

# Pivoting

## - A New Dance for Food Companies

**F**ood companies have generally fared better than those in other sectors during this COVID-19 crisis. Food retail sector sales outshone those in all other retail sectors including auto, clothing and home products since the onset of COVID-19.

Canadian grocery stores sales actually peaked in March at \$10.3 billion (a reflection of people stocking up on food and other products) and have since dropped down to slightly below \$9 billion in May, June, July and August. Food companies serving the grocery sector found their sales were steady or up as the challenge was to meet the grocery store demand as consumers cooked entirely at home as restaurants were closed.

However, food companies that sell to the foodservice and restaurant sectors saw their sales drop dramatically starting in mid-March. Restaurants experienced very noticeable declines in April and May as many shut down. Sales have recovered somewhat partly due to experimenting with restrictive restaurant openings. Total restaurant and beverage places sales in Canada were \$5.5 billion in February but dropped to \$2.3 billion by April. By June sales had increased to \$4.1 billion but still down from pre-COVID levels.



*Douglas Hart, president of Hart & Associates Management Consultants Ltd.*

So, what are food companies that focus on the foodservice and restaurant trade doing to turn revenues around? In an almost triage approach, these companies took steps to preserve cash flow and maintain liquidity. Production

staff were laid off in step with the significantly lower sales volume. The next steps are a little more difficult. Recognizing that sales to the foodservice channel will be slow to recover, some of these companies are looking for ways to sell to other channels including grocery and specialty food retailers, direct to consumer and others. For companies not experienced in selling to these channels, "pivoting" sales direction is not quick or easy.

Pivoting to new sales channels requires careful planning to allow you to successfully make this transition. There are essentially two important questions that you need to



answer. The first is who your new customers will be and the second is how to reach them. Identifying your potential customers includes understanding what their needs are and whether your products meet these needs. This roadmap will be different for each food company depending on your products and your sales and marketing capabilities. New customers for you could include grocery stores, independent retailers, distributors, export customers or end-consumers. Each requires a different tack.

First if the grocery store channel is new for you, be aware of the challenges. In the best of times, developing a relationship and securing a listing with one of the large grocery chains is a tall order. With COVID-19, there are many food companies today knocking on their doors to get their attention. A more practical approach is to gain business from the smaller retail chains and independents. Selling to grocery retailers of any size is not impossible but, depending on your product, it may require a major re-work of your packaging, pricing, advertising and sales support to enable you to transition from a foodservice to a grocery retail orientation.

One of the more popular "pivot" steps food companies take is developing online sales capabilities. The intended customer could be consumers but would likely be distributors and brokers who have established relationships with a wide range of buyers in the retail and others channels. The first step in entering the online field is developing an effective website.

The website you need is a fully transactional site where customers can learn, order, arrange for shipping and pay for product. To make this work, you will need an effective sales support program as customers will want to speak to you directly, especially distributors who will want to strike a business relationship with you before ordering.

photo courtesy shutterstock.com




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Simply developing this type of website is not enough. You will need to implement an awareness and advertising program to make potential customers aware of your company, your products and the existence of your website. This work is required otherwise you will have an impressive website that few of your intended customers visit.


I am presently working with a food manufacturer by developing a business strategy to help them pivot to online sales. This work includes an overall plan, identifying target customers and developing an implementation plan to help them gain online sales. A sales generating website might be the goal but a detailed understanding of your target customers' needs is required to make it effective.

The COVID-19 crisis has thrown a lot of challenges at food companies. Pivoting to new channels may help you bring in new customers and revenues. This crisis has also shown the need to diversify your revenue stream across different types of customers and channels to allow you to withstand any future market disruptions. **WFP**


Douglas is president of Hart & Associates Management Consultants Ltd., a firm that has been providing market research and business development services to the agri-food industry across Canada for over 30 years. With offices in Vancouver and Toronto, Hart & Associates provides a full range of market research services including senior executive interviews, online surveys, focus groups and detailed market and product opportunity assessments for domestic and export markets. Our focus is to help you increase sales and profits and add value to your company.




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