



**TRADE
INTERCHANGE**
Smarter Supplier Management

ARCUS[®]
Supplier Management Software

TIME TO ACT

**The transparent
supply chain**

**How a traceable and robust
supply chain can protect
your company's reputation**



**'A brand is only as strong as the weakest link in its supply
chain. A stronger supply chain is a stronger brand.'**

Mike Edmunds, Managing Director, Trade Interchange

Supply chains under threat

A transparent supply chain is arguably a business's biggest asset. Barely a week goes by without a new headline featuring an unethical or non-compliant element in the supply chain that has been overlooked. Allergen contamination, modern slavery allegations and sustainability issues are just three of the key areas in which organisations large and small are battling to maintain brand reputation, loyalty, and reliability; any negative media attention surrounding a company can be hugely damaging.

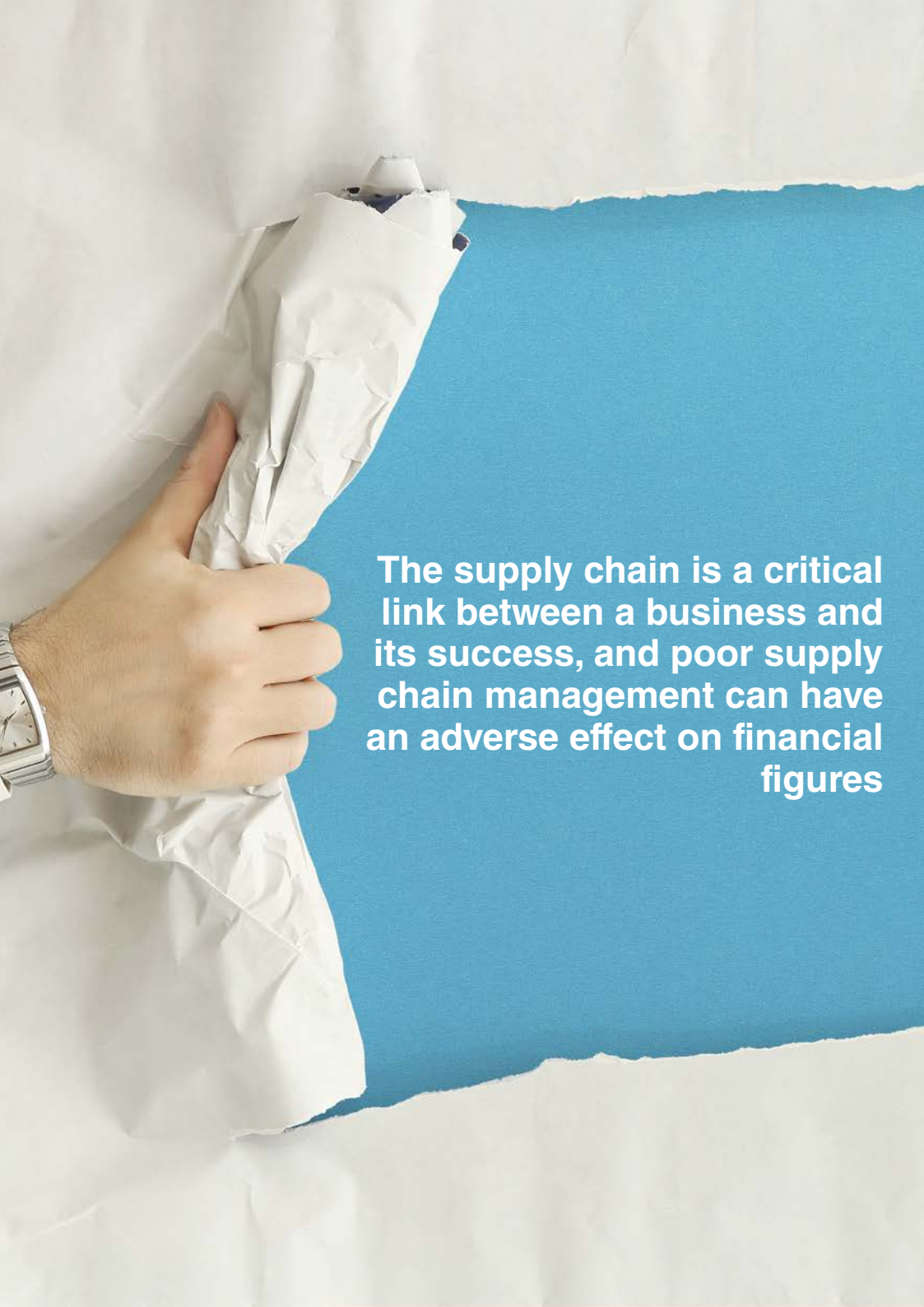
The fast pace of around the clock news outlets and rapid-fire social media escalation means companies must react quickly and effectively should a crisis hit. A recent report¹ measuring crisis' impact on shareholder value found since the introduction of social media, the impact of reputational damage on stock prices has doubled.

