



PROCUREMENT BULLETIN

July 2016 Issue

In this issue of Premium Procurement Bulletin...

- [Case Study] Lego Starts R&D for Plant Based Materials
- USDA Targets Better Food Safety Training and Rules for Organic Farming
- [Case Study] Costco Improves Organic Offerings by Helping Farmers
- Challenges of Fast Food Delivery Service

[Case Study] Lego Starts R&D for Plant Based Materials

For over 50 years, Lego has been selling building blocks made from oil-based plastic. The company recently decided to research green materials that could be used to build the bricks instead. By 2030, the Danish toy company aims to eliminate oil-based plastic from its production line.

Situation: Lego Group Aims to Reduce Its Environmental Footprint

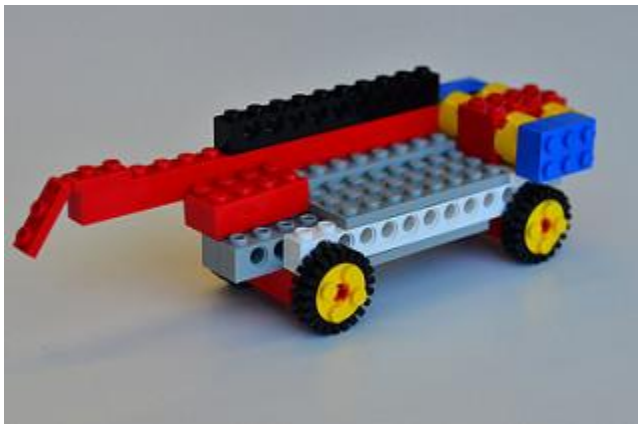


Image via [Flickr](#) by sayamindu

Like many other companies, Lego Group continually looks for ways to improve efficiency and its environmental footprint. That's why the company announced it would research new materials for its popular Lego bricks. This is not an easy task because it means reinventing a product that has sold well for several decades.

Press officer for Lego Group, [Roar Trangback](#), says, "You could say that it's a logical place for us to find a way of reducing our environmental footprint ... If you look at our CO2 footprint as a company, the majority of our impact comes from offscreen activities — basically what happens before we receive any raw materials in our factory."



PROCUREMENT BULLETIN

July 2016 Issue

Lego Group has several other environmental projects in place, such as wind farms to offset energy use at its factories. Three-quarters of its carbon footprint still comes from the extraction and refinement of oil for Lego toys, though.

Approach: Lego Researches Plant-Based Material Alternatives



Image via [Flickr](#) by jrphotoking

Lego set an ambitious goal to find a sustainable alternative to oil-based plastic by the year 2030. To reach this goal, the company must invest a significant amount of money in research. Lego Group plans to spend \$150 million on a new sustainable materials center and add 100 employees who will focus on finding new materials for Lego toys and packaging.

The goal is to make the plastic bricks look and feel exactly like the current oil-based bricks. Senior Director of Environmental Sustainability at Lego Group, [Tim Guy Brooks](#), states, "The ultimate prize would be for us not to notice one brick from the other."

It's likely that the bricks will still be made from some form of plastic, just not oil-based plastic. Lego Group continues to examine every possibility, as it wants to settle on a plant-based recyclable material. The company isn't currently interested in using recycled materials because it can't be sure which materials and ingredients most recycled plastics include.

PROCUREMENT BULLETIN

July 2016 Issue

Challenges and Impact



Image via [Flickr](#) by StockMonkeys.com

Another challenge is that oil prices have dropped significantly, and the current manufacturing practice for Lego bricks is cost-effective. Lego Group wants to come up with a new material for its bricks without increasing manufacturing costs.

Additionally, Lego bricks are currently made from strong materials that don't bend easily. Plant-based plastics aren't always as strong and could compromise the quality of Lego bricks.

Lego Group currently makes around 60 billion Lego bricks each year. The bricks are small, but that still adds up to a lot of oil-based plastic. Using a plant-based material would improve Lego Group's carbon footprint and sustainability significantly.

The company hopes to inspire other companies to move away from oil based plastic as well. It has already taken a substantial step that would scare most companies of Lego Group's scale.



PROCUREMENT BULLETIN

July 2016 Issue

USDA Targets Better Food Safety Training and Rules for Organic Farming

The U.S. Department of Agriculture (USDA) constantly seeks ways to protect consumers from bad food distribution and handling practices. Now the organization is focusing on the organic market, due to its increasing demand. The USDA aims to create stronger rules for organic farming and better food safety training across the industry.

