Supply Chain Survey Report

February 2025

Australian Food and Grocery Council

Prepared by Argon & Co

Contents

Argon&Co*

AUSTRALIAN
**FOOD &
GROCERY**
COUNCIL

About the Australian Food and Grocery Council

The Australian Food and Grocery Council (AFGC) is the leading national organisation representing Australia's food, beverage and grocery manufacturing sector. The AFGC works to promote a thriving, trusted food and grocery supply industry that sustains Australia.

$162 Billion turnover

AUSTRALIAN FOOD & GROCERY COUNCIL

In the 2022-23 financial year, the sector generated $162 billion in annual turnover and contributed $4.2 billion in capital investment. As Australia's largest manufacturing sector, it accounts for over 32% of total manufacturing turnover and plays a vital role in regional economies, with almost 40% of its 281,000 employees based in rural and regional areas.

One of the AFGC's key initiatives is the Biennial Supply Chain Survey, conducted since 2008 to help the Supply Chain Committee identify priorities and guide strategic efforts on behalf of members. The survey is anonymous and examines critical areas including supply chain strategy, performance, industry capabilities, emerging trends, and retailer engagement.

Argon&Co*

AUSTRALIAN FOOD & GROCERY COUNCIL

Contributors

Supply Chain Committee

Name	Company
Ric Morrey	Sanitarium
Chris Madden	Tip Top
Imran Malick	PepsiCo Australia & New Zealand
Jacob Cutajar	General Mills Australia Pty Ltd
Nathan Schubert	Mars Petcare Australia
Jim Kato	Patties Foods Ltd
Tony Domingo	Nestle
Tom Scheibling	Coca-Cola Europacific Partners
Stephen Bickers	L'oreal
Suzanne Harman	Simplot
Andrew Borg	Mars
Sarah Kirman	Carman's Kitchen

Secretariat

Samantha Blake · Director - Retail

Samuel Garcia · Manager - Industry Affairs, Supply Chain

Argon & Co

Dan Knox

Nicholas Camilo

Key Themes

Australian FMCG Supply Chains are facing unprecedented challenges

Australian Fast-Moving Consumer Goods (FMCG) sector supply chains are navigating a period of unprecedented challenges and transformations that continue to evolve rapidly. Understanding the key challenges affecting our sector is essential for building resilient, proactive strategies that meet demands and safeguard against future disruptions. The top five issues shaping the landscape today are supply chain disruptions, rising costs, changing consumer preferences, sustainability, and digital transformation and AI.

1. Supply Chain Disruptions

Supply chain disruptions have become a common challenge, and the Australian FMCG sector is no exception. Factors like natural disasters, geopolitical tensions, and global health crises have repeatedly disrupted global and local supply chains. The survey reported that 79% of supply chains are still experiencing moderate to large scale supply chain disruption impacts. These disruptions highlight the need for greater agility, with companies now more focused on building resilience and flexibility into their supply networks. Diversifying suppliers and increasing local sourcing are ways companies are responding to these disruptions. Australia's geographic position makes it especially reliant on international shipping, and recent disruptions have shown the vulnerability of this dependence. Port congestions, shipping container shortages, and increased freight costs have all contributed to delays.

Exploring alternative transport modes, diversifying logistics partnerships, and employing predictive logistics planning are some of the strategies being employed to look to mitigate these impacts. However, there remains a delicate balance between cost and resilience.

2. Rising Costs and Inflation

One of the most immediate concerns for the industry is the consistent rise in costs across the board. The survey highlighted that rising costs dominated as the most significant challenge facing supply chains in 2024. Interestingly, operating cost reduction was the top priority identified for supply chains beating out increasing customer satisfaction and availability, which typically have been the top priorities in previous surveys. Operational expenses, including logistics, warehousing, and production, have increased due to inflationary pressures. As raw material costs also climb, companies have struggled to pass these through as price increases, creating cost challenges that significantly impact profit margins. This issue is compounded in areas like environmental sustainability, with investment often required to reduce emissions and improve waste management. To counter these financial pressures, companies need to explore efficiencies throughout the supply chain while balancing compliance requirements and customer expectations.

Argon&Co*

AUSTRALIAN
**FOOD &
GROCERY**
COUNCIL

Key Themes

3. Evolving Consumer Preferences

Today's consumer expects products that align with their values, particularly around health, convenience, and environmental consciousness. Demand for organic, sustainable, and minimally processed goods has risen, putting pressure on FMCG companies to adapt their product portfolios. Those able to anticipate and respond quickly to these shifts in consumer behaviour will be best positioned to build brand loyalty and maintain market share in a highly competitive landscape.

4. Sustainability and Environmental Pressures

With consumers increasingly prioritising environmental responsibility, FMCG companies face scrutiny over their environmental impact, particularly in packaging and sourcing.

The survey noted that Ethical Sourcing, Sustainable Supplier Selection & Reduced Energy Consumption were rated the most important sustainability strategies to be implemented with the highest level of concern. Reducing single-use plastics, implementing recycling programs, and using sustainable materials are becoming baseline expectations. While these changes are complex and costly, companies that proactively invest in sustainability can reduce future risks, improve brand reputation, and align with growing regulatory frameworks aimed at environmental protection.

5. Digital Transformation and Leveraging Artificial Intelligence (AI)

Digital transformation is no longer optional in supply chain management. Embracing digitisation allows for better visibility, improved decision-making, and optimised processes across the supply chain. Through digital technologies, real-time tracking and predictive analytics can help companies anticipate demand fluctuations, reduce waste, and optimise inventory. While many organisations are already on this journey, there is a need for cohesive strategies and investments in digital infrastructure to bring greater agility and resilience to FMCG supply chains. For Australian companies, this often means upgrading legacy systems and investing in integration with other players in the supply chain ecosystem.

AI is transforming supply chains by enabling data-driven insights and automation across various functions. The survey reported that 74% have or are planning to invest in Generative AI over the next three years. AI can help with demand forecasting, route optimisation, and even automated quality control, allowing companies to respond to changes in real-time and reduce lead times. The use of machine learning models to predict stockouts or detect inefficiencies has proved invaluable, particularly in times of disruption. However, deploying AI in the supply chain requires significant data maturity and investment, as well as the development of skills to interpret and implement AI-driven insights effectively. A shortage of skilled workers is affecting the FMCG industry's ability to fully capitalise on digital and AI advancements. The rapid evolution of supply chain technology has intensified the demand for tech-savvy professionals with expertise in data analytics, AI, and logistics. Attracting, developing, and retaining talent is critical, as is investing in upskilling existing teams to adapt to new digital tools and technologies.

In conclusion, FMCG supply chains face a complex array of challenges that require both innovation and resilience. By addressing rising costs, embracing digitisation, leveraging AI and building sustainable, disruption-resistant supply networks the industry can enhance competitiveness and ensure sustainable growth. These strategies will position Australian FMCG companies to adapt and thrive amid the challenges and opportunities ahead.

Dan Knox
Associate Partner
Argon & Co

Argon&Co*

AUSTRALIAN
**FOOD &
GROCERY**
COUNCIL

Survey Introduction

Purpose of the Survey

► Assess supply chain performance across the industry and identify areas for improvement

► Evaluate opportunities for industry-led initiatives and provide the AFGC with data to support members through advocacy, stakeholder engagement and retailer discussions.

► Serve as a benchmarking tool and resource for members

► Identify key issues currently impacting the industry

The AFGC Biennial Supply Chain Survey aims to strengthen engagement with its members and deliver actionable insights for the industry.

Key Areas

Supply Chain Strategy & Investment
This section collects supply chain strategy objectives and investment priorities

Organisation Resilience & Risk Management
This section assesses current supply chain risks and how well organisations are prepared to manage them

Industry Capability & Enablers
This section explores emerging capabilities in supply chain processes

Delivery Execution
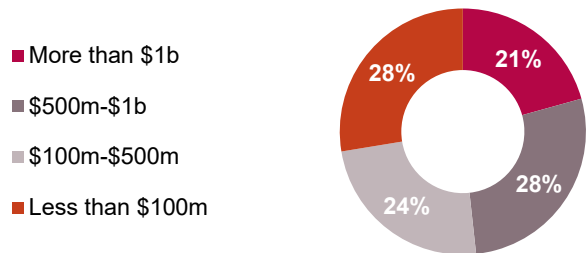This section identifies trends and key focus areas in customer delivery execution

Argon&Co*

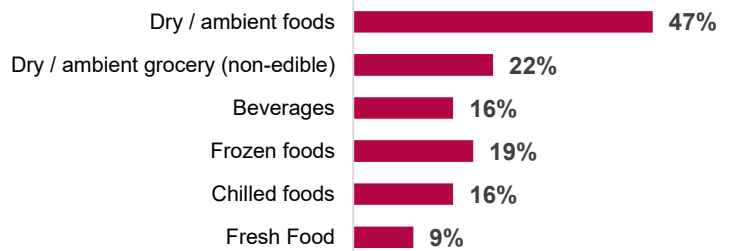AUSTRALIAN FOOD & GROCERY COUNCIL

Company Profile & Characteristics

32 Respondents

▶ The majority of respondents operate in Dry Ambient categories with a shelf life of over 12 months.

▶ Just over 50% have a stock keeping unit (SKU) range of 200 or fewer, while only 7% manage more than 1,000 SKUs.

▶ 60% use third-party logistics (3PL) providers for domestic logistics, while 26% rely on retailers' primary freight options.

▶ Supermarkets continue to dominate sales, accounting for 68% of revenue in 2024.

▶ 62% expect their revenue to Supermarkets to grow in the next year.

▶ 73% of finished goods are manufactured locally rather than imported.

Respondents by Revenue

- More than $1b
- $500m-$1b
- $100m-$500m
- Less than $100m

21%
28%
28%
24%

Product Classification

Dry / ambient foods	47%
Dry / ambient grocery (non-edible)	22%
Beverages	16%
Frozen foods	19%
Chilled foods	16%
Fresh Food	9%

Business Channel	% of Revenue
Supermarkets	68.1%
Away from home / Food service	13.4%
Export	9.3%
Convenience / Impulse	4.0%
Online	2.0%
Other	3.1%

Note

When comparing this survey's results to previous ones, differences may arise due to variations in the mix of respondents. However, the overall revenue distribution remains consistent with past surveys.

Argon&Co*

AUSTRALIAN FOOD & GROCERY COUNCIL

Survey Results

This section outlines the results of the 2024 AFGC Supply Chain Survey

Section 1
Supply Chain Strategy & Investment

Section 2
Organisation Resilience & Risk Management

Section 3
Industry Capability & Enablers

Section 4
Delivery Execution

Survey results are based on the participation of 32 members of the AFGC

Argon&Co*

AUSTRALIAN
FOOD &
GROCERY
COUNCIL

Section 1
Supply Chain Strategy & Investment

This section collects supply chain strategy objectives and investment priorities

1. Supply Chain Strategy & Investment

This section collects supply chain strategy objectives and investment priorities.

#1

Priorty: Operating Costs - 43% of organisations are prioritising cost reduction over the next 1-2 years.

