



# PROCUREMENT BULLETIN

August 2017 Issue

## In this issue of Premium Procurement Bulletin...

- [Case Study] Blue Apron Buys a Ranch to Tackle Procurement Issues
- Extreme Weather's Impact on the Food and Beverage Supply Chain
- [Case Study] Mars and Nestle Commit to a Cleaner Pet Supply Chain
- Why Digital Security Concerns Could Mean Big Trouble for Supply Chains

## [Case Study] Blue Apron Buys a Ranch to Tackle Procurement Issues

Since its launch in 2012, meal kit startup Blue Apron has grown exponentially. Though the company has always strived to source sustainable ingredients, doing so with meat has proven challenging. Find out how purchasing a ranch offers an innovative solution for Blue Apron's procurement issues.

### Situation: Blue Apron Faces Constant Procurement Problems



Image via [Flickr](#) by inAction



# PROCUREMENT BULLETIN

August 2017 Issue

Blue Apron's neatly packaged and meticulously organized meal kits offer a glimpse of the company's impressively complex operations. Though the company, which is nearly five years old, can now predict customer demand with relative accuracy, Blue Apron still faces persistent procurement issues. Its [appearance standards for ingredients](#) are remarkably high, and not all of its supplies pass muster. This means the company's procurement teams constantly scramble to source fresh yet affordable ingredients at the last minute.

For this New York-based startup, not just any ingredients can appear in the company's meal kits. Blue Apron has long made a name for itself as a company that encourages healthy, sustainable meals with a farm-to-table feel. Though the company doesn't necessarily emphasize organic farming or similarly restrictive labels, it does seek out sustainable producers, a policy that doesn't always bode well for the company's bottom line.

## **Approach: Blue Apron Purchases BN Ranch**

In early 2017, Blue Apron announced a surprising solution to its procurement issues. The meal kit startup purchased BN Ranch from Bill Niman, who has been at the forefront of sustainable, grass-fed ranching for decades. Rather than simply taking over the ranch, Blue Apron has hired Niman to continue in an executive position, where he will direct the [grass-fed, grass-finished cattle operation](#).

Though BN Ranch isn't yet a global operation, it has the potential to scale. It currently includes a [network of ranches in California and New Zealand](#), all of which raise animals and produce meat using the same grass-fed standards. As the ranch grows, Blue Apron will gain even more access to sustainable yet affordable meat for the company's meal kits.

## **Impact and Advantage**

While this is a new partnership and its full impact remains to be seen, Blue Apron's purchase of BN Ranch appears advantageous for the startup in several ways. First, buying the ranch grants Blue Apron much greater control over its procurement process and its overall cost. This may substantially simplify the meal kit company's supply chain and may even pave the way toward future partnerships with other farmers or ranchers.

In addition, this partnership with BN Ranch allows Blue Apron to embrace its sustainable identity more fully. While the startup may have purchased only the cuts of meat it needed in the past, going forward, the company will own the entire animal. Blue Apron plans to design menus with the intention of using as much of the animal as possible, which boosts the sustainability aspect of the company's brand.



# PROCUREMENT BULLETIN

August 2017 Issue

Blue Apron's acquisition of BN Ranch has caught many industry experts by surprise, but the partnership appears to be an innovative solution to a problem that many companies experience. In the meantime, all eyes in the food industry will be on Blue Apron, eager to see how the startup fares after this bold step forward.



# PROCUREMENT BULLETIN

August 2017 Issue

## **Extreme Weather's Impact on the Food and Beverage Supply Chain**

For food and beverage companies, adverse weather can have a major impact on supply chains. A series of major storms can delay production, and a bad year for crop growth can cause companies to seek alternative options quickly. As the intensity and scope of adverse weather increase, these supply chains are likely to experience even more serious issues. Learn how extreme weather and climate change affect food and beverage supply chains and what companies can do to lessen the impact.

### **Extreme Weather Can Affect Every Step of the Supply Chain**



Image via [Flickr](#) by jpellgen

Over the years, many food and beverage companies have grown accustomed to handling the minor supply chain hiccups that result from weather-related events, such as a major blizzard shutting down portions of the interstate and delaying deliveries. In more recent years, however,



# PROCUREMENT BULLETIN

August 2017 Issue

shifts in regional climate patterns have made it increasingly difficult for companies to anticipate or plan for supply chain issues.

