



Company Name

Superior Quality Foods

Location

Ontario, California

Industry

Sauce and gravy bases and seasonings

Employees

55

Goals

- Improve inventory accuracy
- Reduce raw material costs
- Eliminate frequent cycle counting and plant disruption
- Support regulatory compliance
- Elimination of banker's concerns

Solutions

- ERP software and Mobile Wireless Inventory System from BatchMaster

Results

- 98% inventory accuracy
- Reduced material carrying costs
- Improved material planning
- Increased profitability
- 18-month ROI

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BatchMaster Provides Superior Inventory Control

Superior Quality Foods has been a leading supplier of meat, poultry, seafood and vegetable bases, as well as savory flavors, sauce and gravy bases and seasonings, for well over 20 years. Located in Ontario, California, Superior Quality Foods serves retail, food service, and industrial markets. Its “Better than Bouillon™” and “Crockery Gourmet™” brands are found in many of the nation's leading supermarkets. Superior Quality Foods also supplies restaurants, and its bases are used as ingredients by many industrial food processors.

Although Superior Quality Foods was growing, poor inventory control was impacting profitability. Albert Barriga, vice president of operations, explained the problem:

“We just didn't have any confidence in our inventory control system. We would always double check regardless of what the system said.”

To ensure there were enough raw materials for production, Superior Quality Foods operated “Just-in-Case,” not Just-in-Time. “Due to the lack of confidence in the system, we would order extra raw materials to ensure we had enough to meet production needs,” said Barriga. “We have over 250 different raw materials and were building up inventory unnecessarily. The money to pay for that excess inventory was coming right off the bottom line.”

To try to keep on top of the problem, the company scheduled frequent cycle counts, resulting in plant disruptions. “We were always second-guessing our decisions,” said Barriga. “We spent a lot of time and invested a tremendous amount of labor trying to keep the inventory accurate. We would do four physical inventories a year, because after three or four months we couldn't trust the numbers. This involved shutting down the plant and counting everything.”

The inventory accuracy problems were also causing concern for the company's bankers. Barriga explained: “We have to get a line of credit from the bank to handle some of our slower months, due to the seasonality of our products. The bank was starting to have issues because they lent us money based on the value of our inventory. Since we couldn't show accurate inventory numbers, the bank was putting pressure on us to improve our systems.”

As a company grows beyond a certain level of sales, it becomes very difficult to manage without formalized processes and systems. Superior Quality Foods was growing at a compound rate of ten percent per annum. “We were moving out of the entrepreneurial mode and into a more structured environment,” said Barriga. “We were no longer a 'mom and pop' outfit, but approaching \$20 million in revenue. We had to start acting like a bigger company.”

Time for a New System

Superior Quality Foods' immediate need was for an inventory control system that would provide accurate numbers and a platform to move forward. Barriga explained the selection process:

“One of the things I wanted to do was to start over with a new system. As our management team had changed, the people that understood the previous system had left, and the new team was having difficulty with the old system. We wanted a new system that everyone could learn at the same time and have confidence in.”



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Albert Barriga
Vice President - Operations

A Superior Fit

One of the common mistakes that small companies make is selecting an ERP system that is not focused on their industry. BatchMaster's functionality and food industry references made it the right choice for Superior Quality Foods.

"All the systems we evaluated were similar in the respect that they all followed Generally Accepted Accounting Principles (GAAP)," said Barriga. "But BatchMaster was more focused on the food industry. This helps us, for example, whenever we make a batch, because there will always be a partial batch of material left over at the end of the process. We wanted a system that would record those partial batches, so that when we made the same product again, the first ingredient that it would call for would be the partial batch, and then plan the raw material for the rest.

"After we saw the vendors' presentations, BatchMaster seemed like a perfect fit. They had specific functionality that was geared towards the food industry, more than the other vendors. In addition, the BatchMaster recall system was very impressive. Our QA people loved it right away," said Barriga.

Superior Quality Foods signed a contract with BatchMaster in February 2005, and five months later completed the implementation of the inventory control module.

Using BatchMaster's Mobile™ Wireless Inventory System, all inventory transactions are scanned with wireless data collection devices, eliminating manual input errors.

"We now bar code our entire inventory," said Barriga. "We record all inventory movements in and out with bar code scanners, updating BatchMaster and providing us with perpetual inventory immediately. We will always undertake a year-end inventory count, but the variances are now very small. When we run a variance report, in most cases when we check the variance it was because we miscounted, and the system was correct! Our inventory accuracy is now around 98 percent.

"As a result of BatchMaster, we now have confidence in our financial numbers so that we can estimate our capital needs, and the projected profitability for the year. Having accurate inventory has helped us make better decisions, both strategically and tactically. We are able to reduce our costs, as we are able to reduce our inventory. In addition, our bankers are now very happy with our inventory accuracy.

"BatchMaster has excellent reports on material usage, and this helps us negotiate with our suppliers. We can provide our suppliers with accurate estimates for our raw material and packaging needs. This was something we couldn't do before," said Barriga.

Superior Quality Foods' facility is USDA approved, but this places an extra burden on a company. Barriga explained:

"Because we process meat, beef, turkey, ham and chicken, we must have a USDA inspector on site and we have to follow very stringent rules. These rules apply not only to the manufacturing process, but also to accounting procedures. The USDA inspector has the ability to shut down the facility if something is wrong. We must have good processes and procedures in place, so that our employees don't make mistakes. BatchMaster supports our certification by ensuring we maintain accurate records, and provides full product traceability in support of the Bioterrorism Act."

Now that the first phase of the implementation is completed, Superior Quality Foods is ready to move forward and take advantage of BatchMaster's other capabilities. "Our number one issue was inventory accuracy, and now that we



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have that under control, we can start using the other capabilities BatchMaster offers. We are expecting to see further benefits when we implement other parts of the system, including Master Production Scheduling (MPS). MPS will help us plan and manage our finished goods better," said Barriga.

Return on Investment (ROI)

"Based on just our inventory reduction and subsequent reduction in carrying costs, we have achieved ROI in just 18 months," said Barriga. "The overall profitability of the company has improved because we are not purchasing raw materials and packaging material that we don't need. The system has now paid for itself, and everything from now on is gravy.

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For more information about BatchMaster Software, contact sales@batchmaster.com

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