The Cost of Incorrectly Labeled Goods

Cases of return to manufacturer (RTM) and emergency product withdrawals (EPWs) within the food retailing sectors have increased significantly in the UK over the past five years, and it is estimated that 12 percent of these are due to incorrectly labeled goods. The overall cost of such incidents runs into 100s of millions of pounds, with repercussions for suppliers and retailers in areas such as customer confidence and brand damage.

As consumers, we are becoming more discerning and demanding when it comes to the food we buy, especially with regard to fresh meals, snacks and pre-packed produce. Past indifference relating to food origins and ingredients is undergoing a quantum change, and never before have consumers been so well informed about the products they choose. This interest grows daily in the never ending quest for new tastes and ever greater product satisfaction. Many of us now go out of our way to understand the differences in varieties, our preferred producing countries and the seasons in which to select the finest end product.
Product labeling is playing a growing role in this consumer selection process so it is not surprising that the major supermarkets, ensuring that they maintain market position, have increased focus on this subject and are already supplying products with enhanced detailed product data.

Labeling Complexity — A Growing Problem

Major grocery retailers deal with thousands of suppliers, from the major international brands such as Unilever right down to the independent local providers

of one or two products. It is estimated that individual majors carry more than 100,000 product lines, each with an average lifecycle of just over two years. This translates into an average of 40,000 products changing or rotating each year. Fresh food products make up a significant percentage of this and by their nature tend to change much more frequently than non-food items.

A recent GS1 global standards report predicts that the number of attributes that grocery retailers are required to hold for individual products will rise from just over 60 to 250 in the next five years. This significant increase will relate to factors including increased product and ingredient information, promotional and pricing attributes, handling instructions, health and wellbeing information, environmental and ethical recommendations, tracking data and traceability attributes. This dramatic change will place increasing pressure on food manufacturers to “get it right” when it comes to manufacturing management and labeling.

Supermarkets are already insisting on higher levels of information from their suppliers, delivered consistently and always with total accuracy. Any errors or inaccuracies are severely punished. Faulty products found at goods-in are immediately returned, even if only one individual product is wrongly labeled for instance. Consequences for the supplier and retailer are much more serious if wrongly labeled product does make it to the supermarket shelf to be “discovered” by the consumer who is all too ready to adopt a self-appointed auditor role.

At first sight ensuring that the correct label with the correct information is placed on a packaged product shouldn’t be too hard. In fact for high volume automatic processes such as canning and filling, it is relatively straightforward. However many fresh products such as ready meals or sandwiches are still hand crafted in relatively short runs. Outside normal day-to-day buying patterns, consumer demand for fresh food products is affected by a diverse range of factors including climate and weather patterns, major sports fixtures, holiday periods and advertising campaigns.

Major retailers have to “anticipate” the fluctuating requirements, ensuring they don’t over-order or run out prematurely at peak times. Getting it right is difficult, and to meet these challenges, significant pressure is, in turn, placed on suppliers, resulting in rapidly changing short run order requirements mandating swift turnaround times. Suppliers have to second guess these fluctuations, based partly on historic data and partly on intuition. In such situations, rapid line changes present a major challenge, especially when it comes to labeling.

Most leading food retailers have established comprehensive guidelines for their suppliers relating to a wide range of packaging and labeling issues. These codes of practice combine international recommendations and company specific requirements. However interpreting and implementing these requirements can be a daunting and expensive task. Failure to comply leaves companies vulnerable. Wrongly labeled products create a financial exposure for the manufacturer that is unsustainable and must be eradicated. They need a system to manage this risk automatically so that they police 100 percent of their production. With pressures increasing from supermarkets in parallel with growing consumer awareness, nothing less than 100 percent will suffice.

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