

Sage ERP Solutions | White Paper

Growing Food and Beverage Businesses

Innovation to Maximize Market Opportunities



Table of Contents

Introduction3

Seizing Opportunities for Growth.....4

Innovation Across the Organization for a Broader Reach5

Advanced Systems Critical to Innovation.....7

Thinking Beyond the Box8

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Introduction

This is a great time to be a market-savvy food and beverage processor, co-op, or distributor representing whole food and ingredient producers. Global demand for food and beverages continues to rise, and the market will pay a premium for partially prepared healthier choices that are convenient and easy to eat anywhere or more cost effective for large-scale food preparation. Those with innovative solutions for these niche markets are in a position to gain brand dominance and market loyalty that result in higher revenues, profits, and market share.

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Seizing Opportunities for Growth

Market leaders in this industry are no longer primarily selling whole products in bulk to grocers, food manufacturers, and food service preparers. Today they are seizing market opportunities in response to global and local demand for greater convenience, faster preparation, more product uses, and on-the-go consumer options. Strategic marketers in these organizations are also diversifying their focus by targeting additional niche markets while expanding globally. They are partnering up with retailers, mass merchants, vending suppliers, restaurants, chefs, hotels, schools, and other types of institutions. A growing number are also reaching out directly to consumers on line.

Consumers have a love-hate relationship with whole or partially processed foods. After years of being convinced that packaged foods with less fat or fewer carbohydrates were the answer to weight control, they are now returning to basics and looking for healthier, organic, and more appetizing alternatives. This is occurring in an era when time is limited and fewer adults know how or have the time to plan healthy meals and spend time cooking, which creates a golden opportunity. Food and beverage companies are perfectly positioned to create solutions for busy families, college students, and career-driven men and women who want healthy, enjoyable alternatives to fast or packaged foods.

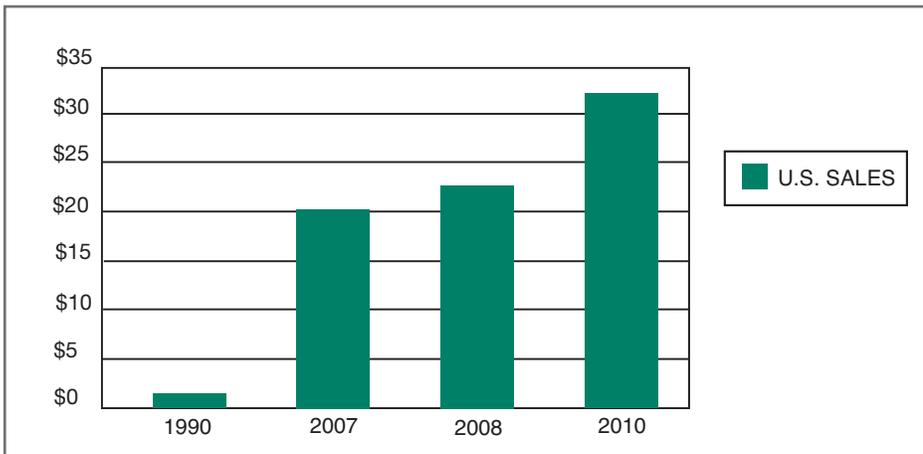


FIGURE 1

One of the fastest-growing market niches is organic food and beverages, which had limited appeal just 15 years ago and today is the fastest-growing sector, worth more than \$20 billion and projected to grow annually during the remainder of this decade at 18 percent (see Figure 1). Other sectors that have healthy growth rates include Kosher, allergen-free, non-GMO, gluten-free, and whole-grain products.

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Figure 1: U.S. sales of organic food and beverages have grown exponentially in 20 years and are still growing at 18 percent annually.

Health concerns are only partially responsible for the higher sales in whole foods and beverages. Processors are also gaining higher market demand because of their shift from club-size and bulk packaging to single-serve, preprocessed, partially prepared, region-specific, or more exciting solutions. These new product variations address underserved and untapped markets and bring back basic nutritious meals to the masses, whether purchased by consumers, restaurants, or institutions.

