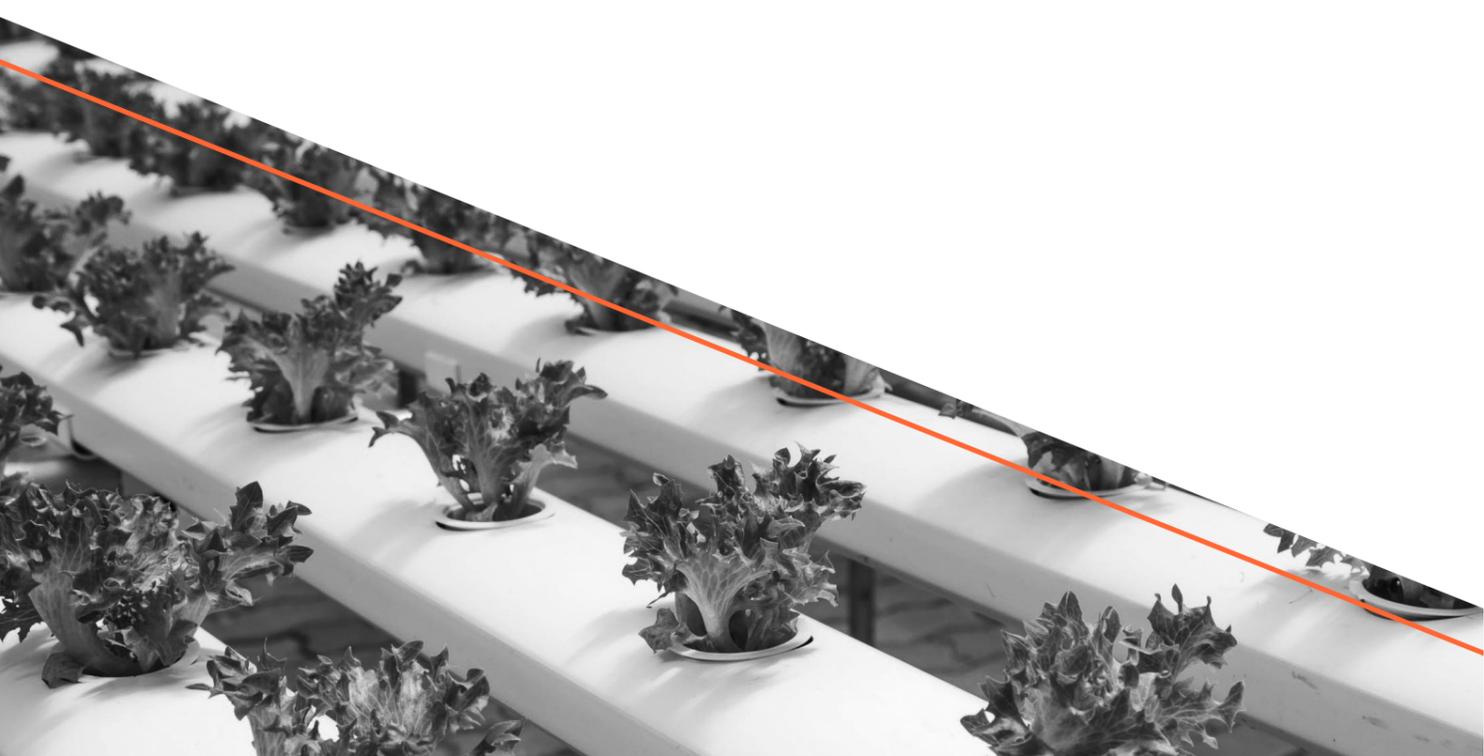
**The chosen methodology will offer structure and process to the implementation.**

The methodology should be selected based on the companies' specific requirements, complexity, budget and size of business. There is no right or wrong answer for ERP implementation methodology. One size does not fit all when it comes to ERP implementation. Agile, waterfall and other ERP implementation methodologies should be selected carefully based on their merits and matched to your companies' specific business requirements. Remember that ERP is about business improvement – not software.

**The software is purely an enabler to doing better, smarter, more efficient business.**

## Timing

Implementation timeframes for ERP can range from a couple of months to several years depending on complexity, resource requirements and other factors. Make sure that you set realistic go live targets which allow for sufficient testing of the ERP solution prior to go live.

