

FOOD AND BEVERAGE REPORT

FOOD PROCESSORS AIM FOR SUSTAINABLE SUCCESS



Canada's food processors find themselves in an incredibly challenging business environment. Each day they face fierce competition, intense price pressures, complex regulatory concerns and evolving consumer tastes and behaviours.

But as we discovered, food processing CEOs are undaunted by these challenges. They're taking action today to ensure their companies can achieve lasting, sustained success tomorrow.

Building the foundation for long-term success

Quite a number of the CEOs we spoke with are focused on what one described as "the basics." Companies are making important infrastructure investments and process improvements to protect current market share and support their business needs today and in the future.

Many companies are investing in new information technology, especially enterprise resource planning (ERP) systems. Here, the goal is to gain deeper insight into business dynamics, make better-informed business decisions, and realize efficiencies across the company. Several of the CEOs we spoke with also mentioned their intention to upgrade plant equipment to improve the speed, quality and reliability of processing operations.

The war for talent heats up

CEOs now clearly see people as an integral part of the business foundation they need to get right in order to protect the business and fuel growth. More and more companies are aiming at achieving "employer of choice" status to differentiate themselves in a crowded market and attract, engage and retain the talent they need to prosper.

We're seeing processors roll out incentive plans, pension plans and improved benefits in order to sweeten compensation plans and provide employees with a greater stake in the success of the business. Companies are also looking at ways to help their people learn and grow their careers, including training and job-sharing programs. Moves such as these can go a long way to improving employee engagement — and an engaged workforce is a more productive one.

The drive for a more engaged workforce increasingly begins at the recruitment stage. Companies are growing more discerning in their hiring decisions. Standards and expectations are rising: more and more, recruiters are looking at the candidates' business acumen and fit with company values along with more experience, skills and relevant qualifications.

ABOUT US

BDO recognizes that it is critical to both build and protect your brand, as well as to take advantage of recent developments in innovation and technology. Our professionals understand the varying priorities and concerns for food and beverage organizations in Canada. As a leader in serving the food and consumer products subsector, we help clients grow their revenue in new markets, build their brands, and control costs to maximize profitability.

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Many food processors are pursuing food quality, safety and content certifications in order to build their reputation and strengthen their brand



Leadership teams for the long haul

The CEOs we spoke with are also determined to strengthen their senior management teams, bringing in experienced finance and operations managers to assume the running of day-to-day matters. They're using executive recruiters and other advisors to help them identify exceptional candidates who can both move the business forward and serve to attract other top talent.

For most CEOs, this handover to a management team is a natural and necessary stage in their company's evolution: delegating their company's operational concerns to a carefully chosen team of functional experts frees them to focus on long-term strategic issues. As they turn their attention to long-term concerns, we hope that more CEOs focus on succession planning. Too few, in our view, have put in place the succession plans that are so vital to ensuring an orderly business transition down the road.

Securing the supply chain

As they search for ways to wring competitive advantage from all aspects of their business, many processors are looking to their supply chains. Increasingly, CEOs report that competitive pressures are forcing them to look globally for raw materials in order to manage costs over the long-term. In many cases, companies are now employing food brokers to assist them in the effort. Some — especially those involved in partnerships with other players in the sector — aim at creating a "seamless" supply chain to achieve shorter turnaround times and more effective receiving and distribution functions. Whatever the approach, the goal is the same: lowest cost and maximum efficiency.

Protecting and strengthening revenue streams

When they're not looking at ways to fortify their company's business foundations or lower costs, CEOs are setting out strategies to protect and grow their revenues streams in a difficult market.

Many CEOs we spoke with view diversification as a way to both respond to and guard against changes in consumer tastes and behaviours and protect revenues in the process. Several outlined plans to expand into new products (e.g., halal products) or new niche markets (e.g., long-term care facilities) to seize the growth opportunities created by changes in Canada's population demographics. Others are looking for ways to address consumers' twin demands for healthier food that's faster to make, and reinvesting profits into R&D in order to do so.

In some instances, food processors are considering more "lateral" diversification strategies that leverage existing strengths and market positioning: moving from organic dairy products into organic grains, for example, or adding a coffee line to complement existing juice products. It's possible that this will drive acquisition activity in the sector, as companies look to buy their way to new products, markets and revenue streams.

It's also interesting to note that many CEOs now see branding and reputation management as an important way to protect and grow revenues and the business overall. Many food processors are pursuing food quality, safety and content certifications in order to build their reputation and strengthen their brand among retailers, partners and consumers alike. Some are even considering launching advertising campaigns in order to boost their profile in the market: capturing mindshare to seize market share.

A relentless drive for success

Canada's food processors may face an incredibly competitive business environment, but they're also well prepared for the battles to come. They're making smart, shrewd investments that will help them retain the market share and revenues they have today — while enabling them to seize the growth opportunities set to emerge in the years ahead. It should be something to watch.

BDO's Up to the challenge: Executive perspectives on the Canadian food processing sector report can be found at bdo.ca.

BDO in Canada

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BDO around the world

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