TAKING THE NEXT STEP

A day in the life of a food manufacturer

A practical, real life guide to taking a food manufacturing and distribution business to the next level.

Acacia
Business Software Solutions

CONTENTS

Introduction

MEET JIM...

Struggling with his business and doesn't use a financial management solution.

Jim Smith runs a mid-sized bakery. He has been trying to build his business up over the years, but often feels like he is taking two steps forward and one step back.

His bakery has grown substantially over the last 5 years, largely because he has a team of talented bakers on staff and he has expanded his range of products. Large orders for corporate and catering customers have been steadily increasing, but so have his stress levels as he struggles to keep all aspects of the bakery running smoothly.

As his business grew (and his grey hairs increased), he cobbled together a range of hybrid systems like spreadsheets, manual notetaking and a generic business accounting system that he relies on to keep things running. His account keeping and invoicing are in disarray, and he often forgets to enter (or update) information in the system, leading to mismatching invoices and delays in payment. Jim's reporting and his accounting systems don't tell him anything about how his business is going – and he's not even sure what to measure; he's a baker, not an accountant.

Jim doesn't realise that his patchworked array of systems are causing more harm than good to his business. He thinks there must be a better way of operating, but he has neither the time nor the energy to find out how.

Each morning, he struggles to get out of bed because his business worries keep him awake much of the night.

When he arrives at his bakery, he is already feeling frazzled and on edge. Chaos reigns most days with order mistakes and missed deliveries. Stock levels are always an issue and wastage is high. His solution in the past has been to hire more staff, another cost restricting his expansion.

While Jim's clients are loyal and love his products, repeated mistakes have left them frustrated and open to looking for a new supplier.

MEET BILL...

working with a Financial Management System across his business.

Bill Jones runs a commercial bakery, not that different to Jim, supplying bread, pastries and flour-based products to Independent supermarkets, Melbourne cafes, an assortment of eateries and catering companies. He also has a small shop attached to the bakery.

Day starts early for Bill. While eating a piece of toast, Bill uses his iPad to see what orders were placed overnight. While Bill's young neighbour is just stepping out of a taxi after a big night partying, Bill is leaving for work.

"Off to make some dough? "At yeast someone is making money!" his neighbour calls out, laughing uproariously at his own joke.

Bill grins as though he hasn't heard this joke a thousand times before. *"Yep, that's how I roll!"* he replies good-naturedly.

When Bill arrives at his bakery, the streets are quiet. Bill looks forward to seeing what the day will bring.

After greeting staff, Bill logs into his financial management system and immediately sees on his dashboard – the biggest orders for the day, customers owing the most amount of money, and the stock items he needs to re-order, all by looking at his personalised dashboard. Within

a "few seconds" he has a handle on almost every aspect of the day, from stock usage, to orders, to delivery time frames. His system is also capable of running numerous reports that allow Bill to manage all aspects of the business.

Bill's first love is baking. He loves the challenge of creating something and getting it on the shelves for his customers to try. However managing staff is a different challenge entirely, and one Bill has had to really oversee as his business has upscaled. With a team of 25 bakers, the packing team, and delivery drivers - his staff is a diverse group of people. There's Faiza who is constantly on a diet but takes a pack of cream buns home every week 'for the kids', rising Insta star Matt (eyes on entering a competition with his own spin-off show), ever-smiling delivery driver Zhang Wei and his crew, young Steph who can't survive without her phone and party boy Jake, just to mention a few.

Now, with the aid of his system, Bill can manage the production side of his bakery and the staffing side of his business easily.

Order Taking

ROI METER
LOW   HIGH

JIM

STRESS LEVEL INDICATOR

LOW   MEDIUM   HIGH
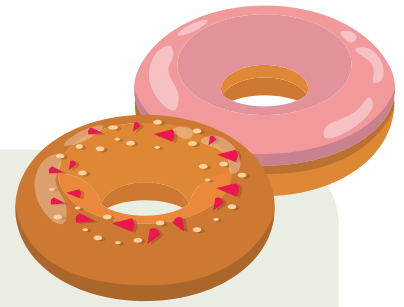
Apart from a few standing orders, Jim also has 'just in time' orders.

Most days Jim can be heard mumbling and muttering about customers who don't own a clock because the 'just in time' orders come in well after the cut off times.