# ERP for Food Industry Requirements

**HACCP**

A food management safety program. Designed to control food safety through a food safety and risk assessment plan. A well implemented ERP solution can assist with HACCP requirements. Most specifically these requirements relate to:

**Traceability –** a good ERP solution will allow batch / lot traceability. This will allow a food processing or distribution company to not only track and trace finished goods but also all components used in processing. This will allow full traceability if there are any product related issues like contamination.

**Monitoring –** a principle of HACCP is monitoring of critical control points. With traceability and manufacturing routing through ERP these critical control points can be monitored.

**Procedures –** monitoring of procedures and process flows is important in the food industry. An ERP solution can assist with document management and retrieval, automated quality assurance procedures (sample testing of raw materials and finished goods) and the automation of procedures. For example, an ERP solution can force a user to do a QA (Quality Assurance) sample test prior to receiving raw materials into a warehouse.

**Data –** HACCP requires that food companies have access to data and good record keeping. An ERP solution with good reporting tools makes access to data easy. Even large volumes of data can be kept for several years and accessed at the push of a button.

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## Weighing Scale Integration

A common requirement for the food industry is weighing scale integration to the core ERP solution. This weighing scale integration can be relatively simple - providing scales for weighing cartons or boxes in the factory to check actual weight vs expected weight of a carton of food or raw materials. More advanced ERP implementations might have integrated weighing scale functionality to automate the weighing process as a double check that the right goods are being shipped.

## Proof of Delivery

When foods are delivered to a café, restaurant or hotel why not implement an automated and electronic proof of delivery solution on a handheld device - true mobility.

## Run Management

Large and small food distribution and processing companies share a common goal - get your produce to your customers on time and in full. Delivery run management involves the scheduling of trucks to make sure that they follow the most economic delivery schedule and that the trucks are packed accordingly. As an example, the items for first delivery are packed at the back of the truck.

## Random Weight

One of the more complex areas for ERP solutions in the food processing industry. Random weights indicates that you sell an item (for example rump steak) as a carton (sold by the carton) but you also have a variable weight in each carton. In this instance the sell item of 1 carton might weigh approximately 10KG's. The challenge for an ERP software solution is that the weights are very seldom exact. There can be weight loss on the meat and as such a 10KG carton could end up with a net, shipped weight which is variable. There are different ways to handle random or catch weight and your ERP provider will need to be across these solutions.

## Reverse Bill of Material

Most ERP solutions want to treat manufacturing as the building of an item from various raw materials. As an example, a bicycle is built from two wheels, a frame, a seat and more. These parts are assembled using the bill of materials. What makes food processing different is that you need a reverse bill of materials. In food processing you start with one item (a whole cow) and then you cut the item into various finished goods – fillet steak, rump steak etc.

## EDI

If you are selling to the major food retailers in Australia, your business will need to be EDI compliant. Coles, Woolworths, ALDI, David Jones and other Australian retailers have EDI requirements in place that require electronic integration to automate orders, notifications and shipping notices. EDI typically requires integration to a value-added network (VAN) to bridge the gap between systems used by different trading partners. Fully automated EDI can be a game changer.

## Allergens Management

Managing and reporting allergens is a critical requirement. The Australian Food Standards Code requires declaration of allergens on labels. Not all ERP products offer specific allergens management solutions built into the core ERP solution.

## Quality Control

Multiple quality control points and extensive quality assurance reporting is required. ERP solutions for the food and beverage industry should cater for quality control including automated processes for:

- Quality control procedures

- The management of quality tests / samples and specifications

- Quality control analysis and results / reporting

## Potency Management / Active Ingredients

Potency of raw materials has an impact on price and the quantity to be used in the bill of materials/recipe. Unless the ERP solution automatically calculates the potency and active ingredients to adjust the recipe, team members will have to manually calculate adjustments to the recipe based on potency.

## Product Lifecycle Management

Product lifecycle management and the associated reporting is becoming increasingly important for food processing companies. Taking new products to market or changing existing recipes to adjust for market tastes and changes requires management of product development and the associated documentation and compliance.

