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## Food And Beverage Companies Evolve, Innovate And Contribute Amid COVID-19 Crisis



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When the coronavirus hit the United States, the food and beverage industry found itself on the front lines of a war. What followed has been a massive transformation likely to have lasting consequences for the industry and the nation. Food and beverage “BC” (before coronavirus), will not resemble the industry during or after. While fighting the uphill struggle to stay in business, food and beverage companies have innovated and adapted.

Who could have imagined exclusive shopping hours for first responders or for those over 60, or one-way supermarket aisles, just weeks ago? Liquor companies making hand sanitizer? Companies delaying new product launches to keep up with demand? Or calls for combat pay by grocery clerks? Recent weeks have been a case study of an industry reinventing itself, as companies alter shifts to around-the-clock, take new safety precautions, change product mixes, increase delivery options and redefine business as usual. Swift decision-making has been absolutely essential, and companies have stepped up to make some decisions that are both difficult and painful. There are gloom and doom, job losses, recession, depression and even death. Still, the industry has adapted at a rapid pace, responding with ideas and measures to protect employees and customers, and keep up with demand.

“The healthcare workers are the true frontline, but our employees are right behind them,” Mitch Arends, senior vice president of operations and manufacturing for Kraft Heinz, said.

He’s right: COVID-19 hit the industry hard. Smithfield Foods shut down its South Dakota pork processing plant after hundreds of the plant’s 3,700 employees tested positive for coronavirus. Smithfield CEO Kenneth Sullivan said the crisis will push the country “perilously close to the edge in terms of our meat supply.” Tyson Foods, JBS and Cargill temporarily shut meat processing plants after positive tests. And supermarkets around the nation often shut down stores temporarily for cleaning. The industry is on the front lines of a war, keeping supply lines flowing and coming up with creative ways to rescue revenue and provide resources as “essential workers” help feed America.

### Innovation under Pressure

While consumers emptied store shelves of sanitizing gel, local distilleries and bigger companies like Pernod-Ricard, Diageo and Anheuser-Busch re-directed their production lines to manufacture sanitizer, helping alleviate the shortage. States began allowing delivery of alcohol, because we all need a cocktail. Liquor stores saw demand soar.

The crisis turned into a big time for some big brands, since consumers want comfort - which often means trusted names. Facing fear, people flocked to the familiar. Campbell's soup, Pepperidge Farm Goldfish crackers and Prego pasta sauce saw double digit jumps in sales. Mondelez saw demand for Oreos, Ritz, Triscuits and others grow online as students stayed home. Snacks became not just food, but an activity.

Empty shelves translated into opportunities for other brands, which could emerge as winners as well. Software maker BlueYonder reported that 87 percent of customers found products were out of stock. A survey by Shopkick found that 69 percent of customers bought brands new to them, when their favorites sold out. Big brands built sales - while others may have built a new customer base for later.

Many companies changed how they reached customers. Peapod, Instacart and other services were inundated as online ordering from supermarkets went on steroids. Chains with drive-throughs stayed open. McDonald's, in a letter to customers, talked about "convenient and contactless" ways to buy food from drive-through to mobile order-and-pay. National chains like McDonald's and Subway offered free delivery. Dunkin' Donuts tapped Grubhub as more stores and companies found they could no longer rely on their old business models. Companies recognized they had to deliver - or see sales drop further.

Restaurants shifted to selling retail as their meal revenue dried up. Panera added some grocery items, once seating ended. Farmers began selling direct to consumers, although some simply dumped produce, creating images of a severed supply chain. Manufacturers stepped up to shift production for safety and medical equipment, while grocers started working around the clock to restock shelves, and big food companies shifted production to meet the needs of the public.

### Employee Equation

In this war with workers on the front line, employee health and protection are key. Companies could extend a thank you to the government, which extended unemployment benefits, provided

the CARES Act, PPP loans, and the stimulus package. It may not be enough, but it helps. And companies have been keeping staff as long as they can by utilizing them to perform multiple functions such as delivering, cooking and cleaning. PepsiCo, Mondelez and Hormel Foods are a few among the businesses rewarding their workers with bonuses, additional leave time and raises.

Nestle's U.S. CEO Steve Presley, meanwhile, said his company has guaranteed three-months pay for workers at impacted facilities and may slow product rollouts as grocers prioritize keeping shelves stocked. Companies have been reaching out to others that furloughed staff, as manufacturers hire and retrain restaurant employees. Papa John's said it is hiring 20,000 employees in the near term, and Fresh Market is hiring 1,600 workers and reaching out to others. The industry has pulled together, and some companies have been creative in ways to pay and keep workers employed.

Meanwhile, stores and manufacturers took precautions to protect their workforce and customers. Who would have thought a few months ago that shopping in a supermarket could be seen as dangerous? Albertsons, Stop & Shop, Walmart, Publix, Kroger and many others put up plexiglass barriers at checkout counters. Kroger added partitions at its pharmacy and in-store Starbucks locations. Many retailers, including Costco, are also limiting the number of shoppers permitted through their doors at any one time, with monitors managing lines at six-foot intervals. Perdue Farms said it was installing partitions to separate workers. And Tyson Foods announced infrared body temperature scans to detect fevers. Will workers on assembly lines be separated by partitions or space in the future? Will restaurants have fewer chairs? A new normal could be very different than life BC.

### Customers and Charity

While companies struggled, big and small players stepped up with donations as demand grew. Private equity firm KKR & Co. set up a \$50 million fund for healthcare workers, the poor, small businesses and their employees. Starbucks set aside \$10 million for its workers. Target said it

was donating 2 million KN95 respirator masks to healthcare providers. Meanwhile, Coca Cola approved \$13.5 million in grants in North America, largely for food distribution, on top of smaller grants. PepsiCo pledged \$45 million in global relief for areas affected by coronavirus, including \$15.8 million in North America. Danone North American announced \$1.5 million being donated to food banks and food rescue groups, among others. Amid rising coconut water sales, Vita Coco said it is donating \$1 million to Feeding America and No Kid Hungry, according to Food Dive.

Shopping hasn't been, and may never be, the same, as stores got creative in protecting at-risk populations and first responders. Stop and Shop is offering special shopping hours to customers 60 and older, while Save Mart Cos. created special hours for first responders at its 205 stores. Walmart, Kroger, Hy-Vee and other supermarkets debuted one-way aisles and limited customers. BJ's Wholesale Club is limiting shoppers and permitting households to send only one person at a time. The United Food and Commercial Workers International Union wanted grocery store workers to be designated "extended first responders," so they could be tested sooner and get more protective equipment, although that didn't happen.

Problems have persisted as a group representing Instacart gig workers said they would refuse orders until the service provider gives them hazard pay, safety gear, extended paid leave and a 10 percent default tip. Amazon has faced discontent from some workers, even as it hired thousands more. The Food Industry Association asked the federal government to supply grocery store workers with masks. That didn't happen.

While Wuhan, China, where the crisis started, began lifting its lockdown on April 8, the United States is still ramping up. An army of food and beverage workers and companies remain part of the force fighting the coronavirus war.

The F&B industry's response may be one of the biggest stories of any industry in history - with many successes alongside struggles and sorrow. When the country looks back, this will be seen as a time of tribulation, but also of innovation. Necessity is still the mother of invention. And as

the crisis continues, expect more change before we settle into a new, but likely very different, normal.