

Anglia Business Solutions

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MARGIN PRESSURE OFFERS CHANCE FOR TECHNOLOGY

The latest Plimsoll report stating that "some food companies aren't worth investing in" must have been about as welcome as a pork chop at a Bar Mitzvah. It pointed out that with profit margins at less than 1.5 per cent of turnover, any commercial hiccup could see them fail, making it very difficult to attract bank funding due to perceived risk.

This ignores the wider picture on growth prospects within the fresh produce sector. A Datamonitor report in September featuring an industry profile on the global fruit and vegetable industry painted a healthy picture. It stated that the worldwide market for fresh produce had grown to \$511 billion by 2009 and is forecast to grow to \$687.8bn by 2014. This impressive 34 per cent compound annual growth rate is hardly symptomatic of an industry in dire straits.

As the global trend towards healthy eating gathers pace, the fresh produce industry is well placed to benefit. However, the reality is that margins continue to be under pressure. At the same time, quality and delivery demands increase, traceability regulations ratchet up unproductive administration costs, while transport expenses accelerate with every fuel price rise.

At a number of recent food seminars, the theme was the waste inherent in the food supply chain. Figures bandied about suggested that we produce twice as much food as we consume. One in four trucks on our roads transport food and half of them are empty. This represents an ideal opportunity where the IT industry can play a significant part.

A common request throughout these seminars was the desire for supply chain transparency to reduce waste while improving efficiency. However, many food supply organisations operate with a myriad of paper and electronic systems. These islands of data make it difficult to facilitate supply chain visibility within these companies, let alone share the information externally with their customers and suppliers. Here, a fully integrated modern supply chain system can help by providing the required level of product and commercial transparency.

While it is sometimes difficult to face up to the fact that legacy systems are well past their sell by date and no longer meet the changing needs of the business, ignoring the issue could prove costly commercially. If successfully implementing a new system could help reduce costs while improving customer service, it could assist in attracting inward investment. However, continuing to do the same things while expecting different results may prove Plimsoll and the banks right. After all, when was the last time that a supermarket volunteered a margin increase? ■

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