

Ahead of What's Next 

# Progressive GROCER

February 2018

## Cold Chain on the Brain

UP-AND-COMING TECH FIRMS OFFER  
THEIR THOUGHTS ON BETTER MANAGING  
PERISHABLES DISTRIBUTION.

By Jenny McTaggart



Article can be found online by clicking [here](#).

# Cold Chain on the Brain

UP-AND-COMING TECH FIRMS OFFER THEIR THOUGHTS ON BETTER MANAGING PERISHABLES DISTRIBUTION.

By Jenny McTaggart

Looking ahead to the next decade of food retailing, there are plenty of trends to follow: the growth of online shopping and home delivery (ramped up by Amazon's purchase of Whole Foods Market); an increased consumer focus on eating healthfully yet conveniently; and a desire by both businesses and consumers to preserve the planet by reducing waste, to name just a few.

One thing these trends have in common is that they're all directly associated with the perishables supply chain. Moving forward, retailers will need to take a much closer look at how their supply chains operate to keep up with the demand.

Three tech firms working in the grocery space tell *Progressive Grocer* that they see an opportunity for retailers not only to improve their cold supply chains under these changing conditions, but also to set up new strategies now so that they can establish a competitive advantage in the years to come.

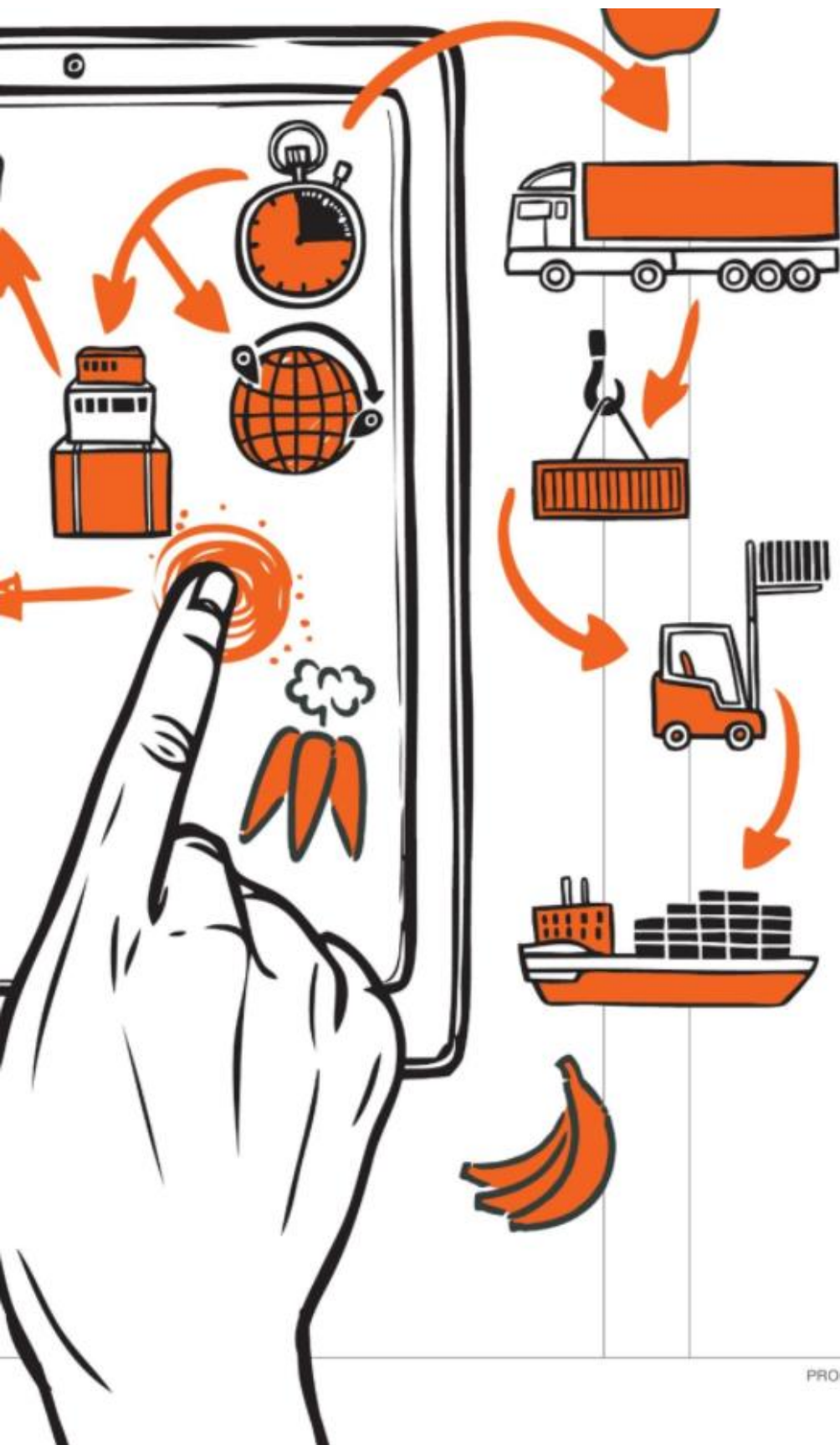
"It really is a watershed moment for grocers," observes Peter Mehring, CEO of San Jose, Calif.-based Zest Labs, a company that develops monitoring technologies to improve business performance. "They need to be thinking about where they want to be in two years, and in doing so, decide strategically what they need to do differently to compete. If there ever was a time to be proactive in the industry, it's now."

