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Preparing Your Food Manufacturing Business for Post-Pandemic Operations

Introduction

As the world continues to look for solutions to combat the coronavirus pandemic and governments attempt to rebuild economies, companies across the globe are struggling to discern what their operations will look like post-pandemic. Like most of the world's businesses, food manufacturers are facing unprecedented challenges when it comes to ensuring the success of their operations and the safety of their supply chains and workers. With even more emphasis and pressure on food safety, accurate demand planning and proper supply chain management, food manufacturers are left grappling with new policies and standards while also attempting to remain profitable. Without the ability to adapt to current economic changes, food manufacturers may not make it through to the other side of the pandemic successfully.

This whitepaper outlines three scenarios most food manufacturers are dealing with amidst this pandemic and the operational issues that can arise as a result of these scenarios. It also looks into the ways food companies like yours can work to future-proof and digitally transform their businesses going forward. Finally, it will examine the role software plays in ensuring the success of your food business and how solutions built specifically for the food industry provide you with the tools you need to adapt to industry changes and make strategic operational decisions.

Food Manufacturing During a Pandemic

In speaking with Aptean food manufacturing customers, our industry experts have highlighted three scenarios many food companies are finding themselves facing in this time of chaos and uncertainty. Though the products you manufacture and the channels in which you deliver your products may differ from the examples below, understanding how these scenarios relate to your business is key to ensuring the success of your food company both during this pandemic and after.

Scenario #1 - A Surge in Demand

It's not yet clear the impact the coronavirus pandemic will have on global supply chains in the future, but what is evident is the disruption it's had on manufacturing operations around the world. While some food manufacturers struggle with low demand for their products, other industries are facing an unprecedented surge, a result of what experts refer to as consumer "panic buying."

Let's take a look at the U.S. dairy industry as an example. Since word of the pandemic and looming lockdowns came about, consumers have inevitably changed their buying habits to reflect world-wide "stay-at-home" orders and mass quarantine mandates. This has resulted in an unexpected surge in demand for pantry staples and grocery items, which helped generate media snapshots of bare shelves and empty grocery stores, sparking consumer concerns about food supply and availability. As a result, **sales gains for dairy products** spiked by double-digits over the comparable week in 2019 for 11 straight weeks. By early June (three months into the pandemic), the demand for milk, cheese, eggs, butter, creamer and yogurt were 20% above 2019 levels.

But while increased demand is typically considered to have a positive effect on manufacturers and processors, the current pandemic climate is causing an adverse effect. For those in the dairy industry, this increase in demand in retail stores does not make up for lost foodservice and restaurant dairy demand. As the country's main purchasers of milk and milk products are forced to close in an effort to stop the coronavirus from spreading, dairy farmers are left with far more milk than their plants can process. This, in part, explains the shortages in retail stores. The subsequent shift in demand has led to a 26% to 36% drop in price forecasts for dairy during the first month of the pandemic.

This scenario forces food manufacturers to look internally and critically evaluate their current processes around costing and cost management. Dairy processors, for example, need to be able to control their costs even more as the price for what they're selling to the market continues to decrease.

Scenario #2 – A Plunge in Future Demand

Like dairy processors, manufacturers of foods with a long shelf life – think canned soup or frozen vegetables – are also facing a surge in short-term demand as a result of pandemic-related panic buying.

A recent report from the American Frozen Food Institute (AFFI) revealed that **90% of Americans are now eating more meals at home** compared to data collected from before the pandemic began. As a result, the AFFI found that 70% of Americans are buying more frozen food than in the months leading up to the outbreak. These numbers should come as no surprise. According to the AFFI survey, 86% of consumers in the United States purchased frozen food in the first month of the pandemic for reasons including longer shelf-life compared to fresh foods, a desire to stock up for fear of food shortages and the idea that frozen foods are safer than fresh foods right now.

But unlike dairy processors and manufacturers of products with a short shelf life who are facing a current boom in demand, companies who produce frozen or canned goods will likely experience a plunge in future demand as consumers have already filled their pantries with these products and the need for stockpiling diminishes.

Multinational food and beverage manufacturer Nestlé, for example, experienced its best quarterly growth over the past five years amidst the pandemic; its frozen and chilled product sales grew in high single digits. But while Nestlé's leadership team acknowledges its strong quarter, it also cautions against assuming the same results for the quarters to follow.