Today several customers have phoned to change their orders.

Holly's Mum rings and places an order for 3 dozen princess cupcakes – but they must be gluten free.

With some regular customers changing their orders and some cancelling orders, Jim is really struggling to keep track of exactly which orders he needs to bake ready for delivery and the bakers already have a pile of notes, building up a large flour coating with changes.

Luckily Jim has scribbled the changes on the order production sheet and he has also jotted down other order changes on the notepad beside the phone.

Jim grabs all of these notes and hands to the bakers to 'sort out'.

Order Taking

BILL

LOW   MEDIUM   HIGH

Bill's standing orders are on the run sheet for this morning. His orders comprise mainly bread, pastries and cakes. The recipes (with ingredients and correct portions) have been recorded in his system. The dough and cake mixes are prepared the previous day, ready for baking the next morning.

'Just in time' orders, cancellations and changes don't stress Bill because the orders are all entered within the system and it allows for orders to be updated in the daily production bakes, on the run.

UPDATE ORDER

Some of his customers use the customer web site to make the alterations to their orders, providing the customer with control and saving Bill's team extra office work, updating the orders.

The bakers view the baking instructions and production quantities on large screens mounted on the wall (no flour fingers needed). If they do need extra information, the bakers retrieve this via an industrial hygienic keyboard to confirm the exact customer requirements.

Bill's management system has streamlined his day to such an extent that he no longer needs to actively oversee all production.

This frees up Bill's day, and since Bill likes to know his customers and improve his service to them, he looks at the past order analytics, on his dashboard. He notices that Mrs J from the new café down the road has placed quite a few orders over the last two months. Mrs J always looks flustered and under pressure.

Whilst getting his coffee, Bill takes the opportunity to have a chat with Mrs J to see if he can change her ordering behaviour from 'just in time' to a standing order. Bill knows that if he can show Mrs J the analytics, Mrs J will understand how a standing order can help both businesses run smoother.
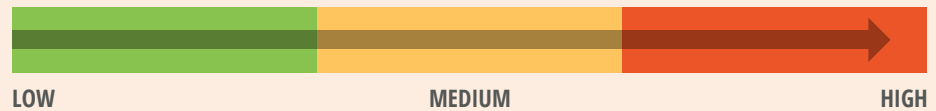
Resource Allocation and Planning

ROI METER
LOW   HIGH

STRESS LEVEL INDICATOR

JIM

LOW   MEDIUM   HIGH
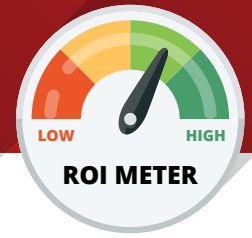
Yesterday Jim estimated how much dough and cake mix he would need to prepare for today based upon the orders he has taken for the past week.

Following the bake today, which was based upon yesterday's estimates, Jim realises he has over estimated quantities and there will be considerable wastage.

While Jim's neighbours and the local drop-in centre enjoy the 'freebies' he hands out, and what he brings home, the error adds to his financial woes.

WASTE

To further add to his worries, one of the delivery vans has broken down and one of the other drivers has just reminded Jim, that he has annual leave tomorrow.

Jim has no idea how he is going to manage all the deliveries tomorrow, especially after the call to his stand-by driver, only to find he is on an overseas holiday.

Resource Allocation and Planning

BILL

STRESS LEVEL INDICATOR

LOW   MEDIUM   HIGH

From the standing and 'just in time' orders, the system will produce a production plan with estimated quantities for the days baking.

The estimates provide his bakers with some room for error and some spoils. Bill used to pride himself on estimating how much dough and cake mix he would need for each day, but as his business and clientele expanded, he found the task became too complex.

When Bill started using his new system, he was keen to see how he could limit wastage to allow for maximum profit. It took some trial and error, but by using the system to determine ingredients, quantity and optimal dough consistency for the types of bread that need to be baked, Bill has streamlined procedures, reduced wastage and cut costs.

Running a commercial bakery with a retail outlet takes a lot of co-ordination across the workforce. The system allows his team to apply for annual leave and provides a calendar of all leave requested. Bill can always make sure he has the staff he needs.

