Protecting brand value with traceability and supplier management

Food Supply and Integrity Services case study

A large tea company needed to ensure product safety and protect its brand. PwC helped enhance controls over raw material quality and safety from a large base of small suppliers.

Background

A large, publically listed tea company has built several popular consumer brands and a leading market share in China. They process and manufacture a range of tea types (e.g. oolong, Pu’er, jasmine, green tea, black tea), and they have developed more than 1000 products including loose leaf tea, tea bags, snacks, and teaware. Their supply chain includes more than 500 small farms in China from whom they purchase tea leaves.

Client’s challenge

Food safety is a hot topic in China, and food safety scandals have been widely reported in the Chinese media. During recent years, there have been media reports of researchers finding high levels of pesticide residues and heavy metal contamination in tea leaf samples from several popular consumer tea products purchased in China, Europe and the US.

Consumers are increasingly aware of food safety risks, and are taking these into account when making their purchasing decisions.

The safety of its tea supply and final products are thus critical to the client’s operation and profitability. The client’s supply chain, however, includes more than 500 small farms. With small scale suppliers there is a risk that some farmers might not have the required expertise or follow best practices to safely apply pesticides. There is also a risk of contaminated soil resulting in high concentrations of heavy metals in tea leaves.

These risks can be effectively mitigated by selecting and managing suppliers according to best practices and quality standards; but only the most sophisticated and robust supplier management methodology can accomplish this over hundreds of small farms.

Product traceability is one way to help manage supply chain risk, and is also a key requirement of China’s newly amended Food Safety Law, enacted in late 2015.

Traceability also helps to provide enhanced transparency to consumers who increasingly want to know the origin of their tea and other food products.

Our client was committed to ensuring the safety and quality of its products, and providing transparency to its customers. They recognised that focusing on these areas could also help to build trust in the market and protect their brand.
PwC’s solution

PwC worked closely with the client throughout the project to thoroughly understand their concerns and ensure the programme was implemented effectively to their satisfaction.

Based on the client’s needs, we designed a phased approach to help them achieve their objectives:

• PwC developed customised inspection standards for supplier tea farms, combining industry experience and global agricultural best practice. This involved on-farm visits, inspections and risk analysis. We then tailored recommendations and programmes accordingly. We organised and conducted on-site trainings for tea farms to improve their understand of food safety management and best practices.

• We prepared demonstration tea farm guidance and standards, including tea farm management program documentation and work instructions, as well as requirements for facilities and sanitation. We also monitored the implementation of the standards, conducted training on these standards and the management programme, and conducted on-site inspections with reports on secondary findings and recommendations. This work supported planning for the demonstration farm and improved the management skills of the supplier farms.

• PwC helped set up a complete traceability system beginning with farms and covering planting, harvesting processing, packaging and sales. We helped establish farm management standards, tea processing operating rules, product traceability standards and a batch numbering system. PwC helped our client implement the traceability system, including system testing and optimization.

• Risk assessments were conducted on suppliers’ tea farms. Assessment findings and recommendations were provided to strengthen supplier management and consolidate the upstream value chain.

Impact on our client’s business

Our work helped to sharpen our client’s competitive advantage with the establishment of a traceability system and the promotion of demonstration tea farms.

Not only did the project help mitigate food safety risks with better supplier management, improved quality management and better safety controls, this project also improved efficiency and transparency throughout the value chain.

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