



## Signs Legacy ERP is Holding Your Food and Beverage Business Back

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# Introduction: A Changing Market Requires a Changing Business

It used to be so simple. Test a few new flavor profiles every year, keep the ones that work, keep them around for as long as consumers keep buying them.

## Everything Moves Faster—Are You?

Look back over the last century. Consumers spent the better part of four decades making a variety of ‘salads’ using savory gelatin flavors like celery, mixed vegetable, seasoned tomato, or meat consommé, filling it with an interesting array of ingredients.

For more than two decades, a fondue pot was on nearly every single wedding registry.

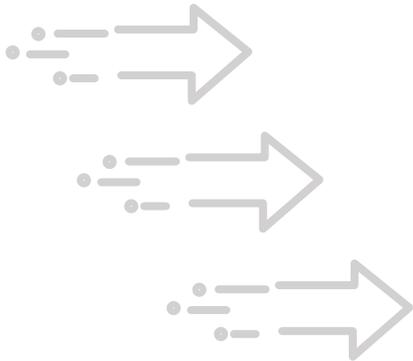
It was around the 80s, things started to speed up. Sun-dried tomatoes came and went—it only took about fifteen years. Wine coolers had their time in the sun for about a decade, every beverage brand had to carry a strawberry-kiwi flavored product for less than that, and everyone was eating frozen yogurt.

During this time, you had to have a fat-free version of your product—even if that meant using more sugar and introducing ingredients with... interesting side effects.

Once the 21st century hit, it was all about whole grains (or no grains—Atkins and South Beach had their first of many go-arounds), television chef recommendations, and cupcakes. But this was still a time when trends could be measured in years.

Now, products are seasonal and trends can be measured in months. Once social media came into play and mobile phones gained internet access, customer preferences started changing a lot faster. Acai berries? Quinoa? Sriracha? came into play as fast as they left.

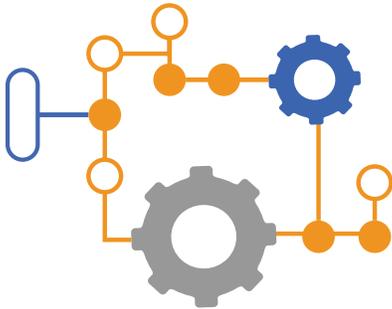
Gluten free foods moved from being a dietary requirement for 1 percent of people to trendy item back to dietary requirement; bacon rose and fell, IPAs created a global hop shortage, and it became more and more important to deliver what customers wanted before the products came into demand.



**Food and beverage  
manufacturers  
need to move  
faster than ever**

Think of it like this. It took 79 days for Coca-Cola to respond to the backlash over 'New Coke'. It took 40,000 letters and calls sent over the first month. Think how swift and overwhelming this response would be today.

Food and beverage companies already need to move fast, but in today's digital landscape, you will need to move faster than ever. To make this happen, food and beverage brands will need to embrace new technologies that allow them to see more, do more, and compete more effectively.



## The Evolution of Business Software Parallels the Food and Beverage Industry

A decade ago, things like AI and Machine Learning were at best pipedreams. Blockchain was still a fringe topic in even the most tech-savvy organizations. Business intelligence and data science were topics limited to the largest global enterprises, and the internet of things at that time meant that you had an internet-connected cellphone.

Just as your industry has evolved to meet the needs of consumers, with innovation measured in months rather than decades, the software landscape to satisfy end user needs has as well.

Unlike your industry, for business management software, change means evolution—enhancements build on previous enhancements while enabling future ones. No one gets stuck with a warehouse full of quinoa or a field full of kale.

### Business Management Solutions: Accelerating Progress and an Awful Lot of Disruption

But how did we get here? It all started in the 1940s, a time when ham in aspic was considered an acceptable gelatin dish. The 1940s gave rise to calculating machines, considered a major improvement. Massive 'computers' gave soldiers the power to decrypt messages faster than humans. It took about twenty years for the next major improvements.

The 1960s saw the first materials requirement planning application come into play to help companies plan and schedule. These initial applications were useful, but were inordinately expensive and ran on big, clunky mainframes.

Innovations at this time began to accelerate. Computing power increased and within a decade, companies in need of products to help with materials planning began to receive it. Products became more diverse and affordable as new competitors entered the market.

While an important step for some manufacturers, many in the food and beverage industry were still waiting, as these products still required vast resources and massive investment from firms, still limiting this technology to the largest players. Throughout the late 1970s and early 1980s materials requirements planning diversified and evolved to become more feature rich, easy to use, flexible, and affordable.