2016 USDA Grants for Food Safety and Projects



Image via [Flickr](#) by rahego

In April 2016, the USDA announced grants totaling \$4.7 million through the Food Safety Outreach Program. These include food safety education and technical project assistance to small and mid-sized farms. The grants are administered by USDA's National Institute of Food and Agriculture (NIFA) and are designed to help these farms comply with new organic food safety regulations and guidelines from the Food Safety Modernization Act and the Food and Drug Administration.

Small farms have growing economic opportunities in the local food market because consumers would rather buy local, organic products. The USDA grants will help these farms acquire the tools they need to be successful. Agricultural Secretary [Tom Vilsack](#) states, "By supporting projects that offer tailored training, education, and technical assistance for producers and processors of local food, these grants will benefit producers, the entire food supply chain, and consumers."



PROCUREMENT BULLETIN

July 2016 Issue

2016 NIFA Food Safety Projects



Image via [Flickr](#) by USDAgov

The Food Safety Outreach Program grants will help fund infrastructure for better training through regional centers. Small farms will have access to customized training, and this training extends to food processors, fruit and vegetable wholesalers, farmers' markets, food hubs, and any farms that lack access to food safety training.

NIFA has funded three main programs, including pilot projects, community outreach projects, and multi-state education and training projects. Farms and eligible parties are able to apply to these programs, and a recorded webinar helps applicants with the process. Any farm or food producer with safety or training needs can apply for assistance from the USDA.

Stricter Rules for Organic Farming



Image via [Flickr](#) by storebukkebruse



PROCUREMENT BULLETIN

July 2016 Issue

One major reason for the Food Safety Outreach Program is that the USDA introduced new rules for organic farming in April 2016. Small farms need the most help adjusting and complying to the new rules because they don't always have the money to invest in new training and practices. The new USDA regulations address requirements for animals' space, along with rearing and growing practices for both crops and animals.

Consumer demand for organic food has risen dramatically over the past five years. Until this time, federal standards for producers were broad. With the organic food market reaching nearly \$40 billion, it was time for the USDA to step in and set stricter regulations to keep consumers safe. Deputy Administrator of USDA's Organic Program, [Miles McEvoy](#), explains that the new rules for organic processes better align with consumer expectations.

Change is always challenging, especially for farms and food producers that don't have additional financial resources to comply with new regulations. That's why the USDA has developed a program to support farmers in local markets. The organic food supply chain as a whole will benefit from the program and successfully meet consumers' needs.

PROCUREMENT BULLETIN

July 2016 Issue

Fresh Challenges of Fast Food Delivery Service

Several courier services, such as Uber, Postmates, and Door Dash, have tried to capitalize on the growing fast food delivery industry. However, these services continue to encounter numerous challenges, such as getting authorization to deliver food, ensuring the food is handled properly, and protecting customers from theft and mishandled food. Take a closer look at these pervasive issues.

Challenge 1: Food Delivery Authorization



Image via [Flickr](#) by el rolío

One of the biggest challenges of third-party food delivery companies is getting authorization to make deliveries from fast food companies. Postmates, the leading food delivery company in the U.S. seeks out authorization from fast food companies, but not in all cases. For instance, [Postmates has landed contracts](#) with Starbucks, Chipotle, and many other major fast food companies, but it still delivers food from any fast food restaurant that a customer requests.

[In-N-Out Burger recently sued Door Dash](#) for delivering food without authorization. In the lawsuit, In-N-Out Burger states that Door Dash has infringed on its trademark because of a false designation of origin. In addition, Door Dash has used In-N-Out's logo on the Door Dash website without the company's consent. These are not the only grievances that In-N-Out Burger wants

PROCUREMENT BULLETIN

July 2016 Issue

Door Dash to resolve. For instance, In-N-Out has no control over how long the delivery takes, which can affect the quality of its products. Other fast food companies have similar complaints.

Challenge 2: Proper Food Handling



Image via [Flickr](#) by oneilkwangwanh

Delivering food to customers' homes is not a new idea. Pizza restaurants have been doing it for years. However, the idea of a third-party delivery services brings different factors into play and raises alarms. One of the biggest issues is that delivery drivers could mishandle food because of a lack of training.

Only some food delivery companies have measures in place to ensure that their drivers handle food properly. Delivery drivers don't prepare food and therefore don't need a food handling permit by law. However, the lack of training leaves many customers and fast food companies concerned. That's why some fast food companies have decided to handle delivery in-house to ensure proper training and retain control over delivery times. For instance, last year [Burger King announced](#) that it would begin testing home delivery to select areas.

