



Aptean Food & Beverage ERP

Managing the Impact of **Food Inflation** in the **Meat and** **Seafood Industries**





Food Inflation: How to Ride the Storm

Companies like yours that specialise in the meat, poultry and seafood industries are required to successfully navigate a complex set of challenges to remain successful.

Internally, you need to maximise unique production, labelling and packaging processes whilst you deal with continued pressure to ensure quality assurance, food safety and integrity is maintained across everything you produce.

External influences are however putting additional pressure on these processes and in particular impacting costs and profitability of meat and seafood processors. The economic and geopolitical landscape has been a major contributor, with the global energy crisis having a significant impact on these high energy-intensive sectors. Both heating and cooling food requires large amounts of energy. Cold is needed to chill meat to ensure food safety, and heat is needed for cooking, steaming, simmering, sterilisation and cleaning. In addition, there is water consumption for cleaning and disinfecting manufacturing facilities.

Fluctuating prices of raw materials, such as feed and welfare expenses for livestock, and transportation costs on land and sea are also eating into your slim profit margins.

The cost of doing business for meat and seafood producers has therefore soared.

The global food price index averaged an all-time high in March 2022, and inflation remains the highest level of concern for the food and beverage industry, with higher operating costs and the need to raise prices projected to make the largest impact on the industry over the next five years.

Specifically, the meat, poultry and seafood sector saw some of the biggest price increases, and these industries all declined in growth in 2022 compared to 2019 figures. Cod and haddock prices have risen by 50%, and according to recent figures from the ONS, beef and veal has increased by 14.8%, poultry by 18.0% and pork by 25.2%. However, due to low consumer confidence, it is proving difficult to pass these price rises on to the end customer.

This dynamic environment is forcing a constant evolution in operational processes, particularly as you seek new methods for managing fluctuating costs across the supply chain; sourcing high quality, low-cost raw materials; and ensuring pricing accuracy. This requires operational agility, insight and efficiency to maintain profit margins and to continue to be successful.

Whilst the reasons for rising costs cannot be controlled by technology, digital transformation and efficiencies gained from automation can help to offset their impact. Furthermore, enterprise resource planning (ERP) systems built to service the unique industry requirements of the meat, poultry and fish sector can deliver even greater improvements to profitability and business resilience.

This paper further examines how a food industry-specific ERP solution for the meat and seafood vertical can help to bolster operational processes and protect profit margins in this volatile economic environment.



Food and beverage businesses that have moved to **food industry-specific cloud ERP systems** have reported a **4.9% increase in profitability** vs. a 3.7% rise for those with more generic ERP applications.⁽¹⁾

¹**Source:** IDC Whitepaper, Global Food and Beverage Industry Trends and Strategic Insights 2022 (#US49610922). Sept. 2022

Manage Rising Costs and Optimise Profits with Industry-Specific ERP Functionality

Reducing expenditure without sacrificing quality and output ensures that every financial outlay you make will produce a return. Prospering meat and seafood companies have realised significant cost benefits with ERP systems, particularly where their unique requirements—such as dealing with variable weight products, pricing, perishability and waste reduction—are addressed. Apteian's ERP solution for the meat and seafood industries has proven capabilities for cost savings over and above generic ERP solutions.



“Apteian’s reporting delivers a clear picture of our margins, and we also use the software to measure our weekly performance against the standards that have been set. This is important for Finnebrogue Artisan not just from a cost perspective but because we use the system to order the correct materials and quantities required to manufacture our products.”

Tariq Habib, Interim Programme Manager, Finnebrogue Artisan

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The perishable nature of meat and seafood means both product and money can be wasted if inventory is not managed efficiently. Apteian's ERP solution can help you keep track of the expiration dates and warns users in advance of approaching timelines so that they can be incorporated in production to prevent products becoming outdated and that investment wasted.

Robust production planning tools and the precise alignment of supply and demand help to maintain optimal inventory levels. With the insight that a purpose-built system can provide, you can order and pay for what you need to fulfil customer orders without excess that could spoil.

With demand forecasting, you can also predict seasonality in demand even for specific products—think summer barbeques and turkeys at Christmas. With reliably accurate projections of consumers' appetites and the expected sales in any given period, your business can take advantage of seasonal changes and maximise profitability. Apteian Food & Beverage ERP can help you track more than 500 key performance indicators (KPIs), over 300 of which are specific to the food and beverage world. These business intelligence insights provide a greater understanding of which lines are making money, and scenario modeling shows how potential changes would affect your organisation's profitability.

You can use fast order entry functionality to quickly create sales orders with the products you want to promote to specific customers. When a certain product becomes available in your customer item catalogue, you can immediately notify your sales team for quick order processing.

Trade management and advanced pricing help you optimise profit by using hierarchical pricing models and advanced discounting methods to create the best deals with clients.

Lot management tools are traditionally not optimised for the meat/proteins industry in generic ERP systems and accommodating cut and grade labels will require inefficient workarounds. Integrated quality management and related functionality easily allows for the assignment of grades on a lot-level and cuts on an item-level.

