



## Greater Supply Chain Transparency is Good for Business and Consumers



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 **Quick read**

## Introduction

Food firms who recognise the need to become more transparent and work more collaboratively will generate greater competitive advantage. The age-old philosophy of keeping secrets and simply aiming to get through without too many mishaps is a thing of the past for companies who want to achieve long-term success. The world has become more and more transparent in line with advancements in social media use and smartphone technology. It is incumbent on the food industry to keep up with the times and avoid being left behind.

## Transparent Supply Chains

A transparent supply chain helps manufacturers, distributors, wholesalers and all actors involved to deliver safe, authentic and nutritious food to consumers in a sustainable, ethical and respectful way. This is especially important for food firms in effectively facing the consequences of problems related to supply chains.

## Food Scandals

**Greater transparency means food scandals such as the E. coli outbreak in Germany in 2011 or the horse meat scandal in the UK in 2013, are better understood and remembered.** It has led to more and deeper transparency initiatives for the food industry in developed economies. For example, following the horse meat scandal, the Food Industry Intelligence Network (FIIN) was created by the Food Standards Agency's (FSA) National Crime Unit of the UK, the Food Safety Authority of Ireland and Food Standards Scotland.

FIIN was founded to rebuild trust in the food industry as a network of suppliers, manufacturers and retailers teamed up to collect, compile, analyse and disseminate information and intelligence. However, such initiatives are still at their infancy with room for improvement. For instance, many smaller firms, which would not have the same financial resources as larger ones, would most likely not join FIIN, and may include potential "problem cases".

- Transparency across food supply chains will save time, money and resources, while increasing consumer trust in the industry
- Ensuring an efficient and transparent supply chain is an important investment for food firms who want to remain competitive in the industry in the long run
- Food supply chain transparency saves time, money & resources, increasing consumer trust
- Transparency helps all actors involved to deliver safe, authentic & nutritious food to consumers in a sustainable, ethical and respectful way
- Issues like the 2013 UK horse meat scandal & COVID-19 reinforce the need for transparency
- Young people want to know where their food is coming from, how it is produced and how ethical the product is. Companies who are transparent & ethical will prosper
- Industrial Internet of Things real-time analysis helps food firms identify problems earlier  
A new system called productDNA, provides accuracy and transparency in food supply chains through improved data management
- Lack of transparency in a supply chain can lead to costly results for all involved: KFC

No doubt that the more recent global pandemic pertaining to the outbreak of COVID-19 (a virus which has been linked to a wholesale seafood/live animal market in Wuhan, China and is widely theorised to be of zoonotic origin) will spark further consumer demand for strict enforcement of food safety standards and complete supply chain transparency.



## Waste

Shifts in attitudes towards the consumption of processed foods have been driven by overall increase in transparency. Another dimension of transparency relates to sustainability, which is being increasingly prioritised by consumers and food companies. In order to achieve the UN's 17 Sustainable Development Goals – which are core to the 2030 Agenda for Sustainable Development – collaboration and cooperation between key stakeholders along the food supply chain is critical.

Distinguishing between food waste and loss is key for food firms that want to become more sustainable. There is no universally agreed definition for food loss or food waste. The FAO (2019) refers to food losses occurring along the food supply chain from primary production to retail level (but not including retail), whereas food waste occurs at retail and consumption levels. It cannot be denied that some waste is currently inevitable, however food companies who are willing to reassess products they might consider as waste are more sustainable, which in turn secures improved market reputation among increasingly climate-conscious consumers. Innovative thinking by key industry players has been shown to lead to these 'surplus-but-not-waste' food products being repurposed in different ways.

In a case study carried out Farrelly & Mitchell in 2019, an initiative by Tesco saw the development of the concept of 'Waste NOT' in an effort to tackle high levels of unnecessary wastage of quality and healthy fresh produce. This involved the launch of a range of cold press juices, exclusive to Tesco, utilising fruit and vegetable products that fall outside fresh produce specification for retail.

## Environmental Issues

The role of youth in food security is growing in influence. Millennials and Generation Z are increasingly prioritising environmental and ethical issues as well as sustainability in their day to day lives, while spending more of their income on food than ever before. This is a food industry trend firms must capitalise on wisely to gain competitive advantage. Young people want transparency and to know where their food is coming from, how it is produced and how ethical the product is. Efforts to go beyond radio-frequency identification trackers (RFID), beacon technology and blockchain technology is gaining traction for transparency in the food supply chain, in offering this information to consumers.

