

How Companies Use Technology to Tackle the Challenges of Standard and Variable Weight





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Organizations that buy in bulk and deal with items of variable weight are integrating NetSuite ERP with an industry-specific application to effectively and efficiently manage their catch weight requirements.

When the weight of a product that's been procured, sold or shipped can't be neatly categorized into traditional buckets like ounces, pounds, blocks or cases—and when trading partners rely on different measures of quantifying those amounts—catch weight helps even out those differences.

Used primarily by companies in the food and beverage industry plus many wholesale distribution facilities, catch weight utilizes inventory units (i.e. the unit of measure used when products are sold, picked and shipped) and catch weight units (the unit of measure used when items are weighed out and invoiced for). Blending the two measures, catch weight closes the gap between the price paid for bulk items and the price that customers pay for those goods.

Most enterprise resource planning (ERP) platforms lack catch weight functionality, which makes management of this important process cumbersome, error-prone and manually intensive. It can also throw inventory counts out of whack and lead to inaccurate invoicing, financial loss and sales tax issues.

This white paper highlights the challenges companies face in this area and reveals how an integrated catch weight application bundle transforms NetSuite ERP into an even more versatile enterprise application for companies that use catch weight in their day-to-day operations.

What's the Catch?

In food manufacturing and distribution, a 24-unit case of 32-ounce ketchup bottles is easy to pick, pack and price. Buyers know that when they place an order for 10 cases of product that they're going to get 240 bottles of ketchup priced at a certain cost-per-ounce or per-bottle. There's no mystery to these calculations, which all trading partners will use both up and down the supply chain.

When food and other products that vary in size can't be lumped into standard units of measure, catch weight—a term that basically means “approximate weight”—steps in to help to minimize those complexities. A company that manufactures cheese, for instance, produces blocks of product that all weigh different amounts. Because each block has a unique weight, the manufacturers, distributors and retailers that are buying in bulk need a more flexible means of weighing and pricing the goods for sale.

For example, the company that makes sandwiches for grocery stores, mini marts and other food retail outlets needs to know exactly how much meat, cheese and produce go into every one of those sandwiches. Because it buys those goods in bulk—and because no two shipments of raw materials are alike—the company uses catch weight to determine exactly how much to order from its meat supplier. That supplier sells the meat in cases or on pallets, so there's no clear alignment between the amount the sandwich-maker needs and how much it has to order.

Two large slabs of ham, for instance, may have completely different weights. The company making the sandwiches and procuring the ham needs to know the total price-per-pound and the cost of a case of ham. The problem is that once the items are picked and put into boxes, the “case” won't necessarily weigh the same as it did when the original price was quoted. That's where catch weight steps in and bridges the gap. Using catch weight, the supplier can bill its customer for the

“When the goods are purchased, the company cares only about how many cases it ordered and received, but when the invoice arrives, that company gets priced by the pound. Catch weight helps to clear up the confusion and get everyone on the same page.”

**Michael Anderson, Functional Consultant,
Suite Professionals**

exact weight of the items that are in the case (versus the “estimated” weight).

This helps ensure precision, supports good inventory management processes and helps the buyer price its end products more accurately. It also helps companies place the right order volumes with their suppliers and leverage quantity discounts for those orders.

Here's the Solution

Working with food and beverage companies and wholesale distributors that have annual revenues of \$10 million and up, Suite Professionals developed a SuiteApp that gives NetSuite ERP extensive catch weight functionality. With decades of experience in wholesale distribution, this NetSuite Solution Partner came up with the idea after realizing that a direct link between catch weight and financials would help companies overcome persistent catch weight challenges.

Using Suite Professionals' Variable Unit By Pound and NetSuite ERP, manufacturers and distributors that buy and sell products by weight can ditch their manual processes, Excel spreadsheets, calculators and basic financial programs like QuickBooks in



favor of a complete, integrated solution designed with them in mind. Here's how it works:

- Products are compiled into a case or some other type of outer packaging used for shipping.
- The packages are weighed and the exact product weight is captured.
- The buyer pays only for the value of the product itself, regardless of how it's packaged or shipped.

In most cases, Suite Professionals is replacing proprietary applications that companies have built to manage their catch weight and other needs (e.g. custom food labeling). "A lot of processes used by food and beverage companies don't come native in most ERP systems," said Anderson. The same companies usually turn to QuickBooks for accounting and in doing so only complicate matters with a disconnected, disjointed technology setup. "They're using custom applications that can't handle financials, that manage just one aspect of their operations and/or can only manage static product weight values," Anderson continued.

In absence of a system that can handle variable weights, these companies waste time and money. Their error rates are high, they get overcharged for

product that they never procured and they wind up paying too much in sales tax for those goods. This, in turn, results in incorrect inventory levels, stock-outs, overstocks and other costly business challenges.

Doing the Math

Because it's integrated directly into NetSuite ERP, Variable Unit By Pound requires no external applications, multiple logins or additional steps.

The typical implementation takes less than 100 days for wholesale distributors and about 120 days for food and beverage companies (depending on the complexities of those companies' systems). "For someone that already has NetSuite in place," said Basinger, "it takes about 10 hours total to get Variable Unit By Pound up and running."

"Everything is maintained within NetSuite, it's easy to use and very low maintenance."

Tyler Basinger, Co-President, Suite Professionals

Don't let the ease-of-use and fast implementations fool you: Variable Unit By Pound is a sophisticated system built specifically for NetSuite ERP. Where the platform already allows users to set up a unit of measure by the pound, and then order and sell product by the pound, Variable Unit By Pound extends that functionality and does the math for users that are placing orders for cases, pallets or any other outside packing unit.

"Our solution alleviates those pain points and puts hours back into our customers' days," said Anderson. "All they have to do is set up the table and an 'additional feature' on the item record. The application takes care of everything else, and across all applicable transactions." That means the same solution can be used across assemblies and other transaction types—a key point that not many other applications can boast.

"A lot of the apps in this solution area are usually restricted to certain transaction types; ours isn't," said Anderson, a former NetSuite associate who has handled many ERP implementations for a variety of food, beverage and wholesale distribution companies. Through this experience, he encountered a large number of organizations that had to circumvent their ERP system's capabilities in order to gain industry-specific functionality.

With Variable Unit By Pound, Suite Professionals was determined to align a company's enterprise system and its catch weight capabilities. It succeeded in that goal. "With our application," said Anderson, "companies can actually take advantage of NetSuite ERP's native capabilities, not work around them."

Don't Just Fly Blind

Some industry sectors use straightforward inventory management and billing processes, but others face unique challenges when attempting to figure out the differences between the average weight of an item and the actual weight of that product. Because of this, companies that work with food, beverages and other variable-weight shipments rely heavily on catch weight to ensure effective sourcing, inventory management and costing.

Unfortunately, managing catch weight manually or with disparate systems not linked to financials can quickly eat up valuable resources. In the absence of an integrated solution, companies can find themselves "flying blind" as the attempt to align variable and standard product weights in a way that makes sense.

By implementing an industry-specific application with cloud ERP, companies can vastly improve their inventory accuracy, procurement activities and invoicing activities. In a world that's more focused than ever on supply sources and potential disruptions—particularly in the food and beverage sector—companies get the reliable forecasting, inventory and supply chain management tools they need to be able to operate efficiently and profitably.

