

# Rising to the Next Level of Growth

## How Best-in-Class Food Manufacturers Perfect Order Performance

After countless hours of hard work and delicate negotiations, you finally secure a contract with the big-box retailer you had been courting for so long, only to be faced with one critical question:

*Now what?*

You know that you need to be able to handle the increases in schedule and scale. And you know that your new big-box client—like any customer—has certain reasonable expectations for quality and service.

However, bigger customers come with bigger demands than the rest of your client base. Can you address new requirements, respond effectively to mock recalls, and comply with unique retailer procedures? Can you deliver on all your promises and fend off competitors waiting in the wings to pounce on your first mistake?

In short, will you be able to consistently provide the

**Right Product**, at the  
**Right Time**, with the  
**Right Shelf Life**, at the  
**Right Price**?

Guaranteeing these “Four Rights” means that you need to have processes and systems in place that allow you to produce the “perfect order;” one that AMR Research describes as delivered complete, accurate, on-time, and in perfect condition<sup>1</sup>.

The survival and success of growth-oriented manufacturers requires integrated business applications that enable companies to achieve perfect order performance. In this paper, you will learn how putting those applications and automation in place will enable you to meet customers’ expectations of receiving fresh goods with the greatest shelf life possible, provide goods of the highest safety and quality, and help your business grow.

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<sup>1</sup> AMR Research, “Forget the Perfect Order, It’s the Imperfect Order You Need to Measure,” December 2007.

# The Drive for Order Perfection

Growth-focused companies must contend with three market forces that work against their expansion goals.

**1. Competition.** It would be nice to have a market monopoly, but the reality is that the fight for shelf space at big-box stores is intense. And by virtue of this competition, big-box stores can enforce greater demands on their suppliers. If a manufacturer can't reach the high thresholds and expectations of these retailers, it is not going to obtain or retain the business.

**2. Complexity.** As a business grows and the number of product lines expands, so does the complexity of its operations. Manufacturers source raw materials from anywhere across the country or around the globe. They need an efficient, effective way to identify, monitor, and control this complex supply chain in order to grow, and retailers demand detailed, multidirectional traceability to respond to mock or real recalls and trace the sources of problems.

**3. Confidence.** Big-box stores don't place stringent quality controls on manufacturers just because they can; they do it to protect their brand. Any recall negatively affects retailers, and when products are private-labeled for the retailer, the brand impact is even worse.

To compete and grow in this complex and competitive marketplace, manufacturers need automated processes that enable them to meet retailers' demands around perfect order performance. They need to demonstrate that they can consistently deliver the right product at the right time, with the right shelf life, and at the right price.

## Consequences

Unfortunately, companies without integrated business applications lack the ability to do just that. Instead, they deliver:

- **The Wrong Product.** Producing the wrong product means a company doesn't have enough inventory on hand to fill orders or has excess stock sitting—and spoiling—in its warehouse. Shipping the wrong product or the wrong quantity creates similar problems for the retailer. Companies often focus on improving production efficiency, which is a worthwhile goal. However, achieving this goal is pointless if a company ends up efficiently producing the wrong product.
- **The Wrong Time.** Delivering a product too early or too late because a manufacturers' demand forecast is inaccurate doesn't help the retailer. When products arrive too early, shelf space is not available, the retailer may penalize the manufacture via its contract, and costs associated with returns and spoilage increase. Deliver a product too late, and stockouts occur and the retailer's

customers either choose competing products or go elsewhere. Neither situation benefits a manufacturer's relationship with a retailer or its customers.

- **The Wrong Shelf Life.** Inadequate demand forecasting, including incorrectly projecting seasonal demand, leads to shelf life problems, spoilage, and returns. The inability to match capacity to demand leads to difficulty fulfilling orders in a timely manner or to the production of excess safety stock as a hedge against capacity problems. Lack of visibility into inventory leads to shipping products out of sequence, rather than in the correct rotation.
- **The Wrong Price.** A manufacturer has to be competitive in order to do business with big-box retailers, which often restrict price adjustments. However, if a company prices its products too low, its margin suffers. Manufacturers need to understand and manage production and distribution costs at a granular level, which is particularly vital in an environment of rapidly escalating costs for fuel, raw materials, and other commodities. Additionally, without integrated business applications, producers will have difficulty handling deduction management for retailer promotions, leading to incorrect invoicing and the inability to efficiently reconcile receivables.

All these problems have a common cause: the absence of integrated business applications that would provide the visibility throughout the procurement, production, sales, and distribution cycles. Instead, companies have separate systems to handle production scheduling, accounting, and order processing that does not communicate with each other or that cannot be integrated effectively because they are homegrown, legacy systems. They also have automation disconnects in the end-to-end production process where manual processes and spreadsheets are used. These fragmented systems lead to fragmented processes and create breakdowns in quality, safety, and order performance.

