



Making technology pay!

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Balancing Supply and Demand Using IT

In a dynamic industry such as fresh produce, one of the major challenges facing management teams is matching supply with volatile demand. In the old days, a quick field inspection and a few phone calls to trusted sources told you all you needed to know. If you were short of produce or hit quality or yield problems when you lifted the crop, people were more understanding. They knew that you couldn't control nature and would work with you on an acceptable solution.

Things are different in today's price conscious quality driven environment, particularly if you are a supplier to the major multiples. Missing contracted delivery schedules leading to empty supermarket shelves is not an option. Telephoning one of the recent graduates responsible for supply chain management to explain why you cannot fulfil their order is unlikely to elicit a sympathetic response. The fact that the last three days of torrential rain has meant that you cannot get onto the field to harvest the product is not their problem. The task of meeting the delivery requirements is yours whatever the cost or impact on your company.

The question of cost brings an interesting dynamic into play. With average net margins within the industry running at just 1.7%, you do not have much scope for error. If your growers let you down, due to circumstances beyond their control, you have to make good the shortfall from another source whatever the cost. Asking the supermarkets for a contribution when you have to ship product in from abroad or buy on the spot market is invariably a waste of time. Furthermore, even if you bust a gut to fill their shelves and the produce is delivered late or incorrectly labelled, you are likely to incur a fine adding insult to injury.

In such a harsh and unforgiving trading environment, advance warning of possible product shortfalls can make the difference between making and losing money. Up to now, people have adopted a number of technology applications to try to forecast future demand and match it with supply. The most common is the ubiquitous spreadsheet. Even though the assumptions were rarely linked to other information sources, the combination of product and customer knowledge meant that they became an invaluable forecasting aid.



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These worked well when fresh produce businesses were small and the products fairly simple. However, market consolidation has meant that many fresh produce companies are now relatively large businesses. Furthermore, the quality and packaging demands of the retailers have grown more stringent as they battle for market share in the increasingly competitive consumer sector. Engineering a spreadsheet to manage the volume and complexity of the task involved is no longer an option. The dangers of relying on spreadsheets to manage mission critical information were covered in my article in May of this year.

What's needed today is a fully integrated solution that takes as many factors as possible into account when balancing supply and demand. On September 29th at the Fresh Produce event held at Microsoft's headquarters, such a facility was demonstrated within the LinkFresh application. It created an immediate and very positive response from the audience. They quickly recognised how such a cleverly integrated application could take much of the guesswork out of the task of forecasting future demand.

The LinkFresh Planning Board collates all the latest information affecting demand and supply in one central repository. It maintains a demand forecast by item, customer, ship-to location and day. It also maintains a supply forecast by item, vendor, location and day. A harvest forecast can also be managed by recording item details, grower, grown location, location and day. The system facilitates maintenance of multiple forecasts enabling the exploration of "what-if" scenarios. It also distinguishes between forecasts for own and third party product.

Forecast information is used together with the latest real-time stock position and outstanding live sales orders, to produce a buyer's planning board that instantly highlights any problems with the supply/demand situation, period by period, for any given produce type at any location. And all demand is uplifted automatically to take account of the expected yield from raw produce.

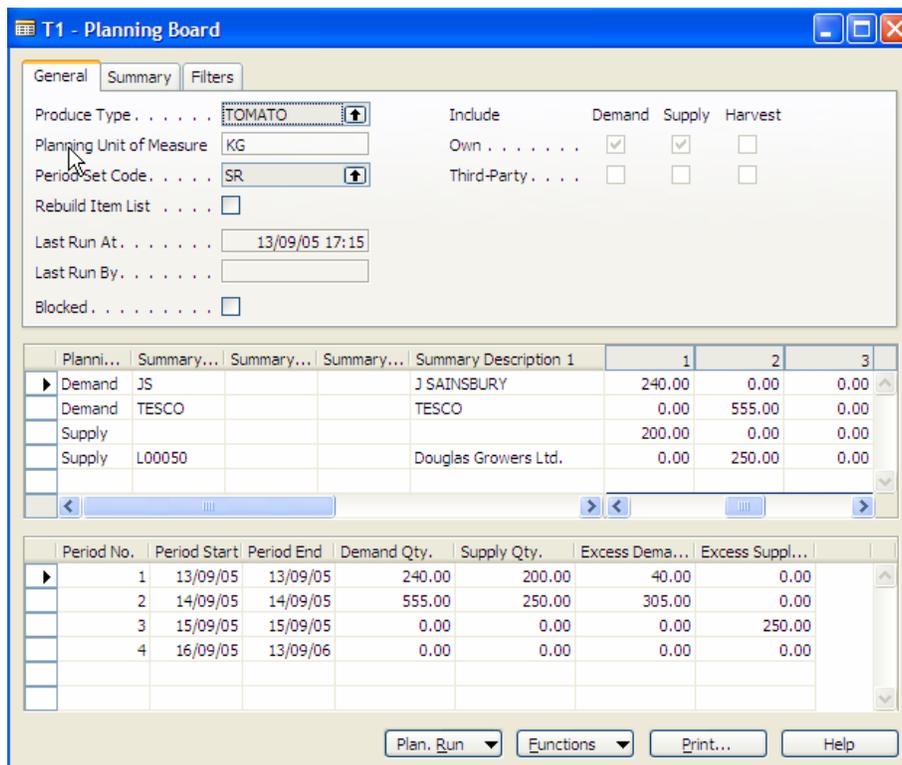
"Everybody we spoke to had difficulty in balancing supply and demand given the fast moving nature of the business" explains LinkFresh Product Director Mark Nixon. "We saw rooms filled with whiteboards and hugely complex spreadsheets that no one in the business understood any more. Various manual and technological solutions were also being tried with limited success. The big problem was keeping all of the information current because it was coming from so many disparate sources. It was clear that if we could centralise the information and create one version of the truth, it would be a major benefit".

"The overall design of the LinkFresh application took a long time, and we had this facility in mind right from the start. The core foundation module was structured to collate information in the correct way,



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including fresh produce inventory attributes such as variety, grade and country of origin which can vary at lot level. All this foundation data is made use of in the supply chain module. Customer feedback to date is very positive indicating that we have got it right. With the LinkFresh planning board in place, customers can quickly and reliably spot product shortages or oversupply and react accordingly, safe in the knowledge that they are viewing the most up to date information that the business has access to. This in turn will enable them to increase customer satisfaction by avoiding stock-outs without increasing administrative costs”.



T1 - Planning Board

General Summary Filters

Produce Type TOMATO

Planning Unit of Measure KG

Period Set Code SR

Rebuild Item List

Last Run At 13/09/05 17:15

Last Run By

Blocked

Include Demand Supply Harvest

Own

Third-Party

Planni...	Summary...	Summary...	Summary...	Summary Description 1	1	2	3
▶ Demand	JS			J SAINSBURY	240.00	0.00	0.00
Demand	TESCO			TESCO	0.00	555.00	0.00
Supply					200.00	0.00	0.00
Supply	L00050			Douglas Growers Ltd.	0.00	250.00	0.00

Period No.	Period Start	Period End	Demand Qty.	Supply Qty.	Excess Dem...	Excess Suppl...
▶ 1	13/09/05	13/09/05	240.00	200.00	40.00	0.00
2	14/09/05	14/09/05	555.00	250.00	305.00	0.00
3	15/09/05	15/09/05	0.00	0.00	0.00	250.00
4	16/09/05	13/09/06	0.00	0.00	0.00	0.00

Plan. Run Functions Print... Help

LinkFresh Planning Board – Simplifying the Planning Process

For further information contact linkfresh@angliabs.com