<2%

Error & Spoils
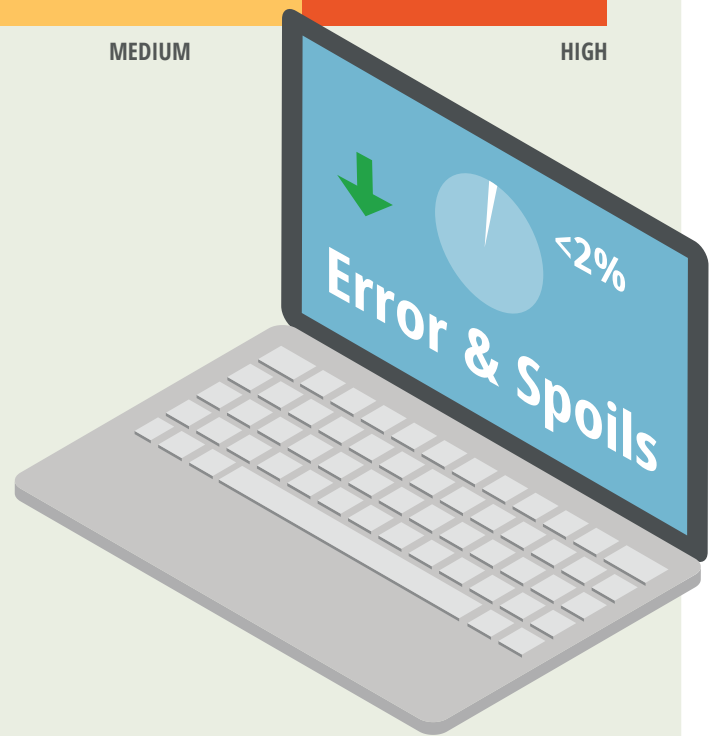
Bill is able to accurately determine the number of staff he requires via the system to determine the work effort for the days bake for the co-ordinated approach to picking, packing and delivery. Coincidentally while Bill is looking at the staff roster, Steph texts him to say she is ill and won't be at work today (or at least that's what Matt said, after he helped Bill to decode the many emojis, acronyms and abbreviations in Steph's text).

Jake also reminds Bill that he will need some time off to study for Uni exams next Friday. Bill suspects there will be more partying than studying going on, but he enters the requested days off into the system.

Bill likes to run a lean and mean team, so he uses the Materials Resource Planning module to rearrange the resources (like the mixers, ovens and the team) and efficiently fill any gaps in his daily production plans. Bill can also plan for his own annual leave during the year by scheduling and co-ordinating his resources, and organising contract replacements (if required) to cover the busy periods.

Inventory Control

ROI METER

LOW   HIGH

JIM

STRESS LEVEL INDICATOR

LOW   MEDIUM   HIGH
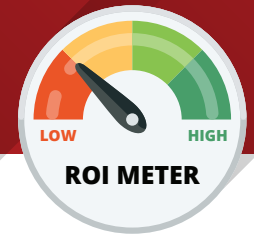
As part of Jim's day, he needs to order and replenish stock for the coming week. Jim rarely gets time to do a full stock take, so he relies on his bakers to tell him when stock levels are low.

The bakers rarely remember to update him, and because the product storage area is a mess, they often can't find stock and reorder stock they don't need.

Just last week they found 10 bags of old flour, well past their best use by, hidden behind a stack of pallets. Jim knows he really needs to make some time to sort ....one day!

BILL

STRESS LEVEL INDICATOR

LOW   MEDIUM   HIGH

Because his system is integrated into the ordering process, Bill can produce order reports outlining how much stock was used in the last few production runs, so he always knows what materials are on hand or leftover from the week's bake.

The production planning allows Bill to know exactly how much stock he needs. Since he has a large order for catering he knows he needs to order more stock to fulfil the order.

Each item is recorded in the system with their barcodes. As the stock is received, the batch numbers and expiry dates are automatically recorded. The system also recommends which bin location the stock should be stored in – a very organised warehouse.

Production

ROI METER

LOW HIGH

JIM

STRESS LEVEL INDICATOR

LOW   MEDIUM   HIGH
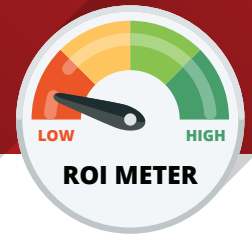
At home, Jim collates the next day's order on his knee, while trying to watch 'Masterchef' on tv each night.

