

# 8 Shortcomings COVID-19 Highlighted for Retailers, and How They Can Be Addressed in 2021



“Companies are putting innovation on the back burner to focus on supply chain issues. Stocking shelves with innovative new products is less of a priority than stocking shelves, period”

The Washington Post



It is no overstatement to say that 2020 was a trial for everyone, and it is doubtful anyone on earth was sad to see it go. Last year, and the airborne pandemic that took center stage, rocked the grocery world. The high-pressure environment the grocery industry was thrust into carried with it lots of lessons. “Companies are putting innovation on the back burner to focus on supply chain issues. Stocking shelves with innovative new products is less of a priority than stocking shelves, period”<sup>1</sup>, writes Cara Rosenblum for the Washington Post.

Toilet paper shortages and mask mandates aren't the only strange incidences of the year we've had. Trader Joes reports that frozen food sales have skyrocketed<sup>2</sup>, with more people working from home and a growing desire to bring restaurant flavors to the dinner table. Online shopping is another category that has surged ever since March 2020. McKinsey<sup>3</sup> reported that online sales have grown two to three times what they were in January of 2020, causing even the most resistant

retailers to prioritize online shopping methods that allow for contactless shopping and social distancing. And, to put a cherry on top of recent grocery headlines, robots are undeniably on the rise. Major online shopping tech company Instacart has begun to stock dark stores and plans to fulfill dark store orders with robots. Kroger and Ocado also formed a partnership, announcing the upcoming launch of three new robotic fulfillment centers in June<sup>4</sup>.

**With strange demand patterns and increasing customer expectations, the supply chain needs of the grocery industry are more important than ever, and only the retailers that adapt the best will survive the topsy turvy world we now live in. In this whitepaper we identify eight priority growth areas for retailers in 2021. A strong focus on cost efficiency, automation, consistency, food safety, food security, e-commerce, and sustainability will set you apart from other retailers and strengthen your organization.**





## 1. Improving Overall Supply Chain Efficiency

Economic uncertainty generates concern for all industries, even one as stable as grocery. In times like these it is important to continuously generate sustainable business practices that are healthy for the bottom line. Not only is it good for business in the obvious sense that the business is financially stronger, a tight control of finances and strong cost efficiency enable you to offer products to customers at a lower prices, improving your ability to compete in a market that is more financially conscious than it was a year ago.

Adopting reusable packaging for your supply chain is one of the best ways you can do this. Reusable Plastic Containers have the ability to create many efficiencies in your supply chain that all lead to cost savings such as transportation savings, shrink reduction, and labor savings. And, because reusable plastic containers generally operate in a pooled system, you only pay for each use of the RPC, which makes the packaging cost of a better container alone competitive with single-use corrugated.





## Transportation Case Study

### Major cost savings with Meat RPCs

A prominent East Coast regional retailer was experiencing frequent corrugated box failures throughout their case ready meat supply chain that was resulting in damaged product. Corrugated could not hold up to the weight of the stack above and the product inside was getting damaged. The retailer needed to solve this problem, so they evaluated two solutions: reinforced corrugated boxes or converting to Reusable Plastic Containers (RPCs). In the end they discovered that in addition to protecting product better, RPCs generated transportation savings.



#### 25% Transportation Savings

Case ready meat RPCs were proven to be four times stronger than corrugated and can be stacked to 18 layers high, fully utilizing the available height and space in a truck without risk of box failures. When tested

during this pilot, switching to RPCs resulted in improved cube utilization, meaning more product could fit in trucks and fewer trucks needed to be on the road, ultimately reducing transportation costs by 25%.



#### 25% Packaging Cost Savings

When the retailer evaluated the option to switch to a stronger corrugated box that could compete with the stack heights of RPCs, the cost difference was staggering. A box comparable to the strength of an RPC was 25% more expensive than reusable plastic containers. By protecting expensive product better, reducing transportation costs, and simply costing less than corrugated, the switch to RPCs generates significant cost savings.