Challenge 3: Protecting Customers from Theft

Fast food companies also worry about customer theft when third-party delivery services are used. For instance, fast food don't typically have a way to track delivered by third-party services. That means if a customer has a delivery-related complaint, there's no process in place for confirming the order or handling the problem. Fast food companies may suffer from mishandled complaints and damaged reputations as a result.

Consumers' [demand for fast food delivery has risen steadily](#), so it doesn't appear as though third-party delivery services will disappear anytime soon. This is especially true because many fast food companies don't have the financial resources to implement delivery on their own. In the future, government stipulations may require food safety or food handling training for drivers in order to regulate the industry.



PROCUREMENT BULLETIN

July 2016 Issue

Costco Improves Organic Offerings by Helping Farmers

One of the biggest reasons more farmers do not grow food organically is that they don't have the resources to implement organic practices. Costco knows that its customers want organic food, so the company has developed a program to help its suppliers buy equipment and land to organically grow food. Costco aims to keep customers happy with several organic food options.

Situation: Costco's Customers Want Organic Food



Image via [Flickr](#) by JeepersMedia

Writing for Forbes, [Nancy Gagliardi](#) reports that consumers want healthy, organic food and they're willing to pay more for it. In fact, global sales of organic and other healthy foods are expected to reach \$1 trillion by 2017. Costco realizes that this is the case for its consumers, too. Costco already offers hundreds of organic food items, but it's hard for the wholesale giant to keep up with demand. That's why Costco has decided to find ways to help its suppliers deliver more organic foods to customers.

[Organic food is limited](#) in the market because suppliers must transition from conventional farming methods to organic farming methods. This is an expensive and time-consuming process that requires additional training. The demand for organic food is rising, but suppliers aren't transitioning fast enough. Many suppliers haven't even considered the possibility of going organic yet.

Approach: Costco Loans Money to Suppliers

Costco has helped Andrew and Williamson Fresh Produce buy 1,200 acres of land in Baja, Mexico, along with equipment to grow organic produce. Currently, Costco is only working with this particular partner, but the company has plans to expand as the partnership proves successful. The idea is for Costco to stay ahead of the demand curve so that it can always deliver fresh, organic food to its customers. The company is looking to partner with other key suppliers.



PROCUREMENT BULLETIN

July 2016 Issue

Several other retailers have loan programs in place to help suppliers buy new farming equipment, but it's unusual for a retailer to help farmers buy land, too. This initiative is one reason why Costco has bypassed competitor Whole Foods with [\\$4 billion in annual sales of organic foods](#).

Impact and Advantage of Costco's Initiatives



Image via [Flickr](#) by JeepersMedia

This isn't the only initiative Costco has taken to ensure it can supply the products its customers want while staying ahead of demand. For instance, Costco also helps raise chickens at a poultry plant in Alabama, works with a Mexican vendor to ensure a steady supply of wild shrimp, and contracts with Nebraskan farmers to raise cattle organically. Costco isn't afraid to take risks that other retailers normally wouldn't take.

Costco Senior Vice President of Fresh Foods, [Jeff Lyons](#), says that the company always asks the questions, "What do we see down the road that could be a challenge in terms of supply? And what can we put in place today to grow that particular scarce resource?" Then Costco seeks initiatives to stay ahead of demand.

One thing Costco does well is listen to its customers. Because shoppers want more organic foods, Costco has created an innovative way to deliver and sustain its supply of organic products well into the future.



PROCUREMENT BULLETIN

July 2016 Issue

Related Procurement Events

Successful Project Management

- 26-30 September 2016-Kuala Lumpur, Malaysia
- 6-10 November 2016-Dubai,UAE
- 5-9 December 2016-Singapore

Download the full details:

<http://www.ethanhathaway.com/training/successful-project-management/>

Certified Enterprise Risk Management Specialist (CERMS)

- 14-15 November 2016-Kuala Lumpur, Malaysia
- 7-8 December 2016-Hong Kong

Download the full details:

<http://www.ethanhathaway.com/training/enterprise-risk-management/>

Certified Procurement & Purchasing Specialists (CPPS)

- 24-27 October 2016-London,UK
- 13-16 November 2016-Dubai, UAE
- 28 Nov-1 December 2016-Singapore
- 12-15 December 2016-Hong Kong

Download the full details: <http://www.ethanhathaway.com/training/certified-procurement-purchasing-professional-specialist-cpps/>

Certified Corporate Compliance Specialists (CCCS)

- 6-9 November 2016-Dubai, UAE
- 6-9 November 2016-Hong Kong
- 12-15 December 2016-Hong Kong

Download the full details: <http://www.ethanhathaway.com/training/certified-corporate-compliance-specialist-cccs/>