



# Navigating Labor & Supply Chain Challenges in Grocery Retail

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# The Most Significant Issues Facing the Grocery Retail Industry Right Now

2020 was a year of radical changes for the grocery retail industry. Skyrocketing consumer demand, empty shelves, and advanced sanitation measures were all part of the “new normal.” Even now, retailers are feeling the lingering effects of the global COVID-19 pandemic. While the situation has improved, 2021 brought its own set of issues and some existing problems were exacerbated. These issues ranged from supply chain bottlenecks to employee turnover. Many of the same challenges will undoubtedly carry over into 2022.

In 2022 and beyond, the most significant challenges facing grocery retailers include:

1.

Unprecedented labor shortages, especially in frontline positions at the store and distribution center

2.

Ongoing logistical issues and supply chain bottlenecks

3.

Rising transportation and packaging costs

4.

Product shortages leading to higher rates of out-of-stock items



These issues are in many ways interconnected. Even as products become available, labor shortages in the transportation industry cause delays in acquiring them, which translates to empty store shelves. As retailers take on higher costs due to inflation, they must decide whether to pass that on to the consumers and risk losing sales, or watch already-thin profit margins shrink even more. Grocery retailers are facing more pressure than ever, and there are no easy answers to these challenges. **However, there is one important factor that will set the best retailers apart in these unprecedented conditions: quality.**



# The Most Significant Issues Facing the Grocery Retail Industry Right Now

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New research finds approximately two-thirds of grocery revenue growth is driven by quality-minded shoppers. <sup>1</sup> Furthermore, quality can be used as a strategy to alleviate shopper's concerns over price increases. A Deloitte study found that although cost was a major concern for today's shoppers, perishability and food waste were also top of mind.

60% of consumers feel that shelf life has decreased recently and 72% factor in food waste when making buying decisions.<sup>2</sup> Grocery retailers cannot control the factors leading to inflation and raising prices at stores is sometimes inevitable. After all, retailers cannot be profitable if they are absorbing all of the price increases. Shelf life, however, is an element that is within a retailer's control. Do you have the tools you need to deliver the right quality so fresh food lasts longer on the shelves and in consumers' homes?



**60%**

**of consumers feel that shelf life has decreased recently**



**72%**

**factor in food waste when making buying decisions**



# The Key to Overcoming These Challenges

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**There is one key factor in improving the quality of your fresh produce – data. The right data gives you the flexibility to adapt when circumstances change and continue to yield high-quality produce despite any challenges in the industry.**

Data can be used to drive virtually every aspect of your business – employee efficiency, resource allocation, supplier relationships, and even your overall strategy. It can transform your operating procedures and be leveraged to reduce shrink and food waste. Here are 4 ways you can utilize your own data to overcome current obstacles and ensure you're still providing the quality and shelf life your consumers expect.

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- 1** Make Quicker, Better Decisions by Gaining Real-Time Visibility
  - 2** Turn Strong Supplier Relationships into a Business Advantage
  - 3** Boost Employee Efficiency to Lessen the Impact of Labor Shortages
  - 4** Deal Transparently with Suppliers to Ensure Your Expectations Are Met

# 1. Make Quicker, Better Decisions by Gaining Real-Time Visibility

Do you have sufficient insight into your fresh food supply chain? With so many factors that could influence shelf life and quality at every stage of the supply chain, visibility is paramount. Imagine what you could do with a real-time view of your fresh produce as it enters the distribution center, undergoes inspection, and is shipped to your retail stores. Here are a few scenarios to consider.

## Scenario 1






Each day you check the DC inspection results and compare trends for each commodity using a line chart that tracks defect rates per commodity. You check your data on Tuesday morning and realize that for the past week, defects in strawberries have been trending upward sharply for your Chicago, IL distribution center. You instantly contact the QC inspectors at that DC to let them know that they should be devoting more time to strawberry inspections due to the recent increase in defects.

Because of your quick action, the inspectors catch even more issues and reject 20% more strawberry shipments. This reduces the amount of low-quality produce that makes it to store shelves. The DC also communicates this information to your suppliers so they can adjust the quality of the strawberries they are sending to you and avoid further rejections.

Because the strawberries are rejected before they reach the store, the supplier is able to find an alternate buyer for some shipments (such as wholesalers) and donate the rest of the strawberries to a local food bank. This helps reduce food waste.

