

A blue-tinted photograph of three business professionals in an office setting. A woman in the center is pointing at a laptop screen, while a man on the right and another person on the left look on. The laptop screen displays a data visualization with a line graph and a table. The overall scene is professional and collaborative.

## Trends & Insights Report: Product Costing

# Introduction

For food and beverage companies, knowing the true cost of production is the foundation of profitability. Whether it's setting prices, evaluating trade promotions, or understanding SKU-level margins, accurate costing is what drives growth.

Yet many leaders rely on numbers that don't reflect reality. ERP costing modules rarely capture the complexity of modern food and beverage operations. Co-products, variable yields, packaging differences, and promotional impacts often go unaccounted for, and the consequences are significant: pricing and planning decisions built on false assumptions, efficiency losses that go undetected, and margin leakage across product portfolios.

Today's market volatility only amplifies this. Ingredient and packaging costs fluctuate monthly, energy and freight rates are unpredictable, and sustainability requirements are adding new forms of cost. What once could be estimated annually now demands continuous visibility and adaptation. Without this flexibility, even a small input swing can be catastrophic across entire portfolios.

This edition of our *Trends & Insights Report* explores why these challenges occur, what best practices can solve them, and how companies can turn costing into a source of competitive advantage.



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# The Costing Challenge

ERP costing systems are designed for accounting compliance, not for business decision making. Though they produce official-looking reports, they often misrepresent the realities of operations.

This causes many issues:

- Finance leaders can't trust SKU-level profitability.
- Operations leaders see efficiency losses that don't appear in the P&L.
- Executives chase top-line growth while margins erode.

Take this real-world scenario as an example:

## Case Study: Weak Costing Model Put Customer Demand at Risk

A global beverage company faced significant margin pressure when input costs for key materials, including packaging, sweeteners, and distribution, skyrocketed due to inflation. Their costing approach had assumed stability in these categories, so the sudden increases weren't anticipated or built into pricing and planning.

Even small fluctuations in raw material or packaging costs can have a major impact on profitability. Food and beverage companies face the constant challenge of balancing cost efficiency with quality and innovation.

*Rich Medrano, Practice Director - Revenue Growth Excellence at Catena Solutions*



To maintain profitability, leadership deployed reactive measures: raising product prices, adjusting the product mix, and searching for operational efficiencies. However, price increases carried the risk of impacting consumer demand, especially in competitive markets where brand loyalty is sensitive to cost.

Lesson learned: In this scenario, the company realized that without robust, dynamic costing models that anticipate volatility, you risk eroding margins, straining retailer relationships, and losing consumer trust.

An estimated **42% of companies** experience revenue leakage, and companies lose 1-5% of EBITA due to poor processes and systems.<sup>1</sup>

Beyond volatility, however, many companies face another blind spot: data fragmentation. Production, procurement, logistics, and finance often operate on disconnected systems. As a result, yield losses, promotional deductions, and distribution fees aren't fully captured in product costs. This margin leakage can quietly drain EBITA even in otherwise healthy businesses.

A modern costing approach must unify operational and financial data, creating a source of truth that reflects the end-to-end financial measures of every SKU. In the next section, hear from an industry expert on how he approaches poor costing setups.



# A Costing Expert's Perspective

To better understand product costing in the food and beverage industry, we turned to SAP Costing Specialist [Jerson Hurtado](#).

Jerson has more than 30 years of experience helping organizations improve profitability through better product costing practices, providing both strategic guidance and hands-on support.

## Best Practices for Costing Simplicity and Profitability

*By Jerson Hurtado*

Costing is one of the most important drivers of profitability, yet many companies struggle to get it right. I've spent years working with manufacturers and consumer goods organizations, and I've seen firsthand how improper costing can lead to pricing mistakes, poor decisions, and lost profitability.

## Jerson Hurtado

SAP Costing Specialist



My philosophy is simple: costing should not be overcomplicated. When designed and managed properly, costing systems provide clarity, confidence, and a foundation for smarter business decisions.

