

# Digitisation of the food sector: opportunities yet to be fully exploited

The potential for 'digital transformation' in the food industry is there – but it has yet to be fully exploited. New competitors, new technologies, and new consumer demands: the food and meat industries are currently experiencing a dynamic change in their market structures.

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With the introduction of Industry 4.0 and the Smart Food Factory, digitisation can play a key role in helping businesses master these changes. Nevertheless, as CSB-System's recent survey of the food and drink sectors showed, while many companies are already recognising and embracing the benefits of the digital world, there are still several opportunities that are being missed.

Let's start with the good news. Digital technologies are increasingly being used to help businesses and their operations become more flexible, enabling them to optimise their management processes and improve procedures in areas such as production and logistics.

This is particularly important as nearly 70% of respondents in the survey identified pricing pressures as being one of their biggest challenges; and since the quality and image of products are the critical part of most companies' positioning, an effective control of costs has become all the more essential. Digitisation is therefore being focused on improving internal processes and operating procedures as well as assisting in purchasing. However, even here there are opportunities that are being missed. For

example, only 36% of respondents consider product recipes as an area for cost reductions, yet today there are specific recipe optimisation software programs available that are able to calculate the most cost-efficient composition of a recipe while still ensuring that consistently high quality levels are maintained.

One particularly interesting finding from the survey was that companies placed the demands of consumers as being of greater significance than the strict requirements of the food retail trade and relevant regulations and legislation.

## Creating a competitive edge

Latest technologies mean companies can interact and communicate with consumers far more easily; and by better understanding consumers, food producers can help to enhance their competitive edge.

Respondents therefore saw the importance of digitisation for sales, marketing and CRM, with 73% saying that they were already using solutions or planning to implement them.

Nevertheless, there are opportunities to use this wealth of valuable consumer insights and feedback even further. 71% of respondents said effective customer contact was a key part of good customer relations and meeting customer needs.

What is striking, however, is that only 33% thought that the digital possibilities for customers in online ordering – such as the ability to receive individual prices, discounts or conditions – were relevant for customer relations.

In addition, less than a third recognised the value of more personalised customer relations through the evaluation of CRM



An automated picking system.

data. Similarly, the survey indicated that fewer than 50% of participants saw an opportunity for developing new business modules through these new technologies.

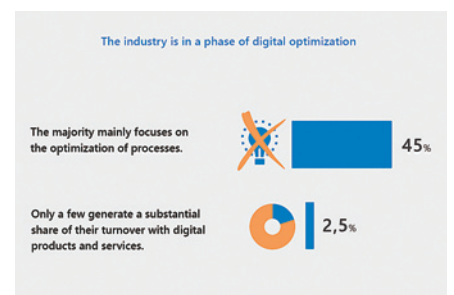
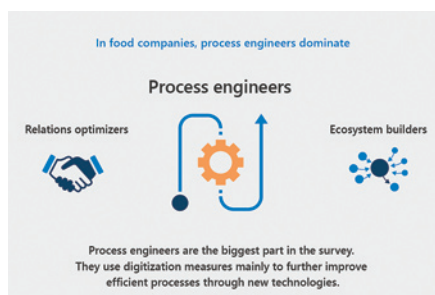
Overall the findings indicated that although digital projects are used in daily business, the majority of participants pursued a digital strategy of small improvement steps. It is therefore not surprising that small- and medium-sized companies, which are typical of the food industry, do not yet use the full range of digital opportunities.

It is perhaps for this reason that companies in the survey mainly worked on stand-alone solutions or individual projects that are isolated from one another.

## Better training required

Another challenge in making the most of all the digital possibilities is a lack of relevant skills within an organisation. This has highlighted the need for better training to provide greater knowledge of all the

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available technologies and how they can be appropriately introduced.

Certainly the CBS-System survey found that although respondents were interested in areas such as artificial intelligence, the Internet of Things (IoT), robotics, big data and blockchain, these technologies still hardly play any role in daily operations. And while ERP systems are widely used and ERP remains the central nervous system of digital infrastructures, its potential is still substantially underutilised outside of the classic application fields of controlling, for calculations and for planning processes.

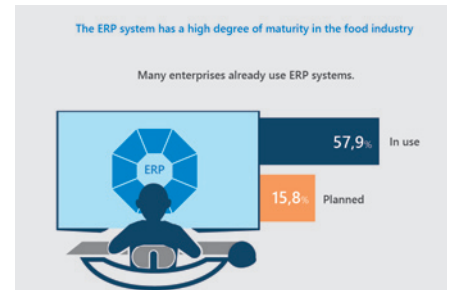
### Data collection can improve internal processes and optimise digitisation of the food sector.



Furthermore, more than two thirds of the companies continue to use paper when working with their ERP systems.

Nevertheless, companies that have invested in an ERP system already have the building blocks in place to develop their processes further. In addition, very often any new software can be easily integrated into existing systems and hardware.

In most instances, what will be needed is a reliable partner to help devise the most appropriate solution for a business and to provide the installation support and subsequent training to ensure it works to its full potential. Undoubtedly, digitisation will continue to be the future for all food enterprises. It simplifies the often complex shop-floor processes of many businesses, helping to make the process from raw materials through production, packing, inventory and warehousing, to final delivery,



as simple and efficient as possible. It increases information quality and transparency throughout the entire process, while at the same time reducing errors and costs substantially, to deliver less waste and more efficient production.

### Conclusion

It is clear that while many users recognise that digitisation offers many opportunities, they do not always take full advantage of these – consistency and integration do not yet feature strongly.

As a result, it is digital optimisation rather than a digital transformation that is currently taking place in the food industry. It may appear a challenge to maximise the benefits of digitisation, but it is definitely one that is worth overcoming. ■