## 2. Introducing and Improving Automation in Your Supply Chain

One tragic lesson that the pandemic taught the world is that a healthy labor force is not a guarantee. However, this isn't a new lesson. In fact, as early as 2014, the Economic Policy Institute reported that workplace injuries and illnesses cost the U.S. \$250 billion annually<sup>5</sup>. Fortunately, a strong automation system can protect and compliment your workers. Automation makes the workplace safer for workers and as a result, cheaper for employers.

Because so much of automation depends on continuous product flow through the line, it grows stronger and faster when consistency is embraced. It is key that the food and beverage industry aids growth in automation by adopting more standardization in packaging. Packaging with a standardized footprint eliminates the inefficiencies of variable packaging. In addition to consistent sizing, RPCs are also more durable, with stronger walls that enable them to stand up against rough treatment and protect the products inside better than single-use packaging like corrugated.

## 3. Data-Driven Decision Making

Additionally, as automation enables growth by aiding and boosting other technological innovations that are sweeping the supply chain world, data-driven decision making becomes more accessible. Retailers are seeing the need to collect and understand that data in as many ways as they can to inform important decisions.

Data is also important for building trust between partners. Food Logistics points out that consumers continuously demand more transparency from retailers, resulting in the need



for retailers to demand more transparency from suppliers. They point out that “well-designed automated systems break open data silos for increased transparency that enables flexibility and the ability to quickly identify and correct errors”<sup>6</sup>. For example, suppliers can track data in their supply chains and use it to report that things are running as expected to their partners.

Data can also be used to determine areas that need improvement. As traced products move through the supply chain, operators will be able to see inefficient trends and determine exactly where the obstacles are. This enables insight beyond what would be possible without IoT and tracing technology.

Tosca has built a traceability program that enables partners to track and trace product throughout the entire supply chain. Our retail partners are not only capable of keeping track of product as it is on its way, they are also given access to data that tells them where product is sourced and how long it has been in the supply chain. Only automation and traceability in a fast-moving perishables supply chain can provide that intelligence.



## 4. Boosting Systems that Support Consistency

2020 experienced wave after wave of supply shortages as the industry experienced the whiplash caused by plant shutdowns and unprecedented demand. Restaurants were hit especially hard by the pandemic, driving consumers to seek supplies at grocery stores beyond any measure of predictability. Yelp predicts that a shocking 61% of restaurants in the US will ultimately close as a result of the pandemic<sup>7</sup>, a somber number that illustrates the upheaval experienced in the food sector last year.

The shock wave is likely to continue for years to come as consumers have now experienced the results of stockpiling. Consumers in our post-modern, globalized economy depend on retailers to provide the products that they need to survive, and a crack in that system generates panic. Today, it is critical that retailers build supply chains on a

solid foundation of consistency by partnering with stable organizations with the scale and availability to respond to unexpected booms in demand.

Tosca is owned by a large private equity firm providing the financial ability to grow and bring new, expanded solutions to market quickly. Additionally, Tosca has recently acquired two leaders in the reusable packaging space, the combined organization representing 100 years of experience running large supply chains all over the world. Tosca also operates 55 + wash sites and 15 global offices across North America and Europe, servicing more than 500M assets. Our unmatched industry coverage brings you improved speed and availability, ensuring that you or your partners never lack the packaging needed to deliver products to stores.



## 5. Amping up an Emphasis on Food Safety

Health is a global concern now more than ever and it is imperative that retailers demand the highest standard of food safety in their supply chains. There are many steps that can be taken to ensure the safety of product and every person along the way plays a part. While officials say there is no reason to suspect food or food packaging has contributed to the spread of COVID-19<sup>8</sup>, public health concerns in general are a hot topic in the midst of a pandemic. These concerns are valid and can be properly mitigated with a well thought out and diligent food safety plan. In addition to your own efforts, it is key that your business expects a high standard of food safety from all partners, suppliers and distributors.

Besides risking the health and safety of consumers, the risk of recall with a bad food safety plan is a real threat. The average direct cost of a recall is ten million dollars, not counting the government fines, litigation costs, and lost sales added to that. The reputation of your

business and the health of thousands depends on food safety diligence.

