Key metrics for the Food & Beverage Industry.

How to gain competitive advantage using business intelligence

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What the experts say.

The food and beverage industry needs to tech up.

KPMG's 2013 Food and Beverage Industry Outlook Survey found that 46% of industry participants were average or below par in data analytics capabilities, and 16% were lagging behind. But KPMG assures that today's business intelligence (BI) solutions are worth trying.

> "The emerging data-driven economy has two primary characteristics: **the abundance and complexity of data and the speed of change** and thus, decision-making… The ability of leaders to turn data into actionable information that allows them to make timely, more accurate decisions is creating entirely new markets… Those who embrace effective data analytics as a business imperative can gain a competitive advantage in the rapidly evolving global digital economy."

Why the industry needs data analytics

In this data-driven economy, you have to measure it, to manage it. Gut-based business decisions can't compete.

The market is more complex in terms of commercial, e-commerce and regulatory demands. Customers are educated and demanding, and organizations need to spot trends fast.

Product tracking and performance management, inventory management and finding cost efficiencies are top of the industry's agenda. And that's where BI solutions add most value. Data analytics gives you the power to measure business activity and act daily to optimize operations and increase profitability.

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How it works.

BI-smart organizations now have decision-makers in the executive suite, at the warehouse, on the road and at point of sale.

Because new era BI is so easy to use, anyone can access company-wide information in a few clicks from a desktop or mobile device.

You can follow a train of thought to ask any question of your data and get an answer straight up in easy-to-read visual formats like scorecards, dashboards and other live graphical indicators. You can monitor metrics and take action daily. This is instant self-serve reporting. No more waiting on IT or finance experts for complex reports.

The user experience is so simple because the leading BI solutions providers design and integrate your data on the back end in a clever way. It doesn't matter whether the information is in your ERP, CRM, Excel spreadsheets or another third-party information format.
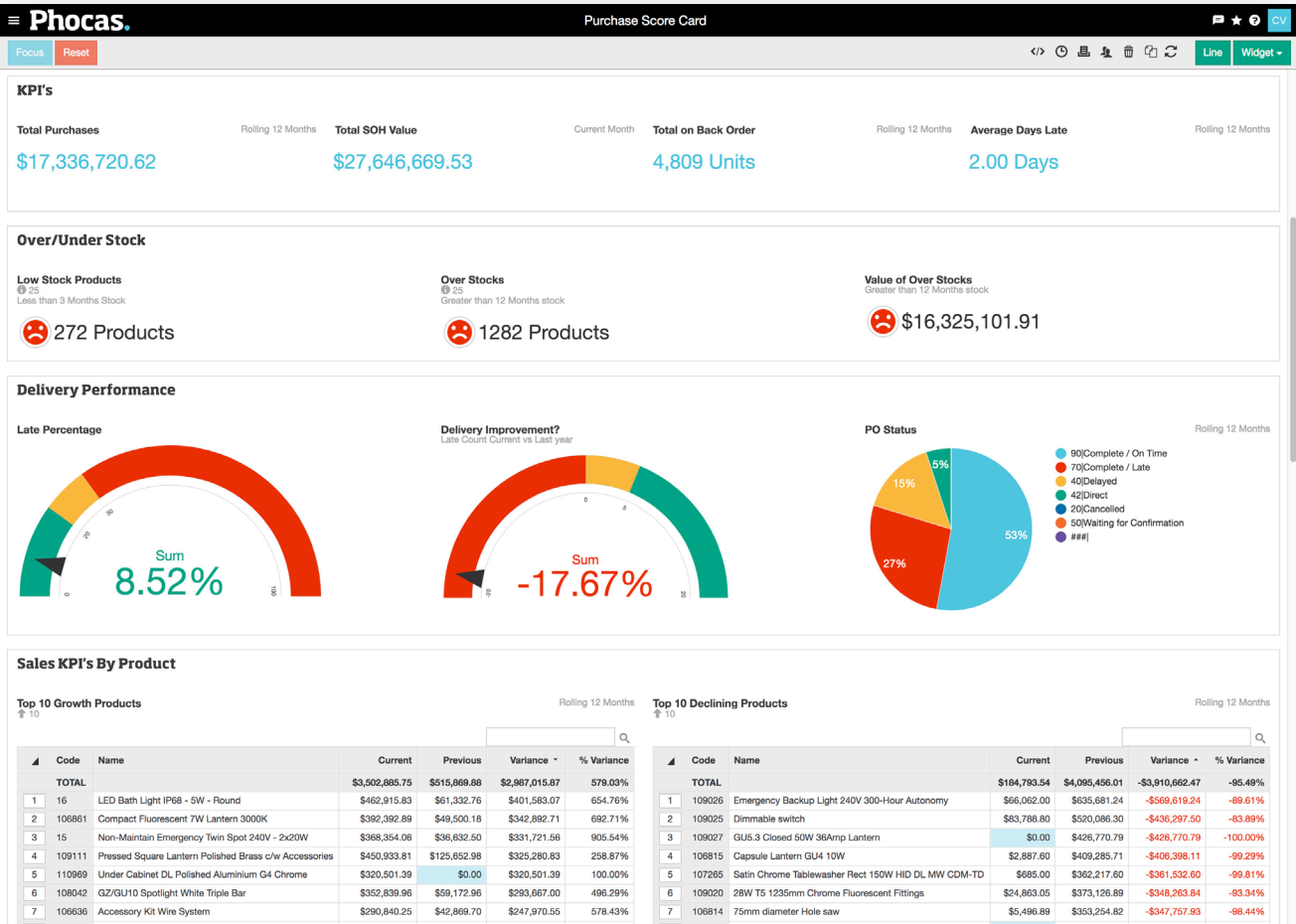
So far, KPMG says food and beverage organizations are using BI successfully for:

1. Operating model optimization
2. Pricing decisions
3. Brand and product management
4. Customer insight

Here are a few of the key metrics you can monitor to make your business more competitive.

Performance.

Product performance

You can analyze your product sales by individual item, product category, sales rep, territory and any other dimension you find useful, see performance over any time period and any measure like sales value or profit to make comparisons, and ask further questions, like:

1. What products are slow- or fast-moving?

2. What's dead on the shelf, taking up costly warehouse space, or ending up in landfill?

3. What products or categories perform better based on season or time of year?

4. Which categories sell best in which territories?

5. Which stores sell low-margin savoury snacks in top volume?

Customer performance
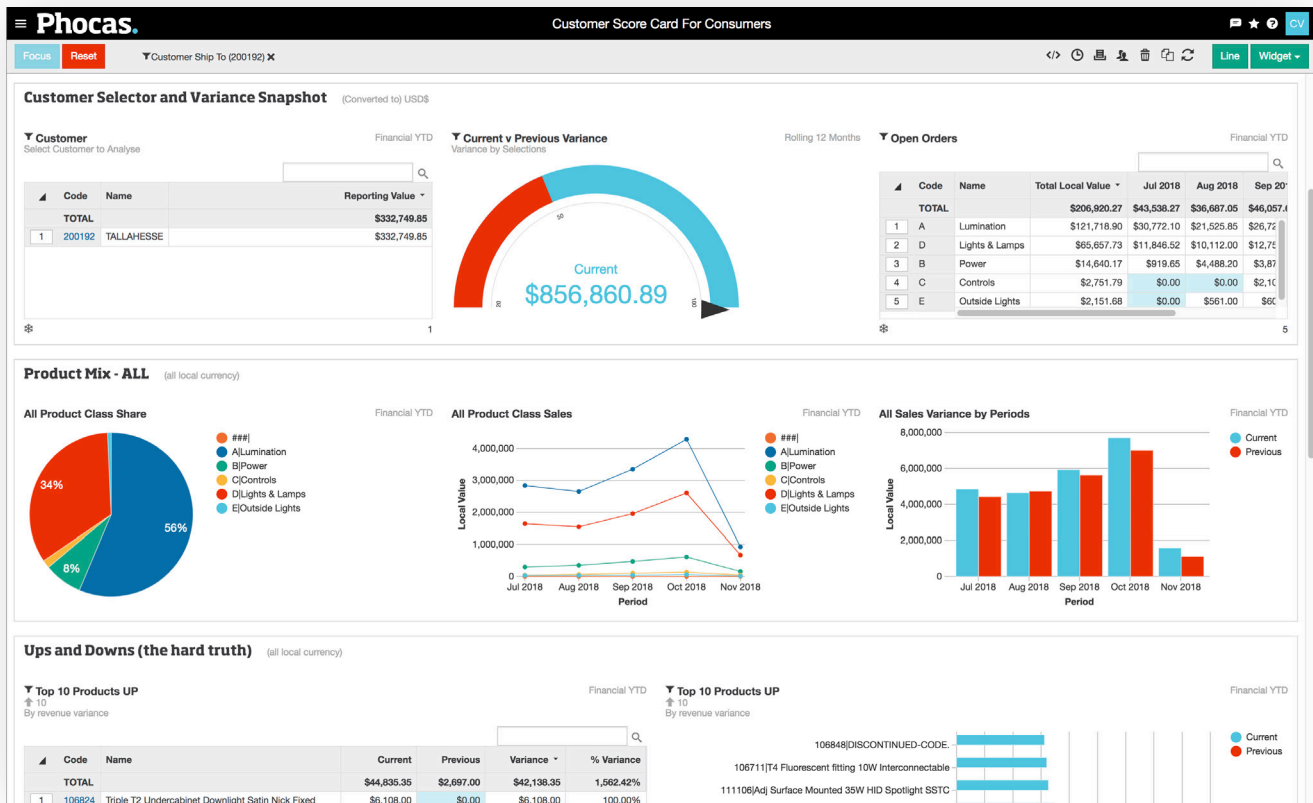
A customer's sales are up $856,860 year-on-year. But a few more clicks reveals they've also dropped three product lines. How come?