The food industry's supply chain is particularly vulnerable to genetically modified ingredients, contaminated or mis-sold foods and unlabelled allergens that can have serious, life-threatening implications. Issues in the supply chain can also result in wide-ranging media criticism, reduced consumer trust and even costly litigation.

As food businesses are under increasing pressure to minimise costs, procurement teams are forced to search globally for cost-effective suppliers. When coupled with informed and increasingly demanding consumers who expect full traceability in the food they eat, this leads to complex supply chains that are exposed to more significant risk.

A photograph of a cracked white egg and a small orange cherry tomato resting on a light blue surface. A large, dynamic splash of light blue liquid surrounds the egg, with several droplets frozen in mid-air above it. The background is a solid, light blue color.

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A hand wearing a silver watch is holding a piece of crumpled white paper. The paper is being held against a blue background, which is visible through a tear in the white paper. The text is overlaid on the blue background.

The supply chain is a critical link between a business and its success, and poor supply chain management can have an adverse effect on financial figures

Uncovering answers

How are UK businesses responding to the challenges of managing the supply chain? Is there an awareness surrounding how a business's brand can be negatively affected by problems in the food and drink supply chain?

To find out, Trade Interchange conducted independent research which surveyed 200 managers and executives working across procurement, supply chain, technical, quality, legal and finance departments in the UK food and drink industry. All of the businesses cited in the survey have an annual turnover of at least £20 million and 65% have an annual turnover of over £30 million. Thirty-nine percent have more than 500 suppliers.

This Trade Interchange report reveals:

- The current level of understanding of the ways in which supply chains can bolster a brand's image
- The main threats to brand reputation
- The best ways to protect company credibility and ensure customer loyalty

Poor supply chain management increases the risk of reputational damage

Company image is important; not only must manufacturers and food hospitality businesses meet consumer expectations, they cannot shy away from their corporate and social responsibility. Any product from a supplier that is unethically sourced, damages the environment, is contaminated or produced under conditions that violate modern slavery legislation can have a huge impact on a company's success.

'Damage to reputation / brand' was at the top of the list 'Top 10 Risks' in Aon's Global Risk Management Surveyⁱⁱ, and according to a study by the World Economic Forumⁱⁱⁱ, on average more than 25% of a company's market value is directly attributable to its reputation.

Other research has shown that the supply chain is critical to the success of a business, and poor supply chain management can have an adverse effect on financial figures. A global Deloitte^{iv} survey of 400 executives in manufacturing and retail found 79% of companies with high-performing supply chains achieve revenue growth above the average within their industries. Just 8% of businesses with low performing supply chains report above average growth.



of respondents view brand reputation as 'very' or 'quite' important

Brand building in the food and drink industry

Trade Interchange's new research reveals a high level of awareness surrounding the importance of company credibility in the UK food and drink industry.

- 78% of respondents view brand reputation as 'very' or 'quite' important
- Just 2% of those surveyed said that brand reputation is 'not important at all.'