### Why Costing Matters

Costing answers the most fundamental question in business: are we truly profitable?

In an industry like food and beverage, where raw materials, labor, overhead, and logistics all intersect, accurate costing ensures that product prices reflect the true resources required to make and distribute them. Without this, companies risk underpricing, overpricing, or misunderstanding which products actually drive value.

Accurate costing provides the visibility leaders need to optimize product portfolios, set competitive yet profitable pricing, and make confident strategic decisions.



## Why Companies Struggle with Accurate Costing

The biggest challenge is complexity. Supply chains involve thousands of ingredients, multiple production sites, regional distribution models, and regulatory considerations. Each of these factors adds layers of cost that must be captured and allocated correctly.

But complexity isn't the only issue. In many organizations, I see these common problems:

- **Improperly configured systems:** Costing or ERP platforms are often not set up to reflect the realities of the business.
- **Lack of training:** Many users responsible for managing costing do not fully understand how the system works, which limits accuracy.
- **Knowledge turnover:** When staff change roles, critical costing knowledge is lost, leaving successors without the foundation they need.

These challenges result in unreliable data, and unreliable data undermines trust in the numbers.

## Costing Best Practices: How I Approach It

When I begin a project, there are three things I evaluate right away:

1. **User understanding:** The people managing costing must understand not only how to execute transactions but also how costs flow through the system. Too often, individuals inherit responsibility without proper training, which creates risk. Ensuring teams are confident in the fundamentals is the first step toward accuracy.

2. **System configuration:** Even the best teams will fail without a strong system foundation. I focus on areas such as:

- **Cost component structures:** Breaking costs into materials, labor, overhead, and other categories for transparency.
- **Currency settings:** Handling global operations consistently to ensure margins align across regions.
- **Legal, group, and profit center values:** Supporting both external reporting requirements and internal performance management.

3. **Generating insights:** Good data is only useful if it leads to actionable insights. Controllers and finance leaders need to understand resource consumption, cost allocations, and product profitability at a deeper level. This allows the business to identify which products are truly adding value and which may need to be reevaluated.

## A Simple Philosophy

While costing can be complex, my philosophy is to make it simpler. Overly complicated approaches create confusion, while clear and structured processes empower teams to trust the numbers and focus on growth.

When costing is simplified and managed well, it becomes a strategic advantage. Food and beverage companies that follow best practices in costing gain sharper insights, stronger profitability, and the confidence to make decisions that drive long-term success.

# How to Fix Common Costing Issues

Maybe you already know your costing process isn't working. The question is, where do you start to fix it? Here are some quick wins that deliver impact fast:



**Assess and upgrade quickly:** Most CFOs admit they're making decisions with bad data.<sup>2</sup> Begin by assessing the quality of your master data, especially yield, freight, and promotional deductions, and map fixes that restore trust in the numbers.



**Retrofit for real-world complexity:** Configure your system to capture ingredient variability, co-products, batch-level costing, yield losses, and shelf-life impacts.



**Unlock existing tools:** Features like actual costing, material ledger, and variance analysis are often underutilized. Activating them can immediately improve margin visibility.



**Build resilience for volatility:** Incorporate scenario modeling that anticipates inflation, supply shocks, and sustainability cost impacts.



**Strengthen planning, reporting, and governance:** Establish a cadence for re-costing and a governance framework for reviewing cost driver changes.



**Leverage proven expertise:** The right partner can bring deep experience across food, beverage, and CPG, ensuring your costing transformation delivers results.





## Costing doesn't need to be a roadblock.

With the right processes, training, and expertise, it becomes a driver of margin protection and long-term success. By combining technical expertise with a people-first approach, you can ensure costing is no longer a compliance burden but a foundation for your company's profitability. The next generation of costing will be dynamic, data-driven, and integrated. Those who invest now will turn costing from a back-office process into a strategic growth lever.

Learn how we can help at [catenasolutions.com](https://catenasolutions.com)



# Sources

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