In city stores, customers are buying Christmas puddings but not brandy custard, while another territory is up on custard and down on puddings. What's going on?

A brewer distributes 20 pallets of premium beer a week to one location, but only one pallet to another location of similar size and area...

Answers to these questions might be useful too.

1. What are our top 50 customers buying?

2. What companion products can we sell them to add value?

3. Which customers are in decline, or have stopped buying?

4. Who are our best buyers around festive seasons?

5. What marketing campaigns do customers respond to?

People performance

You can check the individual performance of sales reps, point-of-sale (POS) operators, e-commerce processors, phone-order folks, and compare their work to each other over standard and custom periods.

Analyzing people activity identifies opportunities and missed sales. You'll also be able to set individual KPIs and targets more accurately.

For example, part-time sales assistant Gretchen increased profit margins at her store because she pushes high-margin organic food lines. You discover she's studying nutrition. It might be worth employing some more Gretchens and setting some KPIs. With the right data, you could start asking these questions about POS staff:

1 Who's selling the most and least, and why?

2 What's the conversion rate from phone inquiries to sales?

3 What's the average turnaround to complete online orders, and the impact on sales?

4 Which product categories do reps sell best?

5 What's the average value of their orders?

6 How many stores do they visit a day versus sales, travel and labour costs?

7 What's the win ratio for reps?

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Logistics performance.

Delivery and inventory

Data analytics can quickly spots issues that erode profit:

- check rotation of warehouse space across locations
- performance of fleet vehicles or drivers
- customers lost through poor delivery.

Say you're carrying confectionary stock worth $50,000 and sell $5,000 each week. Wow. That's 10 long weeks to turn that stock over. A BI solution that combines inventory with sales data lets you spot the problem, analyze demand, revise purchasing and run campaigns to move things along.

You can quickly analyze —in overview or click into detail— delivery times, costs, compliance and quality assurance issues as well as warehouse holdings and movements versus operating costs and profit margins. Providing you have that level of data of course.

Why wouldn't you ask these questions when out-of-stock products, inefficient transportation and excessive inventory amount to billions of dollars each year?

1. What's the cost of product lost due to poor temperature control?

2. How do fuel and labour costs compare by product category, route, territory?

3. How much do product returns cost, and what's the cause?

4. How much do out-of-stock lines cost us and how often does that occur?

5. How do DIFOT (Delivery in Full On Time) figures impact standing orders?

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Financial performance.

Monitoring profit margins and finding cost savings is a daily task for the food and beverage industry. That's why CFOs get overexcited in the presence of good BI. And so will any line manager with a budget to manage.