It's critical that food manufacturers facing this scenario realize that the current level of demand is an anomaly and should not be used as the sole indicator for future forecasting. Top food manufacturing companies understand that disruptions to global supply chains (in this case, the pandemic) force customers to drastically change their purchases and inventory needs. As a result, demand variability inevitably increases as order patterns change. While it's extremely difficult to predict how the world's supply chains will be affected as the pandemic progresses, accurate forecasting is critical in helping to mitigate risk, serve customers and prepare for life post-pandemic.

Scenario #3 - A Change in Channels

The government-mandated closure of foodservice and restaurant channels has wreaked havoc on the way food manufacturers are able to get their products to market. Food companies who relied on these channels for distribution are now forced to pivot and adapt to the changing environment brought on by the coronavirus.

Here's an example: Cargill Protein, processors and distributors of beef, turkey, chicken and egg products, typically splits its production 50/50 between retail and foodservice. Since the pandemic hit, however, **demand has dramatically shifted to favor retail** by 85/15. Another example is Sanderson Farms, the third-largest poultry producer in the US, who has plans to convert two of its plants that handle mainly restaurant chicken to produce for grocery stores instead.

But shifting operations to adjust to these channel changes does not come without subsequent complexities. A manufacturer of ketchup for the foodservice industry, for example, might typically package its product into five-pound pouches and ship six pouches per case twice a week. In order to shift production for the retail industry, factory lines will have to be converted to accommodate retail-sized packaging, nutritional and allergen labelling will have to be calculated and distribution will have to be scheduled accordingly.

Food manufacturers faced with this scenario must realize that, while pandemic-related restrictions seem to be lifting, foodservice and restaurant demand will likely take some time to rebound. In order to ensure success, it's important to remain flexible and have the ability to adapt to market demand. While the costs to convert your operations to accommodate a change in channels may seem impossibly high, optimizing your business for the near term while considering what shifts in consumer behavior may remain post-pandemic, is critical in adjusting your business accordingly.

Future-Proofing your Food Business

Regardless of the circumstances and difficulties your food company is facing amidst the coronavirus pandemic, it's never been more important to prepare your business for the future. While most food manufacturers are inevitably focusing on sustaining their businesses in the short-term and ensuring the health and safety of their workers and consumers, they must also be concerned with putting business continuity plans in place. The unprecedented magnitude and scale of the current pandemic will undoubtedly create far-reaching implications for the food industry in the long-run, making it even more important to ensure you have future-proofing strategies and safeguards in place to protect your business and its stakeholders post-pandemic.

Below, we've highlighted five ways your food business can future-proof its operations and digitally transform itself to prepare for success in a post-pandemic market.

1. **Demand Planning**

   Having the ability to project forward-looking demand is critical for success post-pandemic. Consumer patterns in panic buying and stockpiling have made it increasingly difficult for manufacturers to determine whether people are actually consuming more or stocking their pantries to prepare for the future. In order to accurately plan for future demand after the pandemic, food manufacturers must be more sophisticated in their forecasting methods than in the past. Utilizing advanced analytics tools like point-of-sale data or business intelligence systems to collect historical data and isolate important information from reports, reviews, metrics and surveys, gives manufacturers the ability to turn results into actionable demand-planning insight.

2. **Operational Flexibility**

We've described how many of the world's leading manufacturing companies have had to shift their operations away from foodservice and restaurant channels and towards retail. To accomplish this shift quickly and accurately, these companies have to rely on complex tools and systems to ensure success. One Aptean customer – a poultry processor – depended on the foodservice industry for 70% of its demand. As demand dwindled, this processor had the ability to shift channels to supply to retail outlets and, as a result, saw a substantial increase in profit.

By utilizing digital tools and systems built for the food industry, food manufacturers have the capability to adjust quickly to both expected and unexpected changes. The functionality within an industry-specific solution creates the flexibility to allow manufacturers to change and produce new product and adapt their operations accordingly. This includes having the ability to use multiple machines to perform similar operations while adapting to large-scale changes like volume or capacity.

3. **Workforce Health**

While ensuring the safety of your workforce is always important, the coronavirus pandemic has pushed employee health to the forefront of most manufacturing operations. In many food facilities, employees work shoulder-to-shoulder and share many of the same resources – like bathrooms or kitchen equipment– during a given shift. As a result, physical distancing strategies, enhanced sanitation measures and on-site production schedules had to be implemented and rearranged to reflect government guidelines and recommendations for virus prevention.

