

Food Shipper Supply Chain Visibility Report

Actionable insights from surveying more than 100 global supply chain professionals in the food industry

SPONSORED RESEARCH IN CONJUNCTION WITH FOOD SHIPPERS OF AMERICA BY:



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Introduction

One of the most significant trends among food companies is the desire to achieve end-to-end food chain visibility – which is the ability to track materials, goods and products within the supply chain to provide a clear view of inventory and critical activities. Food chain visibility enables shippers to automate manual processes and provides the information they need to make proactive decisions about their food chain operations, improving efficiency and delighting their customers.

In addition, food chain visibility provides comprehensive insights on how your supply chain is functioning while ultimately reducing risk. Couple those insights with collections of user data and you can achieve a food chain that can be optimized to be as efficient as possible.

Food Shippers of America (FSA) is an industry nonprofit association that brings together a community of supply chain, transportation and logistics professionals with common interests, industry challenges and opportunities. Founded in 1955, FSA provides education, peer networking, and resources that bring supply chain efficiencies, best practices, and professional development to its members.

Members include food manufacturers, retailers, and distributors – all of whom are focused significantly on food chain strategy, development and execution.

FourKites teamed up with FSA to sponsor current research that sheds light on the most pressing challenges involving visibility of food shippers' supply chains, opportunities to improve supply chain visibility, and ultimately best practices they have in place to achieve optimum visibility. FourKites is the world's leading supply chain intelligence platform, delivering real-time visibility and execution for Fortune 500 companies and third-party logistics firms (3PLs) across 200 countries.

Methodology and Demographics of Participants

An online survey was deployed in June 2022 to invite participation by food manufacturers, retailers, distributors, 3PLs and freight brokers that control the transportation and distribution of materials and products in the supply chain. There were 118 participants in the survey, thus ensuring the research initiative is statistically valid. The 15-question survey qualified all participants to identify the type and size of company they represent, and to ensure they have responsibilities in supply chain, transportation,

logistics and warehousing. The survey also asked critical questions to gain perspectives on their most pressing supply chain challenges, the most serious disruptors to their operations, the financial impact of product shortages, growth in e-commerce, the use of SKUs, and trends in customer loyalty.

What are the demographics of participants in this research initiative? A vast majority of respondents (92.4%) have responsibilities in supply chain, transportation, logistics and/or warehousing. Approximately 30.4% are shippers of food and/or beverage products, 3.8% are grocery retailers, 5.1% are shippers of manufactured food products, and the remainder (60.8%) identified as "Other" (predominantly providers to the food chain industry, such as 3PLs and freight brokers).

A vast majority of respondents (94.74%) are with companies based in the United States.

A significant percentage of respondents are with small- to mid-sized businesses (32.9% are SMBs with \$100M to \$499M in gross global sales) or smaller shippers (29.1% are shippers with \$5M to \$99M in gross global sales). Another 11.89% are medium-sized shippers with \$500M to \$999M in gross global sales, and another 26.6% are large enterprises with more than \$1B in gross global sales.

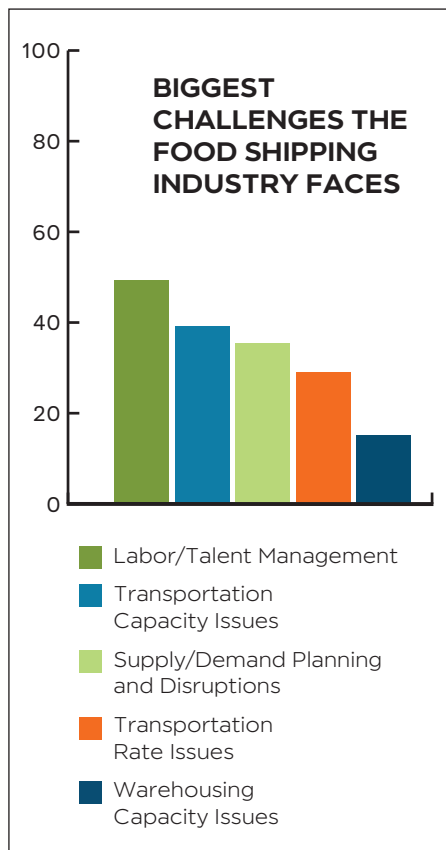
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Summary of Findings

What are the biggest challenges the food shipping industry faces?

Participants were asked to identify up to three of their most pressing supply chain challenges they are currently facing. Primary challenges are Labor/Talent Management (49.4%), Transportation Capacity Issues (39.2%), Supply/Demand Planning and Disruptions (35.4%), Transportation Rate Issues (29.1%), and Warehousing Capacity Issues (15.2%).

