

EDITED BY JANE F. EASTHAM • LIZ SHARPLES • STEPHEN BALL



Food Supply Chain Management

ISSUES FOR THE HOSPITALITY AND RETAIL SECTOR

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Issues for the hospitality and retail sectors

**Edited by
Jane F. Eastham, Liz Sharples and
Stephen D. Ball**

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Butterworth-Heinemann
Linacre House, Jordan Hill, Oxford OX2 8DP
225 Wildwood Avenue, Woburn, MA 01801-2041
A division of Reed Educational and Professional Publishing Ltd

 A member of the Reed Elsevier plc group

First published 2001

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British Library Cataloguing in Publication Data

Food supply chain management: issues for the hospitality and retail sectors

1. Business logistics 2. Food industry and trade
- I. Eastham, Jane F. II. Sharples, Liz III. Ball, Stephen D. 664'.0687

ISBN 0 7506 4762 0

For information on all Butterworth-Heinemann publications visit our website at www.bh.com

Typeset by Florence Production, Stoodleigh, Devon
Printed and bound in Great Britain



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Herbert Kotzab is an Assistant Professor of International Supply Chain Management in the Department of Operations Management at the Copenhagen Business School. He received a Master of Business Administration in Marketing and Management and a doctorate degree from the Vienna University of Economics and Business Administration. His research focuses on the critical success factors of retail logistics systems and the application of new information technology for supply chain management. He has lectured and offered executive education programmes in close cooperation with the Budapest University of Economic Sciences, the J.L. Kellogg Graduate School of Management and INSEAD. In 1998, he was visiting scholar at the Centre for Transportation Studies at the Massachusetts Institute of Technology.

Kevin Nield has worked in a wide variety of positions within the catering and retail industries. His specialist subject areas are the economic and financial aspects of international hospitality management and quality management. He has written a number of papers on the subject of quality management and has given presentations at international conferences, in particular on work conducted in Romania. Kevin is the member of the editorial advisory committee for *Hospitality* magazine and is a member of the Council for Hospitality Management's teaching, learning and assessment committee. Kevin has undertaken consultancies for small, medium and large-scale concerns in the hospitality industry in areas such as market research, facilities development, menu design and costing.

Rayka Presbury has 21 years' experience in hospitality management and has held management roles at the Sydney Marriott, Southern Cross Hotel and Holiday Inn Menzies. She has run Customer Service and Banquet Sales courses for a number of five star hotels, including the Cebel, the Wentworth, Quay West and the Carlton Crest Hotels. Rayka is currently enrolled as a M.Comm. (Hons) student and her research interests are in the area of customer service, employee relations and empowerment.

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Liz Sharples has a wide experience of the hospitality industry with a background in hotel management and university catering. Her teaching and research interests relate to the management of food in hospitality operations, environmental issues and the inter-relationships between food, wine and tourism. Her publications have focused on vegetarianism, environmental impact of the food supply and wine tourism. She has acted as consultant to several national organizations advising on concept development, hospitality operations and the implementation of healthy eating programmes.

Denis R. Towill is presently Director of the Logistics Systems Dynamics Group, Cardiff University. He holds a Doctor of Science Degree from the University of Birmingham, is a Fellow of the Royal Academy of Engineering, and a distinguished overseas scientist in Eta Kappa Nu. He has served as chairman of the management division, Institution of Electrical Engineers, and been a member of the Royal Academy of Engineering Construction Sector Panel and Management of Technology Panel. Professor Towill has wide industrial and academic experience in the areas of engineering management, logistics and manufacturing systems. He has also been selected to receive the Andersen Consulting Award for the best paper published in the *International Journal of Logistics Management*.

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Foreword

Of all the commercial sectors that espouse the concept of supply chains, the two that are addressed in this book can perhaps claim the most legitimacy.

First, the very concept derives much of its logic from the fundamental principle of the food chain. A study of the passage of matter from earth to earth through every living organism on the planet, taking the many forms of mass and energy, has much to teach us about supply – not least its cyclical nature and fragility.

Second, the business of retailing has always been a genuine chain of events – getting the goods to market. In some chains the perishability of produce drives urgency and the search for efficiency, creating in its wake social institutions ranging from the early hours kept by fruit and vegetable markets to the annual dash to bring Beaujolais Nouveau to Britain. In others, the ability to delay supply has long been a source of commercial power – make it hard to get and the customers will beat a path to your door.

These historic and basic features of food and retailing have always been critical to people and organizations engaged in these sectors. The advent of electronic trading and genetic engineering may be seen as revolutionary but they are perhaps no more profound than, say, the invention of the refrigerator or pasteurization. The sheer scale of connectivity in modern supply networks, however, means that impacts are felt very quickly in many sectors – and become widespread, internationally, almost immediately.

A colleague of mine recently commented that in developing personalized marketing and home proficiency in home delivery of groceries, Tesco have finally mastered the services provided for centuries by the corner shop! Perhaps nothing is really new.

The concepts of inter-organizational strategic supply relationships, supply mapping and dynamics, international operations and so on, covered in this book, are clearly of central importance to managing this dynamic and fragile part of human endeavour.

How might collaboration be combined with competition between buyer and seller? How can large-scale logistics be reconciled with Victorian infrastructure? Are people going to stay at home and buy their groceries by computer: what will happen to shops? Will all hotels and restaurants look the same, eventually?