81%

of respondent's view their **supply chains as a competitive advantage.**
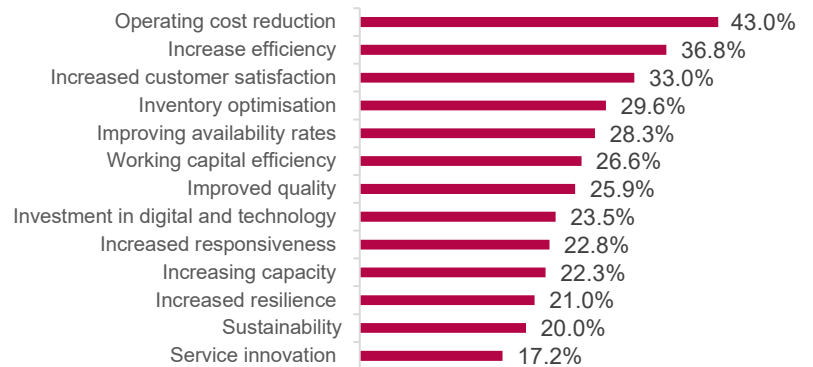
Key Observations

► Reduce energy consumption

► For the first time since the survey's inception, cost reduction and efficiency have become the top supply chain priorities for the next 12–24 months.

► Efficient delivery and lower operating costs are the two main ways supply chains enhance competitiveness.

"In my business the supply chain is seen as a competitive advantage, and not a cost centre"

- Strongly Agree
- Agree
- Disagree

31%
50%
19%

What are your top supply chain priorities for the next 12-24 months?

Priority	%
Operating cost reduction	43.0%
Increase efficiency	36.8%
Increased customer satisfaction	33.0%
Inventory optimisation	29.6%
Improving availability rates	28.3%
Working capital efficiency	26.6%
Improved quality	25.9%
Investment in digital and technology	23.5%
Increased responsiveness	22.8%
Increasing capacity	22.3%
Increased resilience	21.0%
Sustainability	20.0%
Service innovation	17.2%

How does your supply chain contribute to your organisation's competitive advantage?

Contribution	%
Ensuring timely and efficient delivery	29%
Reducing operational costs	24%
Improving customer relationship and…	23%
Building a resilient and adaptive supply…	20%
Enhancing product quality and reliability	19%
Facilitating innovation in products and…	14%
Leveraging technology for competitive…	11%
Other	4%

Argon&Co*

AUSTRALIAN
FOOD &
GROCERY
COUNCIL
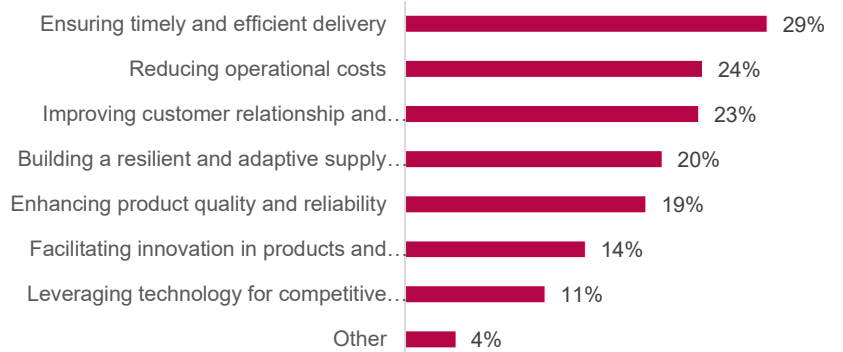
1. Supply Chain Strategy & Investment

Key Observations

69% of respondents expect their **customer DIFOT & forecast accuracy** to improve over the next year.
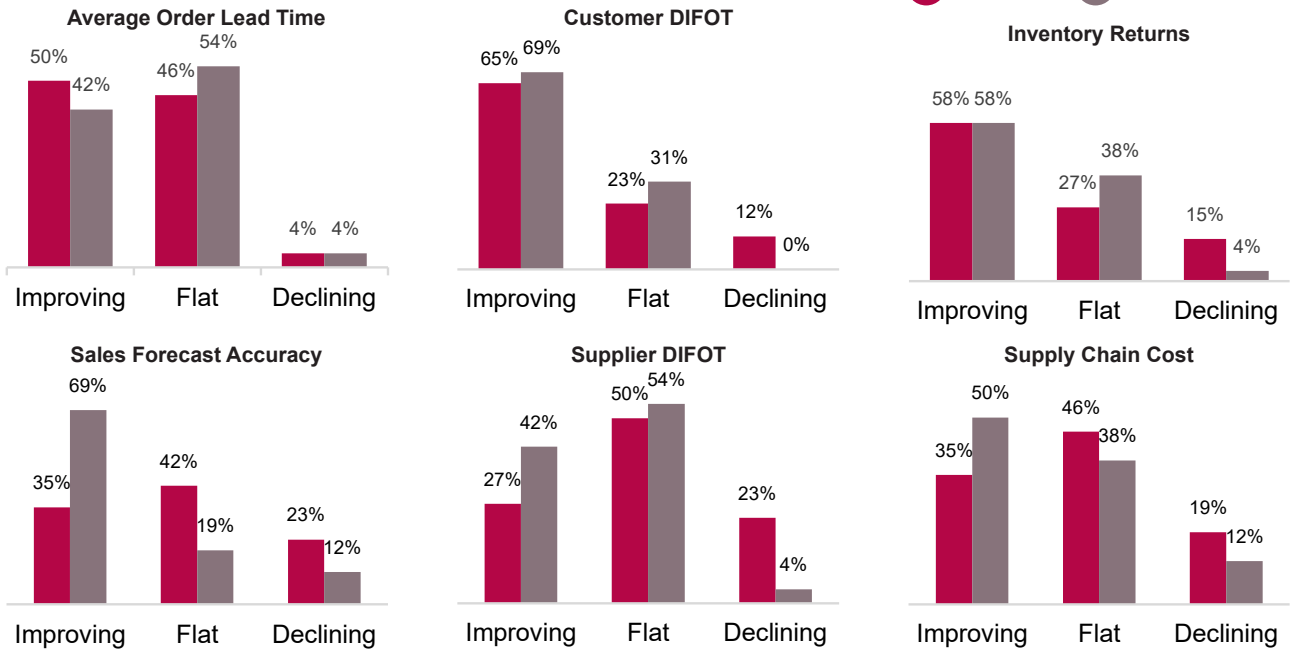
50% of respondents believe their **supply chain costs** will improve over the next year.

Material, Labour & Transport costs were highlighted as the top three greatest concerns.
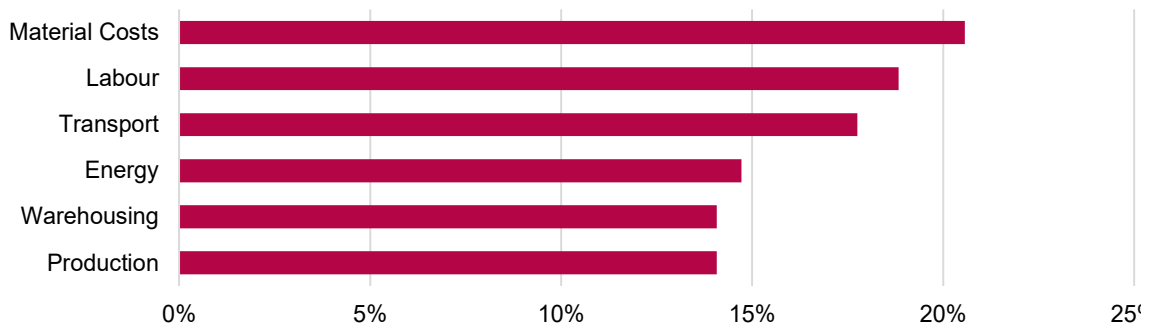
Supply Chain Performance

How has your supply chain performance changed year-over-year?

Legend: 2024 | 2025 Forecast

Average Order Lead Time
- Improving: 50%, 42%
- Flat: 46%, 54%
- Declining: 4%, 4%

Customer DIFOT
- Improving: 65%, 69%
- Flat: 23%, 31%
- Declining: 12%, 0%

Inventory Returns
- Improving: 58%, 58%
- Flat: 27%, 38%
- Declining: 15%, 4%

Sales Forecast Accuracy
- Improving: 35%, 69%
- Flat: 42%, 19%
- Declining: 23%, 12%

Supplier DIFOT
- Improving: 27%, 42%
- Flat: 50%, 54%
- Declining: 23%, 4%

Supply Chain Cost
- Improving: 35%, 50%
- Flat: 46%, 38%
- Declining: 19%, 12%

What costs are currently of greatest concern in your supply chain?

- Material Costs
- Labour
- Transport
- Energy
- Warehousing
- Production

(x-axis: 0%, 5%, 10%, 15%, 20%, 25%)

Argon&Co*

AUSTRALIAN FOOD & GROCERY COUNCIL

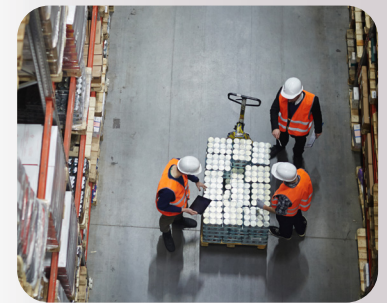# 1. Supply Chain Strategy & Investment

Key Observations

81%

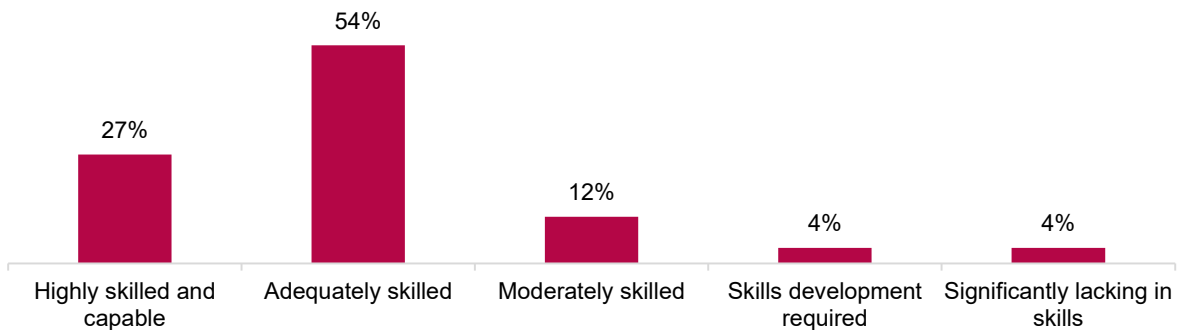of respondent's believe their supply chain team are **highly to adequately skilled.**

