

HOW DRISCOLL'S IS TILLING

A DEMAND-DRIVEN SUPPLY CHAIN



How Driscoll's Is Tilling Its Demand Chain for Food's Data-Driven Future



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Technology has its place in the transformation of supply chains. But people and process are the true keys to bridging the gap between supply and demand.

Ever since access to ubiquitous real-time data emerged as a technological reality, businesses have been lured by the possibility of redirecting their supply chains toward a model driven by demand. Applying analytics software to make sense of big data could allow organizations to close the gap between demand and supply.

The implications of such a vision are many. It would enable retailers to reduce inventories to levels that would meet, but not exceed, their current requirements. It would allow retail suppliers to operate in a "sell one, make one" environment. In a demand-oriented environment, products coming off manufacturing assembly lines will have already been pre-allocated against customer orders.

It's tempting to believe that implementing the right technologies will do the trick in the transition to a demand orientation. The experts at GEP, a provider of procurement and supply-chain strategy, software and managed services, take exception to that notion. Technology, they preach, must play a supporting role to the transformation of the interconnected relationships and processes that are the true keys to emerging as a demand-driven organization.

In a demand-driven world, organizations could accurately forecast

demand for commodities, supplies and spare parts; communicate that demand effectively to suppliers; have vendors respond to that demand accurately; and position their optimized inventories where they can be most effectively put to use. A study undertaken at the Cranfield University School of Management in the United Kingdom concluded that, "Remodeling our supply chains into demand chains creates the possibility that waste and obsolescence can be reduced. Companies in this world will not create demand unless they can supply it."

Needless to say, it is easier said than done, especially when supply-chain disruptions like the COVID-19 pandemic appear out of the blue. Implementing the personnel, process and technology changes necessary to bring a demand-chain vision to fruition is laborious and time-consuming. The changes that come from transforming an organization's dominant logic from production-push to demand-pull do not appear overnight.

But the potential rewards are enormous. These include not only cutting costs and waste, but also the possibility of attracting new and better kinds of customers: those open to forging genuine and productive partnerships, leading to higher margins and profits for the company.

"A lot of this has to do with dialog," says James Fowler, a senior manager at GEP. "You need to have broad-ranging conversations with customers to understand their issues and pain points. It's about making the relationship more than just transactional and into a true partnership."

Driscoll's Inc., a California-based family-owned global seller of fresh berries and a GEP customer, finds itself toward the beginning of a two-year process to become more demand oriented. It's a critical quest for the company, since it sells a perishable product that loses value every day it doesn't find a home with a retail customer.

At this point, 65% of Driscoll's product is shipped directly to retailers, while 35% is shipped to consolidation points and put on Driscoll's stock. "We have to look for demand" to sell the remaining product on stock, says Alfredo Molin, the company's supply-chain director for Europe, the Middle East and Africa, "and it may be one or two days before it is shipped to a customer."

That means some of the fruit will likely fetch lower prices than if it were shipped directly. Pushing out these products also complicates Driscoll's logistics equation, since it may have to pay for premium trans-

portation to deliver the products quicker, increasing its costs.

“Our people are used to looking at everything organized around supply,” Molin says. “They always focus on the push of volume into the system. Sometimes we have to be creative to get everything out.

“Now, we need to turn that around and to engage with customers completely differently to get more predictability on the demand side,” he adds. “That requires a change in people’s behavior.”

Driscoll’s employees may need a culture change, but so will some of its customers. “In a supply-driven organization, we need to have some customers that can act as a valve because we need to push volume out,” Molin says. “They take product from us only when we have oversupply and can reduce the price.”

In a demand-driven organization, Driscoll’s customers will ideally take delivery of berries 52 weeks a year. But in order to attract those kinds of customers, Driscoll’s needs to ensure that it has the required supply year round. “We need the right programs, conversations and agreements in place,” Molin says, “so that we can work to ensure that we can meet their demand on the supply side.”

Implementing the correct processes to facilitate a demand orientation will include changing the focus of planning meetings. “You have to have the right people in there,” Fowler says. “You need to include the key stakeholders like supply chain, sales and marketing and they need to understand what they have to do before coming into

these planning sessions. It all looks very easy on paper, but it involves a huge change in cultural behavior and process.”

At Driscoll’s, strategic planning spans a five year arc, since it takes that long for new plants to be nurtured to the point that they can

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bear fruit. “That includes making sure that nurseries have the right varieties,” Molin says, “because plants can grow only under certain specific conditions.” It also means finding the acreage required on a yearly basis to produce the desired volume of berries.

