

SPRINGBOARD

END-TO-END VALUE CHAIN SPRINGBOARD

12-14 February 2020
Lisbon, Portugal




The Consumer Goods
FORUM


End-to-End
Value Chain

**Jerónimo
Martins**

 **OLIVER WYMAN**

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Future of Fresh

Executive Summary

Producing and selling fresh products is exciting but challenging, emotional but costly. Manufacturers and retailers share the ambition to make their offer more consumer-centric, digital, innovative, economic and sustainable. But how? Can collaboration make a difference to achieve step-change improvements? The Consumer Goods Forum End-to-End Value Chain SpringBoard event on the “Future of Fresh”, kindly sponsored by Jerónimo Martins and Oliver Wyman, took place on 12-14 February 2020 in Lisbon, Portugal, gathering industry experts from across the globe to tackle these questions and challenges and share best practices.

The interactive working sessions during the SpringBoard addressed different aspects of the value chain and Fresh proposition – with an emphasis on new thinking, dialogue and discussion. Beyond the knowledge-sharing, the SpringBoard provided participants with the opportunity to connect with industry peers and be inspired by what Lisbon had to offer. This Executive Summary will provide an overview of the innovative ideas shared in the presentations over the course of the workshop.



Supply Chain Data on Fresh: The Challenges to Keep Upstream Supply Chain Data Accurate and Complete

Speaker

Marjan de Bock-Smit

Founder and Owner
SIM Supply Chain

Consumers are increasingly expecting to have access to trusted information that allow them to see whether a product is produced under circumstances that represent their values, such as those related to social and environmental concerns. In her presentation, Marjan focused on the growing pressure that is put on retailers and brands to understand their upstream supply chain risks, by using reliable data and assured verification. Supply Chain data exists, she said, but it is generally saved in silos.

New technologies, such as Blockchain, allow for the democratisation of data, where every actor is the owner of its data and decides who can access it. If a supplier releases data to a retailer or brand to claim that it is acting in a sustainable manner, or that it is being compliant, it is important to know the (unique) facility that is connected to the data.

There are several location identifiers available on the market, mostly commercial, but none are globally widespread, which can create geographic silos. True-code, a joint initiative between The Consumer Goods Forum's E2E Value Chain initiative and SIM Supply Chain, puts brackets around the siloed landscape. Marjan noted they have already set up a pilot with a unique True-code number that, combined with a standardised set of data fields, will set the fundamentals for a CGF True-code Facility passport. The scope of the test covers fresh produce.

As part of phase II, she said, we will be delivering a True-code generator for creating a truly universally-unique identifier (ISO Standard) for each unique facility, as well as generation and verification rules for the ones who want to be authorised to become True-code generators. The True-code central registry will include public fields and verification statuses, protecting private data elements. True-code will also allow for the creation of access tokens to request the unlocking of private data fields available de-centrally at source and a live test on how a unique True-code number could support the interoperability between existing data silos.



Vertical Integration – Securing Supply, Quality and Sustainability: The JMA Fish Case

Speaker
Pedro Encarnação
Aquaculture Director
Jerónimo Martins Agribusiness

In his presentation, Pedro Encarnação took a deep dive into Jerónimo Martins Agri-Business (JMA) unit created by the Jerónimo Martins group in a strategy of vertical integration to secure their supply chain in a sustainable way.

In a scenario of reduction of wild fish stocks and increased global fish consumption, it is essential for the JM Retail companies (Pingo Doce, Recheio, Biedronka and Ara) to secure sustainable supply of this important food category. Aquaculture products, with its reliable supply and price points, are becoming important products of choice for consumers and relevant for the group sales. As such, the JMA aquaculture strategy focuses on the production of identified target species, in locations where they can be produced with utmost efficiency in view of production costs, product quality and logistics. This will allow economies of scale and possibilities of investment to generate high quality products, with regular supply according to the group needs.