### Benefits

-  Reduce shrink and food waste
-  Maintain your reputation for high quality with your customers
-  Strengthen your relationship with your suppliers by sharing critical data to help them adapt





# Make Quicker, Better Decisions by Gaining Real-Time Visibility

## Scenario 2



Your store’s executive leadership closely monitors rejection rates by vendor to make sure all your suppliers are aligning with your specifications. One of your tasks is to set aside some time each month to analyze the data and identify concerning patterns. While looking over data for September, you realize that Supplier A from the Salinas Valley in California had a much higher rejection rate that month than any other month this year. After digging into the data, it seems that iceberg lettuce is the root cause. The DC received heads of lettuce that were too light.

You reach out to your point of contact there and tell him about the trend you’re seeing. He admits that the weather has been unusually mild in that growing region and this is causing delays in sizing up. He asks if your store can adjust its specs to accommodate the issue:

**“All of our growers are having sizing issues. We can’t source enough iceberg to fill your usual orders if we’re held to the current sizing requirements. Is there any way you can adjust your specs?”**

After you communicate this to the rest of your team, specs are adjusted so that shelves remain stocked with iceberg. Because of your prompt response, the supplier has the chance to correct this issue early on before it becomes costly and frustrating, and your customers are happy because they can still purchase this salad staple.

### Benefits

- Allow your suppliers to address the issue early on and minimize losses
- Align specs with currently available quality to reduce food waste
- Keep your shelves stocked and keep customers satisfied



# Make Quicker, Better Decisions by Gaining Real-Time Visibility

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## Scenario 3



### Benefits

For the past three years, your organization has been tracking defect rates and rejection rates for each commodity and supplier and storing the data in an online dashboard. You're tasked with creating an annual report on the major trends. In 2021, you analyze all of the past three years' worth of data and you notice something interesting. Defect and rejection rates consistently increase for cantaloupes from November to February. You conclude that this is likely due to seasonal factors like poorer weather and less-than-ideal growing conditions. When you speak to your suppliers and show them the data, they confirm your theory.

Now that you know November through February is a more challenging season for cantaloupes, you ask your inspectors to spend more time on cantaloupe inspections during that period. You also meet with your executive team to discuss specs for cantaloupes and see if they need to be adjusted based on this seasonal quality trend.

-  Increased awareness of factors impacting quality
-  More effective allocation of your inspectors' time and attention
-  Preparedness to adapt specs to quality trends

**These are just a few possible scenarios.** Greater visibility into your supply chain can benefit your business in many ways. When you are monitoring the data in real time, you can quickly and agilely respond to issues as they come up. This allows you to adapt to challenges like supply chain bottlenecks, bad weather, and other unpredictable situations. Faster decision making can protect your brand from bad quality produce and empty shelves.





## 2. Turn Strong Supplier Relationships into a Business Advantage

While visibility is powerful, it can only draw your attention to quality issues. Without the cooperation of your suppliers, these issues can't be resolved. The relationship you build with your suppliers has a major impact on the quality they deliver. **Here are the traits of a good supplier relationship:**

### Transparency

Information freely flows both ways. You are clear on your quality specifications and rejection thresholds. Likewise, the supplier keeps you informed of potential issues they are anticipating due to weather, growing conditions, and other factors. Your supplier clearly outlines corrective actions that they will take when issues occur.

### Shared Values

You and your supplier have some shared values, or even completely align in your organizational values. You are both dedicated to the same goal: delivering the highest quality produce to individuals and families in your geographic market(s). Tony Stallone, Chief Merchant at Fresh Midwest, urges retailers and suppliers to foster "more of a partnership versus bargaining-ship." He points to what he's seen in European markets: "Everything is very open book, and everybody is trying to achieve a better-quality product and experience for the customer."<sup>3</sup>

### Mutual Understanding

The supplier knows your business needs and challenges, and you know theirs. You each tap into your respective strengths to overcome any obstacles. Both of you navigate challenges as a team rather than assigning blame for quality issues because you share a mutual understanding.

### Data-Driven Decision Making

You share historical and real-time data with your suppliers and they do the same. Since data is tangible and objective, it fosters cooperation. Suppliers naturally want to earn as much as they can for their hard work, and if they perceive that your decisions are based on subjective opinions, it may drive conflict. In contrast, sharing an easy-to-read report with your suppliers and showing them the data leads to constructive conversations. They can see exactly what they need to do to improve, enabling them to deliver on your expectations.

