Coronavirus Collaboratory #5: Lessons from the global food supply chain

June 5, 2020
Collaboratory Objectives

<table>
<thead>
<tr>
<th>Outline</th>
<th>Describe</th>
<th>Develop</th>
</tr>
</thead>
<tbody>
<tr>
<td>Outline overall impact of the Coronavirus on global supply chains in the food industry and what we can expect to see next</td>
<td>Describe actions being taken across in the supply chain, provide specific examples that relate to non-food industry companies</td>
<td>Develop recommendations that help your supply chain win with customers and with your shareholders</td>
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</tbody>
</table>
Collaboratory Agenda

9:00 AM
**DSCI:** Observations and introductions
*George Bailey*, Executive Director & CRO

9:10 AM
**FMI:** Perspective and recommendations
*Mark Baum*, CCO and SVP, Industry Relations

9:20 AM
**Ahold Delhaize:** Viewpoint and learnings
*Chris Lewis*, Executive Vice President Supply Chain

9:35 AM
**Q & A**

9:55 AM
**Closing observations and summary**

10:00 AM
End Collaboratory
Companies are focused on the present, but preparing for the future

• The food business has experienced remarkable growth for many food related companies
  • Consumer spending has shifted away from restaurants and to grocery stores

• Big growth in go-direct models (e.g. Peapod, Whole Foods)

• Uncertainty exists on the long-term impact
  • Will consumers still have historically high grocery spend numbers?
  • Will we experience shortages (e.g. toilet paper, flour, meat)
  • Will consumers still buy from home?

• Never waste a good crisis: Companies are preparing supply chains for the future and the food industry has great examples of companies that are winning (Ahold Delhaize) and losing (Sysco).

Shoppers: Do you prefer local produce and food products now more than ever?

<table>
<thead>
<tr>
<th>Response</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes &amp; I'll pay more</td>
<td>31.90%</td>
</tr>
<tr>
<td>Yes, but I won't pay more</td>
<td>31.50%</td>
</tr>
<tr>
<td>No preference</td>
<td>27.20%</td>
</tr>
<tr>
<td>Don't know</td>
<td>9.40%</td>
</tr>
</tbody>
</table>

Source: DSCI Poll | N: 4,831
SC Leaders: How has the demand for local food products changed?

- Increased over 5%: 55.30%
- Somewhat similar (+/- 5%): 14.50%
- Decreased over 5%: 10.50%
- Don't know: 19.70%

Source: DSCI Poll | N: 76
FMI: Perspective and Recommendations
As the **food industry association**, FMI works with and on behalf of the entire industry to advance a **safer, healthier** and **more efficient** consumer food supply.

FMI brings together a wide range of members across the value chain — from **retailers** who sell to **consumers**, to **producers** who supply the food, as well as the wide-variety of companies providing critical services — to **amplify** the collective work of the industry.
Food Industry Supply Chain Priorities

• Intense Demand Spikes and Increased Throughput
• Focus on Procurement and Fulfillment
• Automating at Speed and Scale
Shortages & Fatigue:
As store shelves return to normal, a fatigue settles in

Consumer concerns about out-of-stock items and systemic shortages continue to abate, though many are still worried:

56% worry about items they need being out of stock
45% worry about shortages across entire product categories
37% worry they won’t be able to find specific product varieties or flavors
The Pulse on Shopper Behavior

Do shoppers think their COVID-19 shopping behaviors will continue?

Current Shopper Behavior Changes due to COVID-19:

- **89%** Of shoppers have made a change in **HOW** they shop
- **78%** Of shoppers have made a change in **WHERE** they shop
- **34%** Of shoppers have made a change in **WHO** shops

Imagine a future when your community is able to be far less concerned about the coronavirus, and businesses are able to resume normal hours and practices. How do you expect your own habits and behaviors to have changed, compared to before the current pandemic?

