



The 3 supply chain
megatrends changing
the face of FMCG logistics



MAERSK

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INTRODUCTION

Adaptable supply chains for a changing world

The job of the supply chain for Fast Moving Consumer Goods (FMCG) is simple: get the right product to the right customer, when they need it, in the right condition.

The reality of making that happen, however, is far from straightforward.

From production or manufacture, to collection, to storage, to customs, clearance and delivery, a multitude of moving parts can challenge even the most resilient of supply chains.

Once you add external factors like regulatory changes, emerging markets, changing consumer behaviours, weather, or, indeed, global pandemics, it becomes clear just how quickly the supply chain ecosystem can become destabilised.

When it comes to reactive problem-solving, there are very few industries better performing than FMCG logistics. However, for all the short-term examples of business continuity planning brilliance, major crises and geopolitical trade disputes have served to highlight that supply chains still have a long way to go in terms of transparency, visibility, efficiency, and agility.

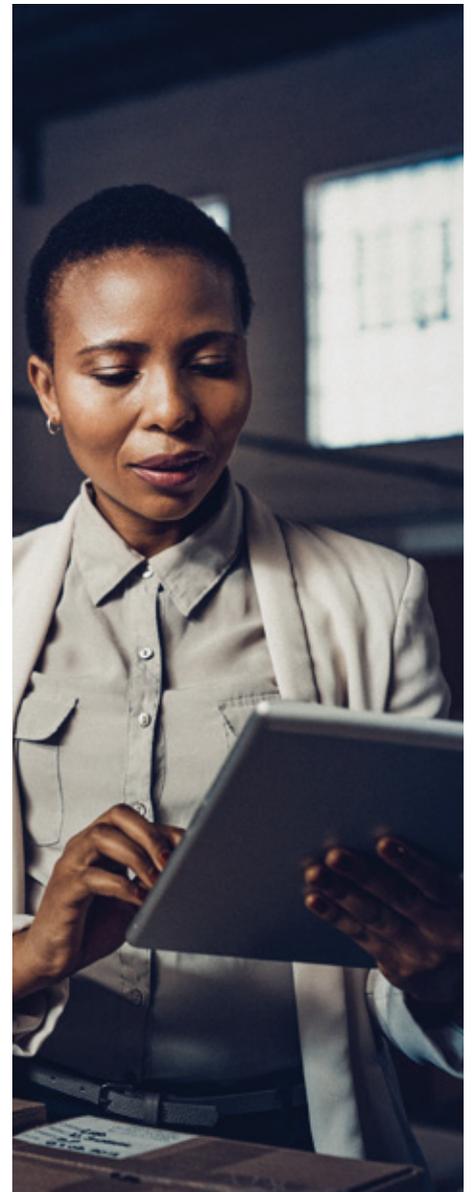
This isn't an eBook about dealing with a crisis, this is a deep dive into three global supply chain megatrends that we think will define CPG logistics over the next few years, far beyond the impact of the pandemic.

We'll focus on:

- **Supply chain transformation:** The changing face of the supply chain and how operational decisions are impacting performance.
- **Technology and innovation:** How is data being harnessed and applied to the supply chain, what role does automation play and how do CPG businesses need to apply technology to drive change?
- **Sustainability:** As consumer behaviours change and corporates prioritise sustainable initiatives, how can the supply chain work harder to support those commitments? Throughout the three chapters, we'll explore these key trends in detail, delving into the business objectives driving these changes, and the challenges and opportunities of each.

We've reached out to various voices within the industry to learn more and using their insights we'll assess what the future of supply chain management looks like.

So, read on. The future is now.





CHAPTER 1

Supply Chain Transformation

During the COVID-19 crisis many FMCG businesses started increasingly looking to e-commerce as their main channel, as it became clear how rigid supply chains had become. Bureaucratic administrative procedures and siloes were laid bare all along the value chain.

The second thing the pandemic made clear was the growing importance of produce traceability and transparency to ensure brand reputation, as well as the digitalisation of real time data. Without a complete end-to-end view on the supply chains, it became a huge battle to find fast solutions. That's why, despite The Economist claiming "The global food supply chain is passing a severe test", across the world there were empty shelves and shortages as consumers panic bought supplies.

In our recent webinar entitled "Bread and Butter" for the new normal', Delphy Amarat, Capgemini Invent's Supply Chain Head for France, said: "Resiliency and transparency will define the supply chain conversation over the next 5-10 years. The COVID-19 crisis had an impact on the entire supply chain, from production to storage to delivery, and while we need to handle the current crisis, we also need to reinvent the new." This new way forward makes supply chains more efficient and predictable. It will give customers visibility from end to end. And it will incorporate digitisation and sustainability as standard. This isn't just good for end customers; it will be crucial to maintaining a strong brand voice in the future."