What are the threats to brand reputation?

- 41% believe food scares relating to allergens, antibiotics or bacteria are the largest threat
- 40% of food and drink executives think customer complaints are a worrying concern
- 35% feel threatened by data breaches

Why the supply chain is a company's secret weapon

To mitigate risk, visibility through all tiers of the supply chain is becoming increasingly vital, as transparency is the first step towards reducing risk. Oxford University's Saïd Business School confirms 'In a traceable system, firms are able to identify materials and products, track their locations, and account for any supplier processing that has occurred prior to the item's arrival at their doors.'

Supply chain transparency and maintaining control of all supplier relationships is also a way to build customer trust. Consumers want to know if the chicken they buy is truly organic, or if the sandwich they buy is 100% nut-free; something which is only possible if suppliers are monitored, helping to ensure trust and transparency in the supply chain. Documented evidence that suppliers are meeting company, government, and safety requirements is necessary, or suppliers and companies could risk financial or regulatory sanctions. An obvious benefit of a well-managed supply chain is the retailer's guarantee that what is on the label is accurate.



Case study: the importance of a transparent supply chain

A dairy-free yoghurt brand encountered criticism in February 2018 when traces of milk were found in its products. Customers took to social media to vent their anger with stories of babies with milk allergies writhing in pain, and vegans who were upset by unwittingly eating dairy.

The company quickly responded to say it was 'devastated' and had carried out a 'thorough review of ingredients'. Later, the company published a statement to say the contaminated material came from a third-party supplier and that the relationship had been terminated.

Although the brand was swift to respond and had quick access to data to do so, the crisis did not instil trust in the company's reputation, doing very little to reassure customers it effectively monitors its supply chain.

38% of people think transparency of ingredients is the best way of protecting brand reputation



How to protect your brand

Professionals in the food and drink industry surveyed by Trade Interchange claim 'Knowing who you are and maintaining strong brand principles' is the most important way of protecting your company's reputation, while, nearly half (42%) say that 'instilling trust in customers' is key. The survey also found:

- 38% of respondents think transparency of ingredients is the best way of protecting brand reputation
- 33% of professionals say communicating good practices is important
- 28% of those surveyed recognise the value of robust data

Over a third say that transparency of ingredients is important in protecting brand reputation, while



of respondents view brand reputation as 'very' or 'quite' important

Reputational risk management

As a company grows it inevitably becomes more reliant on key suppliers, which creates a greater need for effective supply chain management, and robust supplier data that can stand up to scrutiny. It also calls for a data management system where key documents evidencing compliance and regulation can be accessed quickly.

Proactivity is essential according to a Pentland Analytics report^v investigating crisis and technology, which suggests that the key drivers for successful recovery after a reputational crisis are:

- Instant and global crisis communications
- Transparency and honesty
- Companies must take active, social responsibility

This is supported by the Trade Interchange survey in which 41% of respondents agreed that ‘up to date, reliable and compliant’ data is the most important thing to fall back on should a reputational supply chain crisis hit.

The survey showed 38% of respondents believe ‘clear, technological processes’ are important in building brand resilience; while the same number (38%) believe a capable CEO is key, and 34% said a savvy social media team are essential in alleviating a crisis.





Responding to a crisis: from blunders to brilliance

How companies handle public relations when things go wrong is vitally important to their reputation. When pan-Asian food outlet Yellow Fever opened within Whole Foods 365 in Long Beach, California during April 2018 it caused a social media firestorm with the public finding the name not only unappetising, but offensive too. The potential issue wasn't spotted before launch by Whole Foods and when crisis hit the brand left the owner of Yellow Fever, Korean-American chef Kelly Kim, to speak up while it remained silent, coming across as insensitive.

Meanwhile, American brand International House of Pancakes (IHOP) announced it was changing its name to IHOB, before a month later admitting that this was just a ploy to promote its burgers. The result? Flat pancake sales and some very confused customers.