He has a pre-printed sheet, and all his products are listed and for each order. He notes the quantity required for each product and then calculates the raw materials required by the trusty '5' counting method.

BILL

STRESS LEVEL INDICATOR

LOW   MEDIUM   HIGH

**Before Bill leaves the office, he pushes 'the button' and produces tomorrow's production run.**

The run sheet has images of each of the finished products – this is invaluable when there are new staff, but a quick visual is always good. This image is used multiple times throughout the end to end process.

The images are associated with the recipe. Each recipe ingredients and quantities have been entered into the system.

There is a production run for each line which accommodates single and continuous batch processes. As the raw materials are collected from the storeroom, their batch numbers are recorded and traced through the system. The production for today is packaged with a new batch tracking number, with all of the food standards labelling.

Purchasing

ROI METER
LOW   HIGH

JIM

STRESS LEVEL INDICATOR

LOW   MEDIUM   HIGH
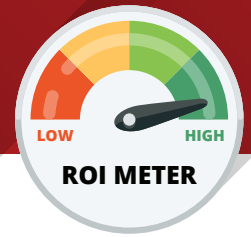
Today, one of the bakers tells Jim they do not have enough coloured icing to fill one of the cupcake orders.

Jim has to source emergency stock from the local supermarket, adding more time, stress and expense to his busy day.

BILL

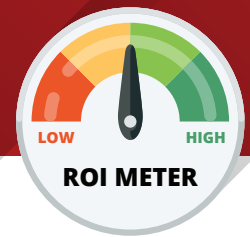**STRESS LEVEL INDICATOR**

LOW   MEDIUM   HIGH

The system helps keep wastage to a minimum, so Bill knows what the standing orders are week to week and easily keeps track of stock and inventory. The reporting is automatically updated and is available in real-time, so Bill has no difficulty in knowing exactly what he needs to purchase.

Bill is able to negotiate better rates, and at all times knows what he is paying.

Based upon standing orders and the existing special orders (and a little bit of an allowance), Bill can place orders for exact quantities. He uses Purchase Orders, which are the first step in an automated process within the system for payment. Bill has reduced any double handling.

Packing

ROI METER
LOW   HIGH

JIM

STRESS LEVEL INDICATOR

LOW   MEDIUM   HIGH

Accuracy in applying correct orders to correct clients is paramount to successfully running the business, but there is little science to the way Jim's bakery runs the order packing process.

He still breaks into a cold sweat when recalling the time an order for a builders' convention was accidentally delivered to a vegetarian café. He has nightmares about 300 hungry builders trying to divide up a small tray of vegan muffins while the vegetarian café overflowed with meat pies.

Today, Jim is stressed about all the changes to orders he has received. Jim failed to see on one of the orders the customer details are incorrectly noted. The team don't know it, but the order for Holly's birthday party is short a dozen cupcakes and no-one can remember if the gluten free flour was used.

BILL

STRESS LEVEL INDICATOR

LOW   MEDIUM   HIGH

Bill doesn't need to worry about errors in the packing process because a listing for today's orders is produced via the system and a full production run sheet is produced as part of the daily bake.

Once the bakers complete the production run, the packing team select the products and fulfil the orders based upon the delivery labels, using specialist cupcake boxes, so the frosting does not smudge. Packers use iPads to pack each order. On the screen the picture of the product readily confirms the correct item.

The drivers co-ordinate their delivery runs, packing orders into the trucks based upon the sequence of the run.

Warehouse team also perform a final quality check as part of their duties, recording spoils and wastage, and confirming each order, which is automatically recorded in the financial management system. At the end of the day, Bill checks his dashboard to confirm the levels of wastage. This allows Bill to keep an eye on quality control, alter baking practices as required and understand where further staff training might be needed.

Route Selection and Delivery

JIM

STRESS LEVEL INDICATOR

LOW   MEDIUM   HIGH
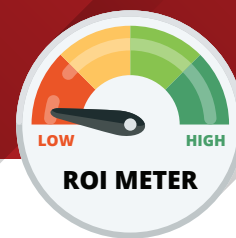
Jim's bakery is always a flurry of activity, with delivery drivers coming and going, but with staff illness and one delivery van out of action today, Jim sees no other course of action other than to request Julie to perform the delivery run for him. Julie is usually a pick and pack worker.