#3

Data analysis & analytics was the third ranked skills being recruited for after problem solving and technical expertise.
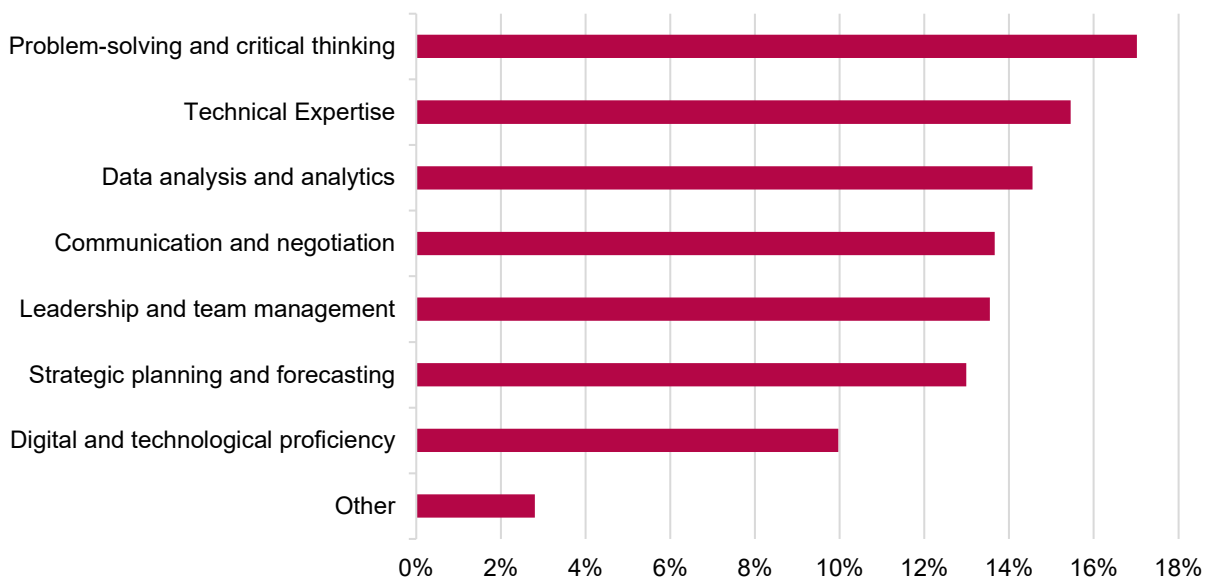

Supply Chain Performance

How would you rate the current capability and expertise of your supply chain team?

Highly skilled and capable	Adequately skilled	Moderately skilled	Skills development required	Significantly lacking in skills
27%	54%	12%	4%	4%

What specific skills are you looking for when recruiting supply chain professionals?

Skill	Percentage
Problem-solving and critical thinking	~17%
Technical Expertise	~15.5%
Data analysis and analytics	~14.5%
Communication and negotiation	~13.5%
Leadership and team management	~13.5%
Strategic planning and forecasting	~13%
Digital and technological proficiency	~10%
Other	~3%

Argon&Co*

AUSTRALIAN
**FOOD &
GROCERY**
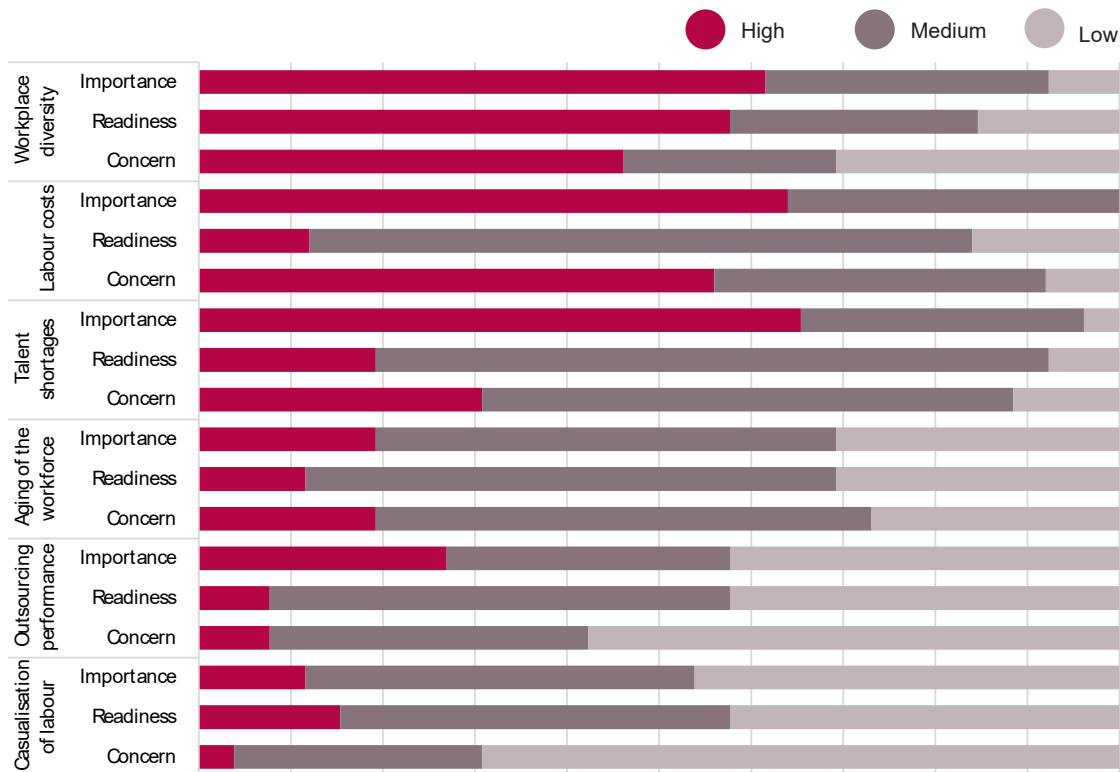COUNCIL

1. Supply Chain Strategy & Investment

Key Observations

▶ Labour costs, talent shortages, and diversity ranked as the most important and concerning workplace issues.
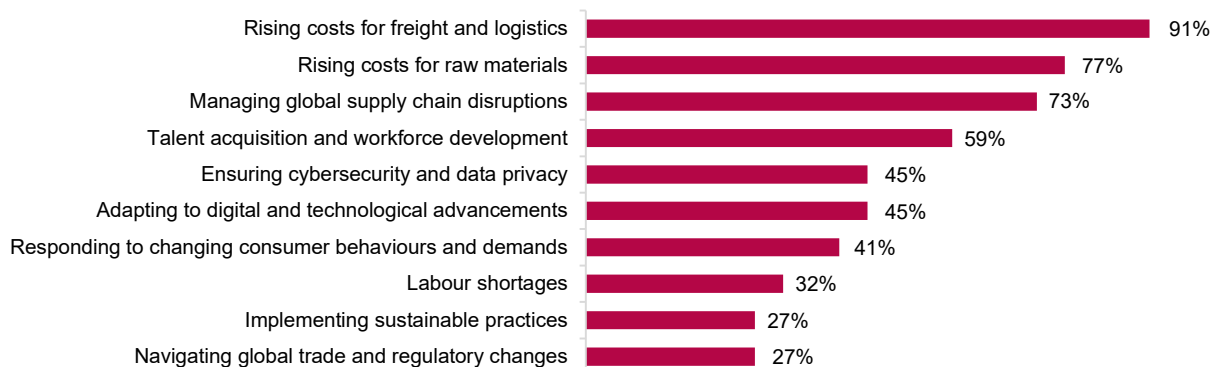
Rising logistics and raw material costs remain the top two issues facing the FMCG industry.

Workplace & Cost Challenges

How would you rate your organisation's level of concern, readiness, and importance regarding workplace issues?

High ● Medium ● Low

Workplace diversity
- Importance
- Readiness
- Concern

Labour costs
- Importance
- Readiness
- Concern

Talent shortages
- Importance
- Readiness
- Concern

Aging of the workforce
- Importance
- Readiness
- Concern

Outsourcing performance
- Importance
- Readiness
- Concern

Casualisation of labour
- Importance
- Readiness
- Concern

What do you perceive as the most significant issues/challenges facing FMCG organisations in their supply chains going into 2025?

Challenge	%
Rising costs for freight and logistics	91%
Rising costs for raw materials	77%
Managing global supply chain disruptions	73%
Talent acquisition and workforce development	59%
Ensuring cybersecurity and data privacy	45%
Adapting to digital and technological advancements	45%
Responding to changing consumer behaviours and demands	41%
Labour shortages	32%
Implementing sustainable practices	27%
Navigating global trade and regulatory changes	27%

Argon&Co*

AUSTRALIAN
FOOD & GROCERY
COUNCIL

1. Supply Chain Strategy & Investment

Key Observations

▶ **Environmental challenges** had the lowest level of readiness relative to their importance and concern levels.

Evaluate the readiness, importance, and concern of your supply chain in addressing ESG (Environmental, Social, and Governance) challenges.

● High   ● Medium   ● Low

ENVIRONMENTAL

▶ How a company safeguards the environment, including corporate policies addressing climate change.

e.g. climate change and emissions, natural resources and biodiversity, pollution and waste.

SOCIAL

▶ How the company manages relationships with employees, suppliers, customers, and the communities where it operates.

e.g. human rights, labour standards, community impacts.

GOVERNANCE

▶ Company's leadership, executive pay, audits, internal controls, and shareholder rights.

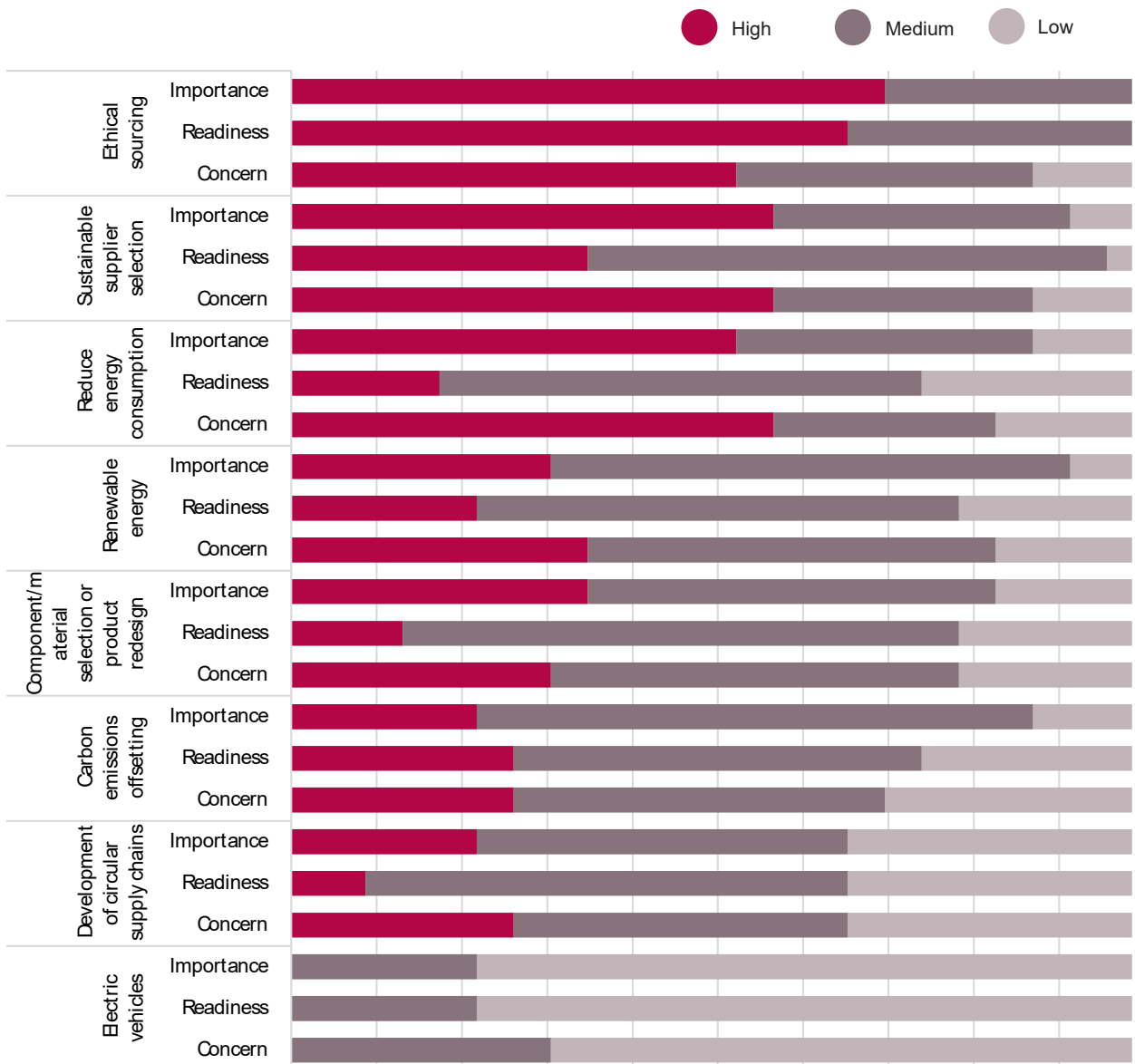e.g. corruption, internal controls, diversity and discrimination.

