

# How real-time supply chain visibility is driving accountability and stronger supplier relationships

— Real-time Insights



## Brand value and industry reputation at risk

As a food enterprise's supplier list grows, so does the looming risk of a supplier quality failure. A single recall can destroy a brand's reputation and send stock prices plunging. Hardly a day goes by that we don't hear about a new recall or unsafe products getting into the hands of consumers. Newer technology is making it possible to detect pathogens and other risks faster than ever before. This is having a significant impact on improved food safety, in addition to increasing the risk of recall. These recent stories more often than not share a commonality: the defective products typically originate from a single vendor or manufacturing location. While the supplier's name is sometimes publicized, it is often the customer-facing manufacturer, retailer, or fast-casual brand that is primarily associated with the food safety incident. The cold chain—the segment of the supply chain requiring strict temperature control for fresh and perishable products, including meats, fish, and poultry, fruits and vegetables, and certain proteins—presents a myriad of risks. One interruption or temperature spike can lead to product degradation rendering it unsafe for consumption.

The onus for managing the supply chain falls to the manufacturers, retailers, and fast-casual brands, and a failure to do so has its consequences. Fortunately, we now have technology that is connecting supply chain data and participants together, fostering better collaboration, risk mitigation, and continuous improvement throughout the supply chain.

## Scaling supply chains mean growing food quality risks

As food demand soars, the number of international food supply shipments is increasing. More than one-half of the fresh fruit and almost one-third of the fresh vegetables Americans buy now come from other countries.<sup>1</sup> Consumers are demanding freshly sourced produce year-round, irrespective of the local seasonality.

It is not uncommon for manufacturers and retailers to work with hundreds, or even tens of thousands, of suppliers from around the world. Consider a loaf of bread. While it may include a limited number of ingredients, they might have been sourced from several countries. The result is a

## Guiding questions

- How do you receive shipment reports from your carriers and suppliers?
- How do you verify the accuracy of data provided to you?
- Who owns your supply chain shipment data? Is it accurate and complete?
- How is supply chain data being used throughout your organization?
- How are you learning from your supply chain data?
- Are you able to take proactive measures to improve efficiency, supplier relationships, and costs?

complex, interdependent web of suppliers that food enterprises are tasked with managing.

With the number of food recalls on the rise, the costs of a recall can be substantial. It is estimated that the average direct cost of a food recall amounts to a staggering \$10 million.<sup>2</sup> The indirect costs include a reduction in sales due to reputational damage and a loss of consumer confidence, communication and other costs to repair brand image, and the costs of operational improvements and corrections to prevent another incident. In severe instances, civil and criminal sanctions may be imposed, and extend to the business's executive team and board of directors. Simply put, the costs associated with a recall can be astronomical.

Not every recall can be attributed to poor supplier quality or oversight, but there is little doubt that today's global, complex supply chains are driving quality risks to unforeseen levels. This is especially true when considering that supply chain visibility has not kept up with the pace of a growing number of global supplier networks.

A 2018 Deloitte survey<sup>3</sup> of more than 500 procurement officers, managing risks remains a top business priority for a majority of leaders. Sixty-five percent of respondents indicated that their supply chain visibility remains poor, having limited or no visibility beyond their tier 1 suppliers. At the same time, 73 percent indicated that they have the support of their organization's leadership to improve their supply chain operations. While the lack of visibility generates risks to public health and safety and brand reputation. Businesses are demonstrating a greater awareness and willingness to employ new technology and processes as a part of implementing effective preventive controls.

## Managing supplier quality

Along with internal quality and safety teams, suppliers play a critical role in a food brand's food safety program. They also play a key role in the shift from a reactive to a proactive supply chain.

The current state among global supplier relationships is fragmented, making it difficult not only to track problem ingredients to their source but also to trace potentially affected products in the supply chain. Trust remains a challenge as food enterprises often lack the resources to regularly audit suppliers to ensure compliance with regulations, internal quality programs, and even the authenticity of products.

