Special edition

COVID-19 and the Food & Beverage Industry

Food & Beverage Manufacturing Industry Study

Results from NexTec's 2020 survey on how the crisis is affecting the food & beverage industry

Overview

In this special edition of our annual study, we set out to answer a series of questions about how food and beverage manufacturers are being impacted by the Covid-19 pandemic, including:

- What effect has the pandemic had on demand and the supply chain?
- What contingency or continuity plans were in place?
- What actions have manufacturers taken or do they plan to take in response to the pandemic in the areas of employees, customers, finances, and the business as a whole?
- What software and technology have manufacturers found most valuable during the pandemic?
- What new software and technology purchases will manufacturers make as a result of the pandemic?

We asked questions of 100 professionals at food and beverage manufacturers with 25 or more employees. All participants have responsibility for the purchase of software, equipment, or materials for their company. The study was conducted in May 2020.

Here is what we learned.

Summary of key findings

A significant share of food and beverage manufacturers are experiencing reduced demand and interrupted supply chains.

59% of respondents reported that the COVID-19 pandemic has led to a slowdown in demand for their products. Conversely, 33% said that the crisis has had a positive impact on demand. 85% of manufacturers have seen at least some disruption to their supply chain.

Many companies were unprepared for this emergency, but plan to rectify this going forward.

47% said they did not have an existing contingency or continuity plan for emergencies like the current pandemic. 66% of those without a plan said they intend to develop one for the future.

Safety and hygiene is the top priority. Customer- and employee-focused actions are also taking precedence.

66% have implemented enhanced safety and hygiene measures. Customers are the focus of special deals/discounts (56%) and increased communication (52%). Reduction in employee hours/pay (52%) and layoffs (51%) are also high on the list of measures taken or to be taken.

Most manufacturers are finding their enterprise software to be highly valuable in helping manage through the crisis.

When asked what software they've relied on significantly during this time, respondents most often cited their supply chain management software (64%), CRM software (57%), and human resources management software (56%).

Some organizations see a need for new or upgraded software to meet the challenges of the current environment.

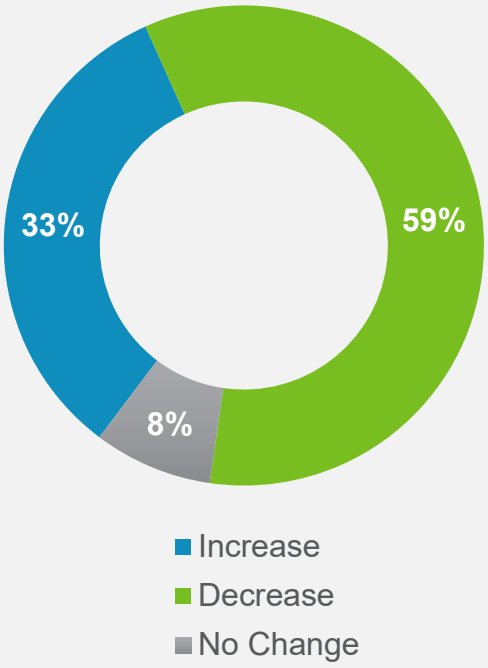
34% are considering upgrading or purchasing CRM software. Other solutions high on the list are HR management software (25%), quality management systems (22%), and supply chain management software (21%).

Impact of the pandemic on customer demand and supply chain

Six in ten respondents indicated that the pandemic has caused a decline in demand for their products. One-third reported that the crisis has had a positive effect on demand. A large proportion of manufacturers surveyed have experienced a disruption to their supply chain.

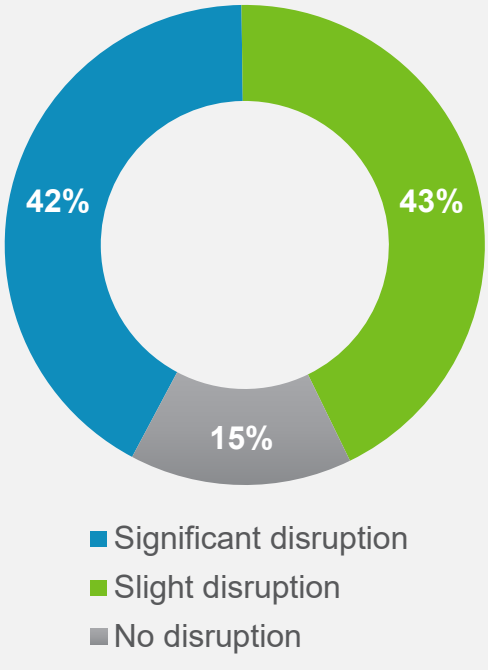
Change in Demand

% of Respondents



Effect on Supply Chain

% of Respondents



> *"We have had an uptick in our demand for online sales, and a decrease in sales to restaurants because restaurants aren't open."*
>
> - Director, Ingredient Manufacturer