Packaging providers are no less responsible than you are for preventing outbreaks in your supply chain. That is why Tosca has made food safety a key part of its business, holding our wash process to the highest food safety standard in the industry. Every team member at Tosca knows how critical food safety is and does their part to ensure the highest standards in the industry are met. From top to bottom, we<sup>9</sup> have created an organization fixated on keeping perishable products safe for the end consumer<sup>10</sup>. There is nothing we take more seriously than food safety. Our method demands 564 process documents to detail the steps, measurements taken every three hours to detect organic matter in the crates, regular outside audits at every service center to ensure the standards are met, and more. Tosca is dedicated to food safety so we can protect you from recalls and your customers from sickness<sup>11</sup>.

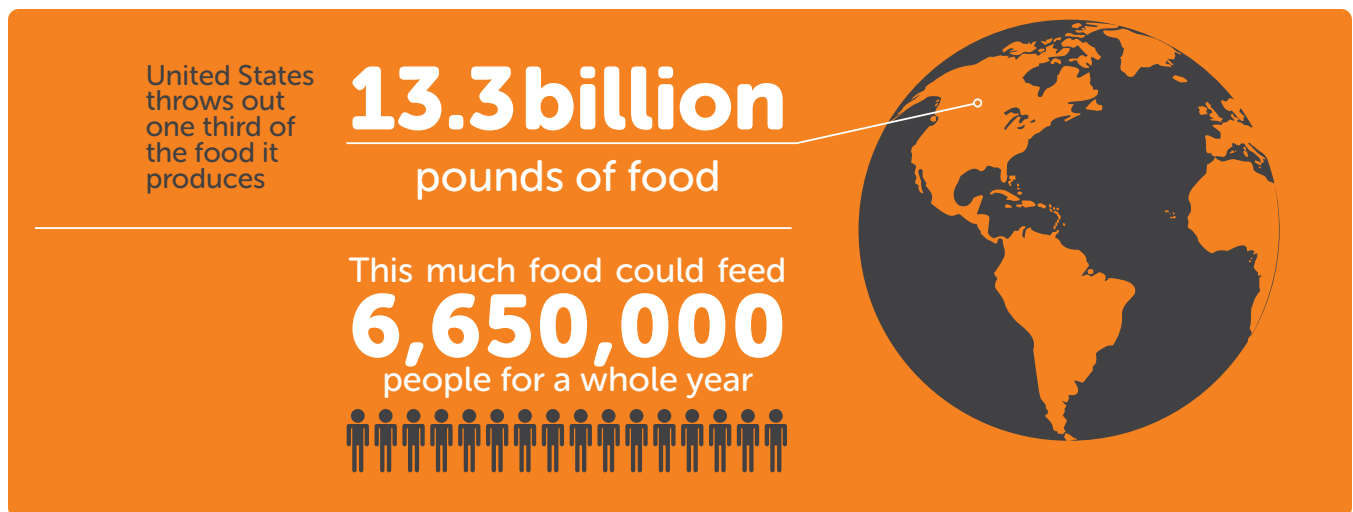


## 6. Increasing Consciousness of Food Waste and Practices that Contribute to it

Food waste is a major problem in our grocery supply chain and retailers are responsible to participate in that fight. According to Business Insider, the United States throws out one third of the food it produces – 13.3 billion pounds of food – and retailers are responsible for 10% of that<sup>12</sup>. If the average person eats nearly 2,000 pounds of food every year, that means that the 13.3 billion pounds of food retailers throw out could feed an additional 6,650,000 people each year. For another way to look at it, The World Food Program USA reports that “Roughly 30% to 40% of the food supply in the U.S. is wasted, which works out to more than 20 pounds of food per person per month”<sup>13</sup>. As economic downturn due to COVID-19 results in millions of lost jobs and entire industries on pause, poverty in the US grows daily, and those 20 pounds of extra food lost per person starts to put the amount of food wasted each year into perspective. Food waste becomes even more of a critical problem in the face of supply shortages, something 2020 was no stranger to<sup>14</sup>. When your store is only receiving a

limited supply of eggs for the week, the number of eggs that make it to the shelf intact are far more important.

