

One North East

Distribution issues and solutions, Aug 08

Executive summary

One North East, the regional development agency for the North East Region, commissioned SAC and f3 in April 2008, to assess issues regarding distribution of food and drink in the region, and to make recommendations to increase efficiency to reduce costs in the supply chain. Secondary impacts on reducing carbon emissions and protection of the rural economy were motivating factors.

The study addressed issues across all scales of the supply chain, from micro producers delivering direct to consumers, through to large food processors and primary producers supplying to retail and food service operators.

It was observed that there are a wide array of distribution solutions already in existence in the region, and that the objective of this study was not be to recommend new initiatives unless essential. It was to focus on helping existing enterprises work better and seek to address the key gaps in the sector.

Any intervention by public sector agencies should address multiple objectives of growth and stability in the regional economy, protection of rural jobs and communities, and environmental protection.

The study involved extensive consultations across the supply chain, including 73 producer interviews, and 56 surveys were conducted with foodservice operators & delivered wholesalers, distributors and consolidators, multiple retailers, hospitals and universities and the hospitality sector. The study analysed issues, and also appraised options for interventions through case studies from around the UK.

From the consultations and market research, the gaps and areas of market failure can be summarised as follows:

- ▶ high cost of delivery of small consignments, either direct to consumer or independent trade buyer, or to multiple retailer distribution centres
- ▶ high but un-quantified costs to smaller producers of doing their own deliveries (and likely inefficiency in 'food miles' terms)
- ▶ administration overload for producers in dealing with multiple routes to market
- ▶ lack of collaboration or collaborative systems for smaller producers
- ▶ lack of co-ordination of journeys along well-used routes
- ▶ sustainability of business to consumer hubs
- ▶ lost opportunity of farm shops diversifying as hubs

- ▶ poor information for buyers at all scales about potential suppliers, with real time data on stock, future availability and prices
- ▶ limited catalogue information for delivered wholesalers for buyers seeking local and regional products
- ▶ poor information for producers on trends in supply needs
- ▶ difficulty for public sector buyers in meeting policy objectives for sourcing more locally
- ▶ 80% of the foodservice and hospitality outlets expressed an interest in a hub/local supply catalogue, saying that it would offer a one-stop solution to supporting local producers in their area.

The recommendations which emerged from the study include the following:

- ▶ business to consumer hubs – two existing enterprises exist but each has sustainability issues, which could be addressed through development of appropriate software, and in part by the integration with other action areas such as van sharing systems
- ▶ van sharing and pallet filling – it is recognised that there is a lot of inefficiency in food & drink distribution; this might be addressed through the establishment of collaboration on van sharing and delivery collaboration
- ▶ micro hubs – small groups of neighbouring micro or SME businesses could be helped to work together on marketing and deliveries either direct to the customer or through other intermediaries
- ▶ local and regional catalogues – working with delivered wholesalers to offer a range of buyers better access to food of NE provenance
- ▶ better information systems and online purchasing – making better information to buyers available and easy e-commerce facilities, linked to distribution providers.