Argon&Co*

AUSTRALIAN
FOOD &
GROCERY
COUNCIL
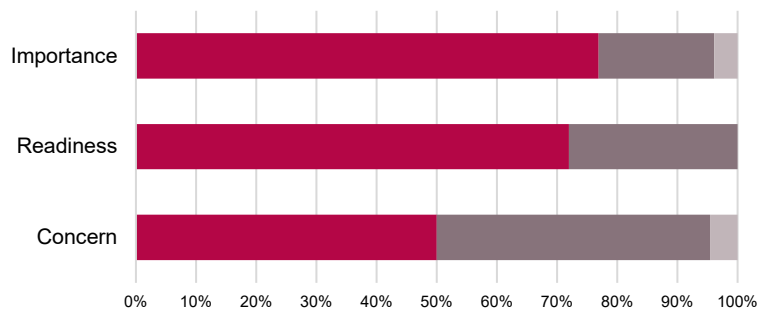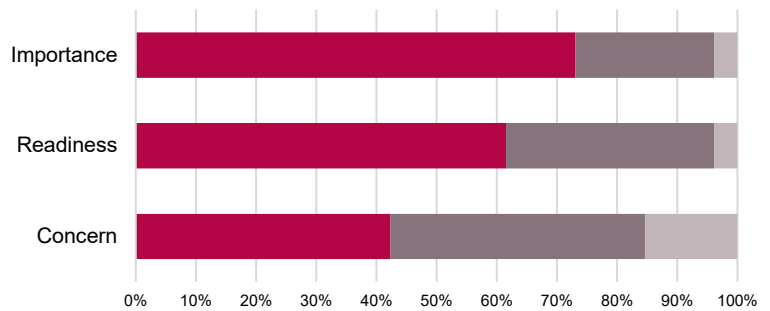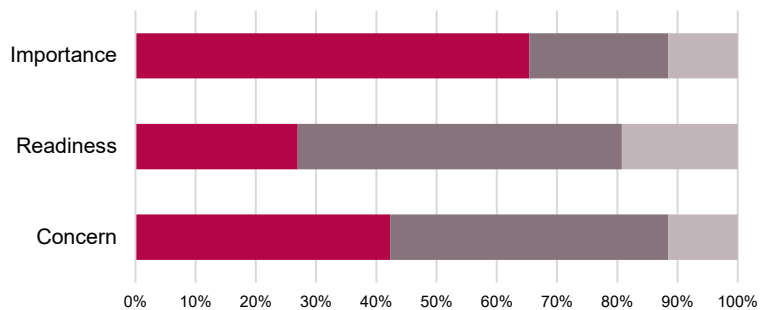
1. Supply Chain Strategy & Investment

Key Observations

▶ **Ethical Sourcing, Sustainable Supplier Selection & Reduced Energy Consumption** were rated the most important sustainability strategies to be implemented with the highest level of concern.

Evaluate the concern, readiness and importance of the following sustainability strategies being implemented in your supply chain.

● High ● Medium ● Low

Category	Metric
Ethical sourcing	Importance
	Readiness
	Concern
Sustainable supplier selection	Importance
	Readiness
	Concern
Reduce energy consumption	Importance
	Readiness
	Concern
Renewable energy	Importance
	Readiness
	Concern
Component/material selection or product redesign	Importance
	Readiness
	Concern
Carbon emissions offsetting	Importance
	Readiness
	Concern
Development of circular supply chains	Importance
	Readiness
	Concern
Electric vehicles	Importance
	Readiness
	Concern

Argon&Co*

AUSTRALIAN **FOOD & GROCERY** COUNCIL

1. Supply Chain Strategy & Investment

Key Observations

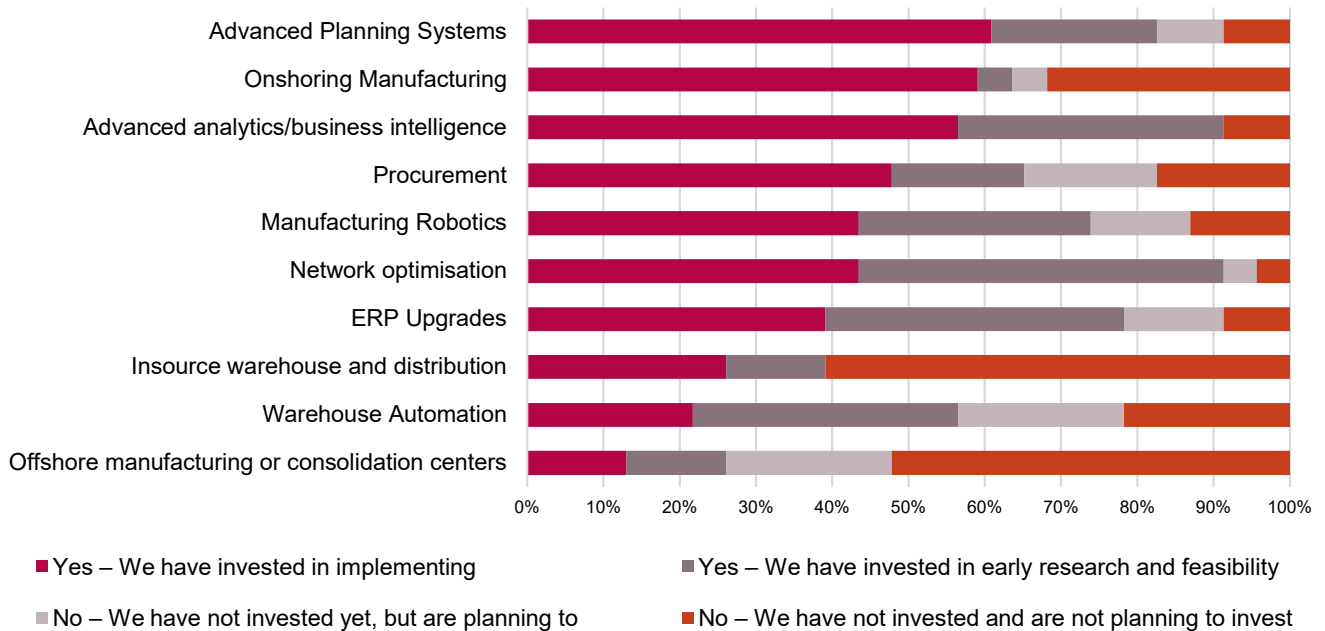# 61%

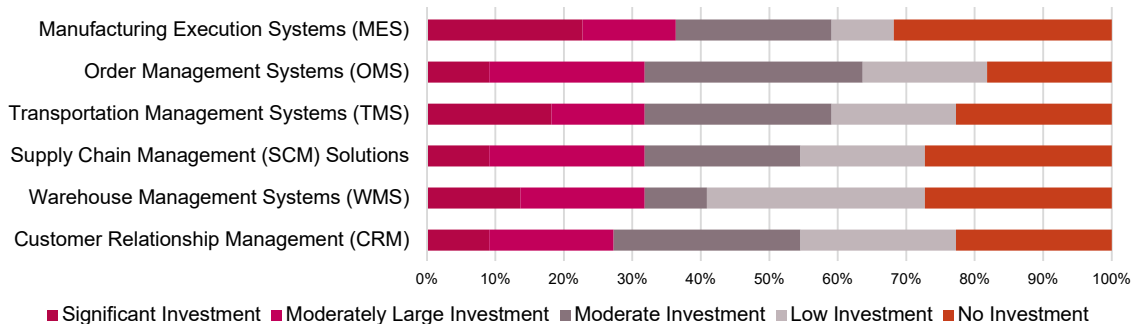of respondent's have invested in advanced planning systems for implementation over the next three years.

ERPs and advanced planning systems are the top planned technology investments over the next three years.

Which of the following areas in your supply chain are you currently investing in or planning to invest in over the next three years?