Like many things, however, the shortages caused by the pandemic only highlighted an already existing problem. Food waste was already a major problem and cost millions of dollars in lost revenue for every player in the food supply chain. Fortunately, high quality reusable plastic crates exist as a more protective alternative to corrugated, protecting product throughout the supply chain so retailers can depend on more product making it to shelves in a sellable condition. This is relevant for all perishable supply chains – eggs, produce, poultry, and expensive case ready meat are all vulnerable to the bumps and jolts of the supply chain. The food grade polymers RPCs are made of offer far greater structural integrity and impact resistance than corrugated boxes – reducing shrink, eliminating food waste, and improving your revenue along the way.







## 50% Shrink Reduction with Egg RPCs

Between 4-6% of all eggs shipped end up damaged, resulting in millions of dollars of shrink each year. Retailers that switched from corrugated boxes to Tosca RPCs quickly gained significant bottom-line results by reducing shrink by an average of 50% across all retailers. As a result Tosca RPCs are now the packaging solution of choice in 5,300 retail locations and are responsible for efficiently moving about 622MM dozen eggs each year.



### **Innovative retail ready design**

The unique drop-down display wall feature allows associates to place the container directly in the case and drop the front wall for easy merchandising, resulting in 53% reduction in time spent stocking eggs.



### **Superior protection**

The durability and strength of Tosca RPCs better protect fragile eggs, reducing the damage by 50% at every step in the supply chain.

## 7. Investment in Stronger E-commerce Products and Systems

E-commerce may be the sector of the grocery market impacted the most by the pandemic. Suddenly an enormous portion of grocery shoppers looked to e-commerce for their needs and retailers had to pour resources into answering that boom, long before they expected to. Unsurprisingly, consumers have learned to love e-commerce and experts insist that it is here to stay. A report from McKinsey highlighted the catalyzing effect stay-at-home restrictions had on the e-commerce sector of the grocery market in May.



70% of consumers plan to continue or increase their online shopping after the restrictions end.

"70% of consumers plan to continue or increase their online shopping after the restrictions end. Many of those consumers- 57% - said that they intend to order online and pick up their goods at local stores. Moreover, 28% of them said that they plan to avoid stores altogether," the McKinsey report said.<sup>3</sup>

E-commerce is bringing change to the industry, and retailers are taking several approaches to meet customer needs:

- Curbside pick-up
- Partnered Delivery Services
- Direct Delivery
- Micro-fulfillment centers

With all this growth in such a short period of time, retailers are being forced to quickly adapt without risking their current in-store customer experience. To succeed, retailers need to accommodate a wave of customers that determine their retailers of choice based on the usability of their digital platforms, timeliness of delivery, quality of products, and other factors that make up the user experience.

Tosca has designed and built a high-efficiency line of e-commerce products - from customizable crates to dollies - all built to create a streamlined and consistent approach to the picking, storing, and delivery of online grocery orders. Designed to facilitate efficiency while protecting products, Tosca's e-commerce solution is ready to future-proof your fulfillment process.

## 8. Improvement of Sustainability Measures

The pandemic wasn't the only thing to go wrong in 2020. Australia endured a bushfire that claimed hundreds of lives and the capital of Indonesia flooded in January. The United States endured its share of natural disasters as well. California had one of the worst seasons of wildfires yet as nearly 400 million acres burned<sup>15</sup> and the Atlantic had another record-breaking hurricane season<sup>16</sup>.

Cataclysmic events are disturbingly common these days and as a result sustainability continues to be an ever-growing focus. Considering this, it is imperative that retailers recognize unsustainable practices in their supply chains and replace them as soon as possible. While every effort should be made to reduce them, things like greenhouse gas emissions, waste and water usage, and chemical contamination are a natural by product of supply chains, for now. However, single use packaging is a thing of the past and retailers and their partners need to make a diligent effort to eliminate it from their processes.

Consumers and governments are already there, demanding sustainability in ways businesses cannot refuse. One study reports that 87% of consumers "have a more positive image of a company that supports social or environmental issues"<sup>17</sup> Additionally, a polystyrene foam ban in New York State comes<sup>18</sup> joining several other government entities that have banned foam. Soon retailers will have no choice but to turn to more sustainable packaging alternatives.