Julie is unfamiliar with the suburb she has to deliver to and gets lost numerous times before finally delivering the order. By the time she gets back to the bakery, the pick and pack workers are well behind schedule, and Jim is on the phone with an irate customer who is yet to receive his order. Jim is flustered and hasn't yet realised that the order was incorrectly addressed and delivered. He offers a refund and promises to find out what happened, but before he can follow through, Holly's mum rings to say her order is short one dozen cupcakes, and to confirm that they are gluten free, as there is no paperwork, stating gluten free.

BILL

STRESS LEVEL INDICATOR

LOW   MEDIUM   HIGH
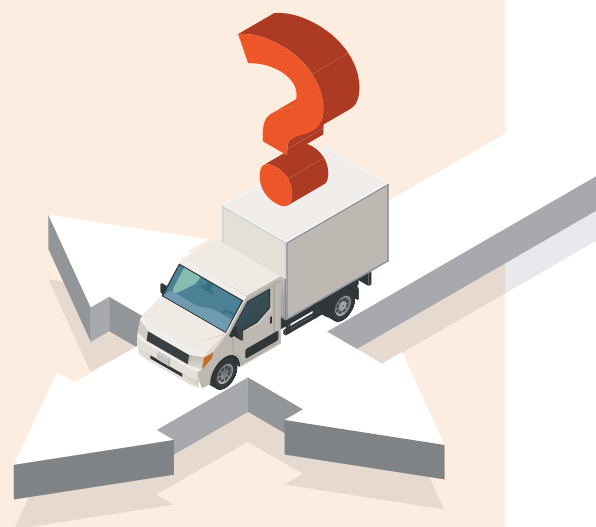
The baking time window is approximately 1 hour and then 30 mins for cooling. The day's production timings are mapped out via the system. It helps to schedule the day for bakers and the pick and pack team while also determining the best routes for delivery and calculating expected drop off times.

The customer requests a delivery item, and it is entered into the system. This way Bill always has full knowledge and control over the delivery system.

Keeping track of clients, orders and delivery schedules is crucial to Bill's business. The standing orders aside, special orders or "just in time" orders comprise 25% of Bill's production each week. Caterers and cafés will send through their orders by 4 pm the day before the order is required.

A required delivery time is usually attached, and that will be entered into the system. The delivery sequence is determined by plotting the easiest route for the driver. The system uses GPS provided by the system, which plots the most effective routes and drop-offs.

As the deliveries are made the driver photographs the order. On some of the special orders the customers are photographed beside the cake. The photo is recorded in the system with the date and time stamp and can be used as a proof of delivery. Bill also uses these photos for future marketing campaigns.

A much loved feature by the drivers is the special instructions – this has saved much lost time.

Invoicing and Collections

ROI METER LOW HIGH

JIM

STRESS LEVEL INDICATOR

LOW   MEDIUM   HIGH
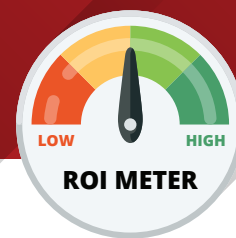
Because Jim's invoicing and collection system is little more than a combination of notes written on scraps of paper, random data entries in the accounting program (when he has time), phone orders and mental notes to himself, he struggles to collect money from customers, keep his accounts in order and pay his bills.

There are customers who owe him money because they've never received an invoice, customers who delay paying as long as possible, businesses he owes money to, unsatisfied customers who he has refunded (and some he has forgotten to refund), chargebacks, credit card orders, debit card orders, cash payments, late payments… the list goes on.

AND, he has found out he has supplied a large order to a customer who hasn't paid for the past 4 orders.

It takes Jim months to reconcile his ledgers and he's so far behind in his tax lodgement that he's on first name terms with half of the tax department. He can often be heard cursing late paying customers, GST, the taxation office and the banking system, but he fails to realise that his frustration is largely due to his ineffective account keeping, invoicing and collection system.

Jim's only reminders are those from messages passed on by missed payments. Worse, Jim does not now if he is making money or not.

BILL

STRESS LEVEL INDICATOR

LOW   MEDIUM   HIGH

At any given point in time, Bill can access information on his creditors and debtors. The system allows him to maintain, view and update information such as:

> financial status relating to creditors and debtors
> raise, print and email invoices, from the orders
> record payment of invoices
> issue receipts for paid invoices
> balance bank statements

Recently he has expanded his system to allow the drivers to collect payment from his customers using credit card. This helps his cash flow immensely.

