



WHITEPAPER:

Defining the
challenges to
**FOOD AND
BEVERAGE
BUSINESSES**

Defining the challenges to food and beverage businesses

Overview

Despite the continuing global financial crisis, the Australian food and beverages market managed a reasonable year-on-year increase during 2009/10 of around 6%. Combine that with forecasts that food consumption in Australia is set to rise steadily over the next five years and you could be forgiven for feeling mildly optimistic.

While the figures appear encouraging, it pays to recognise that much of the sector's growth was generated outside Australia. Manufacturing is, after all, Australia's biggest export after mining – and food and beverages make up a considerable portion of that.

Australia is well positioned to benefit from increasing wealth in Asia and capitalise on the demand for meat, milk and processed drinks. But the rising dollar is making it harder for Australian businesses to remain competitive – either overseas, or back home, where cheaper imports are already forcing them to reduce their prices.

Gone, the loyalty

It's not just the dollar of course. What the global financial crisis has brought sharply into focus is that businesses can no longer rely on customer loyalty like they used to. Increasingly nervous about their own bottom lines, customers are now choosing ad hoc supply arrangements over the long standing agreements they once had.

Gone, the loyalty. Gone too, the ability to forecast future sales based on repeat orders. Where once food and beverage businesses could predict how much stock they needed to produce or buy in, they are now in a much less certain predicament: tie up valuable capital by over-producing stock, or face being unable to meet customers' demands.

To cope, businesses need to be much more flexible than they used to. The trouble is, trying to maintain a healthy margin when you're not sure how much stock you need or what price it's going to sell for is a little like trying to build a house on sand.

Pressure on all sides

As if a rising dollar and falling customer loyalty weren't enough to be getting on with, food and beverage companies now have to fork out for steeper energy bills and higher labour costs.

Stricter regulations on food quality and safety, particularly in Asia, have forced many businesses to adopt costly new hazard protocols too – to say nothing of constantly changing consumer preferences.

And these are all chipping away at that precious margin.

Increasing visibility

So what is the solution?

To save costs, some food and beverage companies are turning to energy and water management systems. Others are automating parts of their manufacturing processes. But while technology may hold the key, the biggest weapon in the arsenal of business survival in times of economic uncertainty is visibility.

With so many external pressures on the industry, it's critical that businesses know what's going on internally. They need detailed knowledge on each of their customers, a clear understanding of what's driving their own business, and the ability to drill down to the details behind every transaction. From the click of a button, they need to know exactly what stage an order is at, or be able to identify the sales performance of a specific, individual product.

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Knowing those details makes it possible to make critical decisions – and respond to changing customer requirements whenever needed.

Expanding out of control

But don't businesses already have this intelligence?

No. They often have the data, but the visibility is rarely there. Traditionally, when a business starts out they install a fairly rudimentary accounts system. This helps with general ledger and maybe even provides some basic reporting. But as sales grow, so the need to record and report on other aspects of the business grows too.

To meet those needs, businesses purchase additional software – one system for payroll, one for sales orders, another for stock management and so on. Usually these systems are from different providers. Sometimes they're not even on the same platform.

The result is that there's no clear start-to-finish view on any internal workflow. Getting information out is slow and laborious. Getting it in is time consuming and repetitive.

Integrated intelligence

The answer is to implement a single, integrated system that provides a unified view across all aspects of the business – from finance, to job costing, point of sale, fixed assets, customer management, reporting and inventory. A system that can:

- produce detailed and accurate reports
- track sales and streamline the sales order process
- help make better purchasing decisions
- manage inventory
- interface with point of sale technology
- be flexible over price points
- run loyalty programs and automated discounting to clients
- calculate landed costs.

On top of all that, it needs to be a system with the functionality to ensure a business remains compliant with regulations and requirements.

Reducing workload and increasing workflow

The benefits of an integrated system are not lost on businesses. Unfortunately though, many are wary of upgrading to a new system for fear of the upheaval it will cause. They worry that staff will be slow to adapt or reluctant to learn new skills – or that data will be lost in the migration.