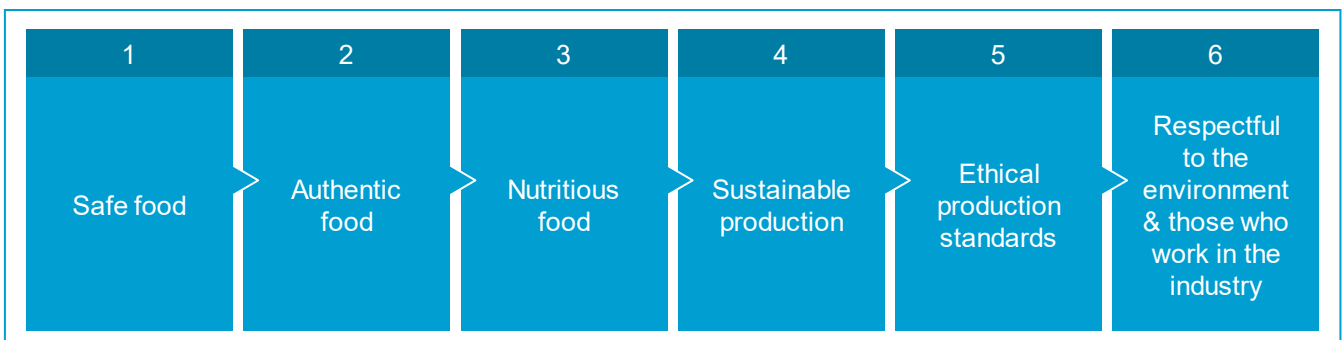


Greater transparency means food scandals such as the E. coli outbreak in Germany in 2011 or the horse meat scandal in the UK in 2013, are better understood and remembered.

## Technology

Similarly, the Industrial Internet of Things (IIOT) can play a significant role in aiding food firms meet regulatory challenges while achieving greater transparency. For example, instead of a manual sample collection for hazard analysis being sent to a lab for testing, samples will more likely be tested in-line and in real time with data made immediately available to centralised quality systems via IIOT. This type of real-time analysis will help food firms identify potential problems much earlier, raising the bar for good manufacturing practice.

**Figure 1: The new food supply chain**



Source: Professor Chris Elliot of Queen's University Belfast, Farrelly & Mitchell



Historically, there has been a real problem with incompatible supply chain systems along the food supply chain, resulting in inaccurate and unreliable data. This negatively impacts consumer experience. A relatively new system called productDNA, provides accuracy and transparency in food supply chains through improved data management. Manufacturers and suppliers can enter their product data into a single verified database. This service manages over 150 industry agreed attributes for grocery products, including physical product data such as dimensions, weight and volume, as well as ingredients, nutritional values and allergen information. Mondelez International, Nestle, Procter & Gamble, PepsiCo, Unilever, Co-op, Iitsu, Ocado, Sainsbury, Tesco and Waitrose signed an industry charter in 2017, committing to adopt this service.

If such systems are adopted universally, it will lead to increased data accuracy and enhanced industry confidence. Additionally, a uniform and transparent supply chain will decrease the complexity that costs industry time, money and resources

## Conclusion

In short, transparency across food supply chains will save time, money and resources, while increasing consumer trust in the industry. Ensuring an efficient and transparent supply chain is an important investment for food firms who want to remain competitive in the industry in the long run.

## Costly Mistakes

Lack of transparency in a supply chain can lead to disastrous and costly results for all involved: KFC UK experienced a chicken shortage in February 2018, leaving hundreds of stores without chicken for days, subsequent shop closures, shorter opening hours and drastic reduction in menu sizes. According to the British Poultry Council, it was a logistical issue. KFC had switched distributor from Bidvest to DHL, resulting in redundancies, which attracted considerable backlash from workers' union GMB. After the switch, there was a logistical issue at a DHL depot which led to suppliers diverting their chickens to other customers or freezing their products to avoid going to waste. GMB asserted that they had warned KFC about switching from a specialist food distributor, Bidvest, to DHL.

After Palmer & Harvey, a UK wholesaler, collapsed in late 2017, it was reported that companies such as Coca-Cola European Partners (CCEP), Mondelez UK, Walkers, Heinz, Kerry Foods, Unilever, MARS and many other large food firms and smaller regional companies faced losses amounting to millions.



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