

How supply chain traceability relates to consumer affairs and the bottom line

By John Goodman

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New food and drug safety laws are creating a headache for supply chain executives but there is an offsetting benefit for companies to aggressively comply — a competitive edge with consumers. Consumers are becoming much more concerned about allergens and additives. The volume of calls to consumer relations departments of CPG companies asking about these issues has increased as much as 400% in the last two years. While only 4% of consumers are actually medically at risk due to additives and ingredients, more than 30% make purchase decisions based on ingredient labels. The ingredients, allergen and additives (IAA) challenge has three dimensions; cost, competitive advantage and risk. The smart supply chain executive should work with their consumer affairs and marketing executives to balance these issues to maximize company success.

Cost

There is a cost of not having detailed information on the IAA content of all products easily available to consumers on the company website. While many companies have information on the top six to nine allergens, many cannot definitively say whether many other chemicals are present or not.

The damage of not being able to tell consumers what is in your product is that a significant percentage of consumers will first go to the website and then call consumer affairs, at a cost of \$1-5 per call. If the 800 number cannot answer the caller's questions immediately, most consumer affairs departments will usually initiate a query to the supply chain or manufacturing departments, often at a cost of \$20-50 per query in labor on both ends of the investigation. Further, it is likely that one in three of the callers will be lost as a customer, not only for that product but for the brand as a whole. This is because the consumer's confidence in the brand is undercut by the fact that the company appears not to know what is in their products.

Many others will not call but will not buy the product (see competitive advantage below). The sequence of damage is they first look at the label to see if the product is free of the ingredient of concern. If they do not see that the ingredient has been excluded, they then look at the website. If no information is available either place, many will switch brands.

Competitive edge

Not having IAA information available on your products makes them suspect. Sue Baranowsky, director of consumer affairs at Campbell Soup Company said, “I have a family member with ingredient sensitivity so I now read labels and websites much more carefully. I am much less likely to trial products which lack ingredient information. My consumers are exhibiting a similar behavior.” Baranowsky’s statement is supported by a 2013 study by the Natural Marketing Institute that found 69% of consumers now read labels regularly and a quarter of them are specifically concerned about IAAs and make their purchases accordingly.

If data on the IAAs is on your website or at least available from the consumer affairs department, your brand will have a competitive edge over all other brands that lack such transparency and become the preferred brand. Even if your product does contain some of the IAAs, the fact that you are forthright keeps your brand and most of your products on consumers’ preferred list.

Risk

If customers have an allergic reaction to a product, they often blame the last product they encountered, even if it had no relation to their bad experience. Many legal departments encourage quick settlement of claims below a certain threshold even when the claim’s merit is questionable. When an experience is posted on Facebook or Twitter, there is a potential that it will be picked up by the media. Likewise, a few complaints to a regulator can result in a regulatory action. The good news, based on [Customer Care Measurement and Consulting’s latest National Rage Study](#) is that only 1-4 % of consumers immediately post on a social media site or go to a regulator. Almost all consumers first go back to the company. But the company must respond quickly (within 24 hours) or the consumer will go social

Actions you should take today:

Talk to your company’s consumer affairs, regulatory and marketing departments about which IAAs should be assayed and reported. Ask them to identify the ingredients and additives that consumers and regulators are most concerned about. Put those items at the top of your list. Do not be shy about asking for financial support of your screening and reporting activities to assure that suppliers are meeting consumers’ requirements.

1. Create a database of common additives and allergens in your category and make this list available on your website and interact with consumers to understand and education them. Don’t be shy about communicating your point of view and the hard science behind your user of IAAs. However, you need to use consumer advocates and ambassadors to make your points – preaching will come across as “mother corporate” telling the consumer what to believe.
2. Use social media and blog postings as well as complaints, inquires and surveys as a source of what is important to customers. Input from your channels such as retailers, sales force and distributors is also important, but they often fail to recognize issues as quickly as customers.

3. Work with product development to reformulate products with significant issues. While reformulation of products is expensive and time-consuming, a growing percentage of consumers are becoming aware and concerned about IAAs. Reformulation can convert a liability into a competitive edge.
4. The worst thing supply chain executives can do is nothing. Getting ahead of the information and formulation aspects can be a win-win-win for your company, the consumer and your career.



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