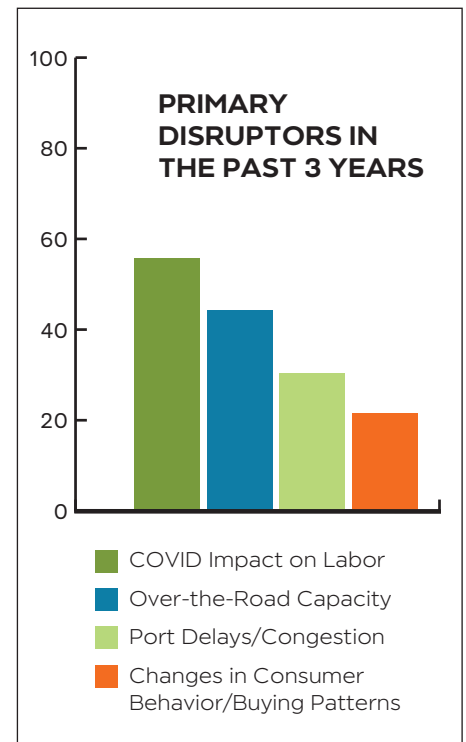


Logistics visibility significantly reduces stress and non-value added work on operations teams in the food chain by drastically reducing inbound customer service calls and manual processes. Visibility can enable you to optimize planning and reduce inventory with critical real-time supplier data, while reducing your safety stock and improving your overall forecast accuracy.

What have been the most serious disruptions to operations of food shippers in the past three years?

Participants identified primary disruptors as: COVID impact on labor (55.7%), over-the-road capacity (44.3%), Port Delays/Congestion (30.4%), and Changes in Consumer Behavior/Buying Patterns (21.5%).

As mentioned above, food chain visibility can help to address labor challenges that have been exacerbated by the pandemic. In addition, for global food companies struggling with problems generated by port delays and congestion, they can benefit from ocean exception management paired with ocean visibility to ultimately lower transportation costs, reduce demurrage and detention fees, improve customer satisfaction, improve product availability, and generate less spoilage. Lastly, visibility enables food shippers to improve vendor relations and performance by collaborating in real-time with your suppliers and fulfillment teams, thus increasing your ability to react to changes in buyer behavior and purchasing patterns.



What financial impact have product shortages had respondents' businesses?

A significant percentage (43%) claim there has been no impact, and another 45.6% report less than 15% decline or miss in sales. Another 10.1% say they experienced a 15% to 30% decline or miss in sales.

Shippers have had to build up inventory which increases cost to serve so they can minimize when a product shortage or production issue arises. Food chain visibility enables shippers to integrate their transportation, supply and warehouse management systems with order-level detail to ultimately break down silos and create new opportunities for supply chain optimization. Supply chain integration

allows you to have a significant impact on avoiding product shortages, or a decline or miss in sales.

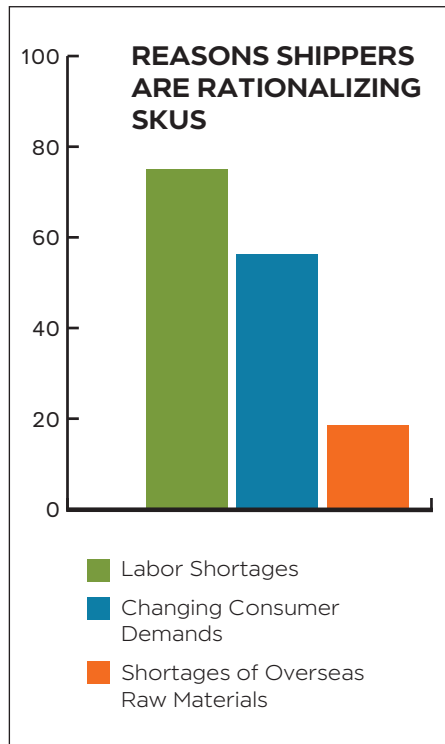
How do food shippers see grocery e-commerce changing in the next 6 months?

Responses to those participating in the study indicate that it’s all about convenience. In fact, most expect to see a higher use of e-commerce, as well as an increase in home delivery/ last-mile application or store pick-up.

In fact, total e-commerce sales in 2021 were estimated at \$870.8 billion, according to the U.S. Department of Commerce – an increase of 14.2% from 2020 and a 45% increase from 2019. Predominant challenges in last-mile deliveries involve cost, predictability and flexibility, and customer satisfaction. And as the number of final-mile deliveries grows, food shippers’ expenses will balloon. According to Capgemini, the last mile accounts for 41% of total supply chain costs. Shippers can optimize last-mile deliveries by implementing real-time visibility to achieve better data, partner collaboration, and network enablement.