- Advanced Planning Systems
- Onshoring Manufacturing
- Advanced analytics/business intelligence
- Procurement
- Manufacturing Robotics
- Network optimisation
- ERP Upgrades
- Insource warehouse and distribution
- Warehouse Automation
- Offshore manufacturing or consolidation centers

0% 10% 20% 30% 40% 50% 60% 70% 80% 90% 100%

- Yes – We have invested in implementing
- Yes – We have invested in early research and feasibility
- No – We have not invested yet, but are planning to
- No – We have not invested and are not planning to invest

For each of the following supply chain systems or technological solutions, please indicate the level of investment your company is planning to make in the next three years.
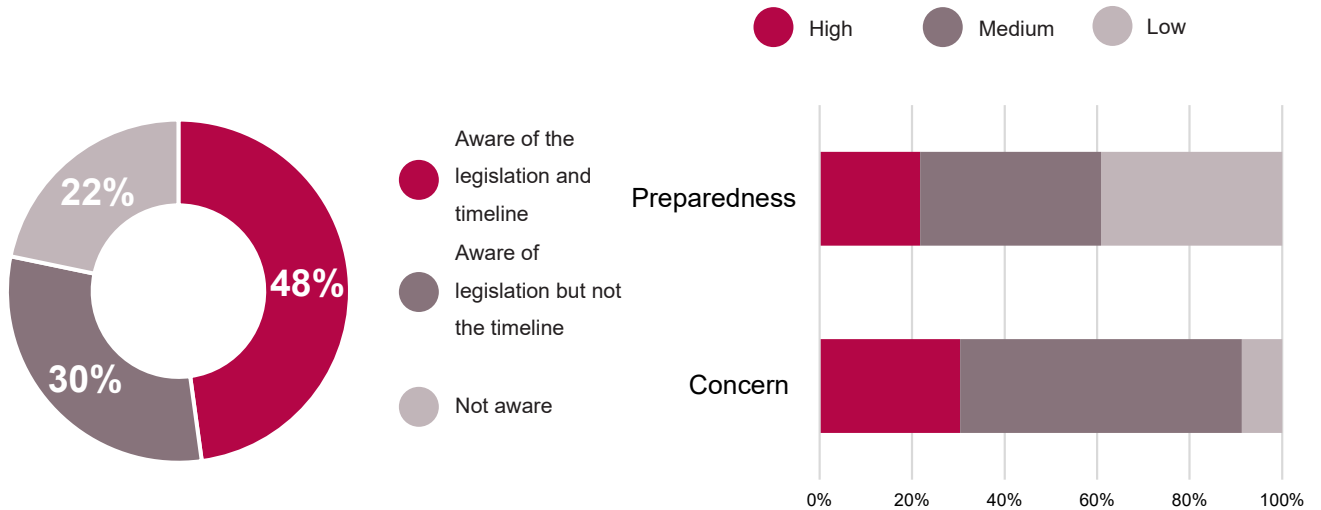

- Manufacturing Execution Systems (MES)
- Order Management Systems (OMS)
- Transportation Management Systems (TMS)
- Supply Chain Management (SCM) Solutions
- Warehouse Management Systems (WMS)
- Customer Relationship Management (CRM)

0% 10% 20% 30% 40% 50% 60% 70% 80% 90% 100%

- Significant Investment
- Moderately Large Investment
- Moderate Investment
- Low Investment
- No Investment

Argon&Co*

AUSTRALIAN FOOD & GROCERY COUNCIL

1. Supply Chain Strategy & Investment

Key Observations

► The most researched and invested-in technologies are manufacturing robotics, machine learning, and warehouse automation.

Which technology solutions are you currently investing in or planning to invest in over the next three years?
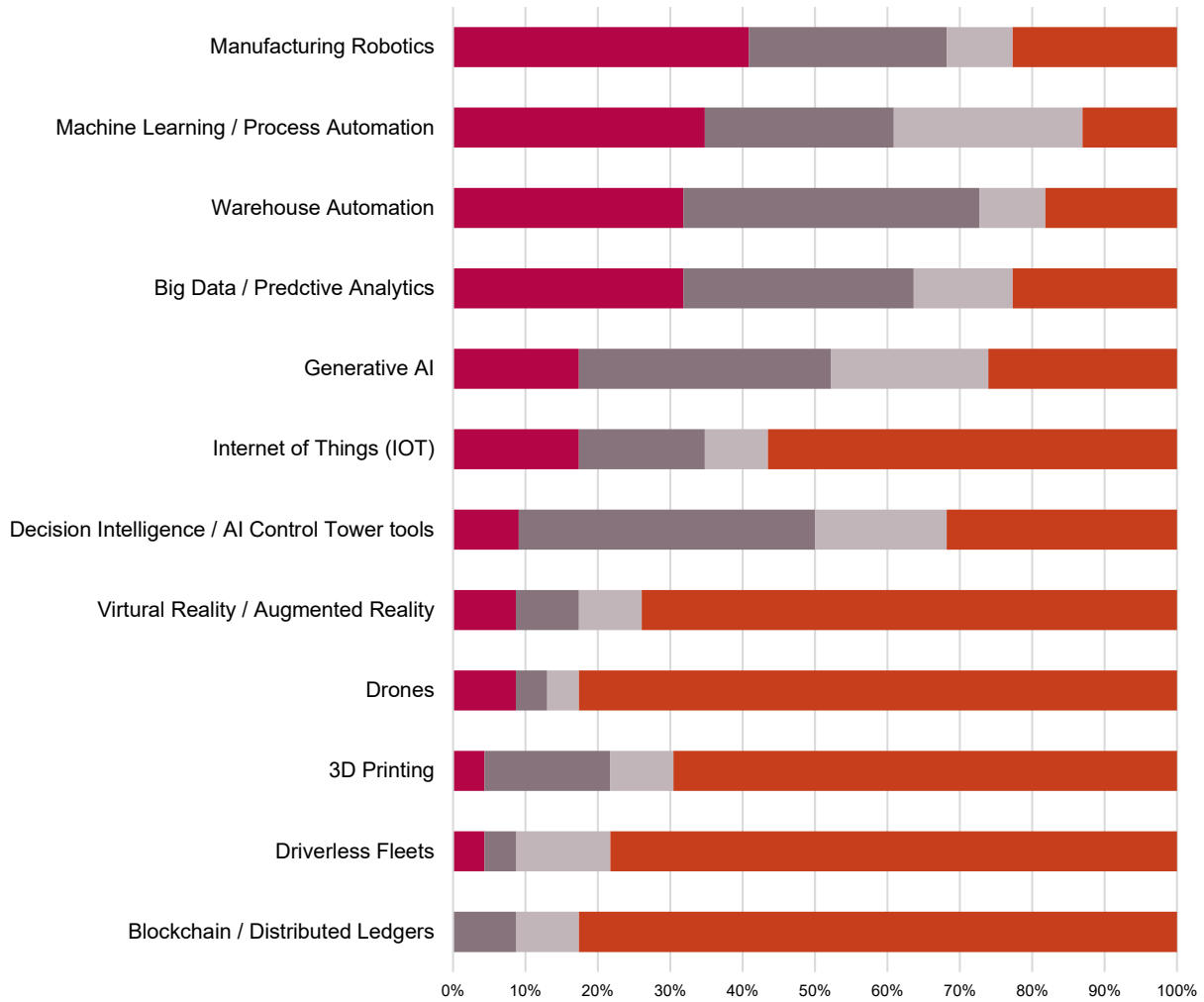
- ■ Yes – We have invested in implementing
- ■ Yes – We have invested in early research and feasibility
- ■ No – We have not invested yet, but are planning to
- ■ No – We have not invested and are not planning to invest

Argon&Co*

AUSTRALIAN
FOOD & GROCERY
COUNCIL

1. Supply Chain Strategy & Investment

Key Observations

► Over 50% of respondents were unaware of proposed climate-related financial disclosure legislation and its timeline.

► 40% of respondents admitted to having a low level of preparedness for these regulations.

Enhancing supply chain resilience was identified as the biggest opportunity for the AFGC to pursue.

Are you aware with the proposed legislation regarding climate-related financial disclosure and its timelines and how concerned and prepared are you to meet the reporting requirements for the proposed climate-related financial disclosure legislation?

- High
- Medium
- Low

Donut chart:
- 48% — Aware of the legislation and timeline
- 30% — Aware of legislation but not the timeline
- 22% — Not aware

Bar chart: Preparedness, Concern

What do you consider to be the most significant opportunities for enhancing the function of the supply chain in the FMCG industry, which the AFGC could pursue on behalf of its members?

- Enhancing supply chain resilience
- Embracing digital transformation
- Innovation in logistics and distribution
- Sustainability initiatives
- Collaboration and partnership building
- Local sourcing and supply chain shortening
- Investing in workforce development
- Cybersecurity enhancements
- Circular economy models

Argon&Co*

AUSTRALIAN
FOOD &
GROCERY
COUNCIL

Section 2
Organisation Resilience & Risk Management

This section assesses current supply chain risks and how well organisations are prepared to manage them

Argon&Co*

AUSTRALIAN
**FOOD &
GROCERY**
COUNCIL

# 2. Organisation Resilience & Risk Management

This section assesses current supply chain risks and how well organisations are prepared to manage them.
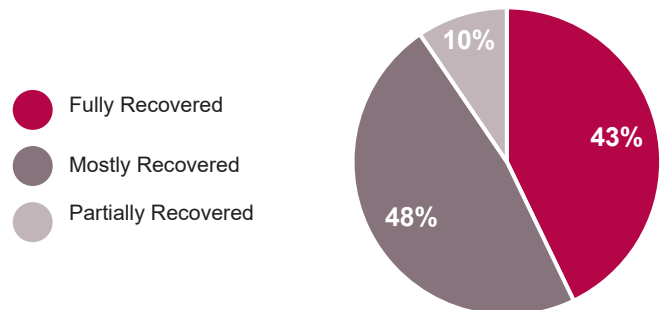
Key Observations

► 79% of supply chains experienced moderate to large-scale disruptions, with international shipping delays called out by 68% of respondents.

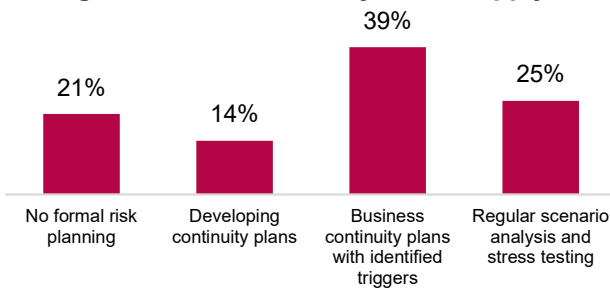90% reported mostly or fully recovering from COVID-19 related disruptions.

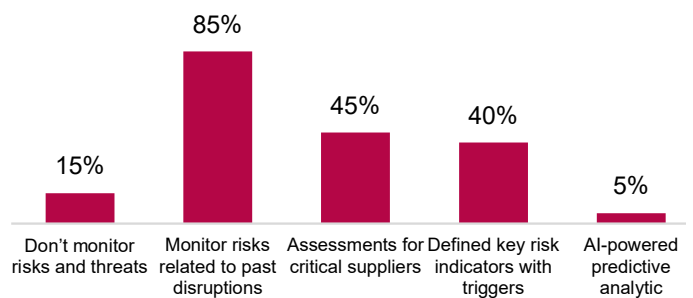## To what extent are supply chain disruptions impacting your company?

- Large Scale Impact
- Moderately Large Impacts
- Moderately Impacts
- Minor Impact

11%
21%
26%
42%
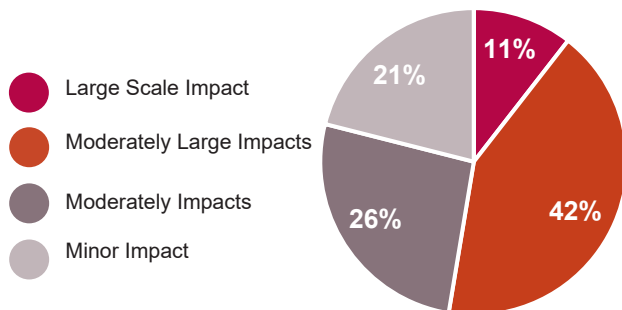
To what level has your business recovered from COVID?