As [Environmental Leader reports](#), an extended drought in Egypt led the country to put an end to rice exports, leaving Kellogg's scrambling to find another source for its breakfast cereal supply chain. Other global food companies, such as Mars Incorporated and PepsiCo, have also been vocal about how climate change has caused crop shortages, ultimately affecting the companies' predictability.

## **Food and Beverage Companies Need Contingency Plans**

For local and global food and beverage companies alike, a contingency plan is necessary. Most companies will find it helpful to start by identifying vulnerabilities in their supply chains in order to understand whether their greatest concerns come from sourcing, production, or delivery. From there, food and beverage companies can develop detailed contingency plans that outline alternative courses of action in the event of a supply chain disruption. As extreme weather continues to make an impact and conditions change, companies should engage in ongoing conversations to keep their contingency plans current.

## **Alternative Transportation Options May Become Necessary**

Prior to 2017, the [Environmental Protection Agency outlined](#) the impact that climate change may have on virtually every form of transportation in the United States. Although it's difficult to anticipate exactly when extreme weather will render a major roadway unusable or take a primary railway offline, existing transportation infrastructure may not be designed to withstand climate change.

Supply chains that depend exclusively on trucking, rail, or air should consider alternative methods in their contingency plans. Companies should also consider adopting alternative routes and assess how these may impact each step of the supply chain.

## **Advanced Technology May Provide Answers**

Most food and beverage companies rely on elaborate databases and integrated supply chain software to keep operations running smoothly. However, some programs may not prove effective in emergency situations or in the event of extended extreme weather. Before serious issues impact their supply chains, companies should evaluate the applications they've adopted to ensure that the software can guide companies through both isolated weather events and long-term climate change. Many companies may find it necessary to [upgrade to more robust software](#) that can help them weather storms both large and small.



# PROCUREMENT BULLETIN

August 2017 Issue

For food and beverage companies around the globe, preparedness is essential. Taking stock of the risks, assessing alternative options, and adopting advanced technology can lessen the impact of extreme weather on supply chains.

# PROCUREMENT BULLETIN

August 2017 Issue

## [Case Study] Mars and Nestlé Commit to a Cleaner Pet Supply Chain

After enduring substantial pressure to clean up their supply chains, pet food giants Mars and Nestlé have pledged to eliminate human rights abuses and illegally procured materials from their supply chains. Find out how this issue came to light and how Mars and Nestlé have committed to a cleaner pet food supply chain.

### Situation: Greenpeace Launches Campaign Against Mars and Nestlé



Image via [Flickr](#) by Nestlé

For global companies like Mars and Nestlé, bad press can cause significant damage to the brand's reputation. That's why Greenpeace's 2016 campaign, Cats vs. Bad Tuna, garnered immediate attention from the pet food giants. This innovative campaign used the popularity of



# PROCUREMENT BULLETIN

August 2017 Issue

online cat videos and memes to raise awareness of the companies' problematic seafood sourcing methods and to lead the charge toward change.

While the campaign relied on humorous images to attract attention, the issue that Greenpeace outlined was completely serious. The environmental organization asserted that Nestlé, Mars, and other major companies had an unnecessarily high risk of illegally caught seafood in their pet food supply chains. Greenpeace's groundbreaking 2016 report, [Turn the Tide](#), provided plenty of data on the rise of transshipments in Southeast Asia.

This unregulated practice enables fishermen to shift their catches from one vessel to another, which then allows the original vessel to remain at sea for much longer than usual, sometimes for years at a time. Vessels that rarely return to port have a much easier time of concealing human rights abuses, such as employing underage workers, enforcing unreasonably long working hours, and cutting off contact between workers and the outside world.

## **Approach: Mars and Nestlé Eliminate Transshipments From Pet Food Supply Chains**

Though Nestlé had already been investigating potential human rights issues in its supply chain [since at least 2014](#), the Cats vs. Bad Tuna campaign prompted additional action. Immediately after the campaign launched, Nestlé and Mars confirmed their plans to address the problem.

In early 2017, both Mars and Nestlé pledged to eliminate transshipments from their supply chains. While Nestlé has committed to a complete ban on the practice, Mars has pledged to suspend products that incorporate transshipments if suppliers can't effectively address the related human rights issues.

## **Impact and Advantage**

Both Mars and Nestlé have long sourced the majority of their seafood from Thai Union, one of the biggest seafood suppliers in the world. This new spotlight on transshipments will force Thai Union to address this and other illegal, unreported, and unregulated (IUU) fishing practices immediately.

