



One Touch

Retail Case Study



One Touch Fruit & Vegetables

The Australian fresh fruit and vegetable gross value of production in 2001 was estimated to be AUS\$4.6 billion at farm gate. Primary production of fruit and vegetables is fragmented and is made up largely of family businesses.

The range, quality, utility and price of fruit and vegetables drives total supermarket sales. There is an ever-increasing importance placed on food safety and security, which has led to more stringent quality standards.

Historically retailers bought fruit and vegetables from the wholesale markets on a spot market basis. Whichever wholesaler / agent had the lowest price and available stock got the deal on the day. This led to fluctuations in inventory, lead times, price, quality, and wastage for consumers, retailers, wholesalers, and growers.

Wholesalers would buy from a large number of growers on a casual and price contingency basis, and had insufficient information week to week what the demand from the retailers would be; therefore they would take extra stock from growers to ensure stock availability (should they get additional orders from the retailer).

This resulted in price death spirals for the wholesaler and grower, producing gluts followed by scarce supply conditions in the market. Wholesalers would stop buying when there was a glut, and growers would reduce planting programs, resulting in a scarcity of produce, which led to wholesalers buying up stock, spiraling price increases and over capacity growing programs from the farming community to take advantage of the high market pricing.





This produced fluctuating prices for consumers in retail stores, which had a negative effect on long term category sales growth, and started the whole cycle over again.

Relationships across the supply chain could be described as adversarial, resulting in little to no collaboration in product planning, pricing, costs or promotions. No collective understanding of the end-to-end value creation process, no clear product trace ability, or coordination of packaging development and order multiples requirements. Causing consistent breaches of Occupational Health & Safety requirements.

Throughout the supply chain the produce was handled many times (from primary producer to consumer) causing unnecessary damage, breakdown and wastage.

In summary the retailers, wholesalers and growers were working on poor speculative information in both directions, resulting in poor decisions based on bad information. As a consequence that led to poor execution of product delivery, facilitating large buffers of inventory, lead times and capacities.

The Best Results team created a strategy of aligning the interests of the various collaborative, cooperative and competing organizations in the fruit and vegetable industry. Uniting the organizations in the **common goal** of **profitably** delivering **best value** fresh produce to the **end consumer**.

Once the interests were aligned the Best Results team orchestrated an industry pilot network to eliminate excess costs, simplify processes and create value throughout the end-to-end process network.



This led to large benefits for all partners across the end-to-end network.

Our strategy enabled the collaborative and competing network participants to:

- Recognize their interdependence on one another.
- Align their interests on a common goal.
- Collaborate on mutually beneficial strategy.
- Jointly focus on profitable delivery of best value to consumer.
- Agree on a common packaging platform for all fresh produce.
- Pack, present, and package produce at primary suppliers ready for store shelf presentation.
- Create flexible order multiples to suit different store sizes and local demographics.
- Deskill fresh produce processes within the supermarket store.
- Eliminate excess buffers in inventory, lead times and capacities.
- Share demand and supply information to increase forecast and supply accuracy.
- Create rather than shift value in the end-to-end process.
- Reduce waste at store to less than 2%
- Increase inventory turns across the network.
- Reduce inventory levels across the network.



- Better utilize assets across the network
- Reduce working capital requirements across the network.

Tactics

The Best Results tactics was to work with selected wholesalers and growers to produce a remedy to the industry problems stated earlier, and present it to the retailers as a turnkey solution that would be better for the consumer, simpler for the staff, and cheaper for all end-to-end network participants.

Orchestration

Best Results orchestrated a network of participants which included Coles / Bi-Lo, Woolworth's, Chep, Amcor, Visy, Market wholesalers / Agents, and a host of growers.

Differentiation

Although both major retailers shared the same packaging standards and common end-to-end process platform of planning, picking, packing, presenting, packaging, distributing, promoting and selling. They resourced, managed and performed the core functions, activities and interactions differently.

This differentiated approach, enabled both parties to focus on the main activities that would build core capabilities around their individual strategies.

Communication

The message "One touch" was to convey the individual and overall context to every partner in the end-to-end process that the produce and process should be fresh, fast, flavorsome, and flexible.



