



TRADE SECRETS:

**How to control costs
in the food service
industry**

THE 5 BARRIERS TO COST EFFICIENCY – AND HOW TO OVERCOME THEM

▶ At a time of inflation and rising costs, the narrow margins in the food industry are being squeezed ever tighter. The good news is there are still areas where you can introduce efficiencies and enhance ways of working to shave costs off your day-to-day operations and deliver savings. And there is a way you can introduce all of these efficiencies in one fell swoop.

But to understand how to take control of costs, we need to understand the barriers that could be holding you back. Having worked with food service companies for over 30 years, we have seen the same key challenges occurring time and again. In our experience, there are five key barriers that often hold companies back from being able to cut costs.

BARRIER 1

THERE'S NO SINGLE VERSION OF THE TRUTH

▶ Any business has a number of systems working at any one time. Financial, ERP, BI software, if you've got multiple systems running at once, then you're taking your information from a number of different sources. So instead of having one accurate and reliable source of information, you have a number of conflicting data sets.

It's the perennial challenge of having information in silos. You can input data from all these different sources into spreadsheets, but what you really need is an accurate, real-time view of the raw data underneath. Without a single, objective view of the truth, you don't know for definite the true cost of purchases,

or how much deliveries are costing you. And without that pure data, how can you make forecasts or budget with confidence? Any decision is based on assumptions rather than accuracy.



“What you really need is an accurate, real-time view of the raw data”

To take just one example, we have seen many businesses losing money each year on constantly having to buy new goods cages. With drivers handling the delivery data on paper, and staff back in the office re-keying information when drivers return, it can be nigh on impossible to keep track of where cages actually are. Each lost cage is an added cost to the business. Until you have a single view of the truth, those costs will mount.

Feeling caged in

One food services company told us they spent £150 on average for a cage. They have a rolling stock of approximately 1,000 on site, and tend to replace 400 to 500 a year. That equates to a cost of up to £75,000 a year.



BARRIER 2

A LACK OF AUTOMATION OF PROCESSES

- ▶ We all have our own ways of working. That's what can make a business a success, as every employee brings something different to the table. But when your business relies on processes and operations that should really be systematised, it can cause problems. One team might organise the warehouse a certain way, for example, while another team might do things differently. Goods – and costs – can slip down the cracks between the two.

Then there's the problem of duplication. Are different departments doing the same task? Or is the night shift doubling up on the work that is happening during the day? If so, tasks are taking up precious time and costing too much money.

There's another downside of relying on human ingenuity. Human error. Mistakes in the warehouse like misplaced stock, lost orders and incorrect picking can result in huge costs for your business.

Finally, humans can be expensive. If you're dealing in orders that have tight turnarounds, perhaps because of rapidly approaching best-before dates, you might need to keep operations running through the night. That means employing more staff, using freelancers or paying people overtime to keep things moving.

BARRIER 3

SPIRALLING INEFFICIENCIES

- ▶ If you're holding goods across a number of warehouses to meet customer orders across a region or even across the country, you might be doubling up on products. That's inefficient on a number of levels. You're not just paying for twice the space you need, you're also paying for twice the manual work to process those products. Not only that, if the items in question are chilled or have a short shelf life, there's a danger that they may go to waste.

Ironically, effort spent trying to bring costs down can lead to costs rising instead. For instance, as systems and data move to the cloud, many businesses are cutting back on dedicated IT staff and outsourcing the expertise.



Yet if the systems that are now being hosted in the cloud aren't being fully utilised, you might not be reaping all the rewards from them. By taking full advantage of the cloud, you could gain one overall picture of your data and your inventory to make informed decisions and properly cut costs.

From manual to automatic

One business we spoke to estimated that it took around 30 minutes a day to manually print and sort pick notes. But by moving to online ordering, there is less need for manual intervention. Rather than the business having to contact drivers to obtain delivery ETAs, customers can now use an online portal to obtain delivery information, reducing the business overheads.



BARRIER 4

EVER-GROWING INVENTORIES

- ▶ The last thing a business wants to do is to have to say “no” to a customer. So it’s easy to see why a food service company can start to build up large inventories in its warehouses.

Yet this introduces weaknesses into the system. First of all, those all-important sell-by and best-before dates can come around all too quickly, leading to wasted produce sat in the warehouse. With such fine margins, little losses like this start eating into the bottom line.

The more cautious a business, the more it might try to hedge its bets by holding a lot of stock. Yet this will end up costing more and more in the long run.

Another challenge here is that holding a wide range of products doesn’t make for an efficient

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One food business told us they lost around £600 a week to wastage, which is the equivalent of £31,200 a year. Another mentioned a figure of £113,000 in the last 12 months.

Even if some items can be donated to food banks, losses like these can have a serious impact on the bottom line.

way to purchase. Rather than buying in bulk and benefitting from economies of scale, you may end up having to buy a small number of products at short notice. So instead of taking control, you are becoming beholden to the seller.

BARRIER 5

LACK OF SIGHT OF COSTS

- ▶ To coin a phrase, there are known unknowns and unknown unknowns. Let's start with the former. Let's say you're supplying schools with chips and other student-friendly fare. You can predict peaks and troughs of demand, cutting back on certain purchases when term ends, for instance.

Yet this is fairly basic forecasting, with little ability to allow for any nuanced changes in behaviour. An unseasonably warm spell could lead to more demand for cold drinks or ice cream.

Now let's consider the unknown unknowns. What happened in March 2020 showed just



“Take back control to make smarter, more strategic decisions and shave costs”

how swiftly plans and predictions can all go out of the window overnight. Events like the global pandemic may hopefully be few and far between, but they play havoc with orders and business, and mean any strategy you have is no longer of value.

