

## Supplying the major retailers: How to meet customer requirements and still make a profit



Neville Merritt of SSI looks at the challenges faced by food manufacturers, and provides tips on how computer systems can be used to help.

Manufacturers, packers and processors of food and drink who supply the major retailers such as Tesco, Sainsburys and Marks & Spencer have a huge challenge, particularly if the products have a short shelf life. The customer has become more and more demanding, with exacting quality criteria, delivery instructions and labelling controls. Forecasts are unreliable or non-existent, and order lead times are often even shorter than process times. Penalties for errors run into tens of thousands of pounds, price negotiations are very one-sided, yet the shareholders still expect a profit.

This will be a familiar story to most manufacturers of food products, and also for those distributors that now provide added value services such as washing and packing of produce and imported bulk foodstuffs. The short term solution is often involves a great deal of management intervention, crisis management, paperwork – and waste. But there is a better way, and the solution may be very close at hand.

### Tip No. 1 – There are computer systems designed for your industry.

Every company will have some form of computer system to manage accounts, order processing, stock control, purchasing and despatch. Some may also plan and manage production. These systems collectively come under the heading of Enterprise Resource Planning (ERP) systems, and are invaluable for providing the control and information to support business operations. However, not all ERP systems are equal and some, particularly the low cost packages, are designed to suit general business requirements, while others have built-in features to support food processing. It is these specialist features that will make the difference between struggling to meet the retailer's demands, and being able to provide excellent customer service – profitably.



### Tip No. 2 – Be careful when adding software packages.

There are software packages available that are designed to fill the gaps that the general purpose ERP systems leave when implemented in a food processing environment. These packages include product traceability, quality management, HM Customs & Excise duty management systems and production scheduling. However, information entered into one system may be the same as information required in another system.

How will it get there? Will it have to be entered again or is there some form of system link? How can you ensure data will not be “lost”? This is particularly important for regulatory compliance with traceability systems and HM C&E reporting. Separate systems can make the problem worse, not better.

### **Tip No. 3 – Make sure you are solving the right problem**

The symptom of a problem can be misleading. Take the example of production planning. We often receive enquiries for factory scheduling systems, where a company is faced with a multitude of production orders, various sequencing rules, choices of equipment and manning, and urgent customer deadlines. They hope a scheduling system will sort the problem out. In fact, a scheduling system is probably not as good as an experienced production supervisor, and it is likely that the supervisor has a planning problem because there is insufficient information available, or insufficient time to plan the work efficiently. If there were ways of providing advance notice of production requirements, automatic links between manufacturing orders and preparation orders, and monitoring production so there was instant visibility of the progress of production activity – the supervisors could probably manage very well. All this is possible using food industry ERP production systems, and is a more effective way of solving the problem than adding the complexity of a scheduling system.

### **Tip No 4. – You don’t need to replace everything**

I am sure most ERP suppliers would be delighted if you decided to replace all your business systems with theirs, and some would insist that is the only solution. Others have a more enlightened approach and acknowledge that there may be areas that are supporting the business very well, such as accounts, or perhaps all of the office functions. The common problem areas are demand planning, rapid sales order management, ingredient and packaging requirement planning, production scheduling, production monitoring, production cost management and management information. That might sound like a lot, but in fact most of this is encapsulated within production planning and management, so it is possible that an effective ERP approach could be to retain the existing accounting system, or accounting and sales, and to implement a production management solution that integrates effectively with the existing systems. This has the advantages of minimising costs, reducing risk incurred through business process change, and providing a focussed solution to the key problem areas in many food processing companies.



Neville Merritt is Sales and Marketing Director of SSI, authors of the specialist ERP system TROPOS developed for the food and drink industries. TROPOS is used in companies such as Uniq, George Adams and Giles Foods who have kindly supplied photographs for this feature.