

Best Business

FOOD AND DRINK 2012: putting technology to work

EDITED BY LESLIE FAUGHNAN

Putting Ireland's best food forward

The food and beverage sector has generally continued to defy recession, with total exports in 2011 of €8.85 billion. The strongest performing categories were dairy products at €2.6 billion, closely followed by meat at €2.59 billion, while prepared foods earned €1.5 billion and seafood €420 million.

Britain continues to be the best market with a 41 per cent share of sales, while the

rest of the EU takes another 34 per cent and the rest of the world the remaining 25 per cent.

"Right across the food and beverages sector there are challenges because of rising standards in all aspects of food distribution and retailing, especially in food safety and traceability regulations, changing consumer tastes and above all the sheer level of competitiveness," said Paul Kelly, director of Food and Drink Industry Ireland



Paul Kelly, director, FDI

(FDI), which is the main trade association for the sector and a member of business group Ibec.

It represents the interests of more than 150 food, drink and non-food grocery manufacturers and suppliers in Consumer Foods, Dairy and Meat.

Trade customers in both home and export markets are setting demanding specifications for the products they will use or sell, according to Kelly, and in fact also for

their ways of doing business.

"Market success today means the quality of the food or food product has to be complemented by excellence in business, from production all the way along the supply chain with provable adherence to regulatory requirements and industry best practice," he said.

That means that investment in smart IT systems has become important in food and drink companies at all levels, from small craft pro-

ducers to our major enterprises.

"We have to overcome our geography as an island off an island off Europe, so temperature-controlled logistics, for example, assumes even greater significance for our exporters because of the journey times," he said.

The same applies to ensuring sheer efficiency in fulfilling contracts with demanding trade customers such as Tesco, Carrefour and McDonald's, and in dealing

with regulatory agencies at national and EU level or US customs and FDA.

"The quality of our raw materials and fresh produce is excellent, but that is not enough to compete internationally unless our business performance is also excellent," Kelly said.

He also said that most of the food and drink sector was relatively low margin and the businesses in it had a very high proportion of their working capital tied up along

the supply chain.

"Everything that can reduce costs and increase efficiency is particularly valuable in this sector," Kelly said.

"So Enterprise Ireland is encouraging the wider adoption of lean manufacturing and other process improvements while smart supply chain systems and other IT investments are recognised as simply essential for every firm to comply and compete."



Uwe Decker, SAP industry director for consumer products in EMEA

Global knowledge is giving local businesses a hand

By Leslie Faughnan

SAP, one of the world's largest software vendors, is a German-headquartered multinational that has specialised in large scale enterprise systems for almost 40 years.

Its initial release was in 1973, but today it is the largest vendor specialising in business systems. Its traditional strengths are in ERP, to which it has added CRM, supply chain management and supplier relationships and product lifecycle management.

SAP was probably the first large enterprise systems vendor to focus its products by business sector rather than by functionality or operating platform, notably in heavy industry and utilities.

"We have, in fact, been working in the food and beverage industries since a very early stage and it is one of our strongest markets," said Uwe Decker, SAP industry director for consumer products in EMEA. "We can count the ten top global food companies and the

top ten beverage corporations as customers.

"We have a huge heritage in the food and beverage sector, with businesses all over the world and several decades of experience and development. These industries are in our corporate DNA at this stage.

"As food safety regulation and higher standards have permeated the industry worldwide, we now see regulatory compliance and food quality and safety embedded in the industry and its supply chains."

Traceability from farm to fork is now mandatory in the EU and many other jurisdictions and best practice worldwide.

"There are other factors putting pressure on quality and standards, from changing consumer demands to international sustainability targets," Decker said.

"Above all, there is competitive business pressure on prices and margins but also across the supply chain.

"Appropriate levels of stock availability in all outlets is critical, but only possible where the company has systems that allow complete visibility across

its supply chain."

Today's smart SCM can incorporate immediate data from point-of-sale and even shelf stocking.

"Are your products being stocked and displayed in accordance with your agreement with the retailer? That is the level of detail that it is now possible to capture in an automated way," Decker said.

"Suppliers, logistics providers and retailers can link their systems in a partnership so that all data can be shared to allow all of the participants the kind of transparency and total view that each can use to ensure optimum performance."

That also illustrates the emphasis SAP places on comprehensive end-to-end solutions for the food and drink as other sectors.

"Analytics at the same speed as traditional monitoring is a significant development in retail and distribution, driven by the ICT performance that is now possible for mobile workers with smart devices," Decker said. "With a promotion, for example, whether a national advertising campaign or

a single in-store event, the sales uplift and detailed performance and even profit and loss for the particular lines can be almost instantly tracked."