Indeed, in July 2017, [Thai Union pledged large-scale changes](#) to its business practices. The company's commitment to ban transshipment, develop a code of conduct for vessels, and make other sustainability improvements are likely to affect seafood supply chains in a positive way. Since Thai Union's customers include more than just pet food producers, these practices may also affect the food that people consume around the world.



# PROCUREMENT BULLETIN

August 2017 Issue

Though this story is still unfolding, current developments indicate that Mars' and Nestlé's stances on responsible fishing methods will have a widespread impact on the seafood supply chain. Due to the extensive reach of supplier Thai Union, these substantial changes to seafood sourcing methods will affect supply chains around the globe.



# PROCUREMENT BULLETIN

August 2017 Issue

## **Why Digital Security Concerns Could Mean Big Trouble for Supply Chains**

As companies expand their global reach and develop increasingly complex supply chains, they have greater chances of attaining worldwide success, yet they also take on substantially heightened security risks. While many businesses have taken steps to improve their supply chains, not all have taken the steps necessary to address significant digital security risks. Learn how digital security concerns can impact supply chains and how businesses can make their supply chains more resilient.

## **Recent Digital Security Breaches Have Affected Millions**

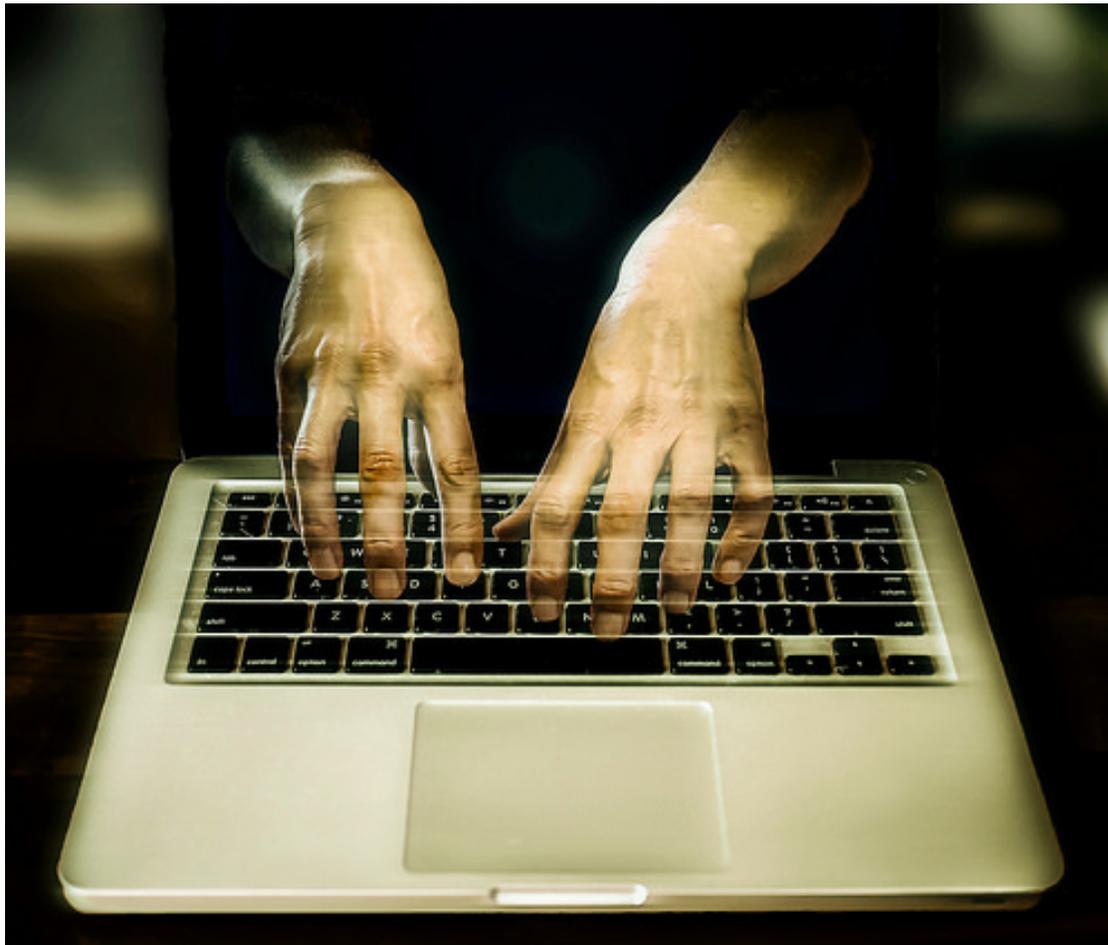


Image via [Flickr](#) by Visual Content



# PROCUREMENT BULLETIN

August 2017 Issue

In the past five years alone, numerous digital security breaches have made headlines around the world. In 2013, a large-scale attack on Target's payment system affected 40 million customers and compromised the retail store chain's reputation. More recently, an [attack on retail chain Debenhams](#) exposed the private data of more than 25,000 customers.

