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**Produce Industry Procurement Study Results, Part III:
Procurement Technology**

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INTRODUCTION

The role of buyers and category managers has become fundamental to the success of supermarket companies. In a world where fresh produce is procured globally year round and where food safety and sustainability are becoming paramount concerns, produce procurement has become a complex arena where supply chain coordination and transparency are vital but not easily achieved.

This is the third in a series of four *Smart Marketing* articles describing the results of a study that describes changes in produce procurement offices. It provides the produce industry with current information on buying office practices so they can improve overall supply chain performance. The full report by Edward McLaughlin, Kristen Park, and Rod Hawkes can be found at:

<http://publications.dyson.cornell.edu/outreach/extensionpdf/2015/Cornell-Dyson-eb1510.pdf>

This study would not have been possible without the support of and input from United Fresh Produce Association and its retail board.

PROCUREMENT TECHNOLOGY SHIFT

Buyers handle more and more items and have less time to cultivate and maintain personal relationships with suppliers. They and their suppliers face a dilemma. Switching to digital systems may well eliminate most accuracy and tracking issues but also reduces the richness of the personal relationships between suppliers and customers that help differentiate one supplier from another.

STUDY FINDINGS

Produce order transmission by retailer/grocery wholesalers has shifted from 75 percent via phone/fax in 1997 to almost 80 percent transmitted electronically (email, EDI, and online ordering platforms) in 2014 (table 1).

Technology adoption has been more rapid for retailers and grocery wholesalers than for produce wholesalers. Though produce wholesalers have increased their use of computers for ordering produce since 1997, they continue to use phone and fax much more than do retailers/grocery wholesalers. The share of phone and fax orders by produce wholesalers is 59 percent, almost three times greater than the rate for retailers.

Table 1. Percent of Orders Transmitted by Selected Technology Platforms, Retailers and Grocery Wholesalers versus Produce Wholesalers

	Phone/fax	Email	EDI/online platform
Retailer/grocery wholesaler	21	15	64
Produce wholesaler	59	31	11

Source: Cornell study 2015.

Produce wholesalers' continued reliance on phone and fax is by design. In response to a question as to their preferred method of transmitting orders, produce wholesalers prefer telephone, followed by email. The words "personal" and "relationships" appeared prominently in the responses to the open-ended question, reflecting how quickly information needs to be relayed by wholesalers and how highly produce wholesalers value their personal relationships with their suppliers and customers, relationships that may be threatened by the shift to digital communications.

IMPLICATIONS

Electronic ordering systems, such as EDI or online networks such as Foodlink, are extremely labor efficient and make order transactions routine. These systems electronically integrate orders from buyers with sales systems from suppliers. In order to make the process routine, however, it relies on standardizing as many product attributes as possible. Standardizing product attributes also helps retailers price and merchandise product in-store.

Despite the inherent accuracy and reliability of electronic communications, one implication of the shift to electronic order transmission is that the quality of overall buyer-seller communication may suffer. Fresh produce cannot be fully standardized, thus ordering cannot be totally routine. Reducing the frequency of personal conversations that dominated the interactions of buyers and sellers in the past can also impact the quality and quantity of produce purchased.

One of the factors driving the increased use of electronic ordering exchanges is that category managers and buyers are handling many more items than they did in the past. With more items to manage, speed and accuracy of order transmission is paramount.

At the same time, many retail and grocery wholesale companies have adopted retail buyer staffing practices that often rotate buyers across departments to broaden their experience. One

outcome of such practices is that new produce buyers may not have as much produce experience as in the past when produce buyers were typically promoted from within the ranks of produce specialists and produce department managers. New produce buyers may be less familiar with produce specifications, supply volatility, and seasonal production shifts. Therefore, reliance on electronic order communication, despite its inherent accuracy, may result in poorer communication. One tradeoff of the efficiency of electronic communication is that suppliers need to work harder to engage produce buyers in conversations to ensure that those with less produce experience understand the current dynamics of the market for each commodity.

Likewise, many retail formats that traditionally did not sell fresh fruits and vegetables, such as dollar stores, are now selling them, and these companies may not have deep in-house produce expertise. Such companies may also suffer the consequences of relying on accurate electronic order communications at the possible expense of completeness of communication, especially when current market conditions are changing rapidly.

While buyers and sellers need to maximize efficiency they also need to minimize the loss of quality information they are receiving from suppliers. Perhaps the most effective suppliers will be those who become more involved in helping buyers understand and manage their products.

Missed buying opportunities for buyers, sellers, and consumers as a result of poor quality information or missed communications are highly possible. Another consequence may be as buying specifications become more standardized and product purchasing becomes more routine, product waste may increase, potentially resulting in higher fruit and vegetable prices for consumers.

“Smart Marketing” is a marketing newsletter for extension publication in local newsletters and for placement in local media. It reviews elements critical to successful marketing in the food and agricultural industry. *Please cite or acknowledge when using this material.* Past articles are available at <http://agribusiness.dyson.cornell.edu/SmartMarketing/index.html>.