This was when companies like yours began to take notice. Large organizations noticed that these products were viable and as vendors innovated faster, the products also became cheaper. In the late 80s and early 90s, MRP II became ERP to represent the expansion beyond one specific industry and into areas like Engineering, Finance, Human Resources, and Project Management.

ERP now delivered limited customization and functionality for companies like yours, and new companies focused on the middle market, making technology more viable, even on a limited technology budget. Choices were limited, but growing. However, this was about to change.





# Crafting the Cloud: How Two Seemingly Unrelated Trends Revolutionized the Food and Beverage ERP Market

By the late 90s, web-based accounting solutions for small and medium businesses became a reality, allowing users to access and manage their financials from a web browser—rather than run on-premises. It was around this time that another trend appeared that parallels the business software market.

## Rapid Innovation and a Growing Market: The Formative Years of the Cloud

While these products were still in their infancy, they focused on improvements considered rapid at that time. The rise of Software-as-a-Service meant that updates could be applied to all customers at the same time at a lower cost. These companies could introduce something, see if it worked, and build on it.

Like the formative years of the craft beer movement, where innovators like Anchor and Samuel Adams delivered new and experimental flavors only to see the average consumer pick up a macro beer, early uptake of the cloud was slow.

However, cloud providers continued to improve their offerings. Updates continued. Rather than the ten-year support schedule, companies could turn to a subscription model. As with the craft beer movement, smaller providers popped up while the originators grew. Sierra Nevada, Sam Adams, and Blue Moon started to see more shelf space, but global giants were generally unphased, testing out slightly-different iterations.

Similarly, organizations like cloud-originators NetSuite and Salesforce were entering the mind of potential buyers. By 2002, most ERP systems were “internet enabled,” allowing on-premises applications to access data from the internet to accomplish basic tasks.

## Evolution and Acceptance: The Cloud Prevails

While still not in the mainstream—at least for business-critical applications—the cloud started to deliver more for companies who embraced it. By 2010-2012—right around the last time the average food and beverage business last looked at ERP—the cloud was considered ‘fringe’ among late adopters. Legacy vendors knew they had a problem on their hands.

Around the same time that Budweiser released their “Proudly a Macro Beer” campaign labeling craft beer drinkers as elitist hipsters, legacy vendors were taking a similar approach to scare decision makers. On-premises vendors pushed forward the idea that the cloud couldn’t live up to the hype, couldn’t meet the needs of major enterprises or global organizations, and couldn’t provide the security or uptime that an on-site server room could.

It was at this time that both macro beer and legacy vendors knew they had a problem. With declining market share, it was time to innovate. If you’ve heard of the term fake cloud, this is where it came from.

Like early attempts from macro beers, early “cloud” offerings from legacy vendors were a slightly-repurposed version of the original. You can learn more about fake cloud here.

Companies began to acquire innovators—but let them do their own thing. Decisions like Heineken’s move to purchase Lagunitas and Oracle’s purchase of NetSuite were lauded because the two companies fit well together. Lagunitas received the support network they needed to deliver to an increasing global market, but was allowed the freedom to innovate.

## Today: Legacy ERP Can’t Hold its Own

Fast forward to today, the debate is over and the cloud has won. Companies—both growing and global—have found that the reduced strain on internal resources, increased reliability, enhanced security, and unmatched flexibility are only a few of the reasons they made the jump.

Knowing this, the choice to continue using legacy/on-premises software—software that requires you to pay 20-30% of the initial license fee annually for maintenance and support—is not one that benefits you in this high-speed, high-stakes food and beverage businesses landscape.

Too often, companies like yours may think of upgrading or changing once every couple years, only to realize that it’s not in the budget, that you can’t tolerate the disruption, or that you have other priorities. After all, 2020 consumer preferences look to be even more diverse, so you probably thought that developing a product that includes soy-free meat alternative, introducing a monkfruit-sweetened beverage, or sourcing a farmer who cares about regenerative agriculture matters more.

***That’s all right, but as the market gets even more diverse, you need technology that can keep up with you and allow you to deliver. Legacy ERP can’t.***

# Why Food and Beverage Companies Need Technology That Enables Innovation

One of the longest goals for leaders in the food and beverage industry has been system-wide modernization. Sadly, it's been just that—a goal. Too often, projects end up stalled before they even get off the ground, due in part to the needed R&D and research spending just to keep up with the marketplace trends.

## Digital Disruption Coming for the Food and Beverage Industry

Now, as digital technology and disruptive innovations like the Internet of Things and Blockchain sweep across every business landscape, transforming the way we do business, the need for modernization needs to move up in priority. Today's food and beverage business needs to become more flexible to succeed. In fact, 94% of businesses have some kind of roadmap in place for embracing digital technology, according to RSMUS.

