

justfoodERP

Working with protein

How protein companies improve their margins by leveraging modern technology



Whitepaper

Adopting a real-time mindset

The protein industry is typically built on gentlemen's agreements. Often family owned and operated, these traditional businesses have moved through a generation or two using wisdom, methods and systems that have served them well. The "if it ain't broke, don't fix it" approach is common.

While that approach is generally sound, it can lead to some unintended consequences. For example, in a family-owned and operated protein business, it's typical to see operations still based on pen and paper or slightly more sophisticated systems that have been long obsolete.

While it all *works*, strictly speaking, companies that don't update outmoded systems end up leaving substantial amounts of money on the table. Current best practices rely on real-time information to achieve 21st century levels of efficiency, quality control and visibility into key data and metrics.

Typical problems

Here are some of the most common problems that happen when companies in the protein industry take too long to modernize.

Sales

There's no real-time visibility into sales orders, future orders, demand or inventory levels. Finding the information is arduous. Managing special pricing and

The challenge of variable weight (aka *catch weight*)

One of the greatest challenges in the protein sector of the food and beverage industry has always been the inherent, constant variation in product weight. Modern technology makes it possible to record and make decisions based on the *actual* weights of the products in inventory. It's a much more precise alternative to the traditional average or nominal weight approach.

Achieving that precision calls for advanced technology. Properly accounting for variable weight inventory has implications throughout your organization, including warehouse management, costing, labeling, billing, production planning and pricing. It simply can't be done manually with much chance of success.

With the right technology, however, managing variable weight is largely automated. For example, top integrated business software suites (also known as Enterprise Resource Planning software, or ERP) incorporate data-rich labels that can communicate detailed information about the inventory on a skid in a single scan. Customer quotes can be based inventory actually held, which is a critical component of preserving margins that are already slim while keeping customers satisfied.

In spite of the challenges of updating to newer technology, companies across the food and beverage industry are discovering that tools for managing variable weight inventory are no longer optional if they want to stay competitive.

trade promotion programs is difficult and prone to error.

Purchasing

Raw materials aren't received in real-time, contributing to information and production delays.

Production

Production is typically only controlled through employee experience and expertise, which leads to production variation and difficulties when an employee is sick or has to leave the company. Transferring this experience and expertise to new employees is also difficult.

Quality

Manual systems typically consist of red paper taped onto items and totes without bar coding. During receiving and post-slaughter the grading exercise is manually recorded (usually with pen and paper), resulting in a cumbersome chain of manual labour. There's no real-time visibility of item/grade or automated updating of original purchase orders for payment to vendor.

Warehousing/shipping

Inventory levels are based on slower manual processes and suffer from imprecision. Packing inventory according to a first-expiry-first-out (FEFO) model is difficult or impossible. Shipment case weight details are manually (pen and paper) recorded, wasting time and effort.

All of the above areas are subject to general manual process inefficiencies, not to mention the bigger losses a company can suffer when its leaders lack the information they need to make good decisions. The result is that there are few opportunities to optimize the operation and maximize profitability, efficiency and margins.

The old paper recording process comes with lost pages, data entry errors, manual searching and protracted manual data analysis, creating an extra burden on workers with time spent searching for and fixing things.

You can't compete without the right technology

Just about every industry has found new opportunities to improve with integrated business software that provides frontline workers and decision makers with real-time data across the whole organization. The key to the power of these systems is the inherent interconnectivity of the components. From purchasing through to sales, the access and flow of real-time information is a critical element of achieving modern levels of efficiency, and companies in protein deconstruction are especially well positioned to benefit.

Sales

Details about customer pricing and trade spend programs often exist outside order entry systems as Excel spreadsheets. When you use technology to automatically calculate all of your unique customer invoicing details and pricing, your operation moves more smoothly, your employees are happier and your customers are easier to keep satisfied.

The benefits of real-time information for sales teams are obvious, an even more so in the fast paced, highly perishable protein industry segment. For example, daily USDA market close updates can be automatically uploaded for efficient and dynamic cost-plus pricing.

Purchasing

The purchasing process, like sales, is not a one size fits all proposition. For the grading process, modern business software systems provide automatic updates back to original purchase orders to reflect grade price. Inventory is also automatically updated to reflect inventory grade stock levels.

Production

Protein raises unique challenges because product weight is variable. Trying to plan, record and manage variable weights manually is



Competition is
hard enough
without being at
a technological
disadvantage

inefficient and often invariably inaccurate. Adopting technology that takes the pain and imprecision out of managing variable weight is a key feature modern protein companies need to stay competitive.

The benefits of modern technology to the protein producer don't stop there. Protein producers are finding that technology holds the answers to their margin concerns in several other ways.

- Cuts often need to be optimized according to seasonal factors, costs, grades and the desired end products we want. Technology supports **scheduling optimization** and **product family planning** in a way you could never achieve with manual methods.
- The constant **recording** that takes place throughout a production facility can be largely automated, eliminating paper, errors and confusion.
- **Yield analysis** tools make it possible to critically evaluate your operation continuously, maximizing margins and profitability in real-time.
- Better visibility into the operation's true cost drivers make it easy to **allocate costs in ways that make sense**. Different cuts in a product family need to have costs that reflect their varying market values. Only technology makes that practical. It's even possible to have your costs informed by USDA market close prices that are uploaded to your system automatically.
- **Modern quality control and monitoring tools** track the difference between actual product quality and the specs ("quality giveaway"). Among other things, that information helps perform an accurate yield analysis.
- The benefits technology brings to **logistics** are almost countless. When the pens and paper are gone, picking and shipping become a breeze. Identifying all the cases and case weights associated with a shipment is easy.

With all this in mind, it pays to revisit the mantra that if it ain't broke, don't fix it. It still holds true if we reconsider what "broke" means and expand it to include software and systems that used to be adequate but aren't any longer, even though they still technically work.

Staying competitive in today's market is tough enough without being at a disadvantage when it comes to the technological tools that drive operational efficiency. For producers in the protein segment especially, where variable weights and short product shelf lives make matters more complicated, there's just too much money being left on the table to ignore technology any longer.

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