### Recipe Management

Validation of recipes, raw materials and optimisation of yields.

### Labels

Creating product specific labels that comply to local standards with the ability to change and update labels as recipes change and new products or ingredients are added. Allergens identification is also important.

### Planning and Scheduling

Raw materials management, purchase planning and production planning are important to ensure optimisation of the supply chain and manufacturing process. The process of purchase planning (MRP – Material Requirements Planning is made more complex due to the requirement to manage expiry dates through batch management. Planning and scheduling will need to manage the complexities of supply and demand in an industry where expiry dates and batch management are an everyday factor.

### Warehouse Management

Whether managing raw materials, work in progress or finished goods, warehouse management solutions are required to efficiently move, manage and report on inventory. A wireless warehouse with barcode scanning to capture batch codes is worth the investment.

### Manufacturing

Food and beverage manufacturing companies have specific process manufacturing requirements. Batch sizes, expiry dates, allergens management, potency management, sequence dependent changeover and the associated planning makes for a complex manufacturing environment. ERP solutions built for process manufacturing are best suited to deliver a quick ROI.

We have talked about some of the complexities facing the food industry when implementing ERP - let's not forget that when we implement a good ERP solution we get a whole lot more than a general ledger and invoicing. **A well implemented and functional ERP solution will open up all sorts of opportunities for improvement:**

- Instant access to analytics enabling the business to make informed decisions

- Mobility for sales teams and delivery drivers (including proof of delivery)

- Run management to ensure the most efficient delivery to your customers

- On time in full reporting for your customers and suppliers

- Better inventory control

- Optimised purchase and production planning

# Leverage Technologies *Solutions* for The Food & Beverage Industry.

Leverage Technologies supports different ERP solutions for different sectors of the food and beverage industry. When recommending an ERP solution for food and beverage distribution and processing companies the **expert team at Leverage Technologies will recommend a solution based on multiple factors:**

- Is your business in wholesale/ distribution or food process manufacturing?

- How complex are your functional requirements?

- Is EDI required?

- Is e-commerce a factor?

- Is complex process manufacturing required?

- Is production planning required?

- Are random weights a functional issue?

- Number of users?

- Number of legal entities?

- Is the business local or multi-national?

- Company size and growth plans?

## MYOB Advanced

An excellent low cost, quick return on investment solution for food and beverage wholesale / distribution companies. Integrated EDI, E-Commerce and Warehouse Scanning. **Typically implemented for companies with a turnover of $10 million - $80 million:**

- Finance, Distribution, CRM, Purchase Planning, EDI, E-Commerce, Inventory Management (including Batch Traceability), Warehouse Management and Analytics.

## SAP Business One

A great solution for wholesale / distribution companies. Typically implemented for companies with a turnover of $15 million - $100 million. **Implementing the ProcessForce manufacturing solution will further extend the capabilities of SAP Business One into full process manufacturing:**

- Finance, Distribution, CRM, Purchase Planning, EDI, E-Commerce, Inventory Management (including Batch Traceability), Warehouse Management and Analytics.

- Manufacturing (ProcessForce for SAP Business One), Allergens Management, Recipe Control, Quality Assurance, Additional Traceability and Production Planning.

## Sage X3

An excellent solution for complex distribution and / or process manufacturing. Typically implemented for companies with a turnover of $30million+. Out of the box finance (including strong multi-company), distribution and process manufacturing. **Native Sage X3 process manufacturing functionality can be further enhanced with Procession Software for Sage X3:**

- Finance, Distribution, CRM, Purchase Planning, EDI, E-Commerce, Inventory Management (including Batch Traceability), Warehouse Management, Analytics, Quality Control, Production Panning, Allergens Management, Recipe Management and Potency Management.

## It is no secret that the food industry in Australia is going from strength to strength.

Although highly regulated there is still room for Australian organisations to innovate on processes and operations to drive efficiencies at multiple levels.

This guide to selecting the right ERP software for the food industry aims to provide a better overview of the key challenges that ERP solutions can help you overcome.

Do you operate in the food and beverage industry in Australia and would like assistance researching and selecting an ERP solution? Our consultants can conduct an assessment of your business processes to recommend the best solution for your business.

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