Focus

Every meeting and conversation focused on consistent and profitable delivery of 100% food safe, best value, quality produce for the end consumer, in the shortest possible time from seed to shelf.

Results

- Elimination of AUS\$ 1 billion costs from the Australian fresh fruit and vegetable industry.
- Reduced handling of produce across the end-to-end process.
- Reduced skill levels requirements of in store staff.
- Reduced in store labor hours .
- Reduced in store wastage.
- Reduced packaging costs across the end-to-end process.

- Reduced industry buffers of inventory, capacity and lead times
- Increased shelf life for retailer and consumer
- Increased stock turns
- Increased customer participation at store
- Increased revenues and retained margins
- Increased alignment of product use, uses, usage, costs and pricing across the network.
- Increased knowledge management and sharing across the end-to-end process.



- Creation of value across the end-to-end process: Defined as the removal of excess costs and revenue growth and margins across the end-to-end partner network.
- Creation of industry standard re-useable packaging.
- Creation of flexible fresh produce order multiples.

Summary

The Best Results team created an environment that empowered the participants to generate and act on better information, increasing the quality of decisions, reducing industry buffers, leading to better execution.

This resulted in waves of continuous innovation in the fresh fruit and vegetable industry that hitherto was considered a mature commodity market.

Conclusions

When end-to-end process networks are viewed holistically and the interests, utility, price and costs of the network aligned, extraordinary value innovation can be created in a very short timeframe.

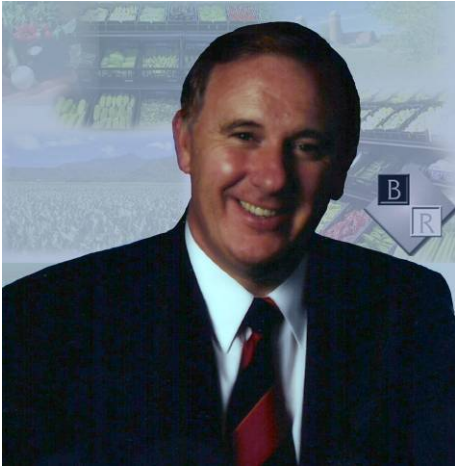


Patrick Byrne (Chief Executive Officer)

Mr. Pat Byrne is the founder and motivating force behind Best Results (Aust) Pty. Ltd., a development company specialising in end-to-end process network alignment, orchestration, integration and collaboration.

Mr. Byrne has over 25 years experience in executive management and innovation, in international Information Technology Telecommunications, and Retail Industries.

The Best Results team have strategised, orchestrated and executed a “One Touch” end-to-end fresh food process that has changed the way fresh food is ranged, packed, presented, packaged, delivered and configured in retail supermarkets in Australia.



This initiative saves the Australian fresh food supply chain a AUS\$1 billion per annum in costs..

Prior to Best Results, Mr. Byrne was Managing Director of Samsung Electronics Australia.

Whilst Byrne was in that position, he strategised, orchestrated and transformed Samsung from a loss making company, with a cheap product image, to a profitable organization with an super brand position in the Australian Consumer Electronics market place. Samsung Electronics Australia achieved profitability in the midst of the Korean economic crisis, without downsizing.

Mr. Byrne was also responsible for negotiating terms of engagement for Samsung Electronics Company (Korea) for the Sydney Olympics.



One Touch

In conjunction with fellow principal Tom Amos, Byrne conceived and negotiated a Samsung CDMA telephone network that combined a local call and mobile facility in the one mobile handset.

This was a world first in the telecommunications industry with an initial AUS\$500 million telecommunications infrastructure sale negotiated by Byrne and Amos with Hutchison Whampoa for the Orange network in Australia.

Previous leadership roles for Mr. Byrne included President Asia Pacific for Commodore Computers. During his tenure at Commodore, Byrne in conjunction with John Singleton, strategised and orchestrated Harvey Normans entry into the Computer and software related market.

As General Manager Sales - NEC Information Systems. Byrne strategised and orchestrated a corporate development sales team that assisted NEC'S third party distribution network access and dominate the corporate/government market segment for PC's. Wrestling the number 1 market position from IBM.

Mr. Byrne's experience in computers, communications and supply process networks, provides valuable skills in the areas of strategic thinking, planning, team building and business development.