With all of this information at his fingertips, Bill is able to assess where he stands financially at any given time. The system has streamlined procedures to such a degree that he's almost cheery when it's time to do his tax. Almost!

Business Development

ROI METER

JIM

STRESS LEVEL INDICATOR

LOW   MEDIUM   HIGH
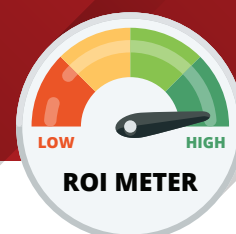
Jim often finds himself in a Catch-22 situation. His products are good, and customers like them. With the growth of his business over the last 5 years, he hired more staff to keep up with demand. Problem was, there are no real systems in place and no formal staff training. This leads to more mistakes being made and some customers moving on.

Jim would love to stabilise and grow his business. He dreams about getting it to a stage where finances are no longer an issue. He knows he could attract a larger market if he could extend his range of products and market them to bigger organisations, but he is time poor and the dream seems to be slipping further from his grasp.

He thought about hiring people to help him move his business forward, but he's not even sure who to hire. He thought maybe a financial planner could help, but he wasn't sure if the outlay of money was worth it. Besides, they would probably ask for all sorts of facts and figures and Jim's record keeping leaves a lot to be desire (just ask his tax agent!).
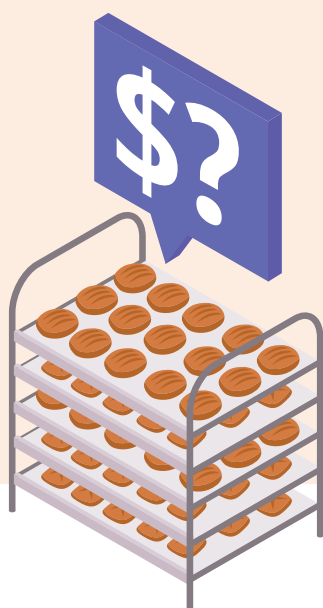
As for drumming up business, he has no clue how to approach it or who to hire. He's heard terms thrown around like social media managers (what the hell is that?), marketing advisors (sounds expensive) and business coaches (sounds way too new age-ish).

He regularly gets phone calls asking for quotes on bakery items, but his quoting system differs depending on his stress levels, busy-ness and finances. Often by the time a customer places an order, he has forgotten what price he quoted, which leads to more invoicing problems.

He also gets email enquiries from businesses wanting to stock his bakery items, but he's so busy and tired he doesn't answer them straight away and they often choose other suppliers.

When he lies awake at night worrying about improving his business, he wonders if just answering emails qualifies as an 'email marketing campaign' (another term he's heard).

Business Development

BILL

STRESS LEVEL INDICATOR

LOW   MEDIUM   HIGH

The system has streamlined processes so much that Bill now has the time to concentrate on drumming up new business via marketing campaigns. He might even take on board some of the suggestions made by rising Instagram star Matt or phone-addicted Steph.

He also wants to look at new business initiatives by developing his catalogue of products for current clients.

Cream bun loving Faiza has given him some great ideas for new products, so he will consider them, and he'll also reply to inbound queries from new customers.

The system is the powerhouse of these initiatives; the dashboards provide up to the minute information about Jim's customer order trends.

Information gathered can be used to design email campaigns and make special offers via promotional materials.

The mass email campaigns functionality is especially useful to show photos of happy customers and the cakes Bill and his team have produced. Any new enquiries from prospective customers can be entered into the system and used to produce quotes for baked items.

The system saves Bill so much time he might even get a chance to Google suitable acronyms and emojis he can use in a text to tell Steph that all the team hopes she gets better soon.