These chapters provide many valuable perspectives on these questions and many more, dealing with the management challenges associated with supply chains in the food industry and the retail and hospitality sectors. I commend the editors in their choice of authors.

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Preface

This book takes as its theme food supply chain management. Supply chains and their management are relatively new, yet important, emerging, fields of interest. Both are fast becoming pivotal to business success and survival. This is as much a truism for those sectors involved with food as it is for all other industrial sectors. This book concentrates upon the application of supply chain management to the food retail and hospitality sectors – both of which are large and significant.

This text is believed to be the first of its kind and has come about from a longstanding personal interest in supply chain management. This interest has brought me into contact with colleagues from Innovative Supply Chain and Networks (ISCAN), and the research body attached – the Research Development and Dissemination Unit (REDDIS), some of whose members have contributed to this book. A further consequence of my interest in the management of supply chains has been the development of a much needed unit in food supply chain management for final year undergraduates at Sheffield Hallam University. This book will be of help to them in their studies.

It is intended that the book be used on a variety of business and management courses at undergraduate and postgraduate level, but, in particular it has been designed to meet the needs of final year undergraduates on Food and Hospitality Management programmes. Postgraduate Management students, particularly those on conversion masters, will also benefit. The book is also relevant for managers who are active in the food industry.

The principal aim of the book is to enable readers to make the transition between operations management and the more holistic approach of supply chain management. With the assistance of a number of experts from across traditional functional areas, who have in common a focus on the ‘business’ of managing across businesses, the intention is to analyse the food supply chain and issues of managing according to cross organizational management principles.

The text emphasizes these ideas through a series of case studies drawn from the hospitality and retail sectors. Given the sensitivity of businesses to the disclosure of their activities in this area, some of the names of the organizations have been changed.

Supply chain management is a new business practice and has been stimulated by the growth of global markets and the diversity of market needs. It has arisen from individual business sectors, like the catering and food retail sectors, as a means of managing the increased complexity within the marketplace. In post-industrial society businesses have moved away from vertical integration strategies towards concentrating on core competencies in order to reduce costs and add value. Supply chain management is thus a response to two main factors; the management of outsourced non-core activities and, given the diversity of consumer markets, the recognition of the synergistic value of collaboration, in terms of market access, information, technological developments and innovation.

The recent fuel crisis in the UK and other Western European countries demonstrated the significance of supply chains and their management. In Autumn 2000, hauliers, farmers and other interested bodies reeked havoc on the supply structure of these countries. The failure to maintain supplies of fuel from UK refineries and depots to retailers and consumers resulted in a restricted movement of raw materials, finished goods and people. Such action raises complex issues relating to, on the one hand, the interconnectivity of the supply structures and of businesses, and, on the other, the implications of managing a business operation when the action of one part of the supply chain has a major impact on another.

If the ingredient of 'quality' is then added, it can be demonstrated that the success of a business revolves around its ability to coordinate key suppliers and suppliers of suppliers, in line with customer needs and expectations. A firm's success is linked to the strengths of its weakest supply chain partner.

So what is supply chain management? Responses vary, even from the contributors to this book. Paraphrasing Lummas and Vokurka (1999), we as editors define supply chain management as the:

Coordination and integration of all activities in delivering a product from its initial primary source through to the consumer into a seamless process, thereby linking all partners in the chain internal and external to the organization. External linkages can be both horizontal and vertical.

Issues about managing across organizational boundaries are different from those of just internal functions (Harland *et al.*, 1999) Whilst this could imply that there is a need to move

purchasing out of the realms of a clerical activity into a strategic function, there is an argument that all operational functions likewise need to become strategic in function.

This book has three main objectives:

1. to examine the development of food supply chain management related to the hospitality and retail industries;
2. to explore issues for operational management;
3. to present a range of expert perspectives relating to food supply chain management and to the hospitality and retail sectors.

To reflect these, the text is divided into three sections:

Part 1 – Supply Chain Management

Part 2 – Management of the Supply Chain

Part 3 – Supply Chain Perspectives.

In Part 1 we examine the nature of the food supply chain and the development of supply chain management in the food sectors. Authors explore the function of food in society in the food supply chain, the nature of supply chain management in principle and practice, and broader issues such as social responsibility. It is worth noting that the term ‘food’ has been taken to refer to both food and drink. The contributors in this section include Sean Beer, Kathryn Webster, Andrew Fearne, David Hughes, Rachel Duffy, Colin Bamford and Jenny Wade, all of whom are specialists in their fields.

Part 2 is designed to confront the issues for operational management in the management across organizational boundaries. Paul Cousins, Denis Towill, Lynette Harris, Tony Berry, John Cullen, William Seal and Terry Robinson confront issues such as stages of emergence of long term relationships and the importance of trust and commitment. The key to this section is in recognizing the implications of changing from traditional adversarial relationships to those of collaboration. Problems of changing culture, practice and mindsets appear critical to business success. In this section all authors are actively involved in research in their respective operational areas and are drawing ideas from a whole range of industries, including food.

Part 3 is a group of diverse perspectives offered by experts in their fields including, Nick Alexander, Kevin Nield, David Barling, Tim Knowles, Herbert Kotzab, Rayka Presbury, Matthew Gorton, Ference Guba, Michael Bourlakis, Sean Beer and Steve Allen. This section is divided into three parts – Internationalization, in both the hospitality and retail sectors, Contemporary Issues and Insights into the Future.