"Resiliency and transparency will define the supply chain conversation over the next 5-10 years."

Delphy Amarat, Supply Chain Head for France, Capgemini Invent

In short, while the supply chain has found brilliant solutions in the here and now, there are many areas where it doesn't work as well as it should, and the supply chain needs to change operationally. So, what are the key drivers of change?



1. Visibility

CPG supply chains can involve as many as 20 different companies across thousands of kilometres. Understanding what is happening from one end of the supply chain to the other is the key to being able to make crucial decisions. Of course, you need to couple this with the capability to resolve issues with the help of local teams, but the first step towards reimagining the supply chain must be a focus on visibility and transparency.



2. Cost optimisation

There is a clear trend among the major consumer goods manufacturers to improve speed to market, streamline processes, and improve the cost base of their supply chain by consolidating production facilities and leveraging economies of scale.

The supply chain of the future will follow that trend – ensuring high-quality service is aligned with budgetary concerns.

Case Study

One of our customers, the third largest non-alcoholic beverage company in the US, had a warehouse logistics predicament. The customer was importing large volumes of cargo into its distribution centres near Carson, California. The shipped bottled water containers weighed about 24-27 tonnes, restricting cargo movement to a specific area in the ports for drayage. The cost for the customer to reduce the loads on the import containers and dray elsewhere was unsustainably high.

Prior to handling the warehousing solution, we were executing load reductions for the customer to facilitate the inland movement of containers. Our team was able to provide a Maersk warehouse near the port and within the overweight parameters. This allowed faster drayage and product standardisation with fewer delays.

The Results?

Doubling of its business footprint from the initial 7,000 pallets.

The ability to handle an additional **5,000 pallets** in overflows.

Improved inventory accuracy and compliance performance.

Faster deliveries to end customers.



3. Predictability

FMCG is a unique sector with its own unique logistic challenges. Products are seasonal, perishable, have a limited shelf life and often need Cold Chain Storage to maintain freshness. A reliable supply chain might seem like the best answer, but 100% reliability would come at a huge cost either in service or inventory holding. More cost effective is predictability. This can be achieved through technology which allows accurate forecasting and visibility over the supply chain. That, in turn, builds trust between brand and consumer. Any future supply chain, then, needs predictability at its core.



4. Agility

Orchestrating flows and managing expectations based on inventory and demand fluctuations is vital. One of the areas where COVID had the biggest impact was highlighting the lack of flexibility in many supply chains. New supply chains need to ensure they are flexible enough to handle unexpected challenges.

Case Study

With China under a complete lockdown for weeks because of COVID-19, shipping and logistics were facing unprecedented uncertainty. Trucks were prohibited from running and ocean carriers were forced to declare blank sailings at extremely short notice. Our customer was struggling to transport their coffee machines stuck at a port in China to their markets of sale in Europe, leading them to seek alternative transport solutions.

Given the urgency and unusual circumstances at the time, Maersk proposed alternative inland services such as our Intercontinental Rail (ICR) solution to move the stranded cargo along the China-Europe Railway from China to Germany. This allowed for seamless rail container tracking and the customer benefitted from cost savings.

The Results?

2x faster than ocean freight

A **carbon efficient** solution

Reduced costs

No cargo rolling



5. Simplicity

The more complex the supply chain, the more moving parts and providers are involved at every step. This mesh of information can be difficult to disentangle, resulting in forecasts that are seldom accurate, and a lot of manual labour involved in picking apart the right information. Transforming supply chains and creating a new model means cutting through the complexity to create something less cumbersome and easier to manoeuvre.

These five points make up a checklist of 'must haves' for the future of supply chains. Our next megatrend is a tool that, with the right application, can solve all these problems, and more.



CHAPTER 2

Technology

From a Consumer Goods perspective, the supply chain starts at the end of the process, with customer demand. It is the anticipated demand for a product that sets the supply chain in motion. How do you define that demand?

FMCG demand is hugely volatile which creates a far more complex supply chain than most other verticals, with constant pressure on efficient production and accurate stock levels. That makes it difficult to interpret the data and make real-time decisions. To control the costs, they need different tools. And those tools are digital.

A data-driven future

Whether they're handling vast, multinational operations or smaller, regional concerns, CPG businesses still need to input, analyse, and act on an enormous amount of data to properly manage the flow of their products – each with their own specific needs.