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Mode ▾ Profit & Loss | Properties +3 | Measures ▾ Reporting Value | Stream ▾ Profit and Loss | Variance Stream ▾ Budget | Period ▾ Rolling 12 Months | Columns ▾ Financial

Focus | Reset | Matrix | Levels | Drag here | Country (3)

Financial Statements Summary

Account | Category | Classification | GL Account | Sub Ledger | Source | Country (^3) X | Debit/Credit | GL Batch

Name			Total						UK				
			Current	Previous	Budget	Δ Previous		Δ Budget		Current	Previous	Budget	Δ Previous		Δ Budget
− Revenue															
	101000	Sales	69,837,807.38	67,664,469.93	63,082,820.38	2,173,337.45	3.21%	6,754,987.00	10.71%	22,913,886.15	22,602,199.67	32,598,657.34	311,686.48	1.38%	-9,684,771.19	-29.71%
	102749	Sundry Income	978,779.80	999,365.57	1,106,827.92	-20,585.77	-2.06%	-128,048.12	-11.57%	312,979.97	330,299.67	479,154.00	-17,319.70	-5.24%	-166,174.03	-34.68%
		Total Revenue	70,816,587.18	68,663,835.50	64,189,648.30	2,152,751.68	3.14%	6,626,938.88	10.32%	23,226,866.12	22,932,499.34	33,077,811.34	294,366.78	1.28%	-9,850,945.22	-29.78%
− Cost of Sales															
	101300	Cost of Sales	56,903,716.71	53,167,060.54	49,179,460.55	3,736,656.17	7.03%	7,724,256.16	15.71%	18,712,924.12	17,747,095.74	26,353,485.71	965,828.38	5.44%	-7,640,561.59	-28.99%
	104886	Commision Rep Payments exp	1,846,500.63	2,051,061.30	2,140,203.41	-204,560.67	-9.97%	-293,702.78	-13.72%	606,799.20	698,121.70	941,661.40	-91,322.50	-13.08%	-334,862.20	-35.56%
		Total Cost of Sales	58,750,217.34	55,218,121.84	51,319,663.96	3,532,095.50	6.40%	7,430,553.38	14.48%	19,319,723.32	18,445,217.44	27,295,147.11	874,505.88	4.74%	-7,975,423.79	-29.22%
		Gross Profit	12,066,369.84	13,445,713.66	12,869,984.34	-1,379,343.82	-10.26%	-803,614.50	-6.24%	3,907,142.80	4,487,281.90	5,782,664.23	-580,139.10	-12.93%	-1,875,521.43	-32.43%
+ Operating Expenses			12,068,654.71	11,654,665.75	13,196,753.14	413,988.96	3.55%	-1,128,098.43	-8.55%	3,972,935.93	3,897,385.69	5,993,479.94	75,550.24	1.94%	-2,020,544.01	-33.71%
		Operating Profit	-2,284.87	1,791,047.91	-326,768.80	-1,793,332.78	-100.13%	324,483.93	99.30%	-65,793.13	589,896.21	-210,815.71	-655,689.34	-111.15%	145,022.58	68.79%
+ Other Revenue			2,891,603.51	2,635,577.98	3,322,986.07	256,025.53	9.71%	-431,382.56	-12.98%	960,235.01	884,881.10	1,473,480.42	75,353.91	8.52%	-513,245.41	-34.83%
+ Other Expense			2,108,906.80	2,425,199.40	2,430,029.89	-316,292.60	-13.04%	-321,123.09	-13.21%	718,322.12	796,285.27	1,098,383.50	-77,963.15	-9.79%	-380,061.38	-34.60%
		Net Profit	780,411.84	2,001,426.49	566,187.37	-1,221,014.65	-61.01%	214,224.47	37.84%	176,119.76	678,492.04	164,281.22	-502,372.28	-74.04%	11,838.54	7.21%

Get the overview

Finance and sales executives set up dashboards to give them live overviews of KPIs like profit, overhead/fixed cost analysis, break-even points, cost efficiencies, stock and debtor balance trends.

Your ability to weather market ups and downs depends on your debt position and ability to meet debt obligations given current resources. It's easy to set up a dashboard to show debt positions that include debtor balances and days outstanding, and to monitor the variance daily.

Drill down

BI lets you do full profit and loss (P&L) analyses across financial years and drill down to source transactions. Add to that detailed cash-flow analyses between any two time periods, and balance sheet analyses including changes and trends in asset and liability balances, and we're hoping you feel inspired about the possibilities.

Sales managers can click deep to understand the cost of sales after operating costs and create KPIs for sales teams to boost profit margins.