But experts are now wondering if these measures are doing enough to keep employees safe. In order to ensure that your business has a healthy enough workforce to keep up with production post-pandemic, it's crucial that your company look to other methods for worker safety and virus control. A software solution like a **manufacturing execution system** (MES), for example, has the ability to track employee health factors – like temperature checks – and ensure that your workers are arriving to your facilities healthy. By configuring an MES to trigger alerts as to when temperature checks should be conducted, and then alerting the appropriate user when a worker tests with a fever above 99.8 degrees Fahrenheit, you'll have the critical information needed to keep your team safe.

4. **Food Safety**

Ensuring the safety of your product is always critical to the success and wellbeing of your business. But what is food safety in a post-pandemic market going to look like? As safety and traceability standards continue to shift and be tested during these times of turmoil, it's imperative that your business have the foresight to implement the technology needed to comply with regulations and keep both consumers and your workforce safe.

Let's look at an enterprise resource planning (ERP) solution as an example. Not only does an **ERP built for the food industry** have the capability to track ingredients bi-directionally through the supply chain – a critical element in effectively tracking product through the **global supply chain amidst a pandemic** – but it also has the ability to trace production by employee. If a worker in one of your facilities worked for four days and didn't come in on day five because she came down with a cough, your ERP gives you visibility into the product, machines and employees she came in contact with over a specific time period. This insight allows you to withdraw potentially affected product, properly sanitize associated equipment and notify the appropriate employees who worked alongside her.

5. **Cloud Ready**

As more and more of the world's workforce is working-from-home in an effort to stop the spread of the coronavirus, it's imperative that your business can provide remote access to your employees. While many organizations already have the technology in place to allow workers to successfully work remotely from a cloud-based solution, for others the response to the coronavirus has accelerated the need to explore the idea of a virtual workplace. Even if your company has already been accommodating a remote workforce, the current pandemic is likely putting even greater pressure on your organization to become completely cloud-ready.

Cloud-based technology gives employees the ability to access all the same data and information from the same devices and solutions. It ensures collaboration and communication between employees and encourages sharing of digital files and information. It also enhances data protection during unexpected disruptions, such as a pandemic, by keeping your company's critical information backed up and protected in a secure and safe location. The ability to access your data again from anywhere, at any time allows you to conduct business as usual and minimize downtime and loss of productivity.

How Software Can Help

We've discussed the idea of a post-pandemic world in length, but in reality, it's impossible to truly predict how the food industry and its supply chains are going to be affected by the coronavirus in the long-term. In order to ensure that your food business is able to remain successful regardless of what the future holds, it's important to ensure that you have the technology in place to be ready for post-pandemic operations.

Software solutions built for the food industry provide food manufacturers with all the industry-specific functionality they need to be successful in a post-pandemic environment. Instead of relying on homegrown software, spreadsheets and one-size-fits-all solutions to do things they were never designed to do, a highly focused system that supports your unique industry challenges helps you mitigate post-pandemic risk and ensure growth.

In the third scenario above, for example, we describe the need for food manufacturers to have the ability to be flexible to market demand and adaptable to industry changes. By utilizing an industry-specific software solution that provides you with end-to-end insight, visibility and control over your food operations, you're able to make the best possible decisions about the food you produce.

As the world experiences a seminal shift in the way food companies manufacture product, it's never been more important to have the tools in place to ensure success, regardless of what a post-pandemic world looks like. If you'd like to learn more about how food-specific software can help you plan for the future, ensure operational flexibility and protect the safety of your workforce and the food you manufacture, **reach out to us**. We'd love to talk.

Aptean is a global provider of mission-critical, industry-specific software solutions. Aptean's purpose-built ERP and supply chain management solutions help address the unique challenges facing process and discrete manufacturers, distributors, and other focused organizations. Aptean's compliance solutions are built for companies serving specific markets such as finance, healthcare, biotech and pharmaceuticals. Over 2,500 organizations in more than 20 industries across 54 countries trust Aptean's solutions at their core to assist with running their operations. To learn more about Aptean and the markets we serve, visit **www.aptean.com**.