However, several companies have turned an apparent comms crisis into an effective campaign. KFC's humiliating chicken shortage due to ineffective logistics management, and the company's subsequent closure of 750 UK restaurants, in addition to the 1,000 pieces of critical global coverage across print, online media and broadcast meant huge financial damage to suppliers and the company; not to mention damaged confidence in the brand. Subsequently, KFC's marketing team ran a 'masterclass in communications' with direct apologies via a series of humorous full-page newspaper ads, switching KFC to FCK, and creating a dedicated web page praising staff. The apology was a success because it was delivered quickly, in an 'on brand' human way.

How ARCUS® SIM can help protect your company's reputation

Every company has a corporate responsibility. If anything within the supply chain were to go wrong, Trade Interchange's supply chain management tool ARCUS® SIM can protect your business's brand and reputation. Benefits include:

- An audit trail detailing everyone who has permission to see data
- Access to reliable supplier and site information through a series of food-specific plug-ins such as manufacturing site information and manufacturing site audit information
- Reinforcing brand confidence through reliable and accurate data
- An ability to on-board suppliers as standbys to mitigate risk
- Reducing the response time when finding a supplier
- Minimising risk by immediately identifying non-compliant documents or suppliers
- An ability to prioritise documents for review using built-in artificial intelligence
- Increasing compliance by storing verified, relevant documents which can be remotely accessed by all authorised stakeholders
- Ensures that every document has an initial review before it is received by the organisation
- Increasing confidence that the information received is relevant, and matches that requested

About Trade Interchange

Trade Interchange delivers supply base confidence through a streamlined solution. We help organisations reduce the costs, risks and complexities associated with managing a large supplier base. Our solutions support a range of supplier management activities, from initial tenders and supplier information management, through to supplier contract and performance management, as well as product information management and new product development.

i Pentland Analytics & Aon, *When Crisis and Technology Collide: Protecting Reputation in the Digital Age*, 2018.

ii Aon, *2017 Global Risk Management Survey*, 2017.

iii World Economic Forum, 2012.

iv Deloitte, *Supply chain leadership: Distinctive Approaches to Innovation, Collaboration, and Talent Alignment*, 2014.

v Ibidⁱ



Managing Director, Mike Edmunds explains how Trade Interchange is supporting businesses helping to build stronger brands and protect their supply chains from risk

The future of good business branding relies on supply chain transparency; on knowing from where each ingredient within a food product is sourced and ensuring at no point during the long chain of interactions are there any causes for concern.

How then, can businesses get ahead? Managing an effective, efficient supply chain means forecasting what may affect your brand in the future, and acting in a way which ensures the outcome is a positive one. This means a key element of your company's reputational risk framework is supply chain management. Accurate and reliable data that can be accessed quickly and easily by professionals across departments not only reassures customers that a brand is demonstrating its due diligence, but also ensures a business can quickly react to risks and threats with confidence.

How does ARCUS® SIM work?

Suppliers on-board themselves, filling out tailored questionnaires and uploading documents in accordance with company, government and industry legislation, such as insurance policies and BRC certificates. These are scanned by ARCUS® SIM's built-in artificial intelligence and are checked for correct format, necessary information and validity of the document. If there is a discrepancy, such as missing, incorrect or contradictory information, the supplier is alerted. At this point, the supplier will be asked to confirm if this is the document they want to upload or if they want to substitute a different document. If the supplier proceeds regardless, ARCUS® SIM's AI system will send a notification to the company, flagging any documents that appear to be incorrect. This system allows the appropriate professional in a business to quickly and efficiently prioritise documents for review.

ARCUS® SIM's artificial intelligence capabilities will review documents including, but not limited to:

- Insurance policies
- Health and safety certificates
- BRC certificate
- Environmental policies
- Modern slavery statements
- Environmental management system certificates
- OHSAS 18001 certificate
- CHAS certificates
- Waste carriers licence details
- ISO 9001 Quality Management System



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ARCUS[®]
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