With a food management software system in place, you can update the system to be able to cope with black swan events like this and help you plan ahead as events unfold. Otherwise, you're left grasping at straws.

FIVE CHALLENGES TO CUTTING COSTS – NOW HERE'S ONE SINGLE SOLUTION...

- ▶ Introducing an ERP to help you manage stock, process orders, organise your warehouse and track deliveries can help you rise to each of the five challenges we have outlined above.

By gaining real-time information and insights from across the business at any time, on any device, you can take back control to make smarter, more strategic decisions and shave costs off operations to introduce savings across the board.

Smarter purchasing with just-in-time orders

With an ERP system, you can focus on what you need, rather than what you're hoping to sell. So for those time-sensitive orders like

vegetables, meat, fish and dairy, there's no waste. You simply order the goods in when you know you have a market for them.

With just-in-time ordering, you can also purchase produce that is packed up and ready to go out to your customer as soon as possible. The software simply tells you how much stock you need, and the order automatically goes out to the supplier. That means zero waste, and happy customers with super fresh produce.

Just-in-time is also extremely handy when you're short on warehouse space – and let's face it, who isn't? You don't need to hold vast ▶





quantities of stock, but can make efficiencies to have just what you need. So there's less cost in storage and human resources to manage the warehouse.

“Zero waste, and happy customers with super fresh produce”

By fully understanding how you are using your storage space, you can start to introduce economies of scale, too. Rather than holding stock that you rarely sell, you can focus on the higher-selling items and order in bulk to drive down costs and claw back margin. And by identifying your key suppliers, you can focus on them to benefit from keener pricing, better service and promotional activity that is good news for them and for your business.

Automated systems to free up your team

An ERP introduces automation, which means your colleagues don't have to be doing all the manual work, but can step back to work on the business, rather than in the business. They can make strategic decisions like strengthening key processes and improving integration between teams, helping the business improve and grow.

Automation also means that you gain an unprecedented full view of your costs, stock and deliveries. You can track assets and stock throughout your entire estate and out to your customers, too. That doesn't just save costs in terms of lost stock, it means lost cages and pallets are a thing of the past as well.

You'll probably also save on fuel and vehicle costs, as the software will help you make canny decisions about how to order your deliveries.

Rather than driving to one customer with one single item, the software can enable you to plan the route with multiple deliveries along the way, so each journey is more cost-effective. And with first time order fulfilment, you're making sure that customers are always satisfied with the service.

Flexibility to deal with peaks and troughs

Once you've introduced an ERP to your business, you can start to shape it to your individual requirements. They are designed to be flexible and can be adapted as your situation changes. So not only can you deal with the known unknowns, you can start covering off the unknown ones too.

For instance, during the pandemic a number of items became difficult to source. If there's suddenly a problem obtaining sunflower oil, for example, you can configure the ERP to set up alerts for shortages and price rises. You can see all the factors that influence your purchasing decisions in a single glance, giving you the insight you need to buy and hold as little stock as possible while always having what you need to keep customers happy.

You can also set your ERP to take your own physical environment and processes into account. If you have two floors in a warehouse, or different freezers for different stock, the software can take that on board and deliver solutions that help you make the most use of the space and facilities on site.



Introducing hub and spoke for greater efficiency

Finally, a sophisticated ERP can help you introduce a hub and spoke model which can really drive down costs. With hub-and-spoke functionality, your ERP should let you manage depots and stock with ease. You can spot opportunities to move stock and improve efficiency, assemble deliveries by route or order, take advantages of economies of scale to bring down your costs and stay on top of best-before dates to bring down wastage.

You have complete visibility of all your sites and stock, which means you can start to make strategic decisions. So, rather than holding all stock at every location, you can hold key items close to suppliers in one location, and then feed more stock to that warehouse from your central hub as and when you need to.

“Manage depots and stock with ease”

This can become key in an inflationary market, when inflation is eating away at your margins. Rather than buying large quantities of stock to hold at all your locations, you can make smaller, strategic purchases to buy at keener prices. As more and more of your competitors start acting this way, you can't afford not to.

An example of the way forward: Qnetex

Qnetex is a smart, straightforward ERP that can help you grasp all the advantages we've covered in this report, giving you full visibility of your operations in one single system.

How an ERP can introduce benefits across your business

- ✓ Making purchasing and storage smarter, driving down costs and introducing economies of scale
- ✓ Freeing up your teams so they can concentrate on more strategic tasks
- ✓ Introducing flexibility across the business to prepare for, and manage, peaks and troughs
- ✓ Enabling hub and spoke delivery models for ultimate efficiency and reduced costs

By shaving costs off all your processes, you can protect your margins and stay competitive.

The system is available on any device, so your team can call on real-time information and insights from across your entire estate, at any time.

You don't need to be an IT whizz to get it working for you. Thanks to our 30+ years of experience working with foodservice brands, we know the type of challenges you face, and what you need from an ERP. We will put the system in for you, and work alongside you and your team to configure it to your needs.

To find out more, take a look at csd-qnetex.com or get in touch. Email our CEO Peter van der Merwe on peter@csd-qnetex.com and he can tell you how Qnetex could make all the difference when it comes to making cost savings.

Computer Systems for Distribution Ltd

11 – 12 Oxonian Park
Langford Locks
Kidlington
Oxfordshire
OX5 1FP
United Kingdom

Get in touch: info@csd-qnetex.com

Support: support@csd-qnetex.com

Tel: +44 (0) 1327 227 366

Web: csd-qnetex.com