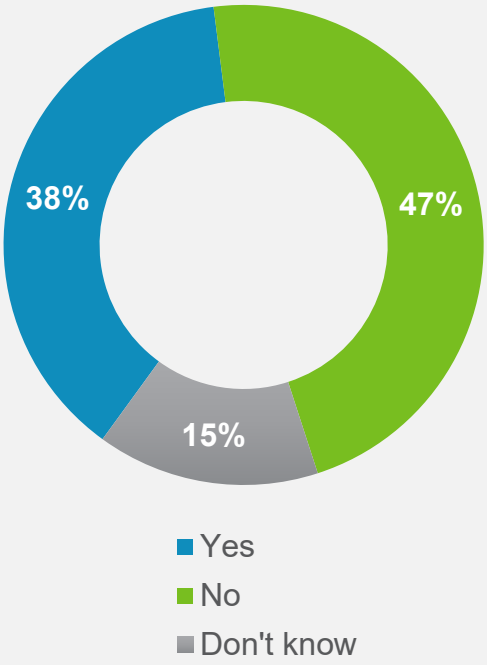
> *"There's been a small impact on our suppliers. Everything has been slowed down. So if a lead time on a given supplier was normally two weeks, now it might be three. That's a challenge from an MRP calculation perspective."*
>
> - Director, Candy Manufacturer

Existence of a pandemic contingency plan

Nearly half of respondents said they did not have a contingency or continuity plan in place for emergencies like the current pandemic. Of those without a plan, two-thirds said they are likely to develop a plan in preparation for a future pandemic.

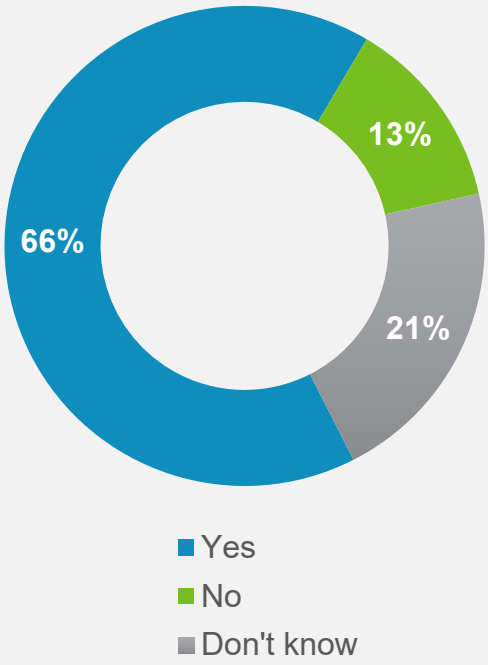
Had a Contingency Plan In Place

% of Respondents



Likely to Develop a Contingency Plan

% of Respondents (Among those that Didn't Have Plan)



> *"We had an existing contingency plan but given the uniqueness of the situation, it warranted a more direct focus than a basic plan. Very early, we launched a cross-functional response team that meets every day."*
>
> - Director, Retail Tea Manufacturer