- Fully Recovered
- Mostly Recovered
- Partially Recovered

10%
43%
48%

Does your company employ business continuity planning and/or scenario analysis for supply chain?

21% — No formal risk planning
14% — Developing continuity plans
39% — Business continuity plans with identified triggers
25% — Regular scenario analysis and stress testing

Managing global supply chain disruptions

15% — Don't monitor risks and threats
85% — Monitor risks related to past disruptions
45% — Assessments for critical suppliers
40% — Defined key risk indicators with triggers
5% — AI-powered predictive analytic

21%

of companies have **no formal risk planning or scenario analysis** for supply chain disruptions, and another 14% are still developing these.

<50%

of organisations have a proactive risk monitoring process, with most organisations relying on monitoring risks based on past disruptions or warnings highlighted by governments or in the media.
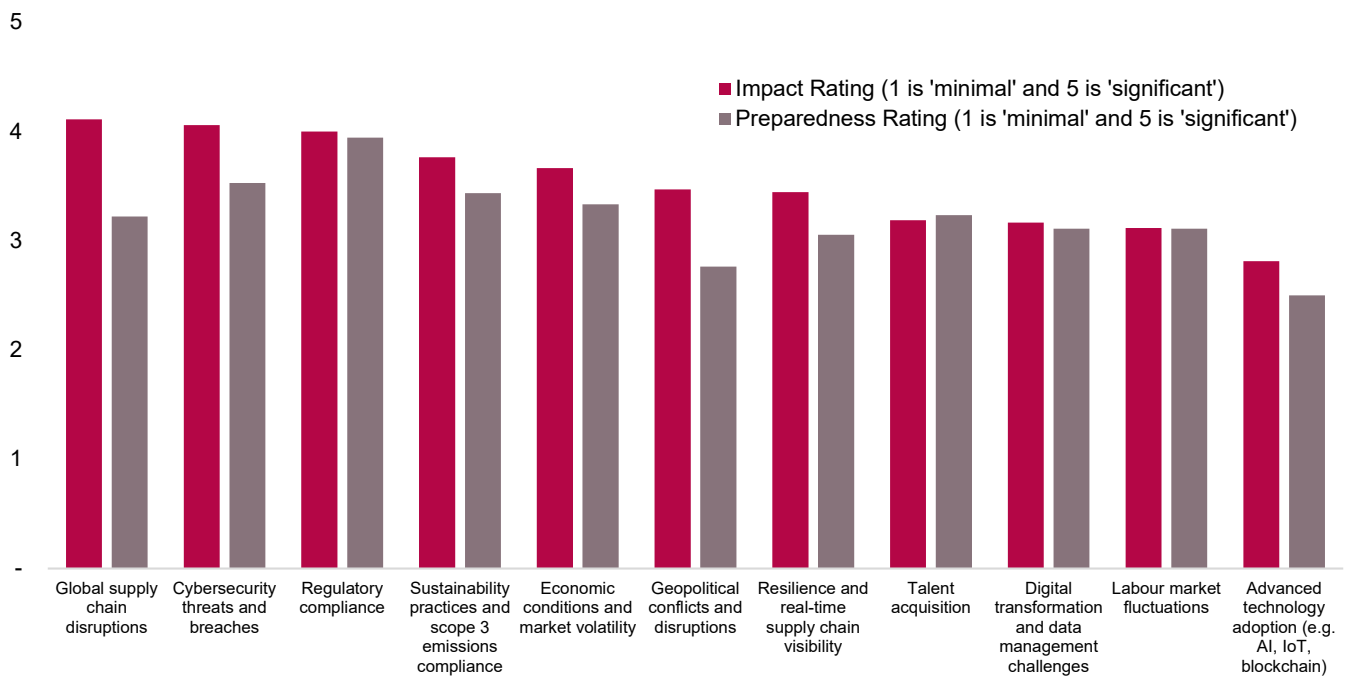
Argon&Co*

AUSTRALIAN
FOOD & GROCERY
COUNCIL

2. Organisation Resilience & Risk Management

Key Observations

▶ Most impactful challenges for the next three years:
Global supply chain disruptions
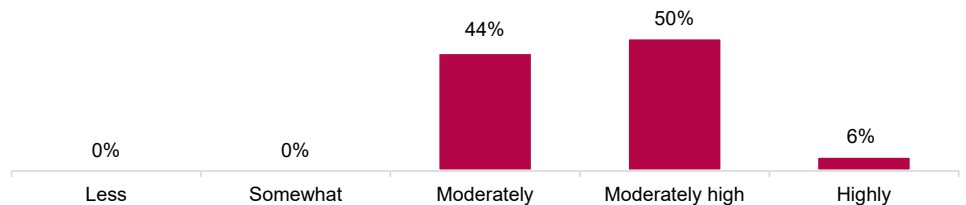**Cybersecurity threats**
Regulatory compliance

Top challenges with lowest preparedness relative to their impact:
Global supply chain disruptions
Cybersecurity threats
Geopolitical conflicts

Rate the following risks in terms of their potential impact on your organisation over the next three years and evaluate your organisations preparedness to handle these risks.

■ Impact Rating (1 is 'minimal' and 5 is 'significant')
■ Preparedness Rating (1 is 'minimal' and 5 is 'significant')

How resilient or prepared do you believe your organisation is to future supply chain disruptions?

94% of organisations felt moderately to highly prepared for future challenges, despite relatively low preparedness for external disruptions.

Less	Somewhat	Moderately	Moderately high	Highly
0%	0%	44%	50%	6%

Argon&Co*

AUSTRALIAN FOOD & GROCERY COUNCIL

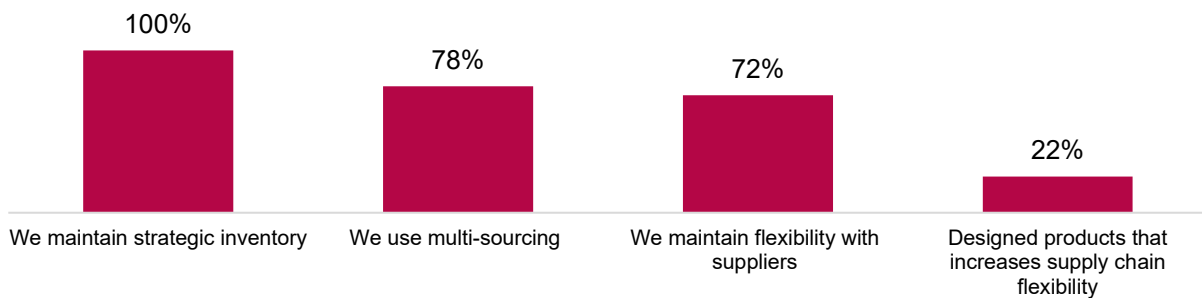# 2. Organisation Resilience & Risk Management

Key Observations

100%
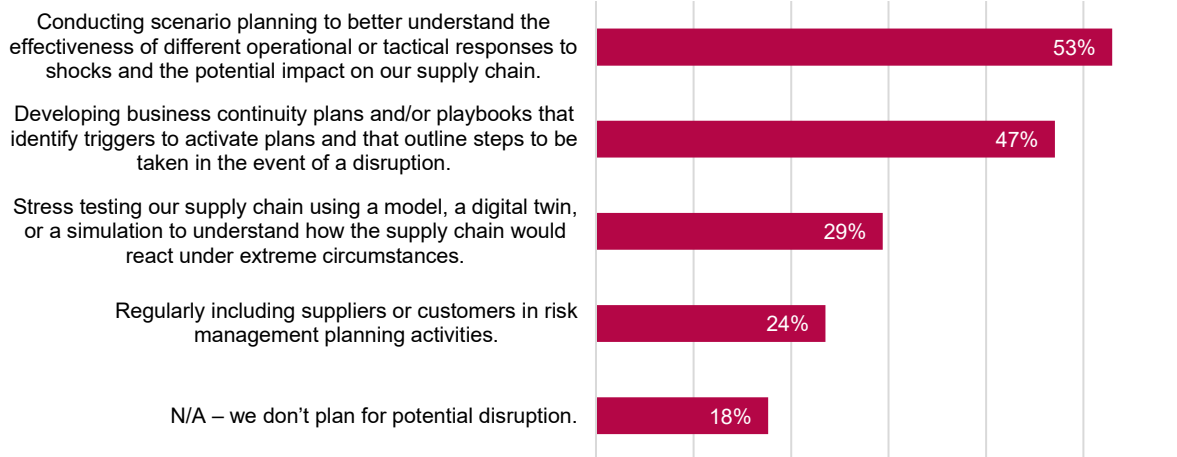of organisations maintain strategic inventory to mitigate potential disruptions and 78% use multi-sourcing.

~50%
of organisations conduct scenario planning to better understand the effectiveness of different responses to potential supply chain impacts.
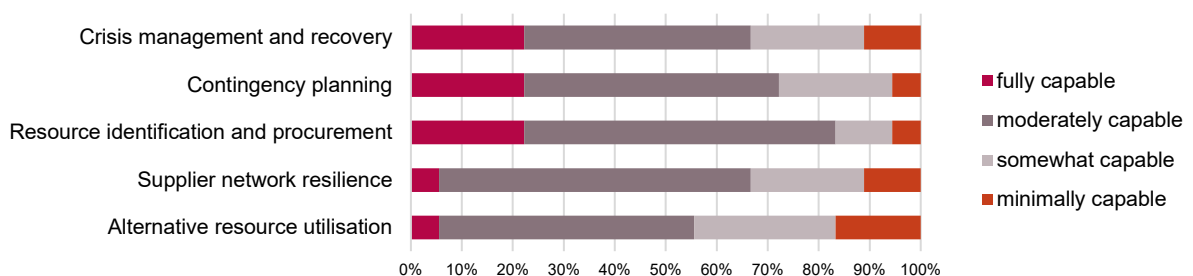
What initiatives or activities is your organisation undertaking to mitigate potential disruptions?

Initiative	Percentage
We maintain strategic inventory	100%
We use multi-sourcing	78%
We maintain flexibility with suppliers	72%
Designed products that increases supply chain flexibility	22%

How does your company plan for potential disruptions?

Plan	Percentage
Conducting scenario planning to better understand the effectiveness of different operational or tactical responses to shocks and the potential impact on our supply chain.	53%
Developing business continuity plans and/or playbooks that identify triggers to activate plans and that outline steps to be taken in the event of a disruption.	47%
Stress testing our supply chain using a model, a digital twin, or a simulation to understand how the supply chain would react under extreme circumstances.	29%
Regularly including suppliers or customers in risk management planning activities.	24%
N/A – we don't plan for potential disruption.	18%

How resilient or prepared do you believe your organisation is to future supply chain disruptions?

