



SPONSORED

5 tips for navigating a challenging distribution environment

Published Dec. 5, 2022

SPONSORED CONTENT BY  Kwik Lok.

The supply chain challenges that continue to plague the food-distribution industry have led many companies to rethink their inventory, production and distribution strategies.

Ongoing volatility in the global food supply chain calls for companies to be more agile, and to work more closely with their trusted partners, according to a recent report from Accenture.

“The good news is food producers can strengthen resilience using existing relationships and increase supply chain agility with creative solutions,” the report stated.

The following highlights five ways that food companies are navigating the supply chain difficulties they face, from sourcing ingredients and raw materials from suppliers through distribution to retail and foodservice outlets.

1. Streamline assortments

Many food manufacturers have cut back on the number of products they produce, allowing them to optimize inventories, production schedules and distribution efficiencies.

“I think most companies right now are looking at standardization, whether it be operationally or in their product offerings, and that is driven primarily by inflation,” said Maggie Brown, director of global supply chain at Kwik Lok, which supplies packaging closures and related machinery for food companies.

Manufacturers are seeking to balance their ability to support all of their customers’ demands for products and services with the need to operate more efficiently and offer consistent supply of product, she said.

During a panel presentation at the 2022 International Baking Industry Exposition, Brown said that challenges around streamlining inventory were an important topic of conversation.

“A lot of the questions revolved around, ‘How do I keep my small piece of the market when costs have skyrocketed, and what do I do if I have to reduce my offerings by half? What does that mean for my revenue?’” she said.

2. Stockpile inventories

Buying in larger quantities when ingredients are available at low costs can help ensure ongoing production, despite the increased costs for storage and working capital.

Although it contradicts the “just in time” inventory models that many companies have been striving for to minimize costs, the trend toward “just in case” stockpiling can be a relatively simple, straightforward solution to implement, according to a recent report from ING.

However, stockpiling inventory, whether ingredients or finished goods, can have repercussions throughout the rest of the supply

chain, and in some cases can force suppliers and retailers to sell product at discounted prices if consumer demand declines.

Another problem with stockpiling inventory is the pressure it places on other producers. Throughout the pandemic, smaller companies complained that larger companies were hoarding limited supplies of raw materials, forcing some to shut down production when they could not find alternate sources, or turn to more expensive sources of ingredients and packaging.

Instead, companies such as Kwik Lok have focused more on more elaborate forecasting, said Brown.

“We focused on identifying who our vendor partners are and making sure that they have full visibility into our needs, so that they have ample stock available when we need it,” she said.

3. Rethink distribution/production models

Some food companies could benefit from taking some food-distribution in-house or expanding production to be closer to end users.

Bringing production closer to end users is a strategy that companies across multiple industries have employed. This can have the added benefit of allowing manufacturers to more closely tailor product to meet the demands of individual markets.

“The reintroduction of regional production centers is allowing food producers to react quickly to local market demands, with consumers also benefitting from preferred local tastes,” Accenture said in its report.

Localized food production also can help reduce shipping costs, the report noted.

The impact on a company's carbon footprint is also a consideration, said Brown. Kwik Lok, for example, is currently in the process of evaluating its production facilities around the world to determine how to best support its customers from its six plants. It's a matter of calculating both the costs and environmental impact of shipping the company's machinery to customers from each location, she said.

4. Revamp equipment, technology

Food manufacturers have also embraced a range of innovative solutions leveraging equipment and technology, from automation to machine learning and artificial intelligence (AI) that help regulate production based on real-time sales data.

Rising labor costs amid a tight labor market are one of the primary drivers for automation in the food manufacturing industry, according to ING, but other considerations include a greater degree of consistency, which can result in higher quality and increased food safety, and reduced risks of accident and injury among workers.

Supply chain issues can also lead companies to rethink their machinery. At Kwik Lok, the company was able to reengineer the design one of its machines, the 910A Automatic Bag Closing Machine, which is used in bakery manufacturing facilities, so that its customers could continue their operations uninterrupted when a critical component was unavailable.

5. Reduce waste

Minimizing food and packaging waste and sourcing sustainable resources should be a key focus of any food company's distribution strategy.

Wasted materials not only increase a company's carbon footprint, but they also detract from profitability and utilize excess resources.

“Higher prices and erratic availability create a need to further reduce waste,” ING said in its report.

At Kwik Lok, the company has been at the forefront of helping its customers around the globe minimize their environmental impact. Many companies have been seeking to minimize their use of plastic, which has led the company to develop two sustainability driven bag closures — Eco-Lok, which uses a reduced amount of plastic, and Fibre-Lok, which recently became available in the U.S. and uses no plastic at all but is instead made with 100% natural cellulose fibers.

“Fiber is starting to take off in many regions,” said Brown, noting that Canada is among the countries that have been embracing fiber-based solutions as an alternative to plastics. “The marketplace is still deciding what it wants, and what it needs.”

Fibre-Lok has been tested extensively, starting with pilot rollouts in the United Kingdom and Australia, before it was introduced in the U.S. in November. It presents challenges in part because of the company's high standards for the materials it uses to make the product.

“We aren't taking any shortcuts,” said Brown. “In addition, we've had to make sure that our products all run with little or no alteration in the thousands and thousands of machines that our customers have invested in.”

For more information about sustainable bag closure solutions, visit www.KwikLok.com.