



A SafeSourcing Inc. White Paper

28150 N. Alma School Parkway
Scottsdale, AZ 85262
Phone: 866-623-9006
www.safesourcing.com

“Safety in the Supply Chain” An Irony

*By Ron Southard, CEO
SafeSourcing Inc.*

Simplidty, savings, and security . . . let SafeSourcing help you deliver the goods.

Visit www.safesourcing.com or call 866.623.9006

Contents

A product safety examination	1
A consumer's perspective	1
Consumer summary	3
A retailer's perspective	3
What retailers can do	4
Retailer summary	4
Nine steps to safer and more eco friendly procurement	4
About the author	5

A Product Safety Examination

Do consumers have the right to expect products, services and other finished goods we purchase from our retailers to be safe?

If so, what level of safety should we expect?

Does safety extend beyond the personal safety of our families, pets and loved ones to the ecological impact the manufacturing of these products has on our planet? Who should bear the expense of increased safety, suppliers, retailers, or consumers? Are there more effective ways in the form of processes and tools to reduce costs and increase safety and eco awareness?

A Consumer's Perspective

Many baby boomers remember listening to the nightly news as children and young adults and hearing the local anchor person ask the following question. "It's 10 P.M. do you know where your children are?"

In those days, it was fair question. Prior to the development of pagers, cell phones, personal digital assistants and now smart phones, the question challenged parents to be accountable for their children and insure that they were safe. Today, a simple text message or phone call provides some level of security to parents, albeit not the level of safety one might like. But, do we know how the safe the products are we consume? Toy recalls, food recalls, tainted drugs. The list goes on and on.

The question we really need to ask is how safe is our supply chain? Could you ask your local grocer or retailer if they know where their products come from? They should, but probably don't. The *Public Health Security and Bioterrorism Preparedness Act of 2002* was fully enacted in 2004. It requires processors, distributors, importers and other reseller groups in the United States to maintain records that identify the immediate sources that they receive food from and the recipients they send it to. So should we have anything to worry about? Evidently so.

A Consumer's Perspective (continued)

Over a previously monitored six-month period during 2007 – 2008, hardly a day went by that some notification or safety alert did not appear in the local or national news. Unfortunately as in most news reporting, these reports are often after the fact. Some examples are:

- Outbreaks prompt scrutiny of food labeling
- FDA fees eyed to boost safety
- Meat plant concerns raised for years
- One million baby seats recalled
- China making progress on safety
- Some pet foods Still not on shelves
- Altered Heparin linked to deaths
- Honduran melons linked to salmonella
- Families of U.S. victims sue Chiquita
- Lawsuit follows lead recalls. toymakers, sellers sued in California
- Report: FDA so under funded consumers are put at risk
- Mattel recalls more toys for lead

Okay, let's sum it up: animal cruelty, illness, increased costs, death and litigation. This is scary stuff. Who has the time to monitor this on a daily basis? We have far more important things to do in our day to day lives such as working, raising our families and enjoying our growing lack off free time. What we don't have time for, is to worry about the products we buy and the impact they may have on our loved ones, friends, pets or in larger sense the impact of how they are manufactured on our planet. Even worse, is the fact that as our world grows figuratively smaller based on modern technological advances, our global supply chain continues to grow larger, making it even more difficult for the largest of companies to hold their suppliers accountable as to the original source of products or the components and ingredients that make up their finished goods.

The answer is obviously to add more compliance demands on the retail community. In the food sector, an amendment to the *Federal Food, Drug and Cosmetic Act* became effective in 2006 called the *Food Allergen Labeling and Consumer Protection Act*. This act requires food manufacturers to identify in plain, common language the presence of any of the eight major food allergens (soy, shellfish, milk, eggs, peanut, tree nut, wheat, and fish).

Consumer Summary

Consumers do not want to worry about how safe the products we purchase are.

Consumers do not want to pay higher prices or increased taxes to support increases in regulatory compliance. Consumers do not want to invest our precious time in unnecessary litigation. Consumers want retailers and suppliers to collaborate with the most current tools available to insure our safety and that of our ecology.

A Retailers Perspective

Many retailers have rallied around support for safety in the supply chain. Many also have clear corporate guidelines and are socially conscious as regards to eco-standards that affect us all. However, common sense would dictate that we recognize that just “checking-off the box” doesn’t move us in the direction of the next level of safety or global renewal. We can monitor the “check-off” every day, but a check mark in a box does not mean that the practice was actually completed at the appropriate level of proficiency, if at all. Unfortunately, during 2007 retail companies had to spend nearly \$30B to support various compliance measures not to mention moneys focused on eco-standards.