**The food industry is largely based on relationships.** Build a strong foundation of trust in your supplier relationships, and you will be able to work collaboratively to solve any issues that arise.



### 3. Boost Employee Efficiency to Lessen the Impact of Labor Shortages

Supplier relationships are only one half of the equation. You also need to maximize internal resources, especially employee resources. Grocery retailers are facing unprecedented labor challenges right now: high employee turnover, low retention, and rising demand for higher wages and attractive benefits.

Efficiency has never been more critical. While labor shortages will undoubtedly affect your operations, you can mitigate the impact by increasing your employees' efficiency. Here is a three-pronged strategy you can adapt for your own organization.



#### 1. Evaluate Your Tools and Resources

A 2018 survey from Randstad found that 4 in 10 employees left a job because they lacked access to the latest digital tools.<sup>4</sup>

It's clear that having the right tools makes employees feel more engaged in their roles. Does your organization provide adequate resources for each department?

- **Is your procurement team able to make key decisions about suppliers?** Do they have enough data to make timely, objective decisions, or are they making subjective decisions due to a lack of real-time insights?
- **Are inspectors equipped with the right tools to complete their inspections efficiently and effectively?** When they need to reject a shipment, is the process of writing a rejection relatively easy or is it cumbersome? Can it be done on the floor or do they need to go to their office to complete the report?
- **Do frontline workers have sufficient training and knowledge?** Do they know effective produce merchandising tactics? Are they familiar with proper storage conditions for each commodity? Have they been trained to avoid mis-rings at checkout and catch shopper errors at self-checkout?

The fresh food supply chain is more complex than ever before. Digital tools are increasingly becoming a “need-to-have” rather than a “nice-to-have.” With all of the data coming in every day, your employees must have access to the right technology to extract meaning from an endless stream of data points.



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from iFoodDS →



# Boost Employee Efficiency to Lessen the Impact of Labor Shortages

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## 2. Evaluate Your Time

**Time management is closely tied to efficiency.** Evaluate not only how your employees are actually spending their time, but also how you're directing them to spend their time. Are there any hidden inefficiencies that could be addressed? Let's return to our earlier example of the cantaloupes that were experiencing issues consistently from November to February. Are you facing any similar scenarios in your organization?

Realistically, inspectors shouldn't be spending the same amount of time on all commodities at all times of the year. To increase your inspectors' efficiency, dig into the data, learn the factors impacting your produce, and understand how they cause quality to fluctuate. If you know the patterns for your own commodities, suppliers, seasons, and locations, you can make sure you are allocating your inspectors' time accordingly.

**Another component of time management is eliminating wasted time.** Are your inspectors following a cumbersome process that adds extra time? For example, how long does it take for an inspector to write a rejection report if they have to return to their desk, turn on a desktop computer, and write an email and attach 3-4 photos from a digital camera to accompany their report? How much more efficient would it be to allow your inspectors to write reports on the floor so they can spend more time actually inspecting? What if you could even automate the email notifications and photos that go out to suppliers when a shipment is rejected? The time savings would be huge.



One of iFoodDS' foodservice distributors clients was able to cut down the rejection report process from 45 minutes to just 15 minutes. The time savings were transformative for that distributor's QA team.

What could your organization do with those 30 extra minutes saved on each rejection?

# Boost Employee Efficiency to Lessen the Impact of Labor Shortages

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## 3. Evaluate Your Knowledge

Knowledge drives efficiency. When inspectors and buyers know exactly what they are looking for and how to identify it, processes are expedited. Your employees need to have the right knowledge at their fingertips:

- Inspectors must be able to access quality specs instantly, including pictures of defects to help them decide what is and is not acceptable.
- Your procurement team needs real-time access to your specs as well. When your buying strategy changes, they should know immediately so they can adapt.

**Veteran employees are a particularly valuable resource.** They have a wealth of knowledge that makes them more efficient at their jobs. Consider how you can tap into that to get newer employees up to speed. For example, a mentorship program can impart senior employees' knowledge to new employees. Referral incentives can help you find more people with similar values and skills. And working directly with your best employees to develop a training program will ensure that the next generation of workers receive the industry knowledge they need to excel in their roles. Your employee knowledge base is another area where technology can assist:

- **For one major food service distributor that works with iFoodDS**, on-demand training videos are the ideal solution to train novice inspectors and provide a needed refresh for veteran inspectors.
- **Many iFoodDS clients use our Quality Insights tool to create an online database of commodity defect photos.** Inspectors can reference these images if they need assistance in determining whether to accept or reject a shipment.
- **The Quality Insights app** supports the attachment of a specification document/manual.
- **Quality Insights also includes an automatic scoring engine that is based on the specifications you set.** When inspectors complete their report on the app, they are instantly given a recommendation on whether to accept or reject.