Pair this with prior spending on process and production and increased technology investment planned for the coming year, and the food and beverage industry is due for disruption.

There are a variety of reasons for this. From a push toward agile manufacturing, product innovation, and market responsiveness to a continued need for technologies to improve product safety, food and beverage companies need an IT backbone that enables it.

## A Growing Digital Divide Could Leave Laggards Behind.

There is growing evidence that digital laggards are paying a price for ignoring technological innovation. In fact, one recent study found that the top quarter of “digitally transformed organizations” posted average gross margins of 55 percent across the three-year comparison period, as compared to the average gross margins of just 37 percent for those in the bottom quarter.

But that's not what makes it so damning to ignore technology—according to the study, the average spend on IT as a percentage of overall revenue between the top and bottom performers was nearly the same.





# It Doesn't Get Easier: Evolving Threats Meet Omnipresent Challenges

While there are many different pressures facing the food and beverage industry day in and day out, and a variety of evolving threats, you still have to deal with the basics. The only difference? If your competition is able to increase revenue while maintaining costs, it means they're tackling the basics faster and more affordably.

*While you're working on the following challenges, there are three steps ahead of you.*

1

## **Supply Chain Continues to Get More Diverse, Prices Increasingly Volatile:**

Like any industry, the price of raw materials is in a constant state of flux. A few cents may not seem like a lot, but spread this out a massive order and margins quickly take a hit. How well could you tolerate a crop failure tripling your price? To address this, those in the food and beverage industry need visibility through their complete supply chain, knowing the right time to buy to minimize costs for themselves and ultimately their customers.

2

## **An Increasingly Fickle Customer Market:**

As mentioned above, the market moves faster than ever. As it gets harder and harder to create a staple in the marketplace (remember when there used to be one type of Oreo?), you need to keep your ear to the ground for down market changes. If you aren't prepared, you could end up with a warehouse full of product with rapidly approaching expiration date. Understanding and preparing for down-market changes is both a challenge and an opportunity.

3

## **Waste Controls Go Mainstream**

When it comes to food and beverage, (nearly) every ingredient has an expiration date. Whether it's a product that you need to turn within days like lettuce, fresh fish, or bread, or something that you can keep on hand for weeks or months like rice, flour, or honey, it's necessary that you understand what you have, when it expires, and how to reorder it if you hope to succeed.

As consumers become more conscious and vocal, chefs are already touting a zero-waste cooking mentality. It's only a matter of time before a competitor announces a zero-waste pledge. Paired with proper demand planning, powerful inventory management can help you control food waste and minimize loss—shipping or producing the right items at the right time.

### Traceability and Recall Readiness

If one person gets sick from a product, it's likely an anomaly. If dozens, hundreds, or thousands do, it's a recall. Recalls may harm your reputation, but are better than seeing your business fined or shut down for failing to do so. A recall is an all-hands-on-deck initiative that could come from either end of the supply chain, and no matter where you are in it, you need to move fast.

Whether it's a contaminated raw material supply, a piece of metal that broke off and got into a product during the manufacturing process, or a dozen sick consumers, everyone in the chain needs to act fast. Communication is key, but even more important is the concept of traceability. You need to know exactly which item in which batch is at fault, know who received it, and pass the information through the supply chain.

This requires a highly-integrated and intelligent solution that not only provides the traceability you need, but the ability to communicate, conduct mock recalls, and ultimately prepare for the real thing if it happens.

## While Legacy ERP Holds You Back, Modern Cloud ERP Makes Your Life Easier

When did you last purchase a new ERP solution? If you're like most companies, it was likely six to ten years ago. As discussed above, things have changed a lot for both our industries for both our industries. Could you imagine using the first-generation iPhone?

Today's cloud ERP solutions are vastly improved—it happens when updates aren't a nightmare for end users and administrators alike and take place twice per year.

But if you think the gap between modern and legacy ERP is big, it gets worse. According to Forrester, *“approximately half of ERP customers are on releases that are two versions behind the current release, which may be four years old or more.”*

So you may have experienced some improvement, but how much? Most legacy ERP products were initially designed for an era before the Internet existed. Improvements took a lot of time and caused headaches. Once you miss one, you realize just how much of a challenge it will be to make the jump, leading to something known as version lock—when your ERP actively fights updates.