TAKE THE NEXT STEP

To take the next steps you want to make the right choices first. Everyone's situation is different, so there is never a one size fits all solution.
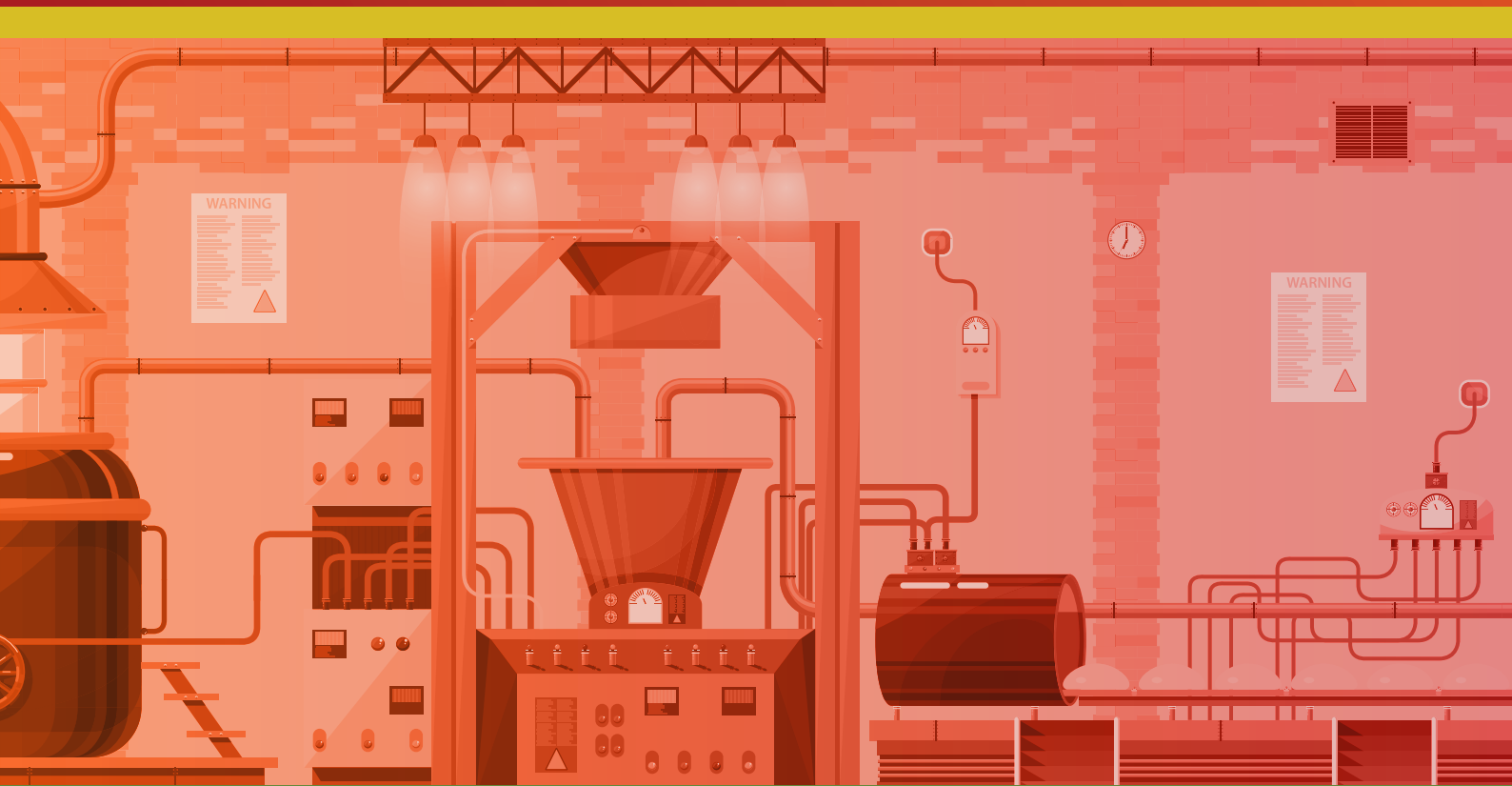
To deliver tailored advice for your business, we delve into your current Situation, current systems and processes, and your organisation's capabilities to gain a complete understanding of your business. This initial consultation begins with an onsite workshop, commencing with an educational session on cutting edge production practices that drive efficiencies and cost savings.

On completion, we will provide you with a high-level Situation Analysis.

It will include:

> A clear picture of your current situation, goals and challenges

> A high-level roadmap of your desired future state in terms of systems and processes

> A list of "low hanging fruit" and "quick wins"

> A roadmap of short and long-term actions you need to take to reach your optimum

LEARN MORE AND BOOK

Acacia

Business Software Solutions

acaciacs.com.au