<table>
<thead>
<tr>
<th>Shopping Behavior</th>
<th>More than before</th>
<th>Same</th>
<th>Less than before</th>
</tr>
</thead>
<tbody>
<tr>
<td>In-person visits to stores</td>
<td>28%</td>
<td>50%</td>
<td>22%</td>
</tr>
<tr>
<td>Order groceries online for delivery</td>
<td>27%</td>
<td>57%</td>
<td>16%</td>
</tr>
<tr>
<td>Order groceries online for pickup</td>
<td>24%</td>
<td>59%</td>
<td>18%</td>
</tr>
<tr>
<td>Order take-out/delivery from restaurants</td>
<td>30%</td>
<td>49%</td>
<td>22%</td>
</tr>
</tbody>
</table>

Based on FMI's Special U.S. Grocery Trends COVID-19 Tracker conducted by FMI and The Hartman Group. The study was fielded online to a nationally representative sample of 1,020 U.S. adults April 29 – May 10, 2020.
FMI Coronavirus Resources

Coronavirus Resources

CDC is working across the Department of Health and Human Services and across the U.S. government in the public health response to COVID-19, commonly known as coronavirus. FMI has compiled background information, a preparedness checklist, resources and more to support the food industry.

(Right Click On This Page to Print, Page Updated March 27, 2020)

FMI Foodservice Partnership for Resource Availability

FMI has created a process for connecting foodservice distributors that have excess capacity with food retailers and wholesalers in need. Learn More

Pandemic Preparedness Checklist

To achieve maximum benefit, develop and implement a plan to promote beneficial personal protective measures, environmental protective measures and community distancing measures. Learn More

Coronavirus (COVID-19) FAQ

Answers to your questions on coronavirus (COVID-19) including background details, coronavirus and food, employee and customer health and safety and social distancing. Learn More

Families First Coronavirus: Summary of SNAP Provisions

A brief description of the provisions and the potential impact of The Families First Coronavirus response bill and impact for your SNAP shoppers. Learn More

FMI Coronavirus Business Solutions and Resources

FMI has curated important business solutions during this ongoing crisis to support the food industry. Learn More
FMI Coronavirus Business Resources

Food Industry Exchange

To address acute supply chain disruptions and mitigate food loss and shortages, FMI has launched a new subscription-based digital platform, powered by The Seam.

FMI Jam COVID-19 Community

Member Discussions in key crisis areas
Workforce, Operations, Supply Chain, Worker Safety and more

Request access: register@fmi.org or https://pages.services/fmi.org/fmi-jam-registration

PPE Procurement
FMI Workforce Resources

Talent Exchange
Supported by McKinsey & Company
Helping workers impacted by COVID-19 connect with the right jobs

700,000+
Job Openings

6,000+
Cities Across US/Canada

1,000+
Unique Roles

Gig, Part Time, Full Time Work

Partners

Participating Companies

Walmart
macy's
LOWE'S
instacart
POSTMATES
Giovanni FOODS
G&D International Grocers
circleCI

ingles
Stop&Shop
Mondelez International
Hertz
Walgreens
Pizza Hut

UNITED
airbnb
specialtyfood
Charter Communications
THANK YOU!
Ahold Delhaize: Viewpoint and Learnings
People, Product & Operations: Managing the Effects of COVID-19

Chris Lewis
EVP, Supply Chain
THE NEXT GENERATION OF GROCERY RETAIL

**PROMISE**: To innovate solutions by leveraging scale and providing industry-leading expertise, insights and analytics to local brands so they can focus on serving their customers.
The local brands of Ahold Delhaize USA comprise the largest grocery retail group on the East Coast.

