



GROENEWOUT

## Food retail needs to speed up supply chain collaboration

*In food retail, collaboration between supply chain partners has been the topic of fervent discussion for many years. Although everyone is aware of the benefits, there are still very few examples of supply chain collaboration in practice. It's now time to change all that, claims Joke Vink, senior consultant at Groenewout. Supply chain collaboration is more important than ever before, not least due to e-commerce, and the necessary conditions are already in place to make it a success. "Data is the new gold in transport and logistics."*



Fifteen years ago, as a student at Erasmus University Rotterdam, I was involved in a project called 'From Tailor-made to Off-the-shelf' (*Van maatwerk naar confectie*). It was a large-scale retail logistics research project, led by Piet van der Vlist, a partner at Deloitte and part-time professor at TU Eindhoven. The project revolved around supply chain synchronization; better alignment between the processes of grocery retailers, logistics service providers and manufacturers would

make it possible for the entire chain to operate more effectively and above all more cheaply. The project spawned lots of publications and pilots around the world. Calculations clearly demonstrated that supply chain synchronization would enable huge savings. In 2007, Van der Vlist obtained his PhD from Erasmus University with his thesis on this subject.

Among other things, the title of the thesis refers to the wide variety of demands placed on the logistics operation by each link in the supply chain. Even back then, food retailers were expanding their product ranges and increasing their order frequencies, resulting in a substantial decrease in the order size per item. Manufacturers would produce full pallets with a single item per pallet, but retail stores preferred to receive pallets or roll cages containing a mix of items. And the fact that some food retailers preferred a different type of transport equipment altogether only further complicated the logistics operation. During my own graduation project, I worked at the Dutch grocery retailer Schuitema – which has since been absorbed by Jumbo – which either did not accept deliveries on europallets or had to restack them internally onto Schuitema ones. The retailer's use of its own, differently sized Schuitema pallets generated lots of extra handling activities and hence extra supply chain costs. The research project revealed that, in an ideal world, the whole chain should use the same type of pallet and the goods should move through the chain on full pallets as much as possible.

### **Not yet materialized**

Today, 15 years later, that ideal world has still not yet materialized. The synchronized supply chain is still a long way off, even though today's advanced IT systems make it perfectly feasible.

P.O. BOX 3290

4800 DG BREDA

THE NETHERLANDS

NIJVERHEIDSSINGEL 313

4811 ZW BREDA

T +31 (0)76 - 533 04 40

MAIL@GROENEWOUT.COM

WWW.GROENEWOUT.COM

GROENEWOUT B.V. TRADE REG.

NR. CH. OF C. 20009626.

ESTABLISHED 1966. ALL ORDERS

ARE ACCEPTED AND CARRIED-

OUT ACCORDING TO THE

GROENEWOUT GENERAL TERMS

AND CONDITIONS 2012.



Page: 2/3  
Our ref.: 9024D534/IS/December 2017

One important factor is the intense competition in the food retail sector, where low margins mean that food retailers have to fight hard to win every extra percent of market share. Such circumstances make companies reluctant to share information with their suppliers, who – after all – also sell to their competitors. Another issue is how good the information actually is. For example, who really knows how much it costs to handle a single pallet? The insight into logistics costs is often limited. But while it was indeed difficult to extract that type of information from the IT systems of 15 years ago, that's no longer a valid excuse nowadays.

I did my own thesis on transparency in the supply chain. The recent fipronil scandal highlights the fact that the topic not only remains relevant but is also a major challenge – largely due to the growing complexity in increasingly international supply chains. Furthermore, food retailers work with hundreds of suppliers, many of which outsource their logistics activities. Reaching bilateral agreements with all those companies is simply impossible, and especially if buying groups play a role in supplier negotiations. Even if there are no doubts about the benefits of better supply chain collaboration, price will still be the main focus of such negotiations.

### **Time to start synchronizing the supply chain**

The rise of e-commerce is now forcing retailers to start speeding up supply chain synchronization. By now, all food retailers have launched an online sales channel, but even Dutch market leaders such as Albert Heijn and Jumbo are struggling to make it profitable. In the meantime, new players with new logistics concepts are entering the online market. One such new entrant is Picnic, which has succeeded in setting up an efficient logistics operation with limited waste and limited inventory risk. Food retailers that want to achieve e-commerce success will have to share more information and collaborate more closely with suppliers and service providers.

Other reasons to start synchronizing the supply chain include sustainability and the looming labor shortage. A recent article in the Dutch trade press (Logistiek.nl, 11 October 2017) stated that it is becoming more crucial than ever to reduce transport kilometers and better utilize the available capacity. Better utilization is inextricably linked to better supply chain collaboration, but such collaboration is still all too rare. The article concludes that, unfortunately, many logistics companies continue to be primarily internally focused, and collaboration with external partners remains a difficult subject.

### **Continuous data flow**

All the necessary conditions for successful supply chain collaboration are now in place. The latest IT-related advancements such as cloud technology mean that it is easier than ever to interlink companies and achieve a continuous flow of digital information throughout the entire chain. New technologies such as the 'semantic web' and blockchain will only make things even easier in the future.

Page: 3/3  
Our ref.: 9024D534/IS/December 2017

IBM recently announced that it was working with companies such as Wal-Mart, Unilever and Nestlé to set up a blockchain aimed at improving food safety.

We can now process and analyze the available data more easily, more cheaply, more quickly and more effectively than before. The application of artificial intelligence enables us to automate – and hence speed up – entire processes. If chain partners provide each other with insight into their stock levels, it will be possible to reduce the total amount of inventory in the supply chain and free up working capital. It's time we took the step towards fully data-driven supply chain management.

### **Missed opportunities**

The advantages of supply chain collaboration are widely recognized: less inventory, less waste and less handling. Another advantage is greater flexibility and agility; supply chains with close collaboration between partners are quicker to respond to market developments. Logistics service providers play a crucial role in that; they have access to ever-more data, and they can use it to increase their added value in the supply chain by consolidating goods flows from multiple suppliers. Concepts like these can help whole supply chains to become more competitive. In other words, those who fail to utilize data are missing out on opportunities.

### **About the author**



Joke joined Groenewout on 15 February 2016 as a senior consultant. She graduated from Erasmus University Rotterdam in 2002 (in Business Economics) and subsequently gained a European Master Logistician (EMLog) qualification from the TiasNimbas Business School. For the five years prior to joining Groenewout, Joke headed up the logistics e-commerce operation at Dutch retailer Hema. Before that, she fulfilled various roles in logistics, e-commerce and purchasing at companies including V&D, Heineken and Schuitema/C1000 (now Jumbo). Thanks to

this extensive knowledge and experience, Joke is an expert on logistics and e-commerce processes.

*Specializations:* E-fulfillment, warehousing and replenishment systems, supply chain optimization, logistics feasibility studies, implementation of operational logistics processes and tender projects.

E: [yink@groenewout.com](mailto:yink@groenewout.com)  
T: +31 6 5571 7467