Disconnected systems also do not provide the business intelligence and product traceability needed to compete for and retain larger retailers. They cannot handle complex business relationships and pricing scenarios. They do not provide companies the depth and breadth of insight that are necessary to make quick, accurate decisions. In short, disconnected business applications stifle business growth.

AMR Research identified that both consumer packaged goods and the food and beverage industry supply chain is reacting to, instead of actively managing, demand and under-investing in operational technologies and practices. In particular, consumer packaged goods is out of balance in inventory management, while food and beverage uses fewer production scheduling applications, fewer transportation management applications, and has a lower percentage of orders managed through electronic data interchange. All of these are areas where manufacturers could improve operational effectiveness.<sup>2</sup>

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2 AMR Research, "Forget the Perfect Order, It's the Imperfect Order You Need to Measure," December 2007.

# Producing the Perfect Order

Manufacturers capitalize on market opportunity and achieve greater levels of growth and success by investing in technology that automates, integrates, and streamlines production and distribution processes.

Growth-focused companies realize they must eliminate manual processes that impede efficient production and processing wherever they exist. They understand the need for demand planning and forecasting systems that replace “best guesses” with statistically based demand, including seasonal demand. They invest in effective production planning systems so that they are not over planning capacity availability in terms of equipment, labor, and

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Bill Hawkins  
COO  
Lighthouse

material. And, they implement proper execution systems to be able to purchase and receive the raw materials, track costs, produce products, and ship on time.

The Aberdeen Group recommends that when companies select those systems, they look for platforms tailored for the process manufacturing industries that have at least the most fundamental of process industry-specific features. Aberdeen also reported that best-in-class process manufactures demand more industry-specific functionality in their system selection.<sup>3</sup>

Most important, those systems must be integrated, connecting processes across the entire organization, from financials to manufacturing to sales and distribution. Aberdeen reports that 83% of best-in-class process manufacturers look to enterprise resource planning technology to provide integrated order entry, procurement, planning, and production as well as full financial management.<sup>4</sup>

Integrated business applications enable manufacturers to guarantee the Four Rights of retailers and perfect order performance. As several real-world examples

demonstrate, companies that have successfully deployed those applications have achieved significant business benefit.

**1. The Right Product.** Lighthouse Foods had been growing rapidly in both order volume and number of product lines: in just a five-year period, the company had more than tripled its offerings of refrigerated dressings, dips and sauces. To produce and deliver the right product and avoid stockouts, oversupply, and safety stock expense, it was critical for the company to be able to predict demand and effectively handle increased procurement and distribution complexity.

With an effective inventory management application already in place, Lighthouse replaced a spreadsheet-based demand management procedure with an integrated demand forecasting system. In less than a year after implementation, the company increased product fill rates by ten percent while simultaneously reducing finished goods inventory by six percent, saving considerably on carrying costs. In addition, Lighthouse has increased reliability and forecast accuracy, while dramatically improving visibility and increasing customer-service levels.

“By achieving a correct one-number forecast for the entire company, we can now plan, modify and manage at the customer level like never before possible,” said Bill Hawkins, COO of Lighthouse.

**2. The Right Time.** In order to grow its business, Berner Foods needed to respond to and anticipate increased customer demand for its line of cheese products and deliver sufficient product at the right time. The company realized that it didn't lack production capacity, but it was faced with lack of visibility into the manufacturing process that constrained its production ability. Berner did have metrics that reflected what was coming out of its equipment, such as units produced, uptime, and mean time between failures. However, it lacked a higher level of granularity that would point to the root causes of production inefficiency and capacity constraints. “To unlock additional capacity, we needed better visibility into the conditions and factors that were creating waste,” said Gary Gold, Berner's vice president of quality and continuous improvement systems. “Without this visibility, we couldn't address the inefficiencies that were restricting our capacity and business growth.”

Implementing an enterprise-grade, integrated operations management system enabled Berner to meet its objectives. Since deploying the system, Berner increased its business by more than \$3 million by unlocking capacity and improving production flexibility. Berner has reduced stockouts by 99 percent and built stronger relationships with its customers through improved product quality and on-time delivery.

3 Aberdeen Group, “ERP Plus in Process Industries: Pushing Beyond Traditional Boundaries,” February 2008.

4 Aberdeen Group, “ERP Plus in Process Industries: Pushing Beyond Traditional Boundaries,” February 2008.

**3. The Right Shelf Life.** Many of the largest big-box retailers carry Juice Harvest's juices, cut fruit, and vegetables. The shelf life of these products is critical; however, Juice Harvest's legacy system, designed for a discrete manufacturing environment, could not track the expiration of raw materials, which the company needed to use within two or three days.