Better data integration can help create a clear picture of the individuals and households buying your products. This can help the business meet consumer demand in the short term, but it also allows for better long-term strategising and forecasting.

Sophisticated data analytics also help distributors and retailers track inventory. By improving ordering algorithms, stores can put in much more accurate orders, accounting for sales histories and purchasing trends. This aids in creating a streamlined, cost-efficient chain.

Crucially, with good data, logistics teams can improve decision-making speed. Detecting a problem in the supply chain is one thing, but having the data and automation to establish the impact of the disruption, who needs to be informed and what needs to be done is hugely powerful.





As Cathy Foulon, our Southwest Europe SCM Manager, says: "Today, end-to-end data visibility is crucial. From upstream to downstream, the question isn't simply 'where is my cargo?' but also 'how can I meet the demands of the supply chain?'" CPG businesses do not just want visibility of the containers, but the ability to drill right down to the SKU label, driving a layer of granularity and visibility that we haven't seen before.

"If you don't have the overview of the supply chain, you don't have the tools to make the decisions you need to do the job properly."

The good news is that the data is already there. What is missing in a lot of cases is the holistic view of how this data works together, the granularity of information, and the tools that provide insights in real-time that allow you to make informed, confident decisions about whether to accelerate or slow down products in the supply chain.

But what do these tools look like in practice?

"If you don't have the overview of the supply chain, you don't have the tools to make the decisions you need to do the job properly."

Cathy Foulon, Southwest Europe SCM Manager, Maersk



Artificial intelligence

Artificial intelligence (AI) is driving a number of unique supply chain solutions, from handling routine tasks to forecasting, to cutting through the complexity of supply chains to provide insight. Smart data analysis of the supply chain means CPG businesses can set meaningful KPIs to improve performance and help to break down the siloes that exist between the vast networks of third parties that exist along the value chain.



Digital twins

With more data flooding supply chain management, it makes it far easier for businesses to apply business continuity modelling to their operations. Essentially a digital version of a real-life supply chain, a digital twin can take data from across the supply chain and apply it to different scenarios to see how the supply chain would hold up. While COVID-19 came out of the blue, digital situational modelling means you can be prepared for anything.