## 4. Deal Transparently with Suppliers to Ensure Your Expectations Are Met

We mentioned earlier that transparency is one of the marks of a good supplier relationship. This trait is important enough that it merits further discussion. Transparency leads directly to expectations being met. It may seem simple, but organizations often fall short of this.

Honest, open communication is essential for supplier management. McKinsey & Company states, “A performance-management system that incorporates clear key performance indicators, frequent and robust performance dialogues, and reliable tracking tools is critical to sustained success.”<sup>5</sup> In other words, when your suppliers have a clear idea of how they are being evaluated and can see the benchmarks you’re using, along with the data on their performance, they will more readily accept your feedback and respond by making operational changes. Transparency builds trust, which strengthens relationships. **When suppliers feel like valued partners, they are motivated to optimize their performance.**

Here’s what you need to make available to your suppliers:

1.

Your quality specifications and the metrics used to objectively measure quality.

2.

Where each supplier stands – how they measure up to your metrics and how they are performing vs. their competitors

3.

Areas for improvement and reasons for rejections

4.

Real-time data that allows them to course correct rapidly, minimizing rejections and increasing their profits.

**The way you treat your suppliers will make or break your partnership.** Some suppliers view their buyers’ specifications as unreasonable and subject to change at any time. The end result is an unpredictable relationship where shipments may be rejected without any insight into the reasons why. This kind of risky relationship may cause suppliers to cut ties altogether. On the other end of the spectrum, there are suppliers who clearly understand a retailer’s specifications and know exactly what type of quality to send to avoid rejections. This stable kind of relationship is mutually beneficial for both parties. It also allows retailers to pivot in times of uncertainty.

James Braswell, Director of Produce and Floral at Fresh Thyme Farmers Markets, shares how his organization effectively adapted to the COVID-19 pandemic by using the right procurement tools and communicating with suppliers. “When we needed to adapt post-COVID... they were able to actually accomplish many of the things we needed to adjust to,” Braswell told iFoodDS.<sup>3</sup> For Fresh Thyme Farmers Markets, transparency was a crucial advantage in a time of uncertainty.



## Key Takeaways

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- 1** Real-time visibility into your supply chain allows you to quickly adapt to any issues, protecting your brand.
- 2** Your suppliers will consistently deliver on the quality you need if you build a strong relationship based on data, transparency, shared values, and mutual understanding.
- 3** Equip your employees with the tools and knowledge they need to do their jobs effectively, and be sure you are allocating their time efficiently.
- 4** Transparent communication and data sharing make suppliers feel like valued partners, motivating them to optimize their performance.



The fresh food industry has been disrupted by COVID-19. Even now, the future is still uncertain. In these challenging times, grocery retailers need to anchor their organization in their people and processes. The relationships you build will be your greatest asset in prosperous times and in challenging ones. You also want to create processes that are flexible enough to adapt.

The right data makes all the difference.

iFoodDS has been working with clients across the supply chain throughout the pandemic. We've seen firsthand how real-time food quality data can transform relationships and businesses. Our mission is to relentlessly pursue a better food supply. This is why we developed Quality Insights, our innovative food quality software built for the produce industry. **We'd love to provide you with a free demo. With this intuitive quality management software, you can:**

- Automate the inspection process to evaluate produce consistently, reduce shrink, and ship higher-quality produce to stores.
- Align your suppliers to your expectations and specifications by easily sharing inspection data, reports, and scorecards.
- Get insight into variables affecting quality by analyzing trend data by season, location, commodity, and category.
- Help your suppliers reduce food waste by catching quality issues earlier on so they can find alternative buyers or donate to food banks.
- Maximize the effectiveness of your quality control resources by keeping your inspectors focused on potential problem areas.
- Increase the efficiency and consistency of your inspectors and help novice inspectors get up to speed quickly.



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Reach out to iFoodDS today to discuss how Quality Insights can help you consistently deliver the quality your shoppers expect.

CALL: 206.219.3703 | EMAIL: [sales@ifoodds.com](mailto:sales@ifoodds.com)

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