

Healthier Eating Requires a New IT Diet

Mike Edgett, Director, Industry Marketing, Process Manufacturing, Infor



Are we really starting to eat healthier? Have we begun abandoning our bad habits? A week doesn't go by without another story about trends that seem to reflect this; families with young children buying less processed food, the continued growth in organic foods, grocery stores devoting more and more space to fresh foods.

This is not a sudden change. We have seen signs of this coming for a while. Beverage companies have seen the demand for sugary, carbonated drinks be replaced by the demand for natural, refrigerated juices, and, more recently, we saw the (albeit temporary) demise of the Twinkie as consumers moved towards less processed snack foods.

Changing consumer tastes is not a new phenomenon for the food and beverage industry, but this time it's a little different. There is more at stake than creating a new product and managing the life cycles of older, established brands. Consumers are moving to less processed products with cleaner labels, which means that manufacturers are likely dealing with products that have much shorter shelf lives.

Some sectors of the food industry have dealt with this for years. For example, a traditional bakery probably has a number of SKUs with short shelf lives. They are constantly trying to balance the risks of outdated products with the revenue loss from out-of stock products. While some have adapted to meet their changing needs by implementing detailed planning and scheduling software solutions, others try to get by with spreadsheets and generic or outdated business software. This difference in adoption of the latest software tools is also evident in the dairy products industry, where top companies typically have around 35 days of inventory, while others stock up to 57 days of inventory, and therefore are much more likely to run into issues with out-of-code product given the short shelf life of many dairy products.

For many, the shift to shorter shelf life products is going to create challenges they aren't ready for. While these will vary based on each organization's unique situation, if you are currently seeing a change to shorter shelf life products, you should ask yourself whether you are prepared for the following:

- **Stricter service level agreements (SLAs):** Fresh foods cannot sit on a store shelf for very long. Retailers do not want to handle out-of-code product, so they typically define SLAs that require a minimum number of days of shelf life to remain when received. While this varies by product, the expectation is such that products often need to be received within just a few days of production. This means you must have flawless warehouse management practices that insure you are following FEFO (first expired, first out) within the constraints of individual grocery store's SLAs.
- **More complex scheduling:** Having a shorter shelf life likely means you will have to produce a smaller quantity of each SKU, but produce them more frequently. The challenge is that this increases your changeovers and therefore likely decreases your overall production capacity - not to mention increases your costs. You need to have the ability to optimize the many variables that impact the optimal product plan, including balancing shelf life versus expected demand, production bottlenecks such as tank scheduling, and CIP and ingredient availability.
- **Real time visibility to orders and inventory:** If you are moving to ultra-fresh foods (i.e. products with at best a couple weeks of shelf life), then you must have instant visibility to orders and order patterns not just forecasts and historical data. As soon as these patterns become abnormal, you need to have the agility to plan and re-plan production on a daily - or even hourly - basis. Without this, you will find yourself either out of product, or out of code.

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Now is the time to evaluate your business and determine whether you have the right tools needed to handle this change in consumer demand. The move to fresher foods is not going to go away – in fact, I expect it will continue to move into additional divisions of the food industry, so it is imperative to determine how you will meet this need without incurring the cost of expired products, or the loss of revenue from being out of stock.

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