Mehring's sentiments are echoed by executives at FreshRealm, a Ventura, Calif.-based company focusing on meal kits and the "prep perishable" supply chain, and Jaggaer, a provider of indirect and direct source-to-pay solution suites that help grocers with produce procurement, based in Morrisville, N.C.

While these tech thinkers have slightly different takes on how grocers can improve their cold supply chains, one thing they agree on is that traditional food retailers need to embrace outside help today to navigate the uncertain waters ahead.

"This industry is extremely complex," notes Michael Lippold, founder and CEO of FreshRealm. "I advise retailers to partner with businesses who have a core competency in specific areas, as we do with technology and managing the supply chain."





## Key Takeaways

- ▶ **Examine** how your supply chains work to keep up with the evolving perishables supply chain.
- ▶ **Implement** new strategies now to establish a competitive advantage.
- ▶ **Team** with businesses with core competencies in specific areas.
- ▶ **Don't** neglect major food safety issues.
- ▶ **Leverage** supply chain technology.

## FreshRealm's Focus on 'Prep Perishables'

Lippold explains that FreshRealm works as the "intel inside" for its clients in three specific areas: providing in-store prepared meal kits, home delivery of meal kits, and managing a retailer's entire prep perishable supply chain, if needed.

FreshRealm works with Rancho Cordova, Calif.-based Renaissance Food Group, which Lippold refers to as a "best-in-class producer of prep perishable items," along with other partners, to ultimately get the freshest ingredients to consumers in the shortest possible amount of time.

The company does this by using its FreshTech technology and a reusable shipping container called the FreshPorter, which maintains a temperature of 32.5 degrees to 41 degrees Fahrenheit on a FedEx or UPS truck, according to Lippold.

FreshRealm is the force behind the meal-kit company Terra's Kitchen, based in Baltimore, as well as a "handful of large enterprises for the to-home and in-store retail program," he says.



**A lot of supermarket back-office operations have already been modernized, and we believe the supply chain is next.”**

—Ron Summerhill, Jaggaer

Lippold believes that the meal-kit business is currently in “version 1.0,” but he envisions a “2.0 phase” in which meal kits will offer more variety and less prep time, and will primarily be purchased in store.

Beyond the specific trend of meal kits, however, a much larger sea change is affecting the fresh supply chain, as Lippold sees it: “There’s a very large macro trend that’s playing out right now, where consumers are eating less frozen and shelf-stable foods, and more fresh foods.

“Fresh food typically has a shelf life of eight days,” he notes. “If you think about how our food distribution system in the U.S. has traditionally been built over the past four or five decades, we’ve perfected shipping and distributing frozen and shelf-stable foods. So, from a production standpoint, you make inventory and you push it to the market.

“When you switch to the world we live in, you don’t have that ability,” he continues. “So we almost need to reverse the entire distribution channel, where everything — or most everything — that is made from one of our suppliers is made once an order is already tagged to it.”

To enable this fast-moving distribution process, FreshRealm operates “quick-turn fulfillment facilities” where raw ingredients that are prepped come into its facilities the night of the order, and are packed into a meal kit the next day and shipped out just a couple of hours later.