Actions needed in response to pandemic

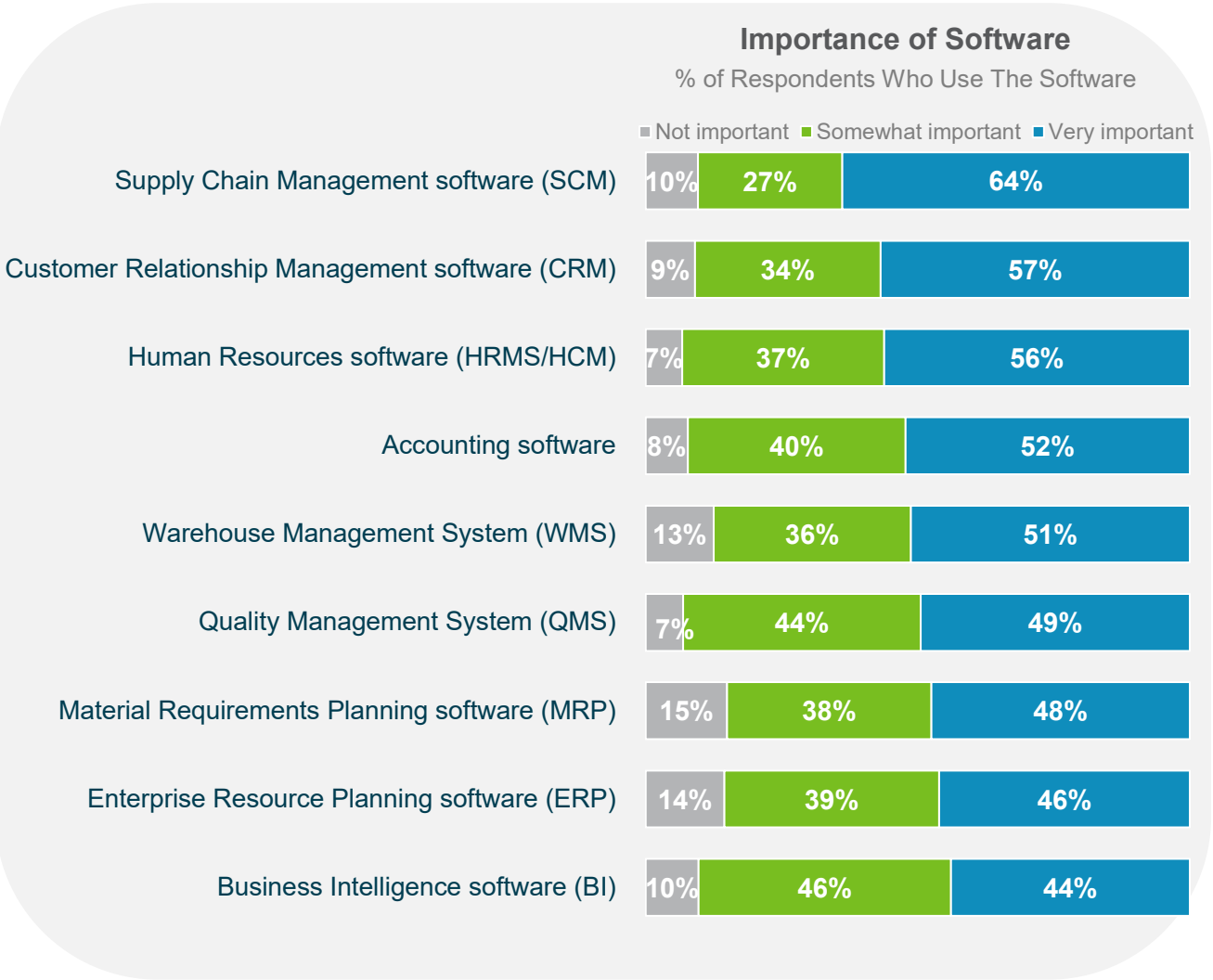
The most common action taken or planned as a result of the pandemic is an enhancement of safety and hygiene measures. Next most common are steps taken in relation to customers (deals/discounts and increased communication). About half have reduced employee hours/pay or laid off employees.

> *"Being in food and beverage, safe quality food standards are ingrained in who you are. It's in the DNA of the company and the employees and that allows us to already have a good knowledgebase and the footing to move out and expand."*
>
> - Director, Chocolatier

> *"For a period of time we were offering a free 'product of the day' promotion to our customers to show our appreciation."*
>
> - Director, Ingredient Manufacturer