“When we shift to being more demand-driven, more fruit will go directly from the field to the customer,” Molin says.

The hoped-for tighter relationship between supply and demand means that in some cases a company may find it difficult to satisfy demand. “In those cases, you need to have clear allocation and prioritization rules,” Fowler says.

Companies also need clear policies on whether and when expedited transportation services will be engaged to satisfy a customer, a process consideration that speaks to the balance between quality and costs. To take an extreme example, Driscoll’s might better ensure freshness and quality if it would airfreight berries to retailers more frequently, but that would drive costs through the roof.

“We are a volume-driven business, but we also need to deliver fruit in a condition that will be accepted,” Molin says. “If a customer rejects a shipment, we will get paid almost nothing for it — so sometimes we need to expedite fruit with dedicated transport to deliver our customer promise.”

Another process change to consider when migrating to a demand orientation is the role of outsourcing. Fundamental to this consideration is an examination of the company’s core competencies.

“From there you can determine what to retain in house and what to outsource,” Fowler says. “There are some interesting ways to get to that conclusion.”

An analysis of Driscoll’s operations, for example, found that 50% of the company’s workforce and expenditures are connected to the supply chain. Fowler asks: “Is that something that Driscoll’s needs to be doing?”

The answer to that question should be informed, according to Fowler, by an analysis of if and how a company can accomplish a step-change to its business model through outsourcing. “It has to be more than just about savings and efficiency,” he says.

The technology offerings of some third-party logistics providers, such as transportation and warehouse management systems, could facilitate such a step-change. “Every company has to ask some fundamental questions — including how much control it is willing to give up,” Fowler says.

Driscoll’s business model concentrates value heavily at the polar opposites of the agricultural cycle. The company invests in research and development of berry varieties and growing methods, on one hand, and in selling and marketing to customers, on the other.

“Everything in between is not core to our business,” Molin says. That would suggest that Driscoll’s could be a candidate for outsourcing much of its supply-chain operations.

But it’s not quite as simple as that. The company has a substantial growth ambition for the next five years and a reputation for quality and freshness to maintain. “We need to do some heavy lifting ourselves in order to accomplish these goals,” Molin says, “so we are looking for a partner to do that with us and to help us move faster in our development.”

“If we did it all ourselves we would have to reinvent the wheel,” he adds. “It’s better to hook up with a partner that has done these things

many times before, so that our learning curve will go much faster.”

The technology piece appears prominently in Driscoll’s outsourcing considerations. “Our technology platform in supply chain is not fit for the future,” Molin explains. “We need to go from an old platform to one that is 10 years in front of everyone else, so we have to make a big leap forward within the next two years. By selecting the right partner, we think that this step-change will come much faster and will be executed smarter.”

Technology not only supports the people and process changes that must come with the demand transition but is also intimately related to them. “With behavioral and cultural changes,” Fowler explains, “data requests become much more mature. That can add to the benefits and speed up processes by generating better insights into demand trends.”

The availability of modern technologies, such as predictive analytics, also liberates personnel who use older software, such as spreadsheets, to figure out customer allocations. “Technology will free them up to do greater analytical work and add more value to the business,” Fowler says. This also means that some companies, including Driscoll’s, may have to say goodbye to employees not able to step up to that change.

The COVID-19 pandemic led Driscoll’s to discover a serendipitous benefit to the implementation of the right technology. Demand for produce like raspberries and strawberries tanked during the early weeks of the virus, as might be expected. Driscoll’s couldn’t do much about that, but it did figure

out a way to gain greater visibility and insight into the availability of supply.

“Our inspectors couldn’t go into the fields to look at the crops due to the infection risk,” Molin explains, “so they worked off pictures of the crops. We were able to feed those pictures into a smart software system that built a predictive analytical capability and provided insight into the development of the fruit. We became smarter because of the availability of that data.”

The same considerations could apply to any company, especially those dealing with fast-moving consumer goods. “Data drives better decision making,” Fowler says. “It’s crucial that all stakeholders have the right information for strategic-level planning. That is also important in moving from transactional encounters to a proper relationship with customers.

“There will be other events, like economic downturns and natural disasters, that will impact companies’ supply chains,” he concludes. “But putting the right people, processes and technologies in place will allow them to react better, for their own benefits and for the benefit of their customers.”

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