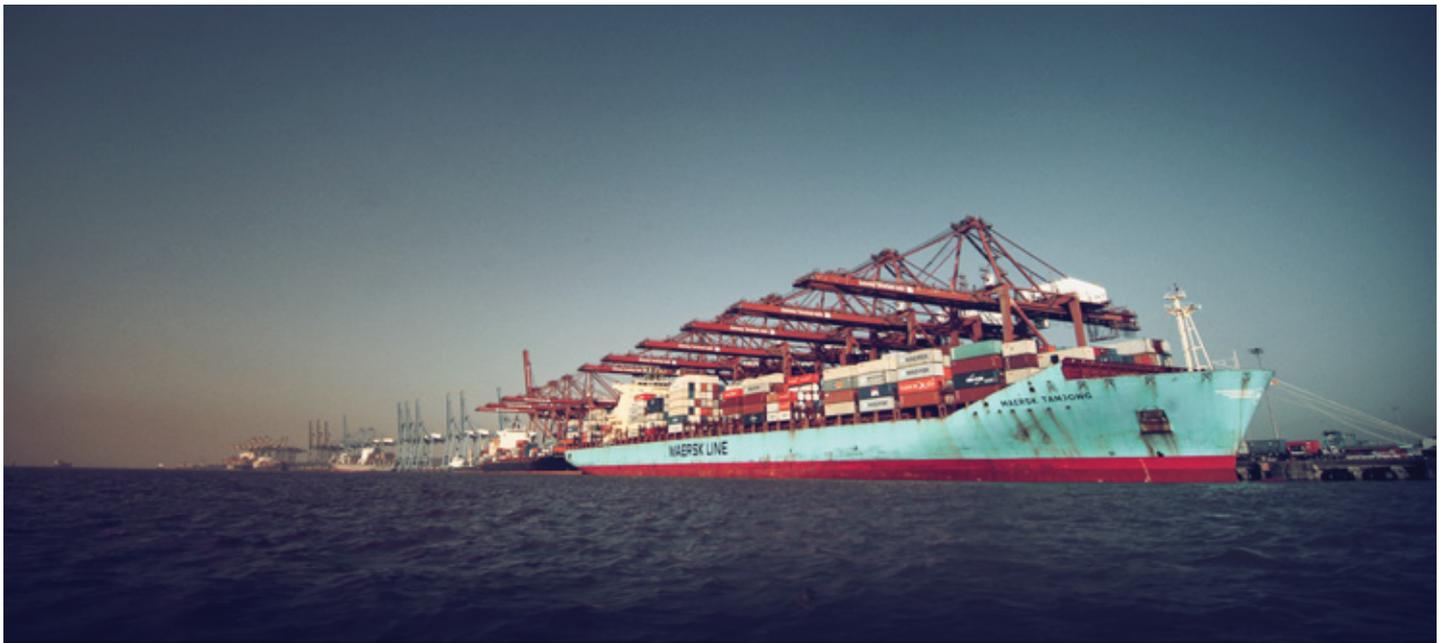
Automation

Harnessing the data is step one, applying the data is step two, automating processes could be considered the third step. Manual workarounds and laborious steps should not be necessary to get the information you need about your supply chain.

This digitisation of operations is central to supply chain disruption, and feeds into the same conversations we had in chapter one.

By increasing visibility of operations through the smart use of data, we can start to make better, quicker decisions that improve efficiency. By breaking down siloes, we begin to simplify the supply chain and make it easier to react to changes with agility. And the better we can plan, the better we can improve the resilience from top to bottom.

So far, we've looked within CPG businesses to understand how and why supply chains are changing, but our third megatrend looks beyond questions of business results and into something much larger – the environmental impact of our work.



CHAPTER 3

Sustainability

The entire supply chain starts with the customer in mind. What is the demand, when do they want the product and in what quantity? But customer demands go beyond simply...demand. Buying trends also impact the supply chain. And today's customer is concerned about more than just value for money.

In a recent study, Eloy de Sola, the CPRD Head, Capgemini Invent in Spain, identified some key customer trends that demonstrate a clear priority for certain products in Europe: "50% of people in Europe – and up to 65% in Spain – would prefer local items over imports. The consumer has become aware that they need to empower local businesses and local economy, and that means a focus on local producers and smaller businesses.

"They also want more information about products. The consumer demands transparency in their region, and they want a clear footprint of the goods – where the product is coming from, who has handled it and how it reached the final destination of its journey."

It's not just customers; shareholders put pressure on a company's Environmental, Social, and Corporate Governance (ESG) rating when they make investment decisions.

For these reasons, and more, FMCG businesses already have clear sustainability strategies, many of them aligned with the UN's Sustainable Development Goals laid out in its 2030 Agenda for Sustainable Development. A core area of improvement is within the supply chain.

"The consumer wants a clear footprint of the goods – where the product is coming from, who has handled it and how it reached the final destination of its journey."

Eloy de Sola, CPRD Head Spain, Capgemini Invent

The Maersk approach

To illustrate just how impactful the supply chain can be on sustainable goals, let's take a look at Maersk's sustainability strategy.



Fig 1. Source: <https://www.maersk.com/about/sustainability/our-sustainability-strategy>

Under the banner of ‘ocean health’, ‘responsible procurement’ or ‘multiply the benefits of trade’, there are a million and one operational ways to make improvements. So, while we won’t go into every tactic that we’ve implemented off the back of our sustainability commitment, here are a few key focus areas to ensure the success of any sustainable endeavour.

Set key goals and target

A commitment to sustainable supply chains is one thing, but you need to have a clear idea of what you’re trying to achieve, plus the data and visibility to ensure you can report on progress with accuracy.

Success comes through collaboration

With the numerous moving parts and stakeholders involved in the supply chain, you need to ensure the partners you choose are aligned with your own sustainable goals and are the right cultural fit. One weak link in the chain can undermine a lot of great work.

It’s a long-term investment

Sustainability throughout the supply chain won’t happen overnight. We’ve been a signatory to the UN Global Compact since 2009 and remain committed to operating in congruence with the UNGC principles on responsible business conduct.

It needs leadership from the top

While it’s a company-wide effort, efforts are driven from the top of the business. Leadership teams should always evaluate, offer, and provide visibility to the most environmentally sustainable transport & logistics option.

One thing to notice in Figure 1 is just how crucial those core functions of a modern supply chain are once again – simplifying supply chains to eliminate waste, the importance of efficiency and transparency in highlighting provenance, and the constant transformation efforts to make improvements across the board.

Feeding into all those things are our two other megatrends – supply chain transformation and digitisation of the processes through technology. The point is, much like the supply chain itself, these three megatrends are impossible to consider in isolation – one feeds the other.