2,000 stores across all brands
$43 billion+ sales
16 DCs across the supply chain network

6 million+ annualized online grocery orders
1.1 billion cases shipped annually
1,000+ trucks
PEOPLE

• 1,100 additional warehouse associates hired at ADUSA Distribution LLC

• Temperature checking at all facilities

• +90% warehouse attendance – 60% perfect attendance

• Positive inspections from Dept of Agriculture and the CDC

• Stood up Rapid Response Team and developed Operational Playbooks specific to COVID-19

PRODUCT

• Demand increased overnight by 100%

• 4,500-6,000 SKU’s impacted by supply issues

• 500-800% increase in vendor cuts YOY

• +$50M inventory impacted by supply issues

• Product purchased through alternative suppliers

• Shifting product issues

OPERATIONS

• 60M additional cases shipped over last year

• Partnered with Food Service providers

• Re-engineered processes to support social distancing

• Maximized physical network capacity

• Partnering with industry agencies and local governments to support restrictions

• Fulfillment options rapidly deployed
Q&A

• How can food service companies with more focus on restaurant supply than grocery stores remain profitable?
  • There has been a major shift away from restaurants and it is unclear when/if that shift will end. Restaurants are closing rapidly and food service to restaurants will not be a growth business. Profitability will depend upon food service companies gaining market share and reducing costs. I think that there may be a new model that combines the best of online food shopping and delivery to the “last mile”. Until then, expect a wild ride!

• Hello to you all. Please, how effective is FMI in Africa when it comes to Food supply chains?
  • Mark mentioned that FMI is a global association and has interacted with Africa.

• When products come internationally, how do you assure the safety/quality of products when they come from epidemic heavy countries/regions?
  • All food products are measured against defined standards to insure freshness, quality and contamination free consumption. Food that comes from epidemic heavy countries is inspected to ensure that standards are met. Different geographies care more about certain aspects of food. For example, being GMO free or Organic carry different importance levels around the world. And of course, all food industry centers are kept extra clean....

• Mark, please will the ease of lockdown in each of the various states, people are still much interested in going to retail stores rather than placing orders. How would post COVID-19 influence shopping ability of people?
  • Mark points out that the push to online shopping has been accelerated. Post COVID-19 we expect to see online shopping continue at a much higher pace than pre-pandemic. But many customers will return to stores. How will people’s attitude towards being exposed to the risk of catching the virus change over time? It is not clear, but as long as there is uncertainty about health risk many will choose to shop from home. Plus, as home delivery becomes more rapid, it might be that for many people they NEVER enter a grocery store again!
Q&A

• How much of this changes are being faster due to the COVID? You mentioned that some changes were noticed even before Covid. Thnx.
  • Chris, Mark and I noted that most of the trends were noticed prior to COVID. What has changed is the incredible speed that pushed required changes from the future to the now! For example, on-line grocery buying, and delivery existed before COVID. However, COVID caused people to adopted an on-line grocery model over just a couple of weeks. Online buying and delivery will continue post COVID.

• Mark, thanks for your excellent presentation. You noted you're proud of the resilience that food supply chains exhibited during the Covid crisis, but we've still seen mass amounts of food loss as markets shifted, workers fell ill, etc., which I take to illustrate the inflexibility in supply chains. Can you explain the ways you observed resilience in supply chains over the past few months?
  • Mark noted that despite COVID, customers can visit a grocery store and still get a good selection of meat, vegetables and other items. This is because the supply chain has worked. There have been specific examples where problems have occurred (toilet paper, flour shortages) and where health has been an issue (e.g. meat processing centers). Some food has been lost but overall the supply chains have responded well enough to keep our food supply strong.

• If an alternative supplier runs out of production, how were you able to get product especially of the same brand? This is for Chris
  • Chris and his organization have done a great job hustling up supplies for the stores. As he pointed out, there may be times when the exact cut of meat that you desire will not be available. But you will be able to get protein. Maybe you want steak, but you get chicken! Chris also has worked his suppliers to make sure that they have what they need to succeed and will be a reliable source. Sometimes the same brand is not available. Chris did a great job explaining how alternative brands have been deployed because traditional brands may not have availability.
Closing Observations and Summary
Thank You
Visit us at dscinstitute.org