“We operate a 24-hours-a-day, seven-days-a-week supply chain,” notes Lippold. “So if it’s hot in northern California and the baby arugula supply is short, we have to be well ahead of that.”

He urges traditional grocers to think of their cold supply chains in the same way, and never to ignore food safety risks.

“In all this fast action to keep up with changing consumer demand, we live in a business where you can run into some major food safety issues, so don’t skip that,” he advises.

### **A Day at the Auction**

Like FreshRealm, Jaggaer is focused on providing technology to improve the cold-chain process. Its specialty, however, is auction technology that helps retailers gain better visibility of the produce marketplace and ultimately become more aggressive in getting the lowest prices.

“A lot of supermarket back-office operations have already been modernized, and we believe the supply chain is next,” says Ron Summerhill, senior consultant/best practices center at Jaggaer. “One of the biggest differentiators of supermarkets versus other retailers is produce shelf life. If you have contracts or qualifications in place already, the biggest challenge then becomes product spoilage.”

The company offers a retail suite that combines its Advanced Sourcing Optimizer (ASO), Total Supplier Manager (TSM), Total Contract Manager (TCM) and Spend Radar modules.

Summerhill encourages grocers to leverage supply chain technology like Jaggaer’s to tackle spoilage and to better deal with pricing challenges.

In one example of its work, Jaggaer helped a regional grocer in Pennsylvania set up its sourcing solution and run a truckload event for produce. “In addition to identifying and selecting local supplier sources, we helped the grocer build an extended supply chain for more seasonal or climate-sensitive produce that required a direct relationship with the supplier or consortium/network of farmers both nationally and internationally,” says Summerhill. “This direct supplier relationship cut costs and logistical issues associated with a ‘middle man’ and resulted in an overall faster sourcing system.”

### **‘Zest’ for Freshness**

Across the country, in California, Zest Labs is working to modernize the food distribution and delivery system with its Internet of Things (IoT)-based freshness management solutions. The company recently revealed that it’s working with West Des Moines, Iowa-based regional grocer Hy-Vee in a trial of the Zest Fresh solution to help automate farm-to-fork traceability of fresh produce.

John Griesenbrock, Hy-Vee’s VP, produce/Health Markets, said at the time of the announcement: “We are excited to work with Zest Labs to determine how Zest Fresh can help both monitor and improve freshness, while providing complete traceability through the cold supply chain. With traceability support, we will become even more invested in bringing the freshest and highest-quality produce to our customers.”

**FreshRealm’s Meal Development tool allows chefs to design recipes for meal kits that can be immediately ordered and fulfilled at one of the company’s fulfillment centers.**





**“ Grocers need to be thinking about where they want to be in two years, and in doing so, decide strategically what they need to do differently to compete.”**

**—Peter Mehring, Zest Labs**

Zest Labs' Mehring advises retailers to take on a radically new mindset when thinking of how to operate their supply chains. "Most of the supply chain today is reactive," he says. "In our view, retailers need to become proactive and preventative in their efforts, whether it's dealing with delivery time, delivery quality or freshness."

Mehring points to the trend of large retailers that have been pushing delivery "on time in full," penalizing their suppliers that are late or come up short with orders. "To me, the perspective is broken, because with visibility and transparency, they would be able to actually see that the product shipped on time in full, which gives it a very high chance of success of being delivered on time and in full," he notes. "Don't lead with a stick; lead with a carrot, saying, 'We'll help you as a supplier.' Share in the data exchange."

Mehring also urges retailers to take advantage of newer IoT applications to get more complete, real-time data. "Today, a lot of the data collection in the supply chain is very manual," he observes. "I think this leads to poor communication, because they don't have complete data, or they get the data consolidated very late. If you use IoT, this would be automatic, because the device on every pallet would automatically tell you when it shipped, and could notify you in real time and give you the visibility. Further, then you could manage by exception."

Ultimately, retailers that rethink their supply chains and take advantage of new technology will have a competitive advantage, Mehring maintains. "A supermarket could show that in the last 90 days, its average shelf life of strawberries was six days at the consumer level," he offers as an example. "They could highlight this fact, showing that they're doing things to make sure the consumer has a good experience." **PG**