

USING IT AS AN AID TO SURVIVING THE ECONOMIC DOWNTURN

This month, **David Hurley**, managing director of Anglia Business Solutions, explains how operating with the right IT systems in place could be crucial to protecting – and even raising – your bottom line as recession bites

THERE IS a general perception that the food sector will be immune to the current recessionary conditions now affecting the global economy. Views have been expressed that the exotics sector will be impacted, but that staple products will continue to flourish. After all, people still have to eat and the population is expanding.

However, while volumes may remain constant or even increase, the prices paid for the produce will inevitably come under sustained pressure. As the recession deepens, supermarkets will have to compete fiercely to attract customers, who will invariably be seeking bargains. Supermarkets will inevitably embark on even more savage discounting. Growers and distributors will have to reduce margins to retain the supply contract.

In such an environment, it would be disingenuous to claim that a new business management system could provide the key to survival. After all, if your business model is fractured, investing in a new system is not going to help. However, if you are running a healthy business but are finding it difficult to make money, there are a few areas where well-targeted IT solutions can help.

The frantic pace and constant pressure under which the fresh produce sector operates does not easily facilitate management time for business process analysis. The well-known phrase involving alligators and swamp draining springs to mind. Nevertheless, failure to take a long, hard look at how efficiently your business processes work can seriously endanger the future of the business.

Working in the deployment of business management solutions provides Anglia with an invaluable insight into how different companies operate in the supply chain arena. The fresh produce sector is undoubtedly the most challenging. This is due to the speed at which produce with a severely limited shelf life moves through the process of getting from field to fork. Every company does things differently. The unique culture of a company is reflected in its operating processes. However, the main driver in today's harsh economic climate is how to do more with less. Working harder is no substitute for working smarter.

Where well-targeted IT can help is in the avoidance of errors. These are

frequently hidden but can be a serious financial drain on the business. Some time ago, in a meeting geared to explore why an importing company would wish to invest in a new solution, the managing director took great pride in explaining that they did not incur supermarket fines. A quick investigation later revealed that they had incurred more than £20,000 in fines during the period examined. Their disjointed IT systems meant that such fines became part of the cost of sales and were therefore hidden from the attention of the senior management.

Product mislabelling is also another avoidable cost. This is a common error where a momentary lapse in concentration can lead to an unwelcome emergency product withdrawal. These days, such incidents can incur a swingeing fine of up to £50,000, plus incurring the wrath of the customer. As an example of what can be achieved, since G's Marketing installed a label-checking application that integrated into its back-office system, the firm estimates that it avoided £250,000 in fines during the first year. Furthermore, it protected more than £10 million of existing business, while reducing labour costs in the QC department by £40,000 per annum.

Packhouses can also be a financial black hole when the produce is not electronically tracked throughout the entire process. It can lead to having to employ additional people with clipboards. Furthermore, it can make it difficult to pick up trends associated with specific growers, products or customer consignments. After all, who has the time to carry out the analysis on a daily basis? This can also lead to incorrect payments to growers. As the cost of sale represents 80-90 per cent of a company's total turnover, overpaying even half a per cent for purchases can represent a significant bottom line cost to the business.

Administration can also be a significant but necessary cost. However, when was the last time you made a profit out of your administration facilities? Running non-integrated, disparate systems can be costly as well as time-consuming. A recent financial analysis of some of the top fresh produce companies revealed that administration costs

accounted for between 3.5 and eight per cent of turnover. Imagine being able to reduce these costs by just half a per cent through the automation and integration of your key processes.

These are just a few of the areas where business management solutions can make a small but significant difference to your financial fortunes. However, these can all add up.

Let's take a look at the financial profile of a mythical fresh produce organisation with disparate solutions in place.

Sales – £107m
Cost of sales – £98m
Gross margin – £9m
Administrative costs – £8m
Profit and loss – £1m

Better visibility of produce through the supply chain could achieve improved QC procedures, a small reduction in waste and fines, reduced paperwork, more accurate returns for growers and timely management information. A half of a per cent improvement in the cost of sales is not unreasonable. A similar half a per cent saving in administration costs could be yielded by a reduction in the volume of data duplication inherent in the maintenance of disparate systems. On this business model and without increasing sales, the profit and loss could be improved by £890,000, which would almost double the annual bottom-line profit. It is worth pointing out that the savings figures are very conservative.

Obviously, this assumes that the deployment is successful and that the system has the capability to leverage the required benefits of working with a truly integrated solution. However, there is little doubt that in most companies, there is room for improvement. It has been proven that a dynamic solution that tracks produce throughout the supply chain can bring major business benefits to an organisation. The savings made can greatly outweigh the purchase and deployment costs of a replacement solution.

Should the current downturn continue, those companies with good business models backed up by well-targeted solutions will be well placed to thrive. Others with poor information to work with could well find themselves consigned to the dustbin of history. ○

COSOSYS CELEBRATES

VENDOR OF the most innovative and effective applications for portable storage devices and endpoint security solutions, CoSoSys celebrated the European Data Protection Day on January 28, by joining and supporting the educational efforts organised throughout Europe.

The European Data Protection Day has been established to inform individuals about their rights when it comes to data protection, as well as the risks they are exposed to when entrusting private details to companies.

According to an Identity Theft Resources Center study, in the US alone, the number of reported data breaches grew by 50 per cent in 2008, resulting in more than 35 million personal records being exposed.

At the same time, malware leading to overwhelming outbreaks, such as the much debated and researched Downadup worm, are designed to make use of unprotected USB devices such as flash drives. Downadup, also called Conficker, has managed to single-handedly infect an estimated six per cent of PCs worldwide, according to Computerworld.

"As individuals entrust a growing number of personal details to companies handling them inappropriately and discover new lifestyle devices for both personal and business use every day," explained CoSoSys ceo Roman Foeckl, "they need to learn more about how their records need to be protected against intended and accidental breaches, and about how they can themselves contribute to keeping their data safe and clear from wrongdoers' reach."

CoSoSys is dedicated to raising awareness regarding data security issues that companies and individuals are facing every day, such as accidental malware infections, the risk of having private data stolen by insiders, the accidental exposure of confidential records or the very common loss of data when unprotected and unencrypted portable devices are misplaced. All these security threats can be easily prevented when the right endpoint security policy is enforced.

The company's Endpoint Protector 2008 is a best-of-breed DLP (data loss prevention) solution designed to minimise the internal threats, reduce the data leakage risks and control devices connected at endpoints.

This solution allows IT departments to proactively take control of the device's internal use, while tracking all data transferred in or out of the protected network and enforcing encryption of the data in transit on portable devices. ○