Opportunities also abound within professional food service, commercial kitchens, institutional facilities, and manufacturing sectors. Each market is filled with visionaries and developers seeking unique ingredients or products to specification for developing their own market-building applications. They want to team up with processors or work side by side in the R&D labs, kitchens, and training centers to create the next award-winning, rave-reviewed dish or product.

Innovation Across the Organization for a Broader Reach

A trend occurring across the industry is the change in thinking across the organization from being a source of harvested goods to a one-stop solution partner of specialty and niche-specific product line goods and services. Solutions range from product and packaging options to marketing and R&D services. This requires greater vision, innovation, and sophistication across key functions in the business. It also demands rapid responsiveness to changing market opportunities and expansion of existing product lines with new innovations.

The areas of the business most involved in developing new concepts and partnering with market leaders include sales, marketing, customer service, R&D, IT, process engineering, plant processing, and distribution (see Figure 2).

Leaders in the industry have teams in place across their organizations that recognize the importance of creative continuous improvement driven by an innovative spirit.

In these companies:

- **Salespeople** develop solid target market and R&D technical understanding to identify creatively how their products and services can solve their prospect's business goals and end-customer needs.
- **Marketing** creates product, packaging, and promotional business plans and materials that support multiple sales channels. Their objective is to increase brand identity for new solutions while generating market demand and market share in their specialized niche.
- **Customer service** continually strives to improve Web site functionality for accessing product information and ordering, recipes and health tips, incentives, and product suggestions.

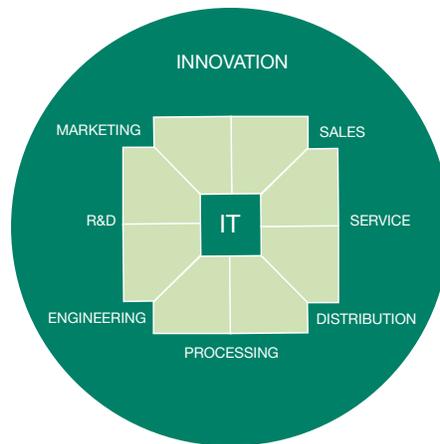


FIGURE 2

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Figure 2: Innovation is occurring in functions across food and beverage processing organizations.

- **R&D** tightly manages its resources as it gets pulled in many directions. The R&D team collaborates with customers to create market-specific products, develop new product variations, and recipe formulations. R&D also creates next-generation product lines, researches packaging materials and flavorings, creates lab-tested recipes, and tests products using focus groups. R&D must work closely with engineering to perfect packaging innovations and production processes as well as with suppliers for new ingredients and state-of-the-art packaging to preserve freshness and create consumer convenience.
- **Process engineering** keeps up with cutting-edge technologies and equipment as well as procedures and processes to improve how food and beverage ingredients are handled, processed, finished, and packaged. This department is continually innovating and improving operational processes to ensure product consistency to highest quality standards, increase batch yield to specifications, and ensure compliance to regulations.
- **Plant processing** facilities are ready to support higher demand and rapidly changing product line specifications. They must also ensure that production and packaging operations are achieving optimal efficiencies, asset productivity, operational flexibility, regulatory compliance, and highest information accuracy.
- **Distribution** continuously improves facilities with state-of-the-art cold or freezer technologies and automated processes to increase productivity and minimize product waste and operational expense. Team members do this while handling greater product mix and expanding volumes out of much larger facilities that serve broader market regions across the globe.

These strategic and tactical innovative practices are reliant on well-designed, highly flexible information technologies and functional systems to support changes in business processes.

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Advanced Systems Critical to Innovation

There is a direct relationship between the level of sophistication in information systems and in the success of innovations. Whether designing specialized formulations, advanced packaging materials, channel-specific promotional deals, or material handling efficiencies, food and beverage companies must be positioned to act rapidly and confidently in a much more complex world.

