Red Tomato- Finding the Right Solution

Introduction

WHAT IS EDIBLE SOFTWARE?

Edible Software is the best solution for wholesale food distributors, importers, and manufacturers. It provides instant, up to the minute **inventory control, profitability and traceability**, as well as full management and accounting information. When used correctly, Edible Software can significantly **increase gross margins**, due to its accurate and timely reporting capabilities.

WHY DID WE WRITE THIS CASE STUDY?

This study is about the food hub Red Tomato which is a non-profit company that joined Edible Software in May of 2013. We chose to discuss Red Tomato's implementation process to Edible Software in order to show you Edible Software's experience and ability with food hubs.

GAINS

1. Gain knowledge about technology compatible with your food hub.
2. How new the right technology can be implemented into your company.

Background

WHO WAS INVOLVED?

Aaron Freedman, Trade and Finance Associate at Red Tomato, was gracious enough to help us prepare this study.

WHAT IS RED TOMATO'S BUSINESS MODEL?

- Red Tomato is a Non-Profit organization Rooted in fair trade. Their business Model is based off of Trade Business and Food Systems Development.
- <u>Trade business</u>: Coordinates logistics for 60 family farms in New England, Pennsylvania, New Jersey and New York.
- <u>Food Systems Development</u>: Since Red Tomato is non-profit, they share their knowledge of trade business by going to conferences. Red Tomato is also more transparent than average distribution companies. The disclosure of Red Tomato's experiences to food hubs helps bring mid-sized family farm product into the regular market. Therefore, they can achieve success bringing local produce into the mainstream.

WHAT SOFTWARE WAS RED TOMATO USING PRIOR TO EDIBLE?

Red Tomato was using Quick Books, which was not compatible with their company needs. Running on a non-asset based business model meant their trucks and warehouses were

contracted out. They talked on the phone with the warehouse but realized they needed really good record keeping. Aaron stated, "We have a lot of tracking needs because that's our only contact with the product in most cases. It's all virtual because we don't own the warehouse or the trucks. "

Quick books also did not suffice when it came to manual entry. The duplicate entry in order to manage logistics was more complicated from what quick books could communicate. Aaron stated, "We had lots of excel spreadsheets outside of Quick Books. You have to put in an order multiple times."

EMPLOYEE SIZE, MARKET SIZE, WAREHOUSE SIZE

- Red Tomato has 7 full time equivalents and 3 consultants.
- <u>Target Market</u>: wholesale to retailers and institutions. Supermarkets and school cafeterias are the main outlets.
- <u>Warehouse size</u>: Red Tomato has three warehouses that they contract out to. One in Boston with up to 40-50 pallet spaces and two different warehouses in Pennsylvania, which are the same size.

Purpose

WHAT MOTIVATED RED TOMATO TO LOOK FOR NEW SOFTWARE?

Quick Books is limiting, only allowing you to do purchase and sales orders. Red Tomato needed to track the specific product coming from one place to another. They weren't able to differentiate one case of green beans from another and in local produce and this is important for food safety and traceability. Aaron stated, "We needed something to track lots and lot allocation through the system. The logistics in the old system required us to enter a purchase order, a sales order, and a price manually every single time on a separate grid. This information had to be put in again and indicate what truck it needed to go on and at what time. **We needed a database software that could go in once and be referenced anytime you needed it."**

HOW DID EDIBLE SOFTWARE ALLEVIATE RED TOMATO'S MAIN PROBLEMS?

Edible Software is **more efficient** because it is able to apply trucking costs directly to certain lots. Therefore, the add-on PO function for freight and cross docking costs gave them the ability to track cost the way they desired.

Edible Software also allows you to change much (but not all) information after the fact. For example, a surprising number of produce software operates as if you're the guy sending the product out on the truck, therefore once the invoice is sent and printed, the only way to change it is with credit. Edible is good at allowing you to set up the paperwork and get it out to the people who need it before it is all finalized.

Red Tomato liked the price of Edible Software. The other software in our price range didn't have flexible invoices, purchase orders, editing or add-on trucking costs. We actually could track everything we needed to track in the system.

Implementation

WHAT WORKED, WHAT DIDN'T?

Aaron's answers was, "The implementation of the system was good. It took a while to become acclimated with the system, but we received pretty **good support** from Edible Software. Edible Software worked for us, in that, we were accustomed to the same functions used in the software. Edible Software had a lot of manual entry at the beginning, but this helped us to **get a better understanding** of the system. We were also given a test version before going live, which was helpful."

Red Tomato has a non-standard business model, therefore the product goes through two or three warehouses, trucking companies, or farms before it actually gets to the customer. The standard "everything comes in everything goes out" model for a company that has one warehouse didn't quite fit their needs, so they had to do a fair number of work-arounds to track the logistical flow of product.

Outcome – Direct Answers from Aaron Freedman

DID EDIBLE SOFTWARE INCREASE RED TOMATO'S GROSS PROFIT?

"There are programs we use that are not compatible with Quick Books, so **yes I can say that our gross profits have increased**. We are doing amazing this year compared to last year. Our sales volume has increased with the efficiencies Edible Software has brought us has made it possible."

WHAT IMMEDIATE BENEFIT WAS SEEN? WHAT LONG TERM BENEFIT?

"We hope to get a lot further with Edible in the future and more automated. For example, we have a program right now that assists us with direct storage order deliveries. We are also partnered with supermarkets and schools that are run by the same food service companies and small accounts. The products are aggregated from all over the region and are delivered to all of these stores. This means a huge increase in the number of invoices. Therefore, you might have what used to be a $10,000 order for a single distributor that is now a $3,500 dollar order or a $2,500 dollar order means a whole lot of invoices that need to be created. Hence, having functions in Edible Software where the last price for that same customer saves and the items that you purchased last time saved in the system and the ability to copy sales orders makes it much more feasible to create invoices.

The Shipping screen where you can select all invoices from a certain route or customer group and export them into one document with one snap of a finger could not be accomplished if we had to do it all manually every single time.

Increasing efficiency that we are able to process more and spend a lot less time re-entering data and a lot more time focusing on Marketing, sales and sourcing. We are able to track things that we were not able to track before. Having traceability, having data trucking costs. By doing our daily processes we can zoom in on any single cost at the end of the year. Having the data in our fingertips through Edible without extra effort is a big benefit for us.

WHAT WAS AARON'S FAVORITE PART OF EDIBLE SOFTWARE?

The fact that the pricing and **standard items** save in the system and that you can access all those reports by the ability to repeat orders is important. Inventory management allows us to see where products go and come and track it through the entire system in a way that we never could before.