However, when flexibility is key to success in today's environment, it makes little sense to persist with out of date internal systems and processes.

Installing a new business management system is an opportunity to weed out waste, eliminate duplication of work and – where possible – remove manual processes. It's an opportunity to involve staff across the organisation in the contribution of data too.

Traditionally, accounts and payroll systems are maintained by either a single 'gatekeeper' or a small department. This puts a small number of people under considerable pressure, especially at key times like end of month.

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A fully integrated business management system, on the other hand, allows staff to enter and access data themselves, regardless of their physical location. Because the data in the system is stored centrally, new entries, orders or amendments can be seen by staff in one location as soon as they're made in another.

That visibility means businesses as a whole can order, receive and ship stock with confidence.

Accounting for every line of stock

One of the biggest differences that food and beverage businesses experience with an integrated system is the added control it gives them over inventory.

Those who were previously reliant on manual systems suddenly find they're not confined to doing stock takes once a month. Instead they can do it whenever they want, which means they know exactly how much stock is available and whether or not orders can be fulfilled – at any time.

For food and beverage businesses this knowledge is critical. They frequently manufacture products consisting of multiple ingredients and have to account for thousands of lines of stock.

Knowing the true costs

Business who account for stock in a system separate to their sales order or invoicing system find it almost impossible to be 100% certain they've allocated every cost to every item accurately.

In a fully integrated management system however, every item in the warehouse is assigned to a specific job. This means that it's always possible to see exactly how much an item costs to produce, and price it accordingly.

Businesses who've switched over from comparatively manual stock keeping systems often find that they're not making any money on certain product lines because they've not properly accounted for costs during the manufacturing process.

It's not just a case of accounting for ingredients either. For businesses that are importing or exporting, there are exchange rate fluctuations to consider too. Fluctuations can alter costs substantially and are notoriously difficult to stay on top of. And for those used to purchasing stock from Australian suppliers in dollars, they're all too easy to overlook.

With a business management system, multiple currencies and exchange rates are handled automatically, which helps to give a clearer picture of the actual costs involved. With added visibility, businesses can factor in fluctuations and spread the impact more evenly.

In today's global economy, there are simply too many factors potentially affecting a business' bottom line to rely on manual calculations alone.

Stealing a lead on the competition

It's easy to focus on figures, but a fully integrated management system is not all about number crunching. With loyalty at an all time low and customers looking for a better deal at every turn, businesses have to do anything they can to cement relationships with their customers.

In the food and beverage industry, various solutions exist to help businesses pre-empt their customers' orders before those same customers have the opportunity to shop elsewhere.

Typically, customers like restaurants have long shopping lists of orders. Most of the time, those orders don't vary very much from one week to the next.

Using an integrated business management system, it's possible to auto-generate lists of products based on customers' previous sales histories. Armed with a list of 'likely' products, telesales operators can then make quick calls to customers to confirm their orders. The entire process takes seconds rather than minutes.

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The beating heart of an organisation

Of course, none of this functionality is possible without a robust database underpinning it. But in essence, that's all a business management system is – a database accessible from a number of different locations.

Simplicity is what makes such a system so valuable. It's what makes it future proof too. Few businesses want to install a new system only to have to replace it five years down the line because it's either too constrained by its own limitations or incapable of sitting alongside other external systems.

But simple as it is, the right business management system forms the beating heart of any organisation – integrating effortlessly with other software and acting as a conduit for business critical data.

MYOB Enterprise Solutions – business intelligence at your fingertips

MYOB Enterprise Solutions EXO Business Suite provides businesses with a unique view of product movement, transactions and activities across multiple locations and currencies. Its accurate reporting means that management can be on top of the decision making process at all times. But what sets it aside from similar financial management products is its ability to expand and co-exist with other systems. This means that importers can actively improve the efficiency of their operational tasks and activity throughput on an ongoing basis.

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