The Power of Inventory Optimization

As a food and beverage manufacturer or distributor, the value of your company lies in your inventory. Your inventory is what generates profit, what hours of work and countless raw materials are used to produce, and ultimately, the heart of your entire business. Since your inventory has the greatest impact on your bottom line, tracking it accurately and efficiently is essential to your company's success.

While the importance of optimal inventory management is clear, small and midsize food and beverage companies still have a long way to go. 43% of small businesses still do manual inventory tracking, or even worse, do not track inventory at all [4]! And with more and more products being developed daily, inventory management is only becoming increasingly complicated. Customers are craving variety, which is why 54% of warehouses plan to expand the number of inventory SKUs carried over the next five years[8]. Streamlining inventory management is imperative as you continue adding more product lines and increasing production.

It is no wonder why inventory and network optimization technologies are the leading areas where leaders plan to invest in 2021. According to a recent survey, 54% of respondents plan to increase inventory and network optimization technologies investment, and 54% plan to invest in cloud technology [2]. Inventory and network optimization tools also saw the largest YoY jump in companies reporting the technology as "in-use today," with 45% of companies falling into that category, a 5% increase from the year prior [2]. Food and beverage companies plan to invest in inventory management technology to decrease costs, improve customer satisfaction, boost productivity and accuracy.

"The level of automation we now have is awesome. We can effectively track every part of our operations in real time and effectively manage each facet of our omnichannel strategy.

Visibility into our inventory at every location is crystal clear and we have instant access to all of our sales, customer and production data. As a result, we can make better decisions and better manage our growth process."

- Nora Orozco, President, BED|STÜ

Save Money by Reducing Waste and Overstocks

Improving inventory accuracy allows food and beverage companies to reduce costs dramatically. The cost of worldwide inventory distortion, including shrinkage, stockouts, and overstock, is estimated at a whopping $1.1 trillion annually [7]! Overstock is especially problematic in the food and beverage industry. Raw ingredients and completed products usually have a limited shelf life and need to be used and sold on short timelines. The cost of overstock is associated with wasted excess and includes storage costs, delivery costs, and the cost of labor that goes into producing the excess. Implementing a first-in-first-out (FIFO) inventory method allows you to reduce waste and spoilage. Still, you need batch tracing technology that can map batches with particular expiration dates to specific sales orders.

Stockouts should also be avoided since they cause you to lose valuable business. With customer service being a key differentiator, especially for commodities like food and beverage products, consumers are extremely likely to take their business to a competitor if the product they need is out of stock. Some food manufacturers and distributors implement a just-in-time (JIT) inventory method to keep costs low and minimize spoilage. Still, without proper forecasting technology to match supply and demand, this puts you at risk of stockouts. Predicting how much of each product you will need and when, and adjusting material requirements planning and production schedules accordingly, is key.

Reducing stockouts and overstocks can lower your overall inventory costs by 10% [7]. Decreasing inventory costs allows for more working capital which food and beverage companies can utilize for R&D to create more delicious products that appeal to the latest consumer trends, invest into marketing or sales, or add to the bottom line!

Improve Customer Satisfaction by Adapting to E-Commerce Models

In today's Amazon Prime era, customers are looking for shorter and shorter delivery times. With 66% of customers choosing e-vendors based on delivery options, 63% say delivery speed is vital, and 77% are willing to pay for faster delivery [5]. Shift in e-commerce sales has especially pushed companies to pivot their networks to keep up with demand coming from end consumers rather than retailers. Inventory allocation is more important than ever to shorten delivery times, and order management systems are essential for handling the flow of orders. It is no wonder why nearly 60% of retailers and consumer goods companies now plan to increase their investment in multiple facilities that can respond to online orders [3]. Having a real-time view of your inventory is essential when it comes to fulfilling orders on time. 34% percent of businesses have shipped an order late because they inadvertently sold a product that was not in stock [7]. Since a single bad customer service experience can deter a loyal customer, the fiscal impacts of this are astronomical!

Improving your inventory management allows you to fill customer orders quickly and efficiently. Real-time visibility into how much of a particular product is in stock, as well as when more will be available, means you never promise something that you cannot deliver. Furthermore, a complete view of your SKU locations throughout each of your warehouses and sales orders allows you to match products and orders without manually tracking down elusive inventory.

Boost Productivity with Improved Accuracy and Collaboration

Labor constitutes an average of 65% of most warehouse facilities operating budgets [1]. Furthermore, walking and manually picking orders account for more than half of the time associated with picking [1]. Knowing exactly where your inventory is located within your warehouse, and having access to updated sales orders, expiration dates, and other important information streamlines the picking and packing process. Batch tracking also helps with quality control. You can group and monitor a set of SKUs based on similar traits like expiry date and trace defective items back to their original batch and throughout the entire supply chain in case of a food recall. When operations upgrade their pick/inventory systems from paper-and-pencil to a more integrated form of order processing, they enjoy on average a 25% gain in overall productivity, a 10-20% gain in space use, and a 15-30% more efficient use of stock [1]. The use of handheld devices can also help to streamline food and beverage warehouse operations by allowing you to scan item numbers and locate or assign particular SKUs to order or location. 67% of warehouses plan to use mobile devices to manage inventory [7].

Technology that allows for updated inventory tracking also improves accuracy. Item-level tagging, when appropriately implemented, can increase inventory accuracy from 63-95% [7]. Better forecasting allows food and beverage manufacturers and distributors to predict demand patterns and adjust to these changes accordingly. 56% of retailers and consumer goods companies plan to increase predictive planning and demand forecasting [3]. Accurate forecasting is essential since errors can lead to excess inventory and the associated costs or unexpected out-of-stock situations.

Conclusion

Inventory is the heart of any food and beverage business. In today's digital economy, food and beverage companies need to invest in technology that allows for greater visibility, accuracy, and efficiency. Most business leaders plan to invest in inventory management software and cloud technology to keep ahead of the competition and retain and attract customers.

Sources

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