- Crisis management and recovery
- Contingency planning
- Resource identification and procurement
- Supplier network resilience
- Alternative resource utilisation

Legend:
- fully capable
- moderately capable
- somewhat capable
- minimally capable

Argon&Co*

AUSTRALIAN FOOD & GROCERY COUNCIL

Section 3
Industry Capability & Enablers

This section explores emerging capabilities in supply chain processes

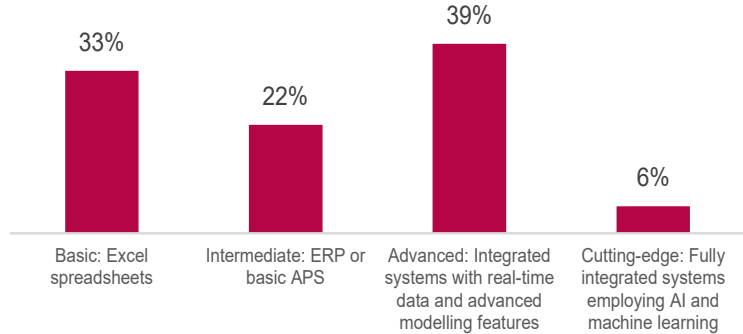# 3. Industry Capability & Enablers

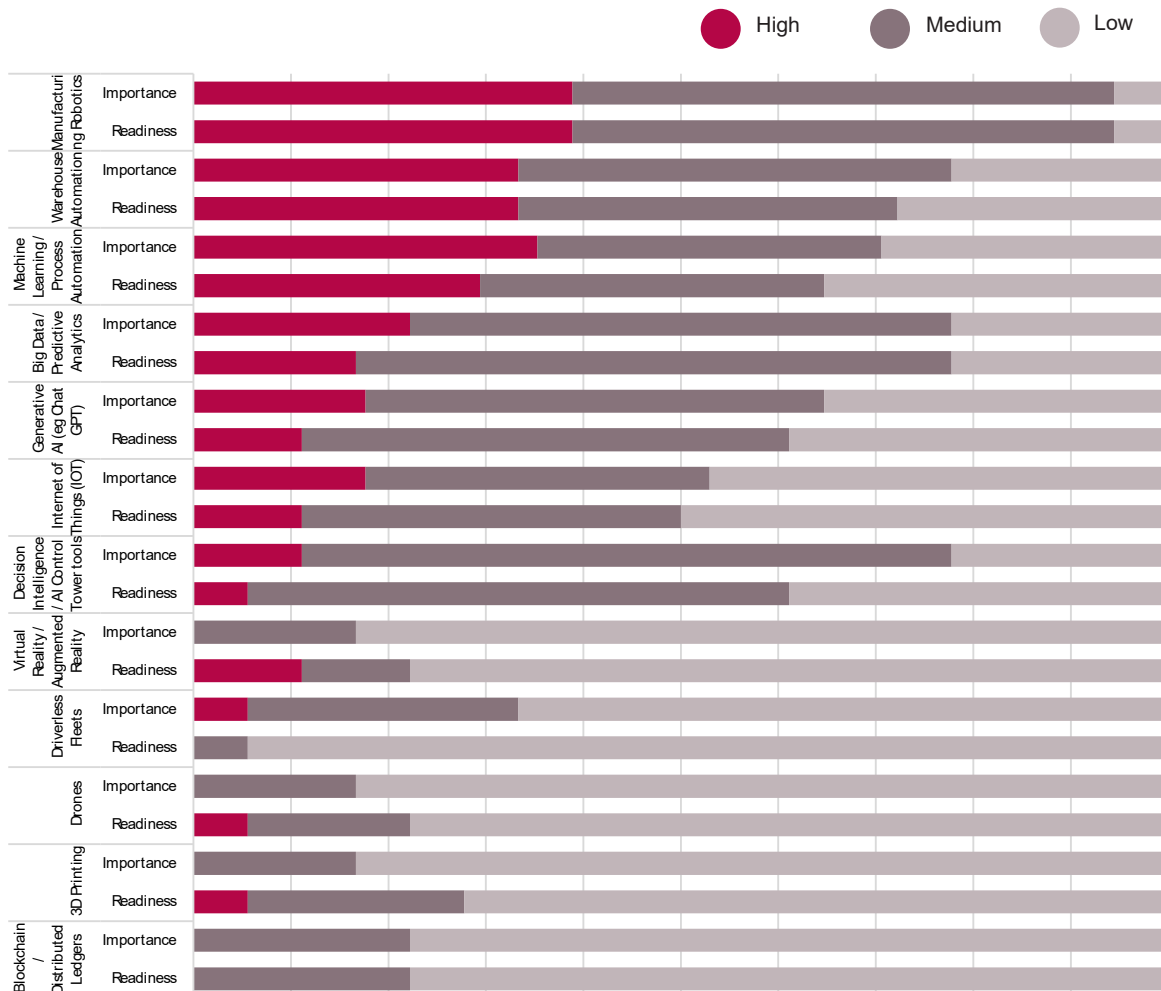This section explores emerging capabilities in supply chain processes.

Key Observations

▶ **55% of organisations are leveraging unsophisticated systems in the planning space.**

▶ **Organisations are less ready to utilise Machine Learning & AI compared to their ranked level of importance.**

Assess the level of sophistication of your supply chain planning tools and methods

Category	Value
Basic: Excel spreadsheets	33%
Intermediate: ERP or basic APS	22%
Advanced: Integrated systems with real-time data and advanced modelling features	39%
Cutting-edge: Fully integrated systems employing AI and machine learning	6%

Evaluate the readiness and importance of each emerging technology on your supply chain.

Legend: High ● Medium ● Low ●

Chart categories (Importance / Readiness for each):
- Warehouse/Manufacturing Robotics
- Warehouse Automation / Automation
- Machine Learning / Process Automation
- Big Data / Predictive Analytics
- Generative AI (eg Chat GPT)
- Internet of Things (IOT)
- Decision Intelligence / AI Control Tower tools
- Virtual Reality / Augmented Reality
- Driverless Fleets
- Drones
- 3D Printing
- Blockchain / Distributed Ledgers

Argon&Co*

AUSTRALIAN FOOD & GROCERY COUNCIL

3. Industry Capability & Enablers

Key Observations

61%

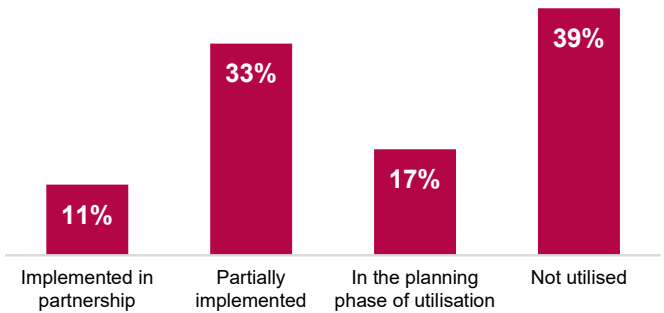of organisations have implemented to some extent or are planning to implement AI.

93%

of respondents are looking to deploy AI within their supply chains.

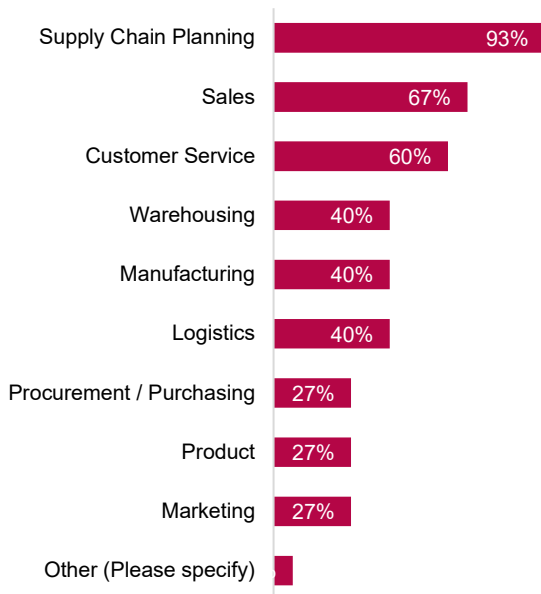Barriers to AI adoption include: system integration, staff skill gaps, and high investment costs.
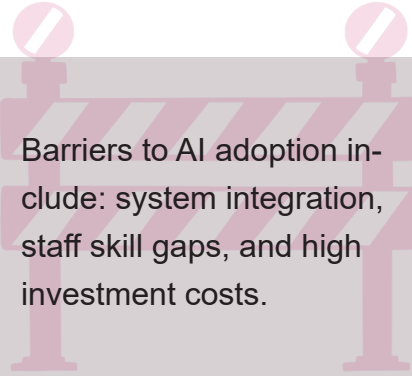
What is the current state of AI and Data Science implementation in your supply chain?

▶ AI investment is growing across all companies with different revenue profiles.

Category	Value
Implemented in partnership	11%
Partially implemented	33%
In the planning phase of utilisation	17%
Not utilised	39%

In which areas of your supply chain are you planning to deploy or implement AI technologies?

Area	Value
Supply Chain Planning	93%
Sales	67%
Customer Service	60%
Warehousing	40%
Manufacturing	40%
Logistics	40%
Procurement / Purchasing	27%
Product	27%
Marketing	27%
Other (Please specify)	

What challenges are you facing in implementing automation and AI in your supply chain?

Challenge	Value
Integration with existing systems	26%
Staff Skill Gaps	24%
High Investment Costs	23%
Data Security Concerns	18%
Resistance to Change	15%
Other	10%

Argon&Co*

AUSTRALIAN
FOOD &
GROCERY
COUNCIL
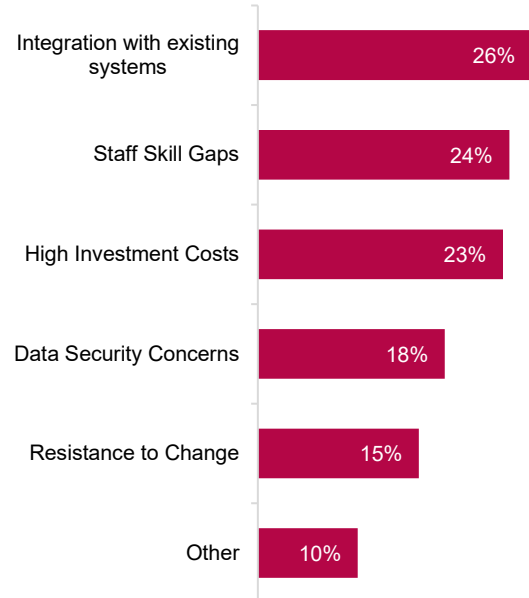
3. Industry Capability & Enablers

Key Observations

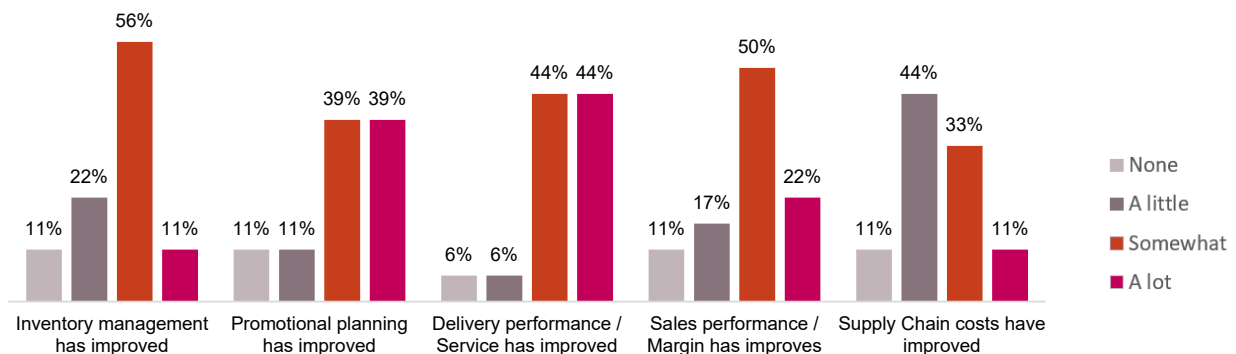► Customer forecasts, price sensitivity & consumer behaviour were the top three drivers to forecast variability.

