

Sage ERP X3



Improving transparency in food manufacturing

How food companies can streamline compliance and improve consumer relations through transparency.



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Introduction

The value of transparency

Transparency: openly sharing information about how food is produced.

Transparency is a watchword in the food industry these days, an industry concern motivated by both regulators and consumers. However, **many food companies do not have a clear understanding of what transparency means, why to pursue it, what it involves, or how to improve it.** This white paper outlines the key elements of transparency and offers some suggestions for how food manufacturers can improve transparency efforts to their benefit in the supply chain, in operations, and in marketing.

What is transparency?

In the food industry, transparency involves openly sharing information about how food is produced. Many elements of transparency are already widely practiced and mandated in forms like nutritional labeling and truth-in-advertising statutes. However, **transparency expectations are increasing.** More and more, both regulators and consumers are looking for information ranging from ingredient provenance to the specific processing methods employed by the manufacturer.



Motivating transparency

Efforts to increase transparency in food manufacturing are driven by both regulators and consumers. Although the industry itself is a major source of innovation in transparency, the trend is primarily driven by external influences. Understanding these influences and the expectations that regulators and consumers have is essential for taking effective steps toward transparency.

Regulators

Regulatory agencies on the local, state, and federal levels are requiring increasing levels of transparency from food companies. The Food Safety Modernization Act (FSMA) of 2011 initiated a sweeping change in the food industry by greatly expanding the powers of the FDA to mandate increased record keeping and record sharing. **Food companies should therefore expect future regulatory compliance to involve expanded tracking programs and the need to provide greater information about suppliers and sourcing.** Although the precise requirements of the FSMA have yet to be defined, the act has already motivated transparency shifts like a redesigned nutrition label and stricter verification requirements for foreign suppliers.

Consumers

Consumers have a broader concern about transparency, motivated by health and safety concerns as well as the desire for sustainable food products. As consumers become more educated and have more access to information, they expect more information about their food, not just from consumer-facing companies but also from their suppliers at ingredient manufacturers. Many consumers are acutely concerned about the geographical origin of their food, as well as the methods used to grow and process it. **Smart food companies understand that consumer interest drives regulation and purchasing decisions, so even in the absence of formal regulation, expanded transparency is important for consumer relations and brand growth.**

Many consumers are acutely concerned about transparency in the food industry.

Consumer attitudes toward transparency

| Consumer attitude | Percentage in favor |
|---|---------------------|
| Support labeling foods with genetically modified organisms (GMOs) | 91% |
| Want to know more about where their food comes from | 65% |
| Would like to see the food industry take more action in educating people about how food is produced | 67% |
| Would like to know more about how their alcoholic beverages are made | 43% |
| Feel the food industry is transparent | 31% |
| Sources: Just Label It!, SHS FoodThink, Mintel | |

Improving transparency in the supply chain

Supply chain transparency needs to be a priority for any food manufacturer.

The first step in establishing a successful transparency program is to look to the supply chain. Although current regulation requires tracking only one step in either direction from your facility, this guideline can be expected to expand to two-step tracking or even full supply-chain visibility. Furthermore, **given the increasing expectation from customers that food companies will provide detailed transparency information, a more transparent supply chain seems like an inevitability even if regulators do not ultimately require it.** Accordingly, supply chain transparency needs to be a priority for any food manufacturer.

A full discussion of supply chain transparency is beyond the scope of this report, but the foundation must rest on partnering with reliable suppliers. According to John T. Shapiro, writing for *Food Safety* magazine, “Any supply relationship is fraught with risk. The answer? Transparency. Stated otherwise, do you know with whom you are dealing? And, do you trust them?”

Shapiro’s article for the magazine’s edigest edition outlines the basic elements of supply chain transparency, including analysis of the supplier’s facilities for FSMA compliance, drafting a sufficiently detailed partnership agreement, and ongoing audits. The bottom line, however, lies in knowing and trusting the people you are dealing with. **Food manufacturers, therefore, must prepare themselves to dedicate more time to evaluating and nurturing relationships with their suppliers.** Furthermore, they must be prepared to communicate with outsiders (regulators, consumers) about those relationships in order to fulfill transparency expectations. Sharing that information will build trust down the supply chain, just as food companies must have trust in their sources.

Improving transparency in processing

Transparency within your operations is essential.

Just as it is crucial to have transparency along the supply chain, it is essential to have transparency within your own operations. Though this may sound easier than supply chain transparency, in fact it can be quite challenging. **Although you may have a high-level knowledge of all your manufacturing processes, it is essential that you not only have detailed information about everything you do but also that you be able to make appropriate information readily available to regulators, consumers, and your own food safety personnel.** Anything less will fail to satisfy new regulations and consumer expectations.

The FSMA will give the FDA greater access to food company records than ever before and will mandate expanded record keeping within your organization as well. Accordingly, it is critical that food manufacturers dedicate more attention to how they track lots, record their manufacturing processes, and share information within their organization in order to preserve food safety and promote transparency.



Marketing with transparency

Transparency isn't just a challenge; it's an opportunity.

Although the requirements of transparency may sound like a burden, they also represent a powerful marketing opportunity. Consumer desire for transparency in food means that companies that can provide transparency grow in consumer esteem and, ultimately, brand equity. **Major food companies like McDonald's have conducted far-reaching transparency campaigns with impressive results.** Furthermore, transparency efforts can help your company eliminate brand-damaging problems like recalls by helping you avoid spoilage and prevent cross-contamination of allergens or contaminants. On the whole, then, a successful transparency campaign is more than worth the effort.

Improving transparency with ERP

The foundation of successful transparency is tracking: keeping tabs on your lots, processes, suppliers, and more. **Sage ERP X3 streamlines tracking and puts all your information in an easy-to-use interface that's accessible to everyone in your organization.** The solution provides powerful tools supporting transparency, not just through tracking but also by making it easier for you to share relevant information with key stakeholders.

For additional information about transparency, regulatory compliance, or resolving challenges in food manufacturing, **visit our Sage ERP X3 Food Industry Resource Center at www.sageerpx3.us/foodandbeverage, or call us at 1-866-530-7243.**

Sage
6561 Irvine Center Drive
Irvine, CA 92618-2301
866-996-7243
Sage.com

