

Some conversation-starters about the new technology

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# Stirring the Pot



Manufacturers, Distributors and Brokers who cover their ears and hope blockchain will go away will find themselves behind the curve if and when large customers demand participation.

## **WHAT IS BLOCKCHAIN? AND WHY SHOULD I CARE???**

If you're paying attention, you can't help seeing a LOT of articles, commentaries, and even TV commercials about "blockchain." But what is it? How does it work? And as a manufacturer, distributor, or broker agency why should you care?

I've had some lengthy conversations with the folks at Blocksyde, one of a growing number of companies offering blockchain-based solutions. I've got a few facts, hypotheses and opinions which I'll share in the interest of furthering the conversation and developing a shared understanding of the situation.

Here goes:

### **1. Blockchain Feels a Lot Like GS1 Did 10 Years Ago**

The promise of using technology to create “one source of the truth, available 24/7/365 to all trading partners” was powerful then and it remains so today. There was no question that manufacturers, distributors, operators and broker agencies were stuck in “Babel,” each using their own language and formats to describe the same products.

But it was also clear that adopting GS1 standards would provide value ONLY when (if?) all or most trading partners got on board. Until then, it was very difficult for a single company to justify investing time, effort and dollars. Add this to the agonizingly confusing way that GS1 was initially presented, and it's easy to see why many sat on the fence and waited to see where it would all end up.

Through it all, we had IFMA, IFDA and other associations forming committees to investigate the possibilities. And we heard the constant drumbeat of “food safety, traceability, do it ourselves or accept government regulation” as the stick to get people off the dime.

At this moment, blockchain is in about the same place. A few cursory conversations with clients yielded no sense of urgency at present.

But after all these years and despite the hurdles, GS1 standards have been widely accepted in foodservice so there’s reason to believe blockchain is on its way as well.

## **2. What (I Think) I Know about Blockchain**

“Blockchain” is not a company or a product; rather it is the technology behind programs being offered by software companies. The idea is to provide a single “ledger” to record and share not only logistics information but all Order-to-Cash transactions as well. As with GS1, it holds the promise of greatly improving traceability AND significantly reducing paperwork and waste for all parties.

In theory, a company can just upload a document or set of documents to the blockchain and record it there, making it essentially “notarized and immutable” (unchangeable).

But just as GTINs, barcodes and scanners are required to unlock the full potential of GS1, using blockchain requires RFID Tags and Hubs in order to provide highest value. The Tags can be applied to individual cases, pallets, or trailers and do not need to be scanned. Rather, the Hubs (think modems) in the tractors and warehouses automatically pick up information from the Tags when they're in range, and transmit it to the cloud. From there, users can access the information from laptops, phones, or other devices.

So the most advanced blockchain technology providers have developed the ability to provide end-to-end traceability not only of the product but of all transactions involved along the way.

Pretty slick!

Of course, it's not free. Costs will include:

- \* RFID Tags at about \$15 each (expected to come down over time). They're reusable, but until a process and infrastructure are in place to recover or recycle them they're going to essentially be single-use.

- \* Hubs at \$100 each. Sounds like a minor investment for an asset that will provide so much value.

- \* User fees to technology providers - TBD

Overall, it doesn't sound like a huge investment for manufacturers and distributors provided Tags are used on a "trailer" level. And it's probably a good deal on a "pallet" or "case" level for high-value, high-risk items.

Finally, I'm told that some people equate "blockchain" with "Bitcoin." Bitcoin does run on a blockchain but it is completely unrelated to the blockchains being developed to facilitate logistics and financial transactions related to tangible goods

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### **3. My Concerns**

The Foodservice GS1 initiative had an organization (opaque as it may be) behind it, leading the effort. They used arm-twisting tactics to get large manufacturers and distributors to lead the way and get the ball rolling. As of today, it looks like blockchain has no such centralized organization to spread the word and provide clarity and direction.

Like GS1, it will be easy for manufacturers and distributors to calculate the cost of participation, but virtually impossible to quantify the benefits. Even today the manufacturers I work with are glad they made the leap of faith and adopted GS1 standards, but have no idea what their "ROI on GS1" looks like.

If the “burning platform” issue is traceability, based on rapid and accurate response to product quality issues and recalls then blockchain should get the attention of all links in the supply chain. But historically it’s been the large retailers and foodservice chains who have led the charge on these initiatives, perhaps because they understand the threat to their brands.

Until one of them makes participation in blockchain a requirement of doing business, many manufacturers and distributors are likely to sit on the fence. Wal-Mart is already piloting several tests and we can bet the foodservice chains are taking a hard look as well so we may be closer to adoption than we think.

#### **4. So What?**

I don’t do predictions, but despite the obstacles outlined above, I feel like blockchain technology will eventually be widely adopted across the food supply chain.

At this moment there’s a general lack of awareness and understanding, and even some confusion and misinformation out there. But there are many companies working to provide clarity and simplicity and the picture should come into focus as early adopters and service providers learn from experience.

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We will all be well-served to educate ourselves on blockchain technology, talk to some providers, and begin to envision how we might incorporate it.

For its part, Blocksyte is seeking partners to engage in a proof of concept, which is probably the case with other providers as well. If you haven't already done so, a no-risk starting place is to start a conversation with one of these companies so you can choose the best course of action for your company.

That's what ***I*** think -what do ***you*** think?

Contact me at [Tell Dave](#) and I'll share comments in a future issue. Thanks for reading!

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