Or they might want to compare different subsidiaries, branches or departments to budgets and forecasts. Most BIs make that extra easy with multicurrency consolidations and consolidation of intercompany transactions.

The last bit.

We know the food and beverage industry is great at gathering data, but it needs to take advantage of current technology to analyze and act on it. It's so much easier now to make sense of data and share those findings.

Which means organizations have unprecedented power to make evidence-based business decisions from moment to moment.

There's no more waiting on complex reports from IT and finance experts. The new 'report' is a quick click affair that delivers snapshots of data in easy-to-read visual formats. It draws on live data from across the organization that arrives in seconds (or minutes) to your desktop or mobile device.

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When you see more, you do more. Now that's active intelligence. And that's how you get ahead.
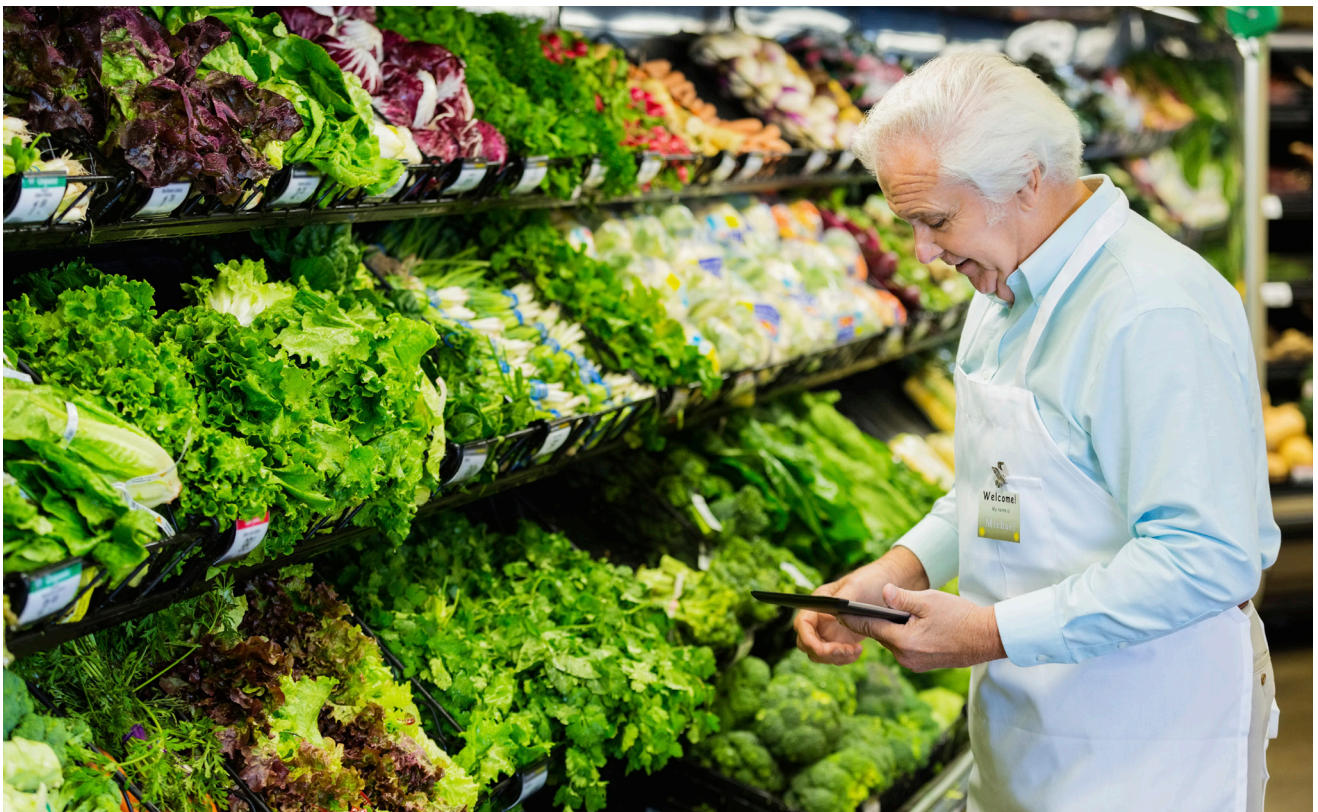
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Learn how Phocas can help you achieve your business goals.

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