"We were attempting to track inventory expiration dates with spreadsheets, but that was a mess. It was leading to a high level of waste," explained Derek Christensen, IT director for Juice Harvest.

The company replaced its legacy platform with business applications designed for the unique needs of the food industry in late 2006. Today, Juice Harvest can capture inventory data in near real-time and run hourly or daily reports. This allows its quality assurance department to act proactively when raw materials need to be used immediately or changes need to be made.

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**Derek Christensen**  
IT Director  
Juice Harvest

Waste of raw materials has been reduced, and the company has decreased monthly inventory adjustments from 12 percent to just two percent. Lot traceability has also enabled the company to automate the recall process. And finally, the ability to assign costs, such as labor and overhead, to specific products has allowed Juice Harvest to target the right price point for its products.

**4. The Right Price.** Wellington Foods, Inc. produces products that end up on the shelves of some of the nation's largest retailers. As a custom manufacturer, Wellington needs to fully understand the components and related costs of what goes into each privately labeled product. But as its business grew, Wellington found its resource planning strategy unable to respond.

"Growth makes resource management difficult when you're operating with a number of disjointed manual systems," said Tony Harnack, II, Wellington's president.

In addition to having manual processes, Wellington relied on legacy applications that were not specific to the process manufacturing industry, which compounded the cost-visibility problem. For instance, Wellington's systems lacked the ability adequately handle batch processes and

unit-of-measure conversions, leading to rounding errors and other inaccuracies.

Implementing an integrated resource planning system designed for process manufacturing enabled Wellington to produce and price products accurately and avoid inventory inaccuracy due to rounding errors. It also provided efficient, bidirectional traceability and the implementation of best practices, which makes Wellington a much more attractive vendor to bigger national companies.

"Without the ability to demonstrate competence in accurate and timely lot traceability and inventory control to the customers' audit committees, we would not have been a candidate to do business with these companies," said Harnack.

## From Assessment to Action

Growth-focused manufacturers must address deficiencies created by manual processes and disconnected systems in order to achieve their business goals. If a company cannot address its shortcomings, it will face contract penalties, diminished retailer and consumer confidence and, ultimately, loss of customers.

Perfecting your order performance begins with assessing your current capabilities compared to a full understanding of the demands that are going to be imposed upon you from major retailers. That assessment leads to a strategy of automation implementation, process optimization, and the selection of technology partner that understands and has designed its solutions for the process industry. Putting integrated business applications in place that enable you to deliver the right product, at the right time, with the right shelf life, and at the right price will ensure that you will meet or exceed the expectations of all your customers and rise to the next level of growth.

## **About Ross Enterprise for Food and Beverage**

Ross Enterprise is CDC Software's comprehensive suite of applications for food and beverage manufacturers. The suite of applications includes enterprise resource management (ERP), supply chain management (SCM), warehouse management, customer relationship management, real time performance management and business analytics. Together, these systems address the unique challenges in food and beverage including the need for detailed product costing and profitability analysis, management of pricing and promotions, optimized forecasting and scheduling, improved order fulfillment and customer service, inventory optimization with minimal spoilage, and compliance with food safety regulations and mock recalls. Ross Enterprise is used worldwide by more than 1,200 companies including Boar's Head, Kerry Ingredients, Cheesecake Factory, Pez Candies, Nellson Nutraceuticals, Hilmar Cheese, Michael Angelo's and Litehouse Foods. For more information, visit [www.rossinc.com](http://www.rossinc.com).

## **About CDC Software**

CDC Software, The Customer-Driven Company™, is a provider of enterprise software applications designed to help organizations deliver a superior customer experience while increasing efficiencies and profitability. CDC Software's product suite includes: CDC Factory (manufacturing operations management), Ross ERP (enterprise resource planning) and SCM (supply chain management), IMI (warehouse management and order management), Pivotal CRM and Saratoga CRM (customer relationship management), Respond (customer complaint and feedback management), c360 CRM add-on products, industry solutions and development tools for the Microsoft Dynamics CRM platform, Platinum HRM (human resources) and business analytics solutions. These industry-specific solutions are used by more than 6,000 customers worldwide within the manufacturing, financial services, health care, home building, real estate, and wholesale and retail distribution industries. The company completes its offerings with a full continuum of services that span the life cycle of technology and software applications, including implementation, project consulting, outsourced business services, application management and offshore development. CDC Software is the enterprise software unit of CDC Corporation (NASDAQ: CHINA) and is ranked number 12 on the Manufacturing Business Technology 2007 Global 100 List of Enterprise and Supply Chain Management Application vendors. For more information, please visit [www.cdcsoftware.com](http://www.cdcsoftware.com).

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