# Driving Change in Australia's F&B Supply Chains

Focusing on supply chain is critical to rapidly-accelerating Australian F&B capabilities

Supply chain visibility from farm to fork is essential for Australian food and beverage (F&B) manufacturers to deal with supply-and-demand disruptions and the increasing expectations of consumers for transparency and sustainability.
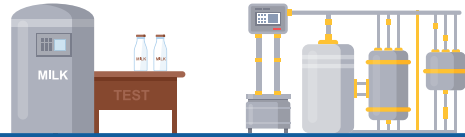
1 Optimise inventory management

2 Improve supply chain responsiveness and lead times

3 Improve SLAs (Service Level Agreements) and service quality

4 Improve product quality/safety

5 Lower total supply chain cost

Source: IDC's Asia/Pacific Industry 4.0 Survey, 2020

Key Drivers of Change for F&B Supply Chains

IDC's Asia/Pacific Industry 4.0 Survey highlighted several areas that are driving change in F&B supply chains, requiring optimisation, improvements in response times, service levels and quality, and cost reductions. A holistic approach is necessary to drive the changes needed across the organisation and throughout the supply chain. Failure to do so would run the risk of improving some areas at the expense of others, resulting in lowering the total effectiveness of the changes. For example, improved inventory management efforts could result in lower inventory costs but could negatively impact response times in the supply chain, thereby increasing the cost of remedy to the customer.

The Australian F&B industry requires an integrated approach to address such challenges as rise in internal costs, increased competition, increased demand variability, and regulatory and compliance requirements. As one of the six priority industries in the Australian government's Modern Manufacturing Strategy, funding has been set aside to target building industry scale and capability to increase exports from the current one-third of its sectorial revenue. To achieve growth and mitigate the challenges, investment in automation and integration must occur to allow manufacturers and their partners to innovate and future proof the industry.

Three Focus Areas to Drive F&B Supply Chains to the Next Level.

The pace of change facing the F&B industry is unprecedented, with the industry facing business, regulatory, social, and technical pressures. The following are the three focus areas where Australian F&B organisations can modernise their supply chain capabilities to keep up with these requirements and lay a foundation today to allow companies to scale future growth.

1 Optimise inventory management

IDC's Asia/Pacific Industry 4.0 Survey highlighted the importance of inventory management in the F&B industry, stating that failure to optimise factors such as product quantity, location, demand, transportation shortages, supply constraints, and shelf life results in significant wastage and costs. Integration across the organisation will allow functional silos to leverage connected technologies and inventory management systems to deliver greater planning capabilities and predictability within order and inventory management processes. Optimisation can then occur across planning, production and operations, warehousing, finance, and external suppliers and customers to maximise revenue and minimise inventory costs. More advanced inventory management will facilitate the orchestration of supply sources across diverse fulfilment points, from factories to warehouses to third-party distributors, with visibility to all cross-channel network inventory. Safety stock, shelf life, and inventory placement will be optimised across the network, enabling true omni-channel for customers to buy anywhere, receive anywhere, and return anywhere. In addition, organisations need to look at these processes to take advantage of digital technologies and future automation opportunities such as real-time integrated business planning, intelligent shelf life surveillance, seasonal demand monitoring, and waste reduction.

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2 Integrate supply chains, accelerating control and responsiveness

Fragmentation of supply chain information and processes often occurs between F&B manufacturing supply chain functions and partners, resulting in a lack of responsiveness and poor service levels in key supply chain metrics such as deliver in full, on time (DIFOT), or slow traceability. The foundation of a supply chain's ability to manage the critical activities of moving products depends on information visibility and throughput to increase responsiveness when managing global trade, transportation, warehousing, workforce, and orders. The integration of operational data sources is the top challenge in creating value from data (IDC Asia/Pacific Industry 4.0 Survey, 2020). Ultimately, organisations can improve service agility and drive responsiveness through data integration, which enables the visibility to achieve a "control tower" view across all segments for real-time visibility and decision making. F&B manufacturers need to design and streamline operational B2B supply-and-buy side processes to connect with ecosystem partners.

The integration of operational data sources is the top challenge in creating value from data – IDC Asia/Pacific Industry 4.0 Survey.

3 Increase food compliance, security, and quality traceability

The Australian F&B sector has several advantages, such as high domestic food security and an export-oriented sector. With these advantages, however, comes the pressure from consumers, suppliers, customers, governments, and the media to ensure traceability and address fraud, requiring an increased focus on food compliance and quality. In the F&B industry, traceability is essential in protecting brands and long-term business. Australia's National Traceability Framework is an example of an initiative that seeks to standardise product traceability data as it moves through the supply chain. Traceability of final products and ingredients through the bill of materials/recipe/formula recording enables rapid traceability, ensuring safety, promoting transparency, and allowing compliance with the export country's rules and regulations. The fundamental ability to provide this audit trail for the different stages, such as production, processing, and distribution, also provides opportunities where analytics, intelligent automation, and artificial intelligence/machine learning can be utilised to increase productivity, speed time to market and improve costs associated with risk mitigation efforts.

Overall, Australian F&B manufacturers have the opportunity to digitally transform and increase their ability to move with more agility and speed. Addressing the top changes required to improve supply chain performance will allow manufacturers to innovate and adapt to new market demands and take advantage of new supply chain opportunities.

Message from sponsor:

IDC's study demonstrates the significant value organisations can achieve by optimising their supply chains for visibility and agility, allowing them to out-perform and out-innovate their competition. Infor's F&B and supply chain solutions support its customers in doing this and in innovating its business-critical custom applications. Infor's customers will be able to realise value worth millions per year in business gains and operational efficiencies.

- **Watami:** $3M cost saving annually with CloudSuite F&B
- **Keurig Dr Pepper:** 50% faster label creation and 88% reduction in rework associated with facts on the nutrition label with product life-cycle management for process
- **Harris Ranch:** Improved yield and increased margins by $1 million per annum with supply chain planning (SCP)
- **Sunny Delight:** 7% transport savings, 90% reduction in plant overtime costs, 2% sales increase and $195,000 annual contract staff savings