For the Portuguese consumer, the freshness and quality of the fish they buy is of highest importance and one of the main drivers for their purchase decision. As such, the fish are sold whole, so consumers can attest their freshness. Thus, the initial efforts of JMA activities in the aquaculture sector focused on the de-

velopment of projects to locally produce seabass and seabream to guarantee their freshness. These are some of the most consumed fish species in Portugal but are mainly sourced from Greece or Turkey.

Guaranteeing the quality and freshness of the fish, which can reach the consumer 24 hours after harvest, allows for the differentiation of these products at store level, uplifted with a communication of locally produced products.

As a model, the projects to be implemented are based on state-of-the-art technology and knowledge for each species. The modern fish farm to be successful needs to be considered as an intensive knowledge-based enterprise, serviced by dedicated commercial scientific institutions devising new technologies and innovations that move to ever more productive and effective farming practices, securing the sustainability of their production.

An example of that, is their R&D project to test the production of salmon in Portugal. A product that is now sourced in Norway, could be produced in Portugal using the latest technology in offshore aquaculture, allowing for a locally sourced product, thus reducing time to market and its carbon footprint.

He concluded that Jerónimo Martins' goal is a constant supply of fish products with high quality, traceability and produced in a sustainable way, that can offer the JM Retail companies a competitive advantage compared to main competitors.





What Are Consumers Looking For in Fresh?

Speaker
Alexander Poehl
Principal
Oliver Wyman

In his presentation, Alexander Poehl spoke about how fresh products guide the choice of the main store and drive sales. In sharing results from an Oliver Wyman consumer insights survey, he explained that as many as 70 percent of consumers continue to return regularly to the store they consider best for fresh products (which include meat and cold cuts, fish, fruit and vegetables, bakery, cheese, and ready meals). Satisfied shoppers of fresh products visit the store 7 percent more than dissatisfied customers and spend 24 percent more.

He explained that the race to “conquer fresh” is in different stages by geography

– 32 percent of respondents perceived a significant difference in the quality of fresh products among the various chains. For non-fresh products, this percentage dropped significantly to 20 percent. This depended on the market. While only 19 percent of Dutch customers and 22 percent of UK customers perceived differences in the quality of fresh products among retailers, the number more than doubles for Russia (54 percent).

Alexander went on to share that quality is not the only element that matters. It is still by far the most important factor defining customer satisfaction, but it has become the norm, especially when it comes to the visual appearance of products. A common misconception is that quality is defined by looks for fruit and vegetables and by expiry date for meat. While this is not completely wrong, their survey highlighted the

importance of taste. It is already the main factor determining quality for meat and bread and is becoming more and more significant for fruit and vegetables. Retailers and producers should therefore ask themselves what they are doing for customers to experience superior taste both in the store and at home.

Furthermore, he shared three consumer trends to win on the next level of fresh, especially in urban areas consumers are looking for faster, easier and healthier ways to shop and consume fresh products. While those consumers might be looking for the most convenient shopping experience, another group of shoppers are looking for an emotional connection. They want to be wowed with engaging product presentations, tasting opportunities, gastronomic offers and an enjoyable service experience. Finally, customers are looking to buy fresh products with a good conscience. They want to understand where the products come from, make sure only healthy ingredients are used and minimise the impact on the environment.

He went on to state that understanding the needs of the local customer is the key to success. Customers focus on different elements depending on geography. The importance of categories also varies between countries. Additionally, preferences depend on the demographic in each store’s immediate vicinity. Retailers

will have to make sure they understand what customers want in each of their stores and adapt the assortment, service and store design to their individual needs.

Speaking about leveraging technologies, Alexander shared that new technologies provide retailers with many opportunities to strengthen their offer to customers while keeping complexity and cost under control. For example, a state-of-the-art ordering system that uses machine-learning technology and provides intuitive tools will secure better availability and reduce waste, while allowing employees to spend more time with shoppers. Another example is a modern assortment tool that creates individual planograms for stores, containing all the favorite products of each store’s local customers while limiting the assortment to a minimum that avoids waste and ensures freshness.