The Maersk connection

So where does all that leave us?

Well, evolution is a natural facet of supply chains and while transformation, data and sustainability are all key to driving visibility, efficiency, reliability and more, many FMCG businesses are questioning whether first- or second-party relationships along the supply chain are efficient enough.

If we summarise the core focus of FMCG companies as, broadly, 'manufacturing supported by marketing and brand-building activities aimed at stimulating consumer demand', the constant management and strategy behind logistics can be overwhelming and all-consuming.

A lot of FMCG businesses would rather focus on product development, marketing and branding their products. And that's why many are looking to Supply Chain Management (SCM), Fourth Party Logistics (4PL) and Cold Chain Management (CCM) experts to take on full management of the process from start to finish.

By relinquishing control of the supply chain or logistics to a single supplier, FMCG businesses can be free to focus on the things they do the best – the production, manufacturing and marketing of great products.

Not only that, if they find the right supplier, they can be sure that their supply chain is operating sustainably, innovatively, and at maximum efficiency, with end-to-end visibility on their supply chains, that will drive transformational change and business results over the long term. And that is a megatrend every FMCG company should be interested in.

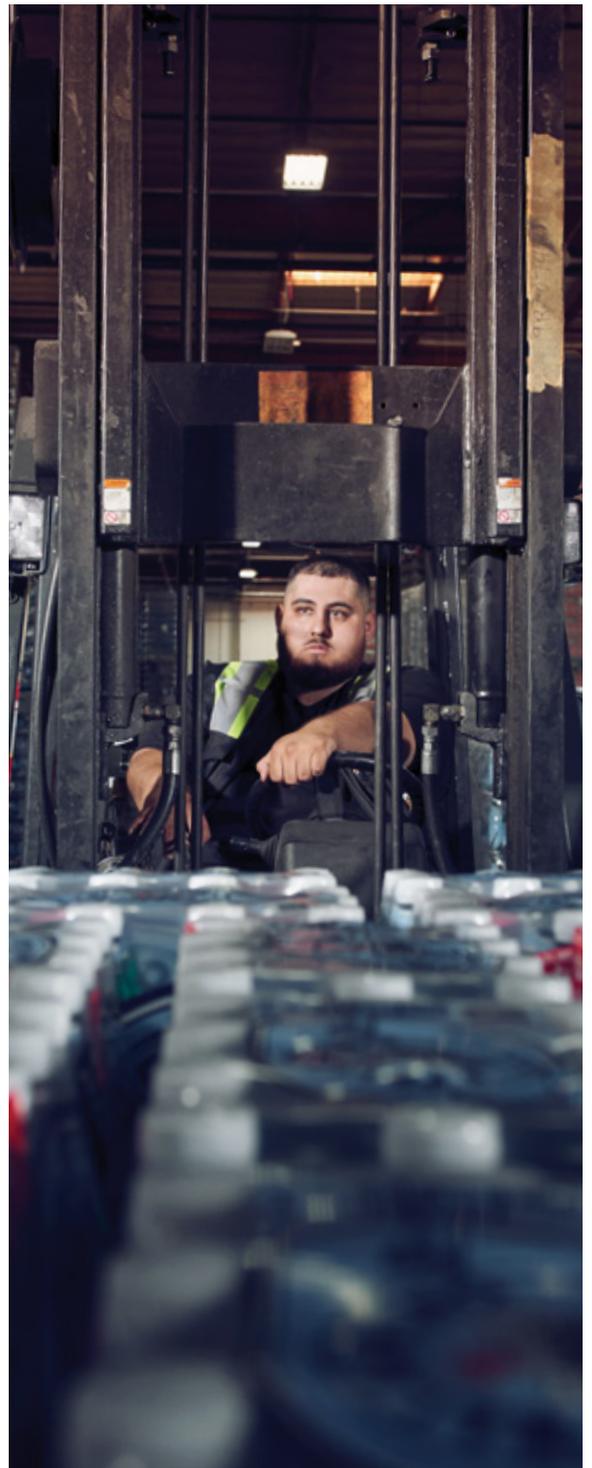
All the way on supply chain revolution

Amidst growing competition and rapidly changing market conditions, you need a lead logistics provider to manage your supply chain partners. Maersk's 4PL logistics services take away the complexity of supply chain from your routine so that you can focus better on your core business. Find out more here - maersk.com/supply-chain-logistics/4pl

Our supply chain management team uses local expertise, sophisticated computing and global reach to revolutionize your supply chain. Find out more here - maersk.com/industry-sectors/fmcg

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