Aptean Food & Beverage ERP

Preparing Your Food Manufacturing Business for Post-Pandemic Operations

Adapting and optimizing in the changing food marketplace

Over the next several months, food manufacturers will have to balance a focus on the short-term and how they can capitalize on certain demand surges with the creation of continuity and contingency plans for the future.

As a food manufacturer, your business has no doubt undergone significant changes from the outset of the coronavirus pandemic. Questions surrounding the supply chain, worker safety and fluctuating demand have kept the marketplace in a state of constant flux.

Given this uncertainty, let's examine some of the various shifts that have occurred and impacted companies like yours—as well as the ways that the right software solutions can simplify and solve these emergent issues.

Food Manufacturing During a Pandemic

Our industry experts spoke with many of our food manufacturing customers, and three different general scenarios stood out in terms of not only how frequently they arose, but also how they impacted various sub-industries. Exploring what brought about these circumstances and how companies adapted to them should help you better understand that you're not alone in having to shift gears quickly.

Scenario 1 – A Surge in Demand

Remember those first couple months of the pandemic and the scramble to purchase necessities in the face of lockdowns and work stoppages? Obviously, when certain products are flying off store shelves, that creates increased demand and pressure on the manufacturers of those products to react.

The U.S. dairy industry is a great example of a sector that <u>experienced such a surge</u>. Demand for staples like milk, cheese, eggs, butter, creamer and yogurt were 20% above 2019 levels by early June 2020 – and sales gains for dairy products jumped by double digits for 11 straight weeks over the comparable time frame the prior year.

But with that increase in retail business came a steep drop-off in the needs of foodservice and restaurant customers due to closure or lockdown. And the decrease in demand was only half of the problem; expiring goods originally intended for those customers were no longer needed, and most food manufacturers could not pivot quickly enough to shift that product to meet retail demand. This partially explains the shortages that occurred in retail stores, as well as the downward pressure on prices.

Now, many food manufacturers are in the position of trying to maintain profitability as consumer demand drivers differ from the norm.

Scenario 2 – A Plunge in Future Demand

Food manufacturers of products with long shelf-life, such as frozen foods or canned goods, saw a sizeable jump in demand as the pandemic set in. It makes sense—with the uncertainty surrounding access to customer goods and the supply chain, people felt the need to be prepared for the long-term in case the situation continued to worsen.

Having the right technology in place allows you to quickly pivot your operations to meet unexpected changes. Industry-specific solutions can help manage shifts in business from a higher level.

A survey conducted by the American Frozen Food Institute (AFFI) yielded the stats to prove this surge: according to their findings, 70% of Americans were buying more frozen food in the months leading up to the outbreak, 90% were eating more meals at home, and 86% of consumers in the U.S. purchased frozen food in the first month of the pandemic for reasons including longer shelf-life, desire to stock up in case of shortages and a greater degree of perceived safety compared to fresh foods.

Nestlé was one of the companies affected, as the multinational food and beverage manufacturer saw its best quarterly growth over the past five years in the early months of the pandemic, and its frozen and chilled product sales spiked in the high single digits.

So what does this mean for the future? Will the frozen and non-perishable sectors continue to shine? In all likelihood, the opposite will occur. Nestlé's leadership team was quick to acknowledge that these results will continue in the quarters to come. That's because consumers' stockpiling of these products has left their freezers and pantries full, meaning they won't need to purchase anywhere near as much in the future as they did in the first phase of the outbreak.

Keeping in mind this likely reaction in the market will be key for food manufacturers going forward. It would be a mistake to make assumptions based upon the unique circumstances of early 2020—prudent forecasting and a willingness to act with agility will remain the best course of action.

Scenario 3 – A Change in Channels

Your business has almost certainly faced this final scenario, which was mentioned earlier: A decrease in demand from foodservice and restaurant customers as a result of government-mandated shutdowns.

That's meant a pivot was in order for many businesses. Take Cargill Protein, for example—as a processor and distributor of beef, turkey, chicken and egg products, their typical 50/50 split between retail and foodservice customers has been skewed to 85/15 in favor of retail. Sanderson Farms is another similar case, and the company plans to convert two of its plants from production of restaurant chicken to grocery store goods.