Even as retail companies try harder and harder to support more regulations, we continue to see safety alerts and product recalls from the FDA, the USDA, as well as other agencies that put retailers and their customers at unnecessary risk. New product introductions and new unchecked sources of supply from both companies and countries for which we may or may not have clean accurate data continue to make this a daunting task in an era of fewer employees required do more and more work.

Imagine the impact on retailer’s bottom line if that \$30B was not needed to support these initiatives, or if it was easier to find good clean sources of supply that had the same level of concern for safety standards and focus on corporate social responsibility regarding eco- standards as our retailers do. The impact on U.S. retail alone would be staggering, an improvement in retail profit of 21.7% based on U.S. retail sales of \$4T during 2007. The same results would require an unheard of sales increase of nearly \$900M. Imagine the impact on jobs and the economy in general.

What Retailers Can Do

So, what can retailers do? How can they elevate their focus and make the job easier resulting in greater safety, more focus on their green initiatives and still reduce their cost of goods and improve profitability?

First, they need to understand that it is the effective execution of actual best practices through the use of best in class tools and proven processes that will yield them the integrity and “measurable” results that are demanded by their consumers, corporate boards’ and governance bodies.

Secondly, there needs to be true collaboration without the incremental costs normally associated with implementing new processes. Collaboration really extends beyond traditional work relationships to incorporate a broader scope or objective. Collaboration demands a focus on success beyond “self”. The implantation of a collaborative culture is difficult because it calls for an apolitical, non-self-serving, but still driven business model. Most often we see this in very small work groups, or between one or two people who truly want success for the other as much as they want success for themselves.

Retailers Summary

Retailers want their customers not to have to worry about safety. They encourage their suppliers to be proactive in becoming aware of what they are doing to support safety and eco standards and to hold their raw material providers accountable to the same standards.

Retailers are committed to using the most current tools and processes to allay their customers concerns.

Nine steps to safer and more eco-friendly procurement

1. Be pro-active in driving not for resale and for resale product safety within your company, and also supporting eco-standards in the procurement process
2. Pay it forward with all of your trading partners by sharing what you are doing, and asking what they do to support yours or similar initiatives.
3. Educate your employees and trading partners about common safety standards and guidelines such as the SQF Certificate www.sqfi.com and the Global Food Safety Initiative www.ciesnet.com.
4. Educate your employees and trading partners about common eco-standards such as Green- Energy National Standard www.green-e.org or EcoLogo www.ecologo.org.
5. Point associates and trading partners to free educational websites such as www.safesourcing.com to use their free SafeSourcing Wiki or the Sourcebook professional social network for procurement professionals.

6. Only use trading partners that follow your lead.
7. Train your team to understand and use all available tools that insure supply chain safety such the free daily safety in sourcing blog at www.safesourcing.com or the low cost SafeSourceIt Supplier Database and Reverse Auction Tools.
8. Impose a system of measures and controls to monitor performance against clearly defined goals.
9. Start at the top and engage all levels of your company.

About The Author



Ron Southard is the founder and principal of Safesourcing and has more than 30 years of experience working in the retail industry. Ron was formerly the President and CEO of Outsource an internet based spend management company. Additionally Ron served as the Executive Vice President at Trax Retail Solutions. Ron began his career in retail management following which he spent 25 years of his career at NCR Corporation, eventually serving as the Vice President and General Manager of the NCR Global Checkout Software business unit.

Ron holds a Bachelor of Arts degree and Bachelor of Science degree from Bridgewater State College in History and Psychology, respectively and has also completed certificate programs at the American School of International Management. Ron is also a certified inventory management specialist.

A well known industry speaker and writer on a variety of subjects including technology, operations, risk management, the supply chain, and Sarbanes Oxley, Ron is a US Air Force Veteran, a member of International Society of high IQ's, and is listed in the VIP section of Madison's Who's Who Executive Registry 2007.

Ron has been featured recently on General Norman Schwarzkopf's "World New Review" show on CNBC, Sky Radio on all major airlines, and was recently honored as one of the industry's "2007 Pro's to Know" by Supply & Demand Chain Executive Magazine