Reusables are the easiest sustainability solution out there. By reducing single use packaging with high-quality reusables you are reducing packaging waste and protecting product better all in one move. In other words, this simple switch is one of those rare sustainability moves that actually reduces costs and brings simplicity.

Since our founding, Tosca and its RPCs have diverted well over a million tons of corrugated from entering the supply chain in the US.

Recently Tosca partnered with the creator of COMPASS, the tool for modeling environmental impact to create a customizable Life Cycle Analysis model that allows us to estimate the environmental benefits of RPCs against a retailer or supplier's current packaging. While incredibly telling, the outputs are specific and tailored to each customer. We are able to determine the sustainability benefits of RPCs in a matter of minutes. The sustainability benefits of switching to RPCs are significant, and your world will be that much better for it.







## Reach Your Goals with a Better Partner in Reusable Packaging

People will always need food, a fact that the grocery industry can rely on through every season of change. That said, it is critical that each player in the industry reacts to that environment, building its business on innovation and embracing change like any other. As we make our way through 2021, retailers that focus on the right growth areas will stand out over the rest. Automation, cost efficiency, data-driven decision making, more consistency, food waste reduction, food safety, and sustainability are all key targets for this year and the retailers that adapt these changes are the ones that will end up capturing more market share.

Tosca is a global leader in reusable packaging solutions, serving some of the largest retailers in the US for decades. We offer container and pallet

pooling for your entire supply chain, serving industries like poultry, cheese, case ready meat, seafood, eggs, produce, beverage, and more. When our partners switch to RPCs they experience cost savings, supply chain efficiencies, labor savings, shrink reduction, transportation efficiencies, and waste reduction throughout the entire supply chain. But, you don't have to take our word for it. We offer a free cost model customized to your unique business to make the packaging switch as easy as possible. Talk with one of our experts to determine exactly how your supply chain will benefit from RPCs. The switch to reusables could be the best decision you make this year.

[www.toscaltd.com](http://www.toscaltd.com)

## References

- <sup>1</sup> Grocery trends for 2021 - The Washington Post
- <sup>2</sup> Trader Joe's Talks Frozen Fever (winsightgrocerybusiness.com)
- <sup>3</sup> What Consumer Goods Sales Leaders Must Do to Emerge Stronger From the Pandemic | Mckinsey
- <sup>4</sup> Kroger and Ocado announce 3 new robotic e-commerce fulfillment centers (digitalcommerce360.com)
- <sup>5</sup> Workplace injuries and illnesses cost U.S. \$250 billion annually | Economic Policy Institute (epi.org)
- <sup>6</sup> Using Automation to Boost Food & Beverage Supply Chain Efficiencies in 2020 | Food Logistics
- <sup>7</sup> Yelp: Local Economic Impact Report (yelpeconomicaverage.com)
- <sup>8</sup> U.S. officials say there's nothing to suggest food or food packaging spread of COVID-19 | Food Safety News
- <sup>9</sup> What the Average American Eats in a Year (naturessunshine.com)
- <sup>10</sup> How to Create a Culture Focused on Food Safety - Tosca | RPCs, Reusable Plastic Containers, Perishable Shipping Solutions | Reduce Shrink. Drive Supply Chain Efficiency. (toscaltd.com)
- <sup>11</sup> <https://www.toscaltd.com/washing-and-food-safety/>
- <sup>12</sup> Why Grocery Stores Throw Out So Much Food (businessinsider.com)
- <sup>13</sup> Here Are 8 Facts You Should Know About Food Waste and Hunger (wfpusa.org)
- <sup>14</sup> Food Waste and Covid-19: Impacts along the Supply Chain • farmdoc daily (illinois.edu)
- <sup>15</sup> A Running List of Record-Breaking Natural Disasters in 2020 - Scientific American
- <sup>16</sup> Record-breaking Atlantic hurricane season draws to an end | National Oceanic and Atmospheric Administration (noaa.gov)
- <sup>17</sup> Do Customers Really Care About Your Environmental Impact? (forbes.com)