Similarly, scale integration may require significant reworking. Aptean's industry-specific ERP solution can be natively integrated with connected scales to accurately track variable weights across the supply chain.

In terms of labour, mobile warehouse capabilities enable your workers to accomplish critical inventory management tasks with speed and accuracy using handheld barcode scanners. Rather than having to rely on pen and paper for later re-entry in a spreadsheet, employees can simply pull a trigger or push a button to immediately log important information and update the shared database, streamlining their efforts and optimising resource costs.



The Importance of Catch Weight in Cost Reduction

Catch weight—the practice of measuring and pricing meat and fish products based on their actual weight rather than an average standard unit of measure—is important for managing costs and profitability. It is vital for business likes yours that sell products by the unit, case or pallet but price them according to variable weight. This means you can capture the true product value and never leave any margin on the table by always charging end-customers the appropriate amount.

From a purchasing perspective, it also means that you are paying for the exact product weight, ensuring you don't overpay.

Managed well, catch weight also allows for more granular analysis of product profitability, identifying which items deliver the best margins. You can also gain a clearer understanding of your inventory levels, resulting in better forecasting and reducing the risk of costly overstocking or understocking.

Additionally, it can help you identify cost drivers, evaluate supplier contracts and negotiate better terms.



By not managing catch weight effectively, the following can occur:

- › **Margin erosion:** Manual calculation of catch weights or using the nominal weight of products results in inaccurate final invoicing and a loss of already-slim margins.
- › **Incorrect shipments and miscalculated values:** Catch weights need to be tracked on an item-level and traceable across the entire supply chain.
- › **Decline in customer satisfaction:** End-customers now demand a clear understanding of exactly what they're being billed for and transparency into how the purchase price is calculated. This is key to maintaining loyal and repeat customers.
- › **Product inconsistency:** Products that are too small or too large (or too light/heavy) are less desirable; there needs to be a certain level of uniformity, even though weights vary.

Using technology to manage catch weight can help you avoid these issues and accelerate the impact of your cost management strategy. But as catch weight is such a specific process to your sector, generic ERP solutions often do not offer this capability and must be configured as an add-on, potentially through a third party, which can carry additional costs. Even solutions that can support the meat and seafood processing sub-verticals often have less flexibility around catch weight variability or don't incorporate the visibility of values at an item-level.

How Aptean's Catch Weight Capabilities Drives Effective Cost Management

Having discussed the role and value catch weight plays in reducing costs, let's get a closer look at Aptean's capabilities. Developed by industry experts, our catch weight functionality is natively integrated into Aptean Food & Beverage ERP out-of-the-box without any costly modifications and directly connected to the financial and accounting capabilities for enhanced reporting and transparency.



These are some of the key benefits of Aptean Food & Beverage ERP's catch weight functionality:

- ▶ **Define catch weight settings on your terms:** Dictate how catch weight should be calculated per item and establish either pounds or kilograms for the unit of measurement so each transaction along your supply chain is consistent throughout production. Enable greater flexibility with catch weight by establishing acceptable variability of weight quantity per item or dictate that items must be a specific fixed weight.
- ▶ **Automate catch weight calculations:** Aptean Food & Beverage ERP allows users to define how the catch weight should be calculated for each product and then automatically calculates invoice totals. That allows you to establish consistency all through the supply chain, track both units and weight for each product and remove error-prone manual calculations when invoicing customers so margins are always maintained.
- ▶ **Track catch weight across your entire supply chain:** When a catch weight item is created, an item weight ledger entry is created alongside it. This ensures the weight quantity of your inventory is tracked on an item, license plate and lot number level at every step. For enhanced visibility, weight lines are created and linked to the item tracking lines that show the weight quantity to handle, weight quantity handled, weight quantity to invoice and weight quantity invoiced for each shipment. By creating parameters for acceptable weight thresholds, you can then be responsive to any unacceptable weight variances as they occur and ensure they do not proceed down the supply chain.
- ▶ **Give your customers full transparency into weights:** Directly transpose exact weight values onto documents like sales invoices, individual item labels and wherever better visibility is needed. Once you reach the actual invoice process, you're able to accurately charge customers based on the shipped weight quantity with full documentation of weight values per item.

These industry-specific features allow meat, poultry and seafood producers to seamlessly digitise their operations ready for growth and save on costs in the long term.

“Our goal for our digital transformation initiative was to digitise everything, from the order processing system to the production area. **Aptean continues to help us complete stages of automation and enables us to expand in order to be able to grow.**”

Milou Klooster, IT Manager, Vishandel Klooster

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Are You Ready to Learn More?

Find out how Aptean Food & Beverage ERP can help you face the unique challenges of the meat and seafood industries. **Contact us** today, or request a **specialised demo**.



About Aptean

Aptean is one of the world's leading providers of purpose-built, industry-specific software that helps manufacturers and distributors effectively run and grow their businesses. With both cloud and on-premise deployment options, Aptean's products, services and unmatched expertise help businesses of all sizes to be Ready for What's Next, Now®. Aptean is headquartered in Alpharetta, Georgia and has offices in North America, Europe and Asia-Pacific.

To learn more about Aptean and the markets we serve, visit www.aptean.com.