USING IT TO REDUCE WASTE AND BOOST PACKHOUSE PROFITABILITY

This month, Anglia Business Solutions outlines how investing in the IT systems used in your company's packhouse can improve profitability and reduce wastage throughout the packing process

THE PACKHOUSE work environment in fresh produce is one of the most challenging in the supply chain industry. It consists of managing large volumes of low-cost items moving through the production process in extremely tight time slots. These have to comply with demanding quality, packaging, delivery and traceability standards. Getting it wrong can have serious customer service issues.

As pressure on margins increases, the challenge that management teams face is to cut costs without affecting quality and customer service. Fresh produce companies have made considerable investments in sophisticated plant automation to improve productivity. These have had a significant impact that has enabled organisations to scale their operations to meet market demand. The investments are easy to justify on labour productivity alone.

• **Waiting:** Delays in business processes reduce the velocity of the supply chain. For example, having production people standing around while waiting for product costs money, while impacting on productivity.
• **Transportation:** If employees have to waste time looking for goods, it reduces the processing time while increasing staff costs.
• **Administration:** Forcing production employees to manually record information that could be produced by the system. Apart from the risk of transcription errors,

Real-time order information is available to packhouse operatives

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However, in the majority of cases, investments in IT production systems have failed to keep pace.

The reality is that in many organisations, the packhouse environment is a part of the business where management lacks visibility of the processes that satisfy customer demand. In the past, the packhouse has been described as a black hole when it comes to monitoring profitability. Yet it is the area where most costs are incurred and value is added. In addition, it is still highly labour-intensive. The difficulty has been comparing the costs and feasibility of monitoring all aspects of the production process with the potential benefits.

As in most other areas of supply chain industries, the production process can be extremely wasteful. This can have a significant impact on profitability. In general terms, the waste elements cover some of the following topics –
• **Over-production:** The labour costs of over-packing as well as the wasted packaging may not seem much on a daily basis. However, over a year, these can represent a substantial cost to the business.

administration is a necessary but unprofitable activity.
• **Poor quality:** Creates unnecessary re-working, which increases costs and reduces margins.

Looking at each of these in isolation, it is easy to justify doing nothing by rationalising that the business does not do too badly against the competition in these areas. However, the recent trend towards lean manufacturing in production processes, coupled with prevailing competitive forces, is forcing many management teams to examine all aspects of their business models. The objective is to compete more effectively by working smarter rather than harder. The production area is now coming under scrutiny as part of this process.

Where recent developments in IT can help is by making the tools that office-based staff take for granted available to the production people. Extending relevant business information to the personnel responsible for delivering the company's promises can make a difference in reducing waste.

Powerful, fully integrated enterprise resource planning (ERP)

applications were once only available to large organisations with massive resources and extended timelines. The entry of world-class software companies such as Microsoft into the mid-market has meant that small- and medium-sized enterprises can take advantage of these state-of-the-art solutions at affordable prices.

Extending these powerful solutions to the mobile workforce can ensure that business processes are optimised as operational practices are refined. For example, by integrating order intake with the production process, it provides the packhouse with advance notification of the work schedule as orders arrive. As product moves through the pack lines, it automatically notifies fork-lift drivers when produce is needed or requires shifting to dispatch. In the meantime, production supervisory staff have a real-time view of every order's progress at each of its production cycle stages. The system is integrated with finance, so measuring profitability keeps the commercial people happy.

In such an environment, wasted activity is reduced and operational productivity greatly increased. Apart from improving morale – operational people are usually at the back of the queue where IT investment is concerned – seamlessly integrating all of the supply chain applications has significant other commercial advantages. It reduces the packaging and produce waste, as well as administration costs. More importantly, it provides management with vital business trend information as events happen in the supply chain. This makes it easier to compete using dynamic information as a business aid. ○