Those that are seizing market opportunities and gaining brand dominance continually invest in state-of-the-art technologies. Most have also integrated nearly all aspects of their vertical operations, from harvesting to processing and out through distribution and transit. They are turning to business analytics to understand their markets and opportunities as well as advanced Internet technologies to collaborate with partners, peers in their organization, and remote operations now spanning the globe. Much like the farmers in the field and fisherman in the sea who have successfully applied leading-edge technology to their businesses, co-ops, processors, and distributors are becoming well versed in how current technology improvements can give them a differentiated advantage.

In order to be an innovative player in the rapidly changing food and beverage marketplace, companies are turning to more complete and advanced system infrastructures, functionality, and technologies also used by the market leaders. Their enterprise systems include some of the following capabilities (see Figure 3):

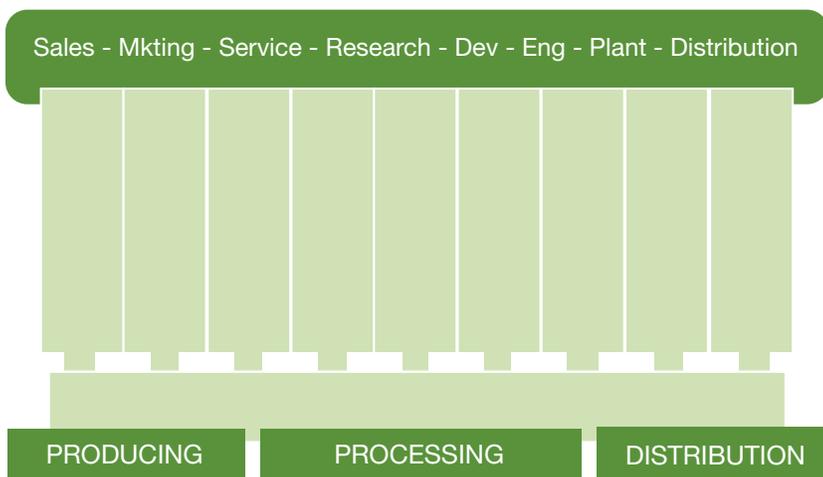


FIGURE 3

- Adaptable, flexible, and scalable IT infrastructure that leverages Web services and spans vertical operations for real-time responsiveness to changing operational events and conditions
- Market intelligence combined with financial and operations analytics to identify shifts in market behavior and viable business opportunities
- Product mix management across multiple and highly diverse channels for optimum sales, revenue, growth, and inventory turns

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Figure 3: The pace and change of innovative solutions demands sophisticated technologies and cross-organizational integration.

- Online document management to maintain product catalogs as well as instructions and recipes by ingredient, product, and customer used by multiple constituents in the organization
- Multidimensional product concept modelling that considers end-user, brand, business, and technology factors of R&D submissions for greater success with new product introductions
- Development collaboration with colleagues, partners, and customers to define products, develop products and packaging, determine costs, source materials, and suppliers, and manage production ramp-up
- Applied process engineering specifications to product definitions, formulation processes, and production equipment instructions for greater product consistency, production optimization, and product safety
- Finite scheduling in processing plants to optimize line capacities and resources for increased throughput, higher yields, and lower stock inventory levels
- Integrated process controls, automated equipment systems, laboratory equipment, and data collection for real-time processing, tracking, quality control, alarming, and reporting
- Automated conveying systems integrated to intelligent warehouse controls and warehouse management programs for high-volume product movement efficiencies, accuracy, and yield

The benefit of highly automated, sophisticated real-time capabilities is the speed and reliability of information to make sound, rapid decisions as opportunities or problems present themselves in a high-growth and changing marketplace.

Thinking Beyond the Box

Opportunities for innovation abound for whole foods and beverages being refined for specialty markets, prepared for busy consumers, and customized for specific applications. The sky is the limit for higher-margin solutions and new long-term partnerships across diverse market sectors. The only things holding companies back are their internal systems and infrastructure unable to keep pace with the possibilities.

The good news is that global demand for food and beverages is still growing, which means sales growth and profits are strong enough to support capital investment in new technologies. Now is the time for thinking beyond traditional systems and taking a serious look at technological advances that provide the backbone for innovative products and processes and a healthy return on investment.

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