In summary, Alexander shared that their experience suggests that a significant step forward in the fresh requires a holistic approach – from farm to fork – in which the entire system focuses on ensuring maximum customer satisfaction and on driving gains in the short and long term. Starting this transformation requires resources and perseverance but it pays off: Fresh Champions achieve more traffic and larger baskets, and stand out in the market as top players.



When Will Consumers Adopt Online Grocery Shopping?

Speaker
Marie-Axelle Loustalot-Forest
Freelance Consultant

In her presentation, Marie-Axelle Loustalot-Forest, delved into the question of consumers adopting online groceries. In other words, she questioned whether the shift from physical stores to online grocery shopping is an offer problem or a demand problem.

The demand from consumers to shop online for groceries does exist, as in other product categories. The offer needs to follow. But consumers will only adopt online grocery shopping if the consumer proposition is as good as the physical store's shopping experience.

She shared that consumers are showing an increased interest in shopping online for groceries. They like the convenience and the time saving aspect of not having to drive to a store, push around a trolley, queue at the cash register and then drive back home. They also like the ability to better control how much they spend and the ease of locating

products on the website. What they do not like about online grocery shopping is not being able to select and verify fresh products themselves, short shelf-life, missing items and delivery fees.

Penetration of online grocery shopping is growing year after year. In Europe, the UK and France are showing the highest penetration, for different reasons. Tesco launched online grocery shopping with home delivery in 1999, and the other legacy grocers followed, with the exception of Morrisons, who entered much later. In France, in the late 90s, Chronodrive introduced the drive-through, where it is the consumer who is responsible for the last mile.

She emphasised that in many countries, consumers will switch to online grocery shopping only when the experience is as good as shopping in a physical store. Therefore, legacy grocery retailers need to come up with a top-notch customer promise and then need to execute this perfectly.

She went on to share key learnings from Ocado, a UK online grocery store, that have led to their success: Home delivery only, no stores. The UK,



with its relatively small size, its high population density in the South East and its good road infrastructure make home delivery easier to execute than in other bigger, less densely populated countries.

- Delivery seven days a week, from 5:30 AM to 11:30 PM.
- One-hour delivery slot, every 30 minutes (i.e. first delivery slot of the day is the 5:30 to 6:30 AM slot, the next one starts at 6:00 AM, the next one at 6:30 AM, etc.).
- An easy to use, intuitive website, with sticky functionality, which makes subsequent orders easy.
- A very wide product assortment, with a total of about 50 000 SKUs,

including non-food items with a mid to high purchase frequency, and private label essentials.

- A first in, first out inventory management system and a freshness guarantee, with an order receipt sorted out by product shelf life and product storage location.
- The ability for the customer to give back any product to the driver and to refuse substitutions in case of a product substitution.

She concluded by sharing that Ocado has developed its own software and warehouse automation solution to execute on their customer promise.



Packaging and Innovation in Fresh Food

Speaker

María Plasencia

Packaging Manager
San Lucar

In her presentation, María focused on packaging and innovation in fresh food, stating that packaging is not only an element that protects the fruit, it also helps sell products and position brands. Packaging is key in sales points, where consumers are faced with a variety of products and where standing out of the crowd will make a difference.

To innovate in packaging, she explained, it is important to understand the key drivers that have reinvented design, as these drivers have had a significant impact on new packaging and materials.

She then provided an overview of the **current situation** in terms of packaging and plastic materials that have had an impact on packaging:

- Plastic production has increased from 15 million tonnes in the 1960s to 311 million tonnes in 2014 and is expected to triple by 2050, by which time it would account for 20 percent of the global annual oil consumption. Plastics have become the ubiquitous workhorse material of the modern economy, combining unrivalled functional properties with low cost. Their use has increased twenty-

fold in the past half-century and is expected to double again in the next 20 years. Today nearly everyone, everywhere, every day comes into contact with plastics. Packaging represents 26 percent of the total volume of plastics used. Plastic packaging can reduce food waste by extending shelf life and can reduce fuel consumption for transportation by bringing packaging weight down.