While it has a reputation as a software vendor for the largest organisations in the world, SAP in the last decade has been offering solutions for smaller businesses incorporating much of the functionality of its enterprise class systems. In fact, today over 80 per cent of SAP user companies are SMEs, many with fewer than 100 users.

Equally important and practical is that its sectoral experience and tailored features for specific industries have been carried forward into SAP solutions for smaller business. They include SAP Business One, a single integrated solution and SAP Business One OnDemand, a cloud application that includes all critical business functions including sales, purchasing, inventory and finance.

SAP Business All-in-One is a customisable and extensible solution for mid-sized companies with industry best practices built in.

Adapting to ever-changing markets

By Leslie Faughnan

Logistics and supply chain activities play a critical role in the food and drink sector. The National Institute for Transport and Logistics (NITL) has worked particularly closely with companies in this industry, focusing on the key importance of supply chain management (SCM).

Sophisticated SCM is driven by the higher levels of customer service being demanded by domestic and international customers and the universal business need to reduce costs.

"But there is also increasing recognition that the bulk of costs is tied up in the supply chain in one way or another," said Edward Sweeney, director of learning at the NITL and a recognised international expert.

"Another key factor is food



Edward Sweeney of NITL

safety and supply chain traceability. A variety of frozen, chilled and ambient products move through food chains adding another element of complexity, particularly for enterprises exporting consumer food products.

"The key SCM activity of stock optimisation is an important issue as product perishability means that margins for error in this area are small."

NITL's recent research into

SCM adoption by firms in Ireland suggests significant room for improvement remains although there are pockets of excellence.

There is evidence to suggest that some Irish food and drink and wider FMCG supply chains are failing to adopt well established international models of excellence in physical distribution and SCM. The results include inefficiencies and unnecessary costs in Irish supply chains, barriers to entry into the retail multiples locally and, ultimately, higher prices for consumers.

NITL's view is that underlying causes are complex and multi-faceted. "We actually dispute the concept of 'best practice' in this context, because it implies there is a single optimum supply chain strategy, some sort of 'one size fits all,'" Sweeney said.

"The reality is that every supplier and every customer in the food and drink space has its

own particular drivers in cost control and customer service and its own set of strategic priorities. The detail of each customer and supplier pairing is characterised by its own unique set of factors."

Sweeney said the NITL had always eschewed 'best practice' thinking and promoted the more sensible notion of 'appropriate practice', not just in the food and drink sector but generally. He pointed to the innovative supply chain architectures that have been developed in recognised global SCM leaders, notably outsourced high-tech electronics.

An optimum solution must be tailored to reflect the uniqueness and the dynamics of the specific scenario.

"Really strong attention to detail is important, because 'the devil is in the detail' which varies significantly from each retail multiple, each supplier and the infinite variety of food and drink products," he said.

Cream of the country rises to the top in Cavan

By Post Reporter

For over two decades, the Irish cream liqueur business has been expanding and now constitutes a significant proportion of Ireland's alcoholic beverage sector. Terra, a family company based in Bailieboro in Co Cavan, specialises in cream liqueurs (Molly's, Maloney's and Pastures) as the centrepieces of its independent contract manufacturing and bottling business.

The firm started 18 years ago as a management buy-out of a Bailey's production facility. Today, it employs more than 30 people and comprises a largely unchanged team since the company was established.

Terra exports 98 per cent of its output to the EU and all over the world with the US and Australia as

significant markets and China growing rapidly. It supplies Lidl for the Irish and British markets, as well as Poland where a taste for Irish cream liqueur has emerged in recent years.

"We have been happily using Exchequer software for over ten years," said Kathrina McKeivitt, director with responsibility for finance and administration. "Over the years, we have had it customised and tweaked for our exact requirements. At production level, we work with different bills of materials for the various products, with each ingredient set out for product consistency."

Traceability is important for Terra, with accurate tracking of all batches and shipments, especially for the very strict requirements of the US FDA as well as Revenue and Customs & Excise.

"We have very few queries about

our documentation, and we have never had one we could not answer satisfactorily in minutes," McKeivitt said.

Specific reports were designed for Terra to meet its Intrastat and VIES responsibilities while the Exchequer system was configured to work with Thyme-IT, a specialist Irish-developed solution for Customs & Excise and shipping documentation internationally.

"The food and beverage industries and especially alcoholic products are tightly regulated in all markets, as are the shipping and logistics," said McKeivitt.

"Our systems help us to run the internal business operations efficiently and profitably, but for our export trade and international contracts having really smart and reliable IT is critical."

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We invite you to contact us so that we may share more with you about who the Heavey RF Group is and what we have accomplished in your industry.

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