Security experts suggest that while high-tech supply chains should be able to prevent these breaches, many actually create additional avenues for attackers to access sensitive information. Fortunately, businesses in all industries can learn from these attacks and take steps to mitigate their risks moving forward.

## Well-Rounded Digital Security Plans Are Essential

With so many digital security risks on the horizon, it isn't always easy for businesses to know where to focus their energy or resources. As [Paul Kurtz](#), cofounder and CEO of TruSTAR explains, simply securing computers and smart devices or protecting email accounts isn't enough. As businesses adopt more smart technology, they must assess and secure each piece of equipment, even the HVAC system, which attackers used to access Target's systems in 2013.

Along the same lines, companies whose supply chains rely on managed service providers (MSPs) or cloud services must ensure that the vendors they choose can meet their security needs. Since MSPs and cloud services have become frequent targets for cyberattacks, it's essential for companies to understand how prepared their vendors are to combat attacks and protect client data. Businesses should also be prepared to clarify whether these vendors comply with regulatory requirements or if they have sufficient incident response plans.

## Businesses Must Develop Resilient Supply Chains

For companies large and small, building resistance often starts with developing a reliable plan for finding and dealing with supply chain vulnerabilities. Businesses should consider working with their information technology teams to design methods for spotting security breaches early on and create timelines for warning relevant parties or taking other prescribed actions.

Small businesses may find that establishing effective supply chain security practices is too much for a small team or a limited budget to take on. However, [partnering with peers](#) may give small businesses better opportunities for increasing supply chain resilience and improving security practices for the industry as a whole.

While companies have a few options for improving and securing their supply chains, one thing is certain. Since cyberattacks can affect virtually any sector, businesses in all industries must remain proactive about identifying and addressing security issues. By taking steps to make supply chains more resilient and security networks more robust, businesses can mitigate these growing risks.



# PROCUREMENT BULLETIN

August 2017 Issue

## Related Procurement Events

### **Certified Procurement & Purchasing Specialists (CPPS)**

- 21-24 August 2017 - Kuala Lumpur, Malaysia
- 23-26 October 2017 - London, UK
- 4 September-31 October 2017 - Online Distance Learning
- 6-9 November 2017 - Lagos, Nigeria
- 19-22 November 2017 - Dubai, UAE
- 27-30 November 2017 - Singapore
- 4-7 December 2017 - Hong Kong

Download the full details: <https://www.ethanhathaway.com/training/certified-procurement-purchasing-professional-specialist-cpps/>

### **Certified Chief Procurement Officer (CCPO)<sup>TM</sup> Training Course**

- 16-18 October 2017-London,UK
- 13-15 November 2017-Dubai
- 6-8 December 2017-Singapore
- 11-13 December 2017-Hong Kong

Download the full details: <https://www.ethanhathaway.com/training/certified-chief-procurement-officer-ccpo/>



# PROCUREMENT BULLETIN

August 2017 Issue

## Related Procurement Events

### **Certified Corporate Compliance Specialists (CCCS)**

- 14-17 August 2017 - Lagos, Nigeria
- 21-24 August 2017 - Nairobi, Kenya
- 4 September-31 October 2017 - Online Distance Learning
- 17-20 October 2017 - London, UK
- 13-16 November 2017 - Singapore
- 19-22 November 2017 - Dubai, UAE
- 4-7 December 2017 - Hong Kong

Download the full details: <https://www.ethanhathaway.com/training/certified-corporate-compliance-specialist-cccs/>

### **Certified Big Data Analyst (CBDA)<sup>TM</sup> Training Course**

- 15-19 October 2017-Dubai
- 6-10 November 2017-Hong Kong
- 4-8 December 2017-Singapore

Download the full details: <https://www.ethanhathaway.com/training/certified-big-data-analyst-cbda/>

### **Successful Project Management**

- 6-8 November 2017- Kuala Lumpur
- 19-21 November 2017- Dubai
- 11-13 December 2017- Singapore

Download the full details: <https://www.ethanhathaway.com/training/successful-project-management/>