- After a short first-use cycle, 95 percent of plastic packaging material value is lost to the economy and a staggering 32 percent of plastic packaging escapes collection systems, generating significant economic costs by reducing the productivity of vital natural systems such as the ocean and clogging urban infrastructure.

Packaging is integral to the delivery of safe, high-quality consumer products, but the need to radically rethink how plastics are used should be recognised, creating new circular systems that conserve resources, reduce pollution and promote efficiency.

Given the staggering figures, María then provided an overview of the policies and legislation in place to address these issues. In recent years, the EU has applied different directives for packaging including waste management hierarchy (prevent, reuse, recycled, recover, eliminate).



She talked about the 'The New Plastics Economy: Rethinking the Future of Plastics', a system that aims to achieve drastically better economic and environmental outcomes.

In 2015, she mentioned, the EU created the Action Plan for the Circular Economy and in 2018, the EU launched the Strategy for Plastics in a Circular Economy. It is the first EU-wide policy framework adopting a material-specific lifecycle approach to integrate circular design, use, reuse and recycling activities into plastics value chains. The strategy sets out a clear vision with quantified objectives at EU level. By 2030 all plastic packaging placed on the EU market will be reusable or recyclable or compostable, the consumption of single-use plastics will be reduced and the intentional use of microplastics will be restricted.

She urged participants to invest in innovative new technologies that keep

citizens and the environment safe whilst maintaining competitive advantage. The targets are clear:

- By 2025, at least 65 percent of all packaging must be recycled. The recycling target for plastic is 50 percent.
- By 2030, at least 70 percent of packaging must be recycled. This includes 55 percent of plastic.

These targets lead to new paradigms for:

1. Packaging suppliers, as they are now obliged to only produce recyclable, reusable, or compostable products;
2. And EU members and waste management companies, who are now obliged to recycle packaging in an effective way.



María then focused on consumers and the role they play in recycling plastic packaging and questioned whether consumers really know how to recycle. It certainly is not the easiest task. In 2019, for example, the New York Times published “The new recycling con”, the greatest trick corporations ever played was making consumers think they could recycle their products.

Furthermore, it is not easy for consumers to easily differentiate between good and bad packaging. There are a lot of labels that try to avoid this problem, but they have been created according to different criteria and no standards exist.

She concluded her presentation by emphasising the role fresh food packaging has to play in assessing how they are currently using packaging and ways to reduce it while ensuring the quality of the product and brand image. The key drivers have been defined and the strategy is clear, the challenge now is to work on it. “Now the challenge is ours”, she said. “Let’s move in this social paradigm trying to give response to a more sustainable world, keeping the legal recommendations and helping our consumers find what they are looking for”. Innovation is the only way to work in the present by knowing and respecting the future.



Accelerating Growth in Fresh

Speaker
Taddy Hall
Senior Partner, Innovation;
Oliver Wyman - Lippincott

In his presentation, Taddy Hall helped attendees see things with new eyes and think in a different way about what the business of the fresh offering is and shared his reflections on how to accelerate growth in fresh.

Einstein famously said that if he had an hour to solve a particularly complicated problem, that he was been the first 55 minutes just making sure that he was asking the right question. With the right question, the answer becomes relatively straightforward.

While not quantum physics, mercifully, understanding how we can ignite growth

in fresh also requires us to ask the right question. Too often we over-simplify the question and frame in a regrettably narrow fashion:

- How can I secure the best produce?
- How can I make my displays look as appealing as possible?
- How can I negotiate the most favorable prices?

These are all important questions, but they pertain to operational effectiveness not growth.

The right question requires us to immerse ourselves in the circumstances of our consumers -- both in our stores but also in their lives -- in order to understand the desired progress that they are trying to make. In other words, what is the

experience that a mother is trying to create in the evening as she gathers her family together for their only meaningful time together in the course of the day?

