

How the pandemic is shaping the future of food and beverage

We know the pandemic has had a significant impact on many industries. Some trends in food and beverage have been accelerated. They were there prior to the pandemic but the pace of change has increased. The pandemic did force some change in the industry that were surprises and we have some issues to deal with that might not be new, but they are more relevant than ever.

Accelerated trends

Buy 'local'-The demand for 'local' food has been influenced by the pandemic. When consumers went into grocery stores in March of 2020 and found empty shelves it was a shock. In Canada people just expected there would always be food to buy. This forced people to think about food and they want to know more about where it comes from. Retailers also want more 'local' to satisfy consumer demand and because the service level can be better.

This is an opportunity because consumers and customers both want it. This does not happen often. Producers and processors should tell their story better than ever and find opportunities to expand their distribution while there is demand.

E-commerce-We know a lot of volume has shifted to e-commerce. More producers and processors are selling direct to consumers. Retailers have invested in online shopping and even delivery. Any business that has devoted resources to e-commerce in the last two years will be looking for a return. Consumers are much more familiar with buying food online.

Producers and processors need to consider three segments of e-commerce: selling direct to consumers, an online marketplace such as Amazon and retailer's websites. E-commerce should be a consideration.

Service level-Retailers and suppliers in the food industry need to drive sales. Inventory is required at the right time, in the right place to deliver sales. Many producers and processors are challenged with this right now. It is also an opportunity to differentiate from competition.

There are a lot of areas to focus on when delivering service level. You should start with forecasting sales, have the inputs and capability to produce and deliver. Discuss sales forecasts with customers and agree on a number you are able to produce. Report back on the results because they might miss your 95% service level which is an accomplishment in this environment.



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Labour challenges-Prior to the pandemic it was tough for many producers and processors to find people to work. This got even more difficult during the pandemic as people were leery of going out, other opportunities were better and for many childcare was an issue.

Employers must find creative options to keep employees coming to work. This can include different shifts, remote work, temporary foreign labour and perhaps a mixture of these and more.

Plant based protein-Consumers were looking for these products prior to the pandemic and there were many products in development. Despite the challenges of the pandemic companies like Maple Leaf launched a lot of new items.

With more millennials and generation Z consumers shopping in stores these products have been in demand. They were used to seeing them on the menu in food service and now they want them at home too.

Food safety-This has been a priority and continues to be very important. It is not negotiable. As retailers were stretched to procure product and keep stores operating, they really did not want to deal with food safety issues as well.

During the pandemic retailers did not compromise their stance on food safety and third-party audits. If anything, they expected more to have an increased confidence level in the safety of the food they are selling.

Surprises

Sustainability-Despite the challenges of the pandemic, concerns about the environment are still important to consumers and customers. Impact on the environment, packaging and food waste are three areas for businesses to focus on.

Regulators, retailers and consumers continue to reward products that have advantages related to sustainability.

Millennials shopping in retail-This generation were frequenting food service much more often and it had always been a challenge to get them into retail. They preferred to eat out. With restrictions and consumers just home more, millennials were forced to cook and eat at home.

These consumers like to have products more prepared but with the option to customize the finished product. An example would be a protein with 3 sauce options they can pick from.



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Working at home-Many employers encourage people to work at home during the pandemic. This had a significant impact on the amount of people eating breakfast and lunch at home, as opposed to a quick service restaurant.

As restrictions are lifted many employees and perhaps employers, want to continue with this model. Many believe it is more productive and less expensive. People will continue to look for breakfast and lunch options at home.

Retail vs. food service-In Canada prior to the pandemic it was approximately 70/30, the split in food sales between retail and food service. This changed to closer to 85/15 during the pandemic with restrictions and people staying home.

People are eager to get back out but it will take time for the sales to return to pre-pandemic levels.

More relevant trends

Value of food-Consumers in Canada have not been faced with a scarcity of food and beverage until the pandemic. When people went into stores to empty shelves, they started to listen to the conversations about food security. More people understand they need to support a Canadian food industry for it to be viable and sustainable.

They wanted to learn more about where their food comes from and even retailers see more value in having the products available for their stores

Cost of goods-There is a lot of pressure on input costs, labour efficiencies, ingredient costs, logistics and it all adds up. There has also been a lot of noise in the media about food inflation. This is both positive and negative. It is positive in that the entire value chain, right through to the consumer understands there are increases. Conversations about cost increases will not be a surprise and people should be expecting them. It is negative because some retailers will assume suppliers are trying to take advantage of the situation.

Producers and processors must think about how they manage this and position their customers to get the right price for their product. Share information as early as you can and educate your customers. Be fair and realistic.

Changing consumer-During the pandemic immigration slowed as there were fewer people moving around. With the challenges for labour and issues in the



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world it is likely in 2022 we will see immigration at least back to pre-pandemic levels.

Suppliers need to understand what consumers are looking for and what they can produce. This might require changing the product mix or introducing new ingredients to remain relevant.

Relationships with customers- Suppliers need to adapt to the new working world. Retailers are still working remotely and virtual presentations are common. Trade shows and other opportunities for interaction with customers have all changed.

Suppliers need to figure out how to interact in this new world. Talk to customers to understand how they want to work together and interact. There are advantages to the new working world.



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