88%

of organisations have improved delivery performance through retailer collaboration. However, only 44% saw improvements in supply chain costs.

What are the key drivers of variability or challenges you face when you are forecasting in your supply chain planning function?

Driver	%
Customer Forecasts	77%
Price Sensitivity	72%
Consumer Behaviour	67%
Increased Competition	51%
Poor or inappropriate data	48%
Multichannels	44%
Economic Uncertainty	43%
Cannibalisation	42%
Growing Product Portfolio	41%
Geopolitical instability	37%
Weather	34%
Shortening product lifecycles	32%
Availability of logistics provider	32%
Shortening product lifecycles	29%
COVID	18%

How much benefit you have gained from your current formal collaboration process with the major retailers?

	None	A little	Somewhat	A lot
Inventory management has improved	11%	22%	56%	11%
Promotional planning has improved	11%	11%	39%	39%
Delivery performance / Service has improved	6%	6%	44%	44%
Sales performance / Margin has improves	11%	17%	50%	22%
Supply Chain costs have improved	11%	44%	33%	11%

Argon&Co*

AUSTRALIAN **FOOD & GROCERY** COUNCIL

Section 4
Delivery Execution

This section identifies trends and key focus areas in customer delivery execution

Argon&Co*

AUSTRALIAN
**FOOD &
GROCERY**
COUNCIL

4. Delivery Execution

This section identifies trends and key focus areas in customer delivery execution.

Key Observations

94%

was the average service level with major retailers over the last year.

Has the service level with major retailers improved or declined over the past year?

- 11%
- 17%
- 72%

- ● Improved
- ● Stayed the same
- ● Declined
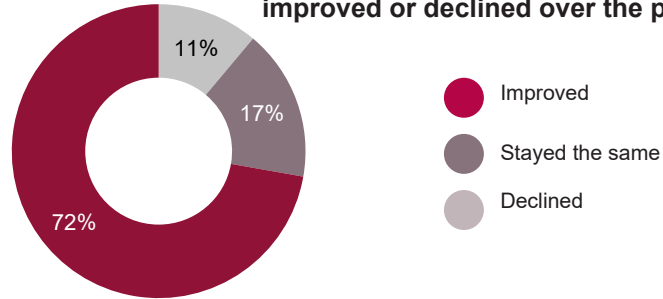
What are the top supply chain initiatives you want to maintain or advance with the major retailers?

The top initiatives respondents want to advance with major retailers are: collaborative forecasting, joint business planning, and promotional planning.

Collaborative forecast
Joint business plan
Promotional planning
DIFOT
Pallet efficiency
Logistics efficiency
Sustainability
DC automation
Transport option
Non conformance
Other

0% 2% 4% 6% 8% 10% 12% 14% 16%
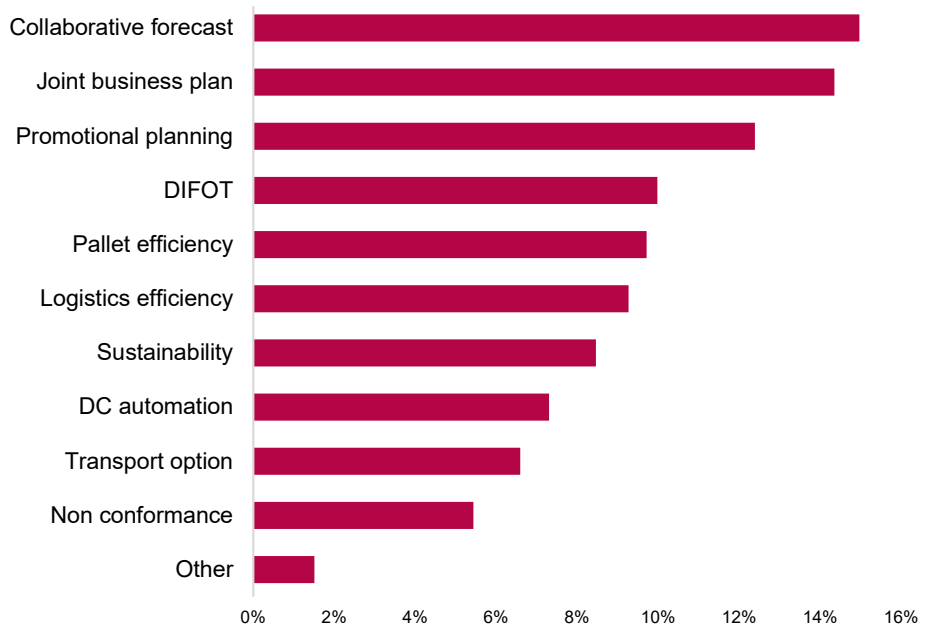
Of those companies that use Primary Connect / Coles Collect, over the next year do you anticipate the use of to increase, decrease, or remain the same?

33% of respondents are planning to **increase** their use of Primary Connect / Coles Collect over the next year.

Stay the same — 60%
Increase — 33%
Decrease — 7%

Argon&Co*

AUSTRALIAN
**FOOD &
GROCERY**
COUNCIL

4. Delivery Execution

Key Observations

100%
of organisations dentified diverging delivery standards as an issue of medium to high importance.

Minimum life on receipt (MLOR) requirements were the biggest concern regarding diverging standards, followed by automation and stock rotation.

Pallet condition/quality & pallet labelling/wrapping were the most common areas of non-conformance, with most organisations addressing compliance through regular reviews and updates.

Evaluate the readiness, importance, and concern in your organisation when it comes to adapting to the diverging delivery standards in the industry?

Legend: High, Medium, Low
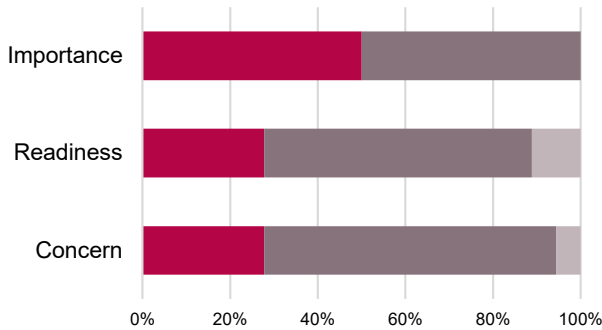
Please rank in order of importance the areas of greatest concern regarding diverging standards for your business.
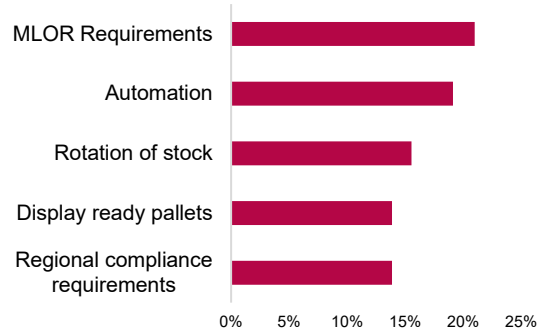
How do you ensure compliance with delivery requirements of major retailers like Coles and Woolworths?

- Dedicated compliance team — 11%
- Regular reviews and updates — 83%
- Automated compliance systems — 22%
- Occasional challenges — 39%
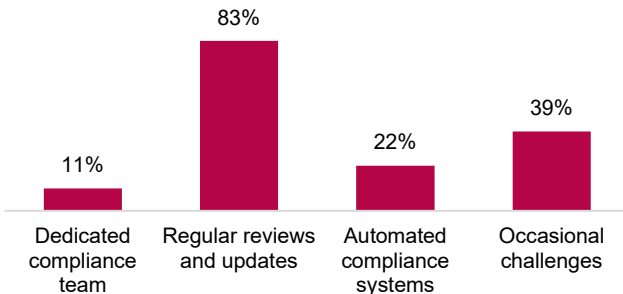
Which non-conformance areas are we receiving the most attention from Retailers?

Pallet condition/quality
Pallet labelling/wrapping
Quality
DIFOT
Temperature and labels

What is your organisation's awareness, readiness, and concern level for transitioning to GS1 2D barcodes?

While no organisation is fully ready, 69% are either partially prepared or in the planning stages for transitioning to 2D barcodes.

- Not ready — 31%
- Partially ready — 31%
- In planning stages — 38%
- Full ready — 0%

Argon&Co*

AUSTRALIAN **FOOD & GROCERY** COUNCIL
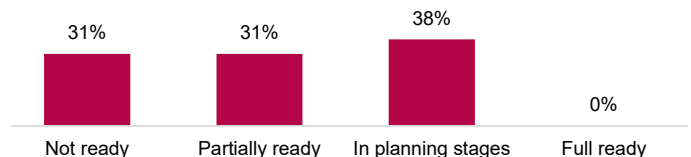
About the Authors

Argon & Co is a global management consultancy that specialises in operations strategy and transformation. With expertise spanning supply chain planning, manufacturing, logistics, procurement, finance, and shared services, we work together with clients to transform their businesses and enerate real change. Our people are engaging to work with and trusted by clients to get the job done. We have 19 offices across Europe, Australasia, America, Asia and the Middle East.

Argon & Co's relationship with the AFGC is one that we deeply value, and we are proud to be the major sponsor of the annual AFGC conference: Food & Grocery Australia. This event is a testament to our ongoing partnership, which reinforces our commitment to the FMCG and Food & Beverage sectors. Together, we aim to drive innovation and create lasting value and real change for the industry.

Dan Knox is currently an Associate Partner at Argon & Co, based out of their Melbourne office. Dan has over 20 years' experience in supplychain planning and transformation engagements with a focus on food and beverage industries and is also proud to have been involved with the AFGC for over 10 years.

Nicholas Camilo is a third year Mechanical and Mechatronics student working as an Intralogistics Consultant at Argon & Co, based out of their Sydney office. Although having minimal experience in supply chain planning and transformation, he is willing to absorb as much information possible to further his success in the industry.

Frans Verheij is a Partner at Argon & Co based out of their Melbourne office. He leads the Food & Beverage and consumer goods industry groups and has over thirty years consulting and line management experience in the food & beverage, consumer goods, life science and retail industries with extended global work experience in Europe, United States, Asia, Middle East, Australia and New Zealand.

Argon&Co*

AUSTRALIAN FOOD & GROCERY COUNCIL