These challenges include:

- A lack of visibility into supplier performance and risk
- Difficult and costly coordination of process improvements
- A lack of collaboration and data sharing to mitigate risk and facilitate improvement
- Poor visibility into product quality conditions and location throughout the supply chain

The implications of these challenges are far and wide-ranging. Manual, uncoordinated processes can lead to undiscovered product quality slips that wind up in consumers' hands. Data silos and a lack of complete data sharing prevent the level of collaboration needed to drive better relationships and improvement. The likelihood of recalls is greater with these types of increased risks. A lack of product location traceability makes it difficult, if not impossible, to isolate potentially affected products in a timely manner, which often leads to withdrawing more product from the market than is necessary.

In addition to the direct costs of a recall, the costs of poor supplier quality include other indirect costs, many of which are passed onto the sourcing food brand:

- Time and resources spent on investigation and corrective action
- Downstream effects of stock outages
- Scrap and rework costs
- Insurance claim costs
- Loss or reduction in shelf space or market share
- Increased complaints and shrinking customer base
- Damage to brand reputation and profitability

When taken in the aggregate, the costs of poor supplier management can be substantial, impact brand integrity, and result in end consumers turning elsewhere.

### **Automating supplier verification and trust**

Given the technology and services available today, food manufacturers, retailers, and fast-casual enterprises can proactively protect and control their entire cold chain, gaining:

- A single source of supply chain truth
- Simplified benchmarking of suppliers, distributors, and logistics partners
- Early risk detection and response
- Preventive quality control and waste savings

Controlant's Cold Chain as a Service (ChaaS) solution, provides unparalleled visibility across all lanes—air, road, and sea, as well as in warehouses, distribution centers, and other storage units. The all-in-one Controlant solution includes Internet of Things (IoT) data loggers that automatically measure temperature conditions in real-time, cloud-enabled software delivering critical analytics and supply chain insights, and cost-reducing operational services. These services include 24/7 monitoring and response services (MARS) and IoT management.

Through our scalable and cost-effective partnership model, Controlant is enabling major food brands worldwide to reduce complexity, increase efficiency and collaboration, reduce waste, and protect public health and safety. Data is owned by the food brand, alleviating reliance on third parties for obtaining mission-critical information. Controlant's data is

used by enterprise stakeholders to improve supply chain logistics, finance, purchasing, and quality to elevate all aspects of their business.

## **Finding and fixing problems faster: a case study**

Supplier A is a major poultry supplier for major food retailers and restaurants throughout North America. The company leveraged Controlant's real-time visibility solution to identify the root cause of premature spoilage of various products shipping to a major grocer, as well as a fast-casual chain.

### **Results:**

- Temperature, time, and product location data from the shipments in question showed retail products were shipped in temperatures that were too low. Their carrier was contacted and corrective action was immediately taken to correct the temperatures.
- Temperature and temporal data showed products were stored at higher temperatures in a walk-in cooler at the restaurant. The unit was notified so that corrective action could be taken.

Poultry products can be adversely affected by temperatures being held too cold or too warm. Each condition can reduce shelf life as well as increase food safety risks. By having real-time data, preventative actions can be taken to mitigate associated risks to the retailer and restaurant establishments.

### **Looking ahead**

Real-time technology and proactive services that automate supply chain visibility and protect perishable and temperature-controlled food products are changing the way the supply chain operates. Businesses no longer need to work in silos. Critical supply chain data can be shared with others to further collaboration, build relationships, and continuously improve, with the end goal of consumer safety top of mind.

Level up your supply chain today. Contact us to learn more or to try a pilot.

<sup>1</sup>U.S.D.A. Economic Research Service, "A Steady Rise in Imports Over Four Decades." Available at [ers.usda.gov](http://ers.usda.gov).

<sup>2</sup>According to a 2012 study published by the Grocery Manufacturers Association (GMA) and the Food Marketing Institute.

<sup>3</sup>Deloitte, Global Chief Procurement Officer Survey (2018).



## About Controlant

Controlant is an ISO 9001:2015 company, headquartered in Reykjavik, Iceland with operations in San Francisco, US, and Dublin, Ireland. We deliver product quality, compliance, risk mitigation, and stakeholder value through our unique services-based technology partnership.

For more information, please visit: [controlant.com](http://controlant.com).

USA +1-833-299-9284  
Worldwide +354 517 0300  
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