



RESEARCH



WBS Associate Professor of Operations Management **Mark Johnson**, has looked into the incredible complexity of food supply chains and the resulting lack of transparency as to where our food originates.

# Is the food on our table really good value?

For many people picking a turkey has become a lot more complicated than judging whether it will fit in the oven or not. The litany of food scandals over the last few years has brought into sharp focus the provenance of our food. From the horsemeat scandal to the recent labelling of pork as British that was in fact from Holland, the complex supply chains involved in making our food has left the public confused and suspicious. It adds to growing concerns among consumers as to how animals are treated before they end up in our shops.

Reports on intensive farming methods have opened the public's eyes not only to the welfare of animals, but also to the quality and safety of the meat on their plates, as shown by increasing sales of organic chicken. It makes

choosing the Christmas turkey not just a choice of size, but also a consideration of where it has come from and how it was reared.

Dr Mark Johnson, Associate Professor of Operations Management at Warwick Business School, studies and researches supply chains and feels the lack of visibility in the complex chains used by many of our supermarkets means that to be sure of where your turkey has come from and that it has been farmed in healthy and humane conditions it is best to go to your local butcher this festive period. "Local butchers will have higher welfare standards with greater traceability," said Dr Johnson. "They may well cost a good deal more than supermarket own brand turkeys but if you want to be sure of high welfare standards then going to your local butcher is best.

Image opposite: Waitrose Pig Farmer George Gittus kindly supplied by Waitrose, 2013

"There is controversy surrounding the way birds are raised and kept. Intensive farming methods mean that some turkeys are kept in large density growing houses. This is a growing concern for shoppers but it is often difficult to work out which turkey to buy at a supermarket if people want to steer clear of such products."

## Losing sight of the supply chain

Even looking for the British tractor logo is not a sure sign of the provenance of a product as a recent BBC investigation of two pork chops bought at Tesco found. The pork was labelled as being produced and packaged in Britain but tests revealed it probably came from Holland. Reports revealed at least two other companies involved in the supply of the meat and it is these long chains of suppliers that makes it increasingly hard for supermarkets to be sure about their products.

"As firms outsource to other firms - creating supply chains - they lose control and visibility of what is going on as suppliers outsource to other suppliers in the drive for lowest cost," said Dr Johnson.

"What can be done to ensure that consumers know exactly what they are buying? Firms with lengthy and complex supply chains need to understand what they actually look like. They also need to build relationships with suppliers to ensure transparency. In the short term this is more expensive. In the long term, it leads to improved consumer confidence and can highlight areas where additional value - profitability or cost savings - can be made.

“Consumers have a choice; they can buy on quality and assured standards, not just on price. It is their choice and their choice will ultimately make the difference.”

"This means moving to contracts based on relationships - which give transparency into operations - as opposed to those where price is the be-all and end-all. For example, Waitrose work with farmers to assist with the certification of organic produce, which has higher value to shoppers.

"Meanwhile, I would advise consumers to be vigilant. They can begin to understand what they are buying, they can begin to make choices to pay a little bit extra, like going to your local butchers where the supply chain will be shorter and will have visibility right down to knowing when the animal was born, slaughtered and the food it was fed."

## Cheap food comes at a price

The long and complex supply chains used in the globalisation of food and meat in particular has led to cheaper prices for consumers, but Dr Johnson believes mistakes and problems like the horsemeat scandal will continue to occur if the public are not prepared to pay more for their products.

Dr Johnson said: "I don't believe consumers are aware where their food, especially the ready-meals, come from and the incredibly long and incredibly complex supply chains involved. In the case of food we often don't pay the true cost of the product.

"To police a scheme like the Red Tractor logo or any kind of 'standard' is costly and as consumers are we really willing to foot the bill for the kind of monitoring of these schemes that is necessary?"

"All firms use suppliers to provide products and services, creating complex, lengthy and opaque supply chains. They use suppliers to provide things that they deem to be 'non-core' while focusing their activities on areas that they excel at. Tesco, as an example, is an excellent retailer not farmer. Raising and slaughtering livestock for meat is done by somebody else. Apple is excellent at product design and marketing. Assembly of the various electronic devices is done by somebody else. This specialisation allows firms to be more profitable and responsive but does have downsides, eg the loss of control of their supply chains as they cede responsibility to their suppliers while procuring goods at a low price.

"I think these widely reported supply chain problems have raised awareness and things are beginning to improve, people are beginning to be aware of the issues. But this will occur time and again because we have all of these connections, chains and hand-offs that leads to a lack of visibility as to what is occurring in the supply of many of our products.

"But consumers have a choice; they can buy on quality and assured standards, not just on price. It is their choice and their choice will ultimately make the difference." ■



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