TROUBLE AT THE TABLE:

FOOD AND BEVERAGE STRUGGLES TO BROADEN CUSTOMER BASE AND STAY LEAN

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CONTENTS

Apart from housing and transportation, American households spend more money on what they eat and drink than anything else: a full one-eighth of their total expenditures.[1]

But its massive wallet share aside, the food and beverage industry has experienced widespread stagnation in regards to sales growth. Companies want to expand their customer bases or, rather, uncover the breakout product that will attract consumers to their brands and plant the seed for a lifetime of patronage.

Unfortunately, as many F&B businesses have come to find, customer expectations don't always match the capabilities of a processing line or its current configuration. Imbalance between these two competing interests creates plenty of issues food and beverage processors must address before they can work on new customer outreach.

PROMOTIONAL BINGEING

Promotions or seasonal menus are excellent opportunities to drive sales through great deals, pull customers into the fold and increase positive brand awareness. But without collaboration between marketing and production teams, businesses can easily bite off far more than they can chew.

When F&B organizations adapt their lines and normal processes to accommodate short production runs that turn out high volumes at high rates of speed, they introduce certain operational and material risks, as well as deviate from standard processing procedure. For example, they may choose to add more workers, which raises labor spending however temporarily. Moreover, because it is inefficient to map line configurations based on a single product in a single run, manufacturers find it difficult to interpret whether production is maximized.

In the end, these companies must ask: Does the value of the promotion significantly outweigh the sum of these potential costs?

OPAQUE YIELD MANAGEMENT

Processing losses in the food and beverage industry are not uncommon, but they can bleed lean operations dry. One study found that, on average, F&B companies create just over 50 pounds of waste for every $1,000 of revenue they generate.[2] With a global food production market in the trillions, however, businesses throw away billions of dollars.

Why does this continue to happen? Because these same companies lack visibility into real-time yield losses, as well as established strategies for mitigating both fixed and variable losses specific to their enterprises.

They focus too closely on throughput to meet customer demand instead of devoting much-needed attention to cost control, recovery and process uniformity throughout the line that prevents burdensome variance.

UNOPTIMIZED LABOR SPEND

In 2014, the Bureau of Labor Statistics expected F&B hiring would increase 10 percent before 2024, a rate that exceeds the average across all industries.[3] As more workers are brought on to help their employers compete for market share, businesses will need to monitor and calibrate labor so its costs do not consume profitability.

Labor optimization happens one of two ways:

INCREASING CASES PER LABOR DOLLAR:

By reducing downtime, cutting changeover times and/or raising throughput levels, companies maximize their operational spend.

DECREASING COST PER CASE:

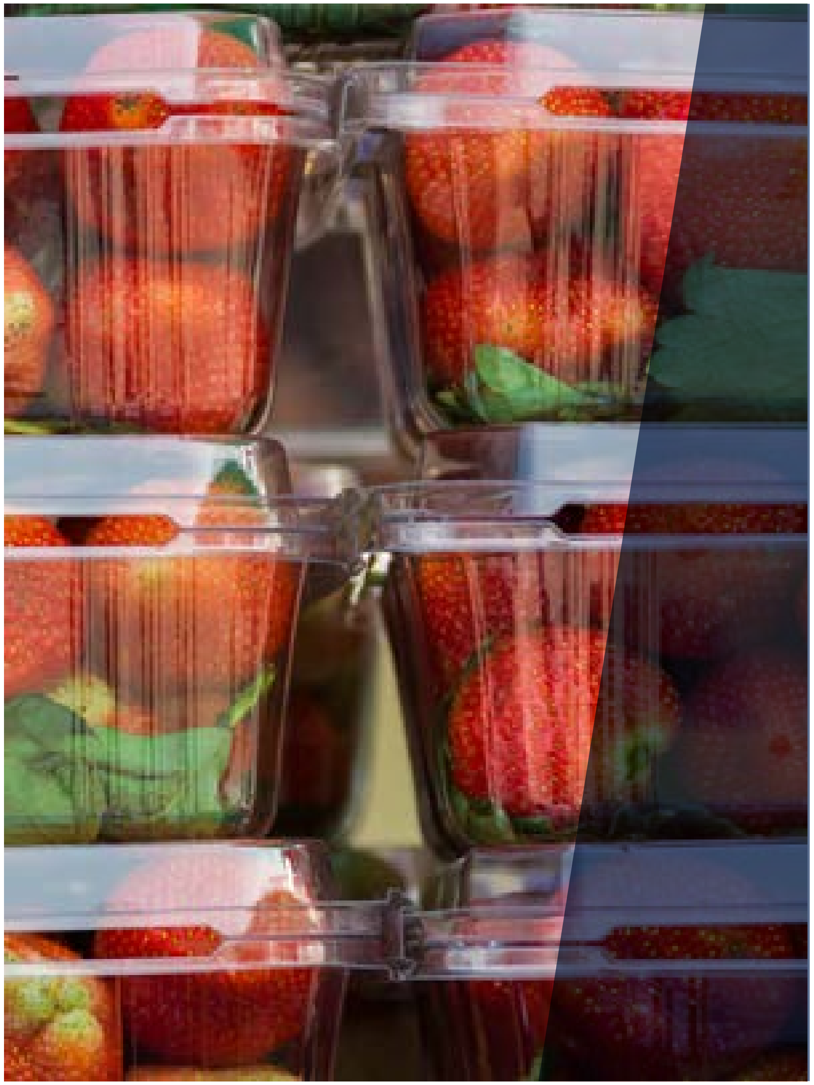
After eliminating crutch positions, defined as duties that support inefficient or ineffective processes, companies minimize the costs to process goods.

Again, these metrics are especially valuable when promotional campaigns cause fluctuations in the production labor pool.

UNIMAGINATIVE CHANGEOVER

Customer trends can drive F&B companies to offer goods in different sizes, different packaging and/or different styles and flavors. While a multifarious product portfolio can certainly win over new customers, diversity in this regard will absolutely hamper operational efficiency if these same businesses do not account for and mitigate the additional time needed for changeovers and machine resets.

Companies have found success by standardizing their changeovers and creating simple, visually guided procedures that operators can follow easily. Beyond that, plants may require a little imagination in how they schedule production so they reduce the total number of changeovers in a run. For example, what two products, when placed back to back on a run cycle, would have the shortest equipment setup between them? What other combinations can trim a few minutes of downtime off of the schedule?



A LACK OF HISTORICAL RUN DATA

How can an F&B plant manager know what an efficient throughput rate or high operational availability means in a given situation if he or she doesn't have historical figures to back it up?

From the customer's perspective, a new food product or pre-made meal from a familiar brand appears to be just that: new. To plant managers and equipment operators, however, producing that new product may resemble past productions in any number of ways.

A cache of actionable historical run data at their disposal can guide F&B companies on how to approach tomorrow's customer expectations using yesterday's lessons learned. But that can happen only if these businesses understand how to collect data efficiently, condition it to suit their needs and recall it when necessary.

CONCLUSION

Exhausting capex in precise ways can alleviate a lot of this friction. An investment in more flexible and adaptable operations, for instance, may make facilities less susceptible to the side effects of switching rapidly between high-volume and low-volume runs. Furthermore, additional packaging configurations can give F&B companies the upper hand with prospective consumers who could be enticed by smaller portions or more economical family-sized goods.

But what if your business doesn't have the capital to spend? What if it would rather utilize what it already has in a leaner, more efficient way? Experts at USC Consulting Group are at the ready to examine how you operate and show you where your hidden potential lies.

Interested in what USCCG can do for you? Contact us today or visit www.usccg.com.

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1 https://www.ers.usda.gov/data-products/ag-and-food-statistics-charting-the-essentials/ag-and-food-sectors-and-the-economy.aspx
2 http://www.foodwastealliance.org/wp-content/uploads/2014/11/FWRA_BSR_Tier3_FINAL.pdf
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