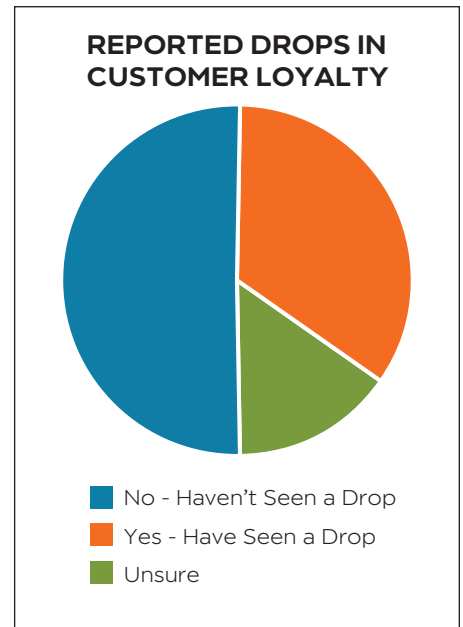
Are food shippers rationalizing SKUs?

A significant majority of respondents (79.8%) say they are not rationalizing SKUs, with 20.3% saying they are, in fact, rationalizing SKUs. The primary reason for this trend is due labor shortages (75%), changing consumer demands (56.3%), and shortages of overseas raw materials (18.6%).



Have food shippers noticed a drop in customer loyalty since the pandemic began?

A significant number (approximately 50.7%) say they have not, with another 34.3% reporting that they have seen a drop. Approximately 15.1% are unsure if there has been a reduction in customer loyalty. Supply chain visibility is enabling food shippers and their providers with the ability to reduce food chain costs and enhance the overall customer experience – thus solidifying customer loyalty.



What are the most significant initiatives to reduce labor costs?

Predominant initiatives include more focus on recruiting and retention, automation of redundant tasks and other technology applications, consolidating assignments, strengthening benefits (flexible hours, higher compensation, etc.) and more use of contract/outsourced labor options.

For food retailers in particular, it has been documented that labor costs are among the top expenses for grocers today – from staffing stores to managing fulfillment and distribution activities. Because manual processes and siloed systems can lead to inefficiencies that drain budgets, food chain executives are

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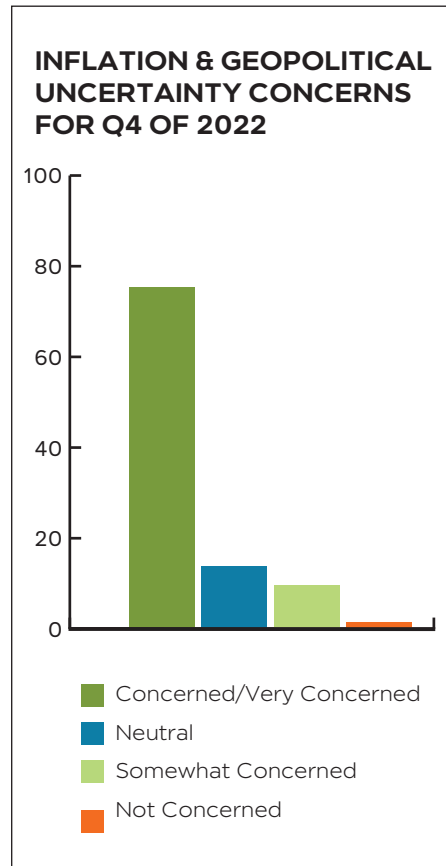
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increasingly turning to freight tracking and visibility software, as well as real-time transportation visibility platforms (RTTVP), to automate manual tasks and streamline collaboration – saving time and money across a variety of roles.

RTTVPs are software solutions that provide live tracking and status updates on the location of food products and materials in transit. This information is most-often collected through integrations with the dedicated GPS and telematics devices on the truck or shipping container, and is ingested into a cloud-based platform.

How concerned are food shippers that rising inflation and geopolitical uncertainty will negatively impact Q4 in 2022?

A significant majority (75.3%) say they are “Concerned” or “Very Concerned.” Only 13.7% are neutral on this concern, and another 9.6% are only “Somewhat Concerned.” Approximately 1.4% claim they are “Not Concerned at All.”



Considering the concerns of inflation and geopolitical uncertainty, what steps are food shippers and their providers taking to “future proof” supply chains? Of the responses to this question, a majority of them had some relationship to partner-driven relationships and outsourcing. In addition, many suggested that continued investments in technology are related steps they are taking.

Conclusion: Real-Time Food Chain Visibility Drives Real Value

More and more, food shippers and their providers are creating a competitive advantage through their ability to see into every corner of their food chains. Supply chain transparency increases productivity across transportation, logistics, warehousing and supply chain teams; helps to plan and optimize inventory and supply chain operations; and improve partner relations and dramatically improve the customer experience.