Importance of software during pandemic

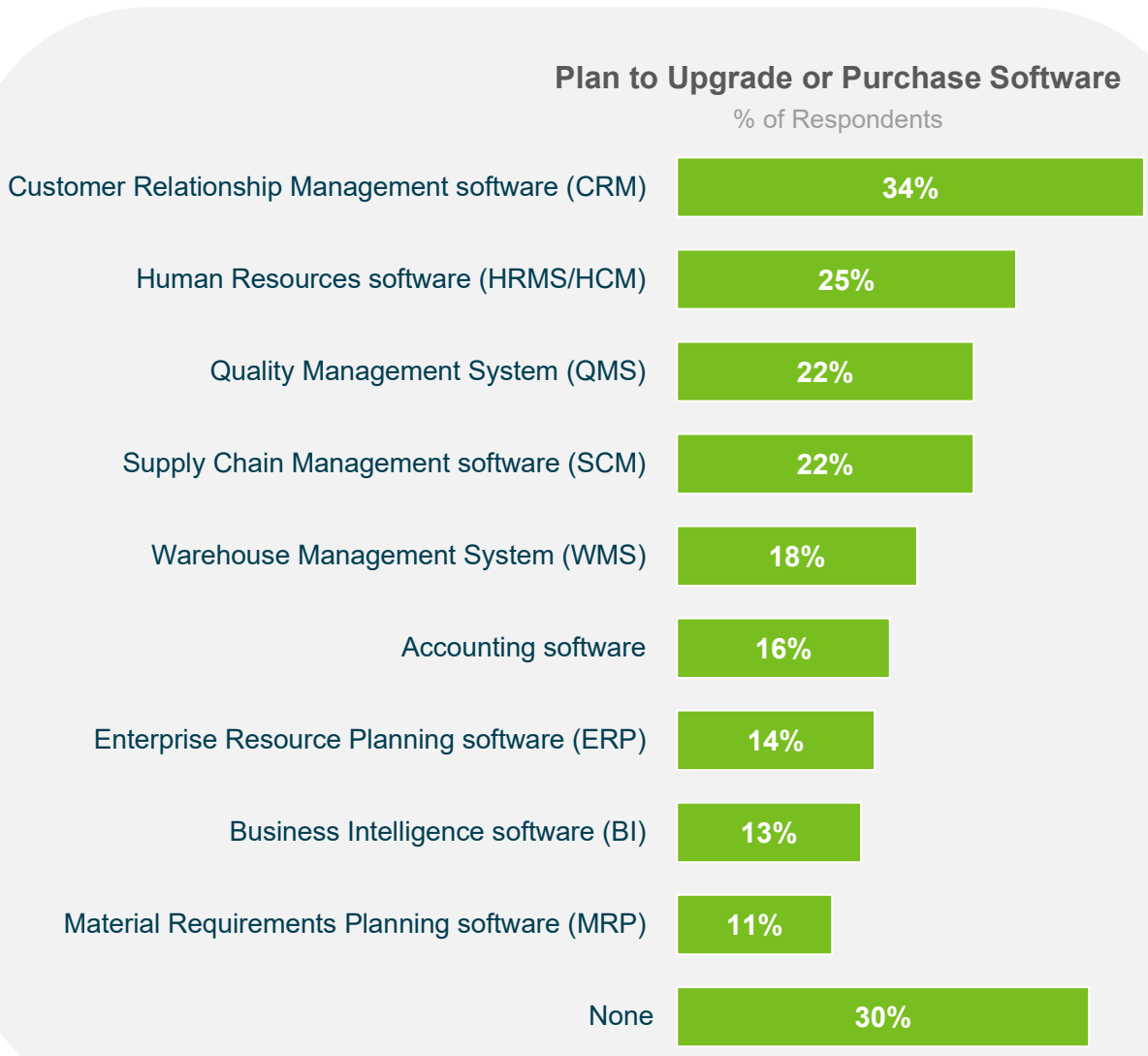
Most respondents indicated that their software has been valuable during the pandemic. Ranked highest in importance are software for supply chain management, customer management, and HR management.



> *"The wonderful thing about [our ERP solution] is that it is web based. So because it's web based, it's already designed for the challenges of remote working. It was already designed in such a fashion that it was accessible anywhere, stable, and fast. It was the least of our concerns."*
>
> - IT Leader, Retail Food Manufacturer, ERP User

Software upgrade/purchase plans as a result of the pandemic

Despite the economic downturn, one-third of the food & beverage manufacturers surveyed are considering upgrading or purchasing CRM software due to the pandemic. Between 11% – 25% have further improvement plans for management of human resources, quality, supply chain, warehouse, accounting, ERP, BI and MRP.



Additional comments

"We've done everything from a cashflow analysis to worst-case scenario planning, such as a multi-plant shutdown."

"We have had to take steps to ensure that we have alternate suppliers for raw materials. We've had to go through the exercise of ensuring that we do have options available if needed."

"We limited the products that we make to only things that we weren't building to forecasts. We now build to orders only, so we had a massive change in our MRP system."

"Because we're so seasonal the pandemic hasn't affected our demand that much. It's more affected our ability to produce."

"We've made sure that all our employees are fully paid during this time when they are out sick."

"On the office level, we sent as many people home to work remotely as was feasible. On the production side, we split into two shifts. So rather than having a standard seven to 3:30 shift, we have a five to 1:30 shift and a 1:30 to 10 shift so that we would have that separation."

"We're having increased communication with all of our employees. We're communicating both good health practices and what we're doing as an organization. We've been very transparent."

"We're limiting the vendors or visitors on site. Literally, a piece of equipment has to be down before we're going to bring someone in."

"Our sales have been largely unaffected because of the number of consumers that are staying in to eat and we have a relatively lower price point. Grocery foot traffic and home-based dining has helped us maintain our growth pattern."

About the survey

Commissioned by NexTec Group, Inquisitive, an independent research firm, fielded online surveys to 100 individuals at food and beverage manufacturers throughout the US. To be included in the study, respondents had to state in the survey that their company has 25 or more employees, and that they recommend, specify, or influence the purchase of software, equipment, or materials at their organization. This is our third annual edition of the study.

About NexTec

NexTec Group is an award-winning business software consulting firm with over 26 years in the food and beverage industry, helping companies streamline food safety processes and ensure compliance.

We specialize in implementing ERP, CRM, BI, Cloud and On-premise solutions that can manage product recalls and customer issues, track products, reduce food waste and improve operations.

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