With such changes come additional complexities, including shifts in packaging and labeling. You can imagine what a difference it makes for a manufacturer of ketchup to be selling far less of its large five-pound pouches for eateries but a fair amount more of the retail-sized ketchup bottles.

As restaurants adapt to the "new normal" of doing business in the pandemic and look toward possibly reopening dining rooms some time in 2021, food manufacturers should keep in mind that sales to foodservice customers will not bounce back overnight. It will take time, and meanwhile, keeping an agile mindset and remaining flexible in the face of shifting market demand will serve your business well.

Future-Proofing Your Food Business

Over the next several months, food manufacturers will have to balance a focus on the short-term and how they can capitalize on certain demand surges with the creation of continuity and contingency plans for the future.

Your business can position itself for success with the following measures:

1. Demand Planning

Having accurate projections for market conditions will be critical going forward. Advanced analytics can be your ally here—consider utilizing point-of-sale data or business intelligence systems to collect historical data to gain insight into the next direction that business might shift. Consumers will never be totally predictable, but staying on the cutting edge in terms of technology that can spot emerging trends and demand shifts will serve you well and provide actionable demand planning insights.

2. Operational Flexibility

Being nimble and ready to adapt your focus and strategy is also key. Consider that one Aptean customer, a poultry processor that previously relied on the foodservice industry for 70% of its demand, has already been able to shift channels to prioritize retail and thus saw a considerable increase in profits.

Having the right technology in place allows you to quickly pivot your operations to meet unexpected changes. Industry-specific solutions can help manage shifts in business from a higher level, while the ability to utilize multiple machines at once for similar operations will allow for rapid changes in volume or capacity.

Prudent forecasting and a willingness to act with agility will remain the best course of action.

3. Workforce Health

If employee health was important before the pandemic, it is vital in today's world. When food manufacturers frequently have multiple employees sharing space and equipment, physical distancing strategies and enhanced sanitation measures will be critical.

That being said, keeping clean might not be good enough. A manufacturing execution system (MES) can add an additional layer of security for your operations. As a software solution, an MES can track health factors like employee temperature checks and set in motion the necessary precautions when workers show signs of fever.

4. Food Safety

Your business has no doubt already had to embrace an increased emphasis on food safety and traceability. Of course, that's easier said than done, but luckily there's help here too, in the form of enterprise resource planning (ERP) solutions.

An ERP built for the food industry can not only track ingredients bi-directionally through the supply chain but also trace production by employee. That means that if a worker comes down with an illness, you'll be able to know what products, equipment and other employees that worker was in contact with, allowing your business to take the necessary measures to avoid further risk.

5. Cloud Ready

Working from home is now necessary for many employees, and that places a greater need on the ability to manage your systems remotely via cloud-based solutions. Whether your business had already begun the process of embracing these new tools, a ramp up is likely still in order.

Thankfully, it's possible to keep your workers fully equipped to act, no matter where they are. Collaboration, communication and the ability to share access to all interested parties can be a reality with cloud technology.

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How Software Can Help

The software solutions mentioned in the sections above—especially those made specifically for food manufacturers—greatly simplify and streamline the process of conducting business in this pandemic era. Spreadsheets and outdated proprietary systems, with all of their inconveniences, can be relegated to the past with these new advancements.

Consider what the future holds for your business and how these solutions could serve to maximize your ability to act quickly and respond to changes on the fly. Then, reach out to us to hear just how our food-specific products can keep you prepared now, and in the future.

Are You Ready to **Learn More?**

Interested to see how Aptean Food & Beverage ERP can help you better manage your food company?

Contact us at **info@aptean.com** or visit **www.aptean.com**.

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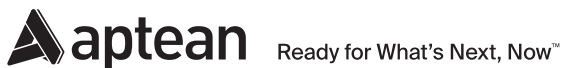
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Aptean is one of the world's leading providers of industry-specific software. Our enterprise resource planning and supply chain solutions are uniquely designed to meet the needs of specialized manufacturers and distributors, while our compliance solutions serve specific markets such as finance and life sciences. With both cloud and on-premise deployment options, Aptean's products, services and unmatched expertise help businesses of all sizes, across many industries, to scale and succeed.

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