What are the struggles that a father faces early in the morning as he races around the kitchen trying to prepare multiple breakfast and lunches for his three children?

If we pose these types of questions for ourselves, we get much closer to a more accurate and more helpful understanding of the business that we are actually in -- the most important question to get right.

What is the business of our fresh offering?

Each of us are likely to generate a unique response, but the structure of our respective responses should be the same. It should have the structure of a story of one of our most valuable consumers struggling to create an important experience in a specific circumstance in their lives. We refer to this as their *Job to be Done*. The story of the Job could feature the mother facing the challenge of evening dinner or the father trying to prepare breakfast and lunch for his kids. But the structure of innovation insight is narrative not quantitative.

By way of analogy, I offer my experience in visiting the Apple store in Turin in a

state of full-fledged panic after I had smashed the glass on my iPhone. I'd been traveling from Germany and was only in Turin overnight before heading to Shanghai. I was desperately dependent on my phone and, with only two hours until store closing time, I was incredibly anxious and nervous about getting the phone fixed.

To make a long story short, the phone was ultimately fixed, but it was a very stressful couple of hours. After walking away from the store, I reflected on the experience. One of the things I realized was that, consciously or unconsciously, Apple decided that they were in the "phone fixing" business. But, for me, they partially performed a far more valuable service which was to alleviate my state of panic and anxiety!

I started to think of all the things Apple might've done differently if they had actually decided they were in the business of relieving customers of the incredible anxiety they felt when their phones were out of service. Perhaps they would've had a special lounge with massage chairs. They almost certainly would've had a loaner device so that I could've kept myself distracted, productive, and entertained. Maybe in the repair lounge there would be a water feature and soothing music. The list could go on and on. What for certain they would change is that when I first went into the

store, I had to search and wait, while my anxiety peaked, in a challenging quest to find an employee with a magical red iPad. As far as I could tell, there is only one such person amongst a sea of Apple personnel with black iPads! This might have been the worst moment of all!

So, what are the lessons for us as grocers? If we accurately frame and answer this question of the *business we are in* through the lens of the progress that our consumer seeks, we will dramatically expand the toolset for innovation and growth that is available to us.

There are so many ways that we could enhance experiences for that father's morning rush or that mother's family time of evening connection. But the key is to start in the right place with the right question. If we answer that question with a creative, compelling answer that has meaning to our consumers, we will see new avenues to fresh growth that were previously hidden from our eyes. As Marcel Proust ingeniously noted, "the real voyage of discovery consists not in seeking new sites but having new eyes."

Growth is waiting, we just need the eyes to see it.

Watch Taddy Hall's [video](#) on Rethinking Business to Enhance Consumer Experience.



Thank you to all
participants. See
you at the next
SpringBoard!

Participating companies:

Ajinomoto | ALDI Sued | Jerónimo Martins | Migros Ticaret |
Oliver Wyman | SMU | Sonae MC | SPAR International | Trivalor |
Walmart Labs | Tottus | SanLucar | Lippincott | SIM SupplyChain



About The Consumer Goods Forum

The Consumer Goods Forum (“CGF”) is a global, parity-based industry network that is driven by its members to encourage the global adoption of practices and standards that serves the consumer goods industry worldwide. It brings together the CEOs and senior management of some 400 retailers, manufacturers, service providers, and other stakeholders across 70 countries, and it reflects the diversity of the industry in geography, size, product category and format. Its member companies have combined sales of EUR 3.5 trillion and directly employ nearly 10 million people, with a further 90 million related jobs estimated along the value chain. It is governed by its Board of Directors, which comprises more than 55 manufacturer and retailer CEOs.

For more information, please visit:

www.theconsumergoodsforum.com

Contact:

Ruediger Hagedorn

Director

End-to-End Value Chain

The Consumer Goods Forum

r.hagedorn@theconsumergoodsforum.com

(+49) 17 16 93 55 83