Faced with outsized risk, cost and resource requirements for what may seem like an incremental upgrade, your company can be effectively forced into keeping the same version. For businesses who need extensive customization to a legacy product (i.e. food and beverage), a small upgrade could end up being nearly as complex as the initial implementation. So how does it hurt today's food and beverage business?

### Legacy ERP Holds Your IT Team Back

How much of IT's time can you devote to addressing new business requirements, rather than day-to-day operations such as patches, fixes, support calls and otherwise managing your infrastructure? According to Forrester and Gartner, the maintenance costs range from 50 percent to more than 90 percent of a typical IT budget.

### Legacy ERP Slows Growth

Whether it's your customers or your suppliers, it's likely that your food and beverage business requires you to do something globally. Unfortunately, legacy ERP wasn't built with the global business in mind, it was built when each country had a division, and each division had their own business management products whose numbers were rolled up at the end of the year.

Cloud applications like NetSuite provide the engine to drive growth, enabling businesses to lay down an applications footprint for each country and subsidiary in weeks—not months or years. Cloud ERP spares businesses from having to worry about scaling up expensive IT resources and large capital expenditures on IT infrastructure. The result is velocity that creates true competitive advantage.

### Legacy ERP Holds Back Decentralization

Today's businesses are running operations in multiple locations and maximizing efficiency with offshoring and remote workers. Connecting to your suppliers, your distributors, and managing a relationship with end users is done in an increasingly decentralized way. However, legacy ERP was not built for this. Your sales staff needs to come back to submit expense reports or fill out paperwork, and your marketing team has to come to the office.

Cloud computing enables the distributed "elastic" business—enabling the extended workforce to access applications from anywhere across the globe, offshore as it makes sense, and scale up and down easily whenever needed. They can easily operate on a true "follow-the-sun" model and not be limited by the constraints of centralized ERP or be dependent on local IT resources.



**For the food and beverage business, this blurry picture is a problem—especially as customers expect even more transparency.**

### **Legacy ERP Provides a Blurry Picture**

If you are running on an outdated product, you know just how annoying something like end of month or end of year is. Fire up the spreadsheets and settle in, because it will take a while. You've got employees dedicated to the job of simply reporting, and it takes days to assemble bookings, billings and backlogs reports, or complete the periodic budgeting and forecasting process.

For the food and beverage business, this blurry picture is a problem—especially as customers expect even more transparency.

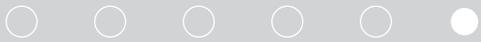
For those enabled by the cloud, however, the mobility and distributed access enabled by the cloud with real-time analytics puts your company firmly on the path to true competitive advantage—enabling workers across the extended business to collaborate and achieve alignment, no matter where their location and without days of delay.

## **Is Your ERP Past Its Expiration Date?**

If your products expire, they go bad. If you fail to refrigerate milk, it spoils. If you leave beer in the sun, it skunks. If you leave your employees and your business hung out to dry with legacy ERP? It fails. Cloud ERP frees businesses from the brittle, inflexible and change resistant ERP of the past. With the cloud, businesses can run on ERP that is “version-less.”

No more hassle-prone upgrades that take weeks to fix, no more outdated ERP as today's products are built to evolve without breaking integrations. In today's business environment, businesses can't afford to ignore the competitive landscape, but you also can't hold your business back with legacy ERP.

At MIBAR, we've watched nearly every technological trend come and go, as well as a few food and beverage ones. While we can't comment on the next big food trend, we know that the cloud represents the present and the future. As one of the top value-added resellers in the nation, we've worked with companies just like yours to implement one of many cloud-based business management solutions. We get to know your business, understand your needs and challenges, and offer honest answers throughout the process. Get to know our process, our implementation methods, and our successes, and get in contact with us for a free consultation.



References:

Bock, R., Iansiti, M., and Lakhani, K., “What the Companies on the Right Side of the Digital Business Divide Have in Common” (January 31, 2017), Harvard Business Review

## About MIBAR.net

For more than 25 years, MIBAR has been a stalwart within the Greater New York & New Jersey business technology community. In this role, we have helped hundreds of mid-market organizations like yours realize their goals and achieve both long-term growth and stability by providing consistent business software services, using the right technologies, delivered by a highly skilled and dedicated consulting team.

As our longevity implies, MIBAR has continually evolved and stayed at the forefront of the food and beverage industry by recognizing trends and leading our clients into technologies like NetSuite that do more, create greater efficiencies, foster growth – and do so at a lower total cost of ownership.

The MIBAR/NetSuite partnership has built a platform for success that can help you to supercharge your food and beverage business. Learn more at [www.mibar.net/solutions/netsuite/](http://www.mibar.net/solutions/netsuite/)

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