

# Food crises: Bad things do happen to good food companies

By Sally Bernstein, US Leader, Food Supply and Integrity Services



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Sally Bernstein is a principal in PwC's retail and consumer practice. She has over 25 years of experience in the industry and leads PwC's US Food Supply and Integrity Services. Her experience spans the food value chain and includes supply chain resilience, strategic risk management, regulatory response, recovering and responding to unexpected events and building ethical culture and risk management programmes.

*Food companies can expect a kick in the teeth now and again, but it seems like the industry is seeing more and more issues, more frequently. They all thought they were prepared to respond – were they?*

Fakes, contaminants and other supply chain challenges mean crises aren't unusual for food companies – disruptions, recalls and safety scandals are now business as usual. Look around and you'll see bad things happening to good food companies, all the time. I won't repeat headlines about beef turning horse, poison milk or food that kills – you know the stories well.

What I will do is discuss how to protect your company from crises and enable risk resilient operations. Yes, there are lots of things you can do to reduce your risks, but one day you'll face a crisis that needs a robust response.

Companies are losing money and customers are losing faith– we need to do more, which is better done before than after. So how can the food industry catch a break and manage crises better?

## **A crisis is always cooking**

Taking a step back, we can see the food industry is dealing with the same big issues as all of us. Global megatrends, such as globalisation, climate change, resource scarcity and demographic changes are colliding together and transforming society and the way we do business.

The difference for food companies is these forces are impacting the industry in every single way... radically changing the way we buy, sell and consume food. This brings opportunity, but it's also bringing new challenges, such as making it harder to know where our food comes from.

Food supply chains are now vast webs of tangled transactions that are continuing to expand and become less transparent. Customer expectations on quality and value are increasing, competition is driving down margins, while supply constraints and new regulations add more layers of complication.

So is it really surprising that every day we hear of new problems at food companies with strong brands and strong histories of safety and quality? No. But what is a surprise is that too many food companies are finding out they are not as well prepared as they think for the risks that may come their way.



***Crises happen, even to the very best companies, but you have a choice***

***Could a kick in the teeth be the best thing for building resilience?***

It has been said that sometimes a kick in the teeth can be the best thing in the world... true for dentists perhaps, but does it hold true for food companies?

Companies hit by crises know the safety and quality issues they need to deal with well, and in most cases (if not all) try to implement solutions to improve their systems and processes. Yet these solutions can often fall victim to organisational resistance, lack of resources, poor supplier relationships or an insufficient understanding that risk awareness and crisis planning need to be part of your everyday business.

Crisis preparation and readiness are key crisis elements that will maintain trust in your food and protect your customers and company. Don't wait to find out how well you respond to crises – serve your own swift 'kick' to your organisation now to test your crisis preparation, response and recovery capabilities.

***Test yourself, in a crisis...***

- Do you have a process to finance recall costs? Do you have recall insurance?
  - How would you prioritise your interactions with suppliers? Do you understand how your suppliers would handle a recall?
  - What are the sources of your products beyond tier 1 suppliers? How do suppliers trace products?
  - Do you know who would lead in the event of a crisis? Who would you call first? Does that person know their role? Are you prepared to have them dedicate the time needed to manage the process?
  - Have you identified 'triggers' for activating the recall and crisis plan? How does the recall team communicate with company leaders?
  - What is the quality of data or reporting that contract manufacturers or suppliers provide around quality or safety related matters? Is this information easily and quickly accessible? Could you get it within 24 hours or less?
- What is the communication strategy for recalls? How would you handle a huge influx of customer calls? Do your customer service team know what to say to customers?
  - What would you do with the product that got returned? Where would you keep it? Would you replace it for free?
  - Do you have the technical skills in house to understand the issues or do you have ready access to the skills you need?
  - And lastly and most importantly, how will you communicate with your customers and consumers and mitigate the impact on your brand.

Crises happen, even to the very best companies, but you have a choice. Thinking through these issues now is more than just an exercise in preparedness, it may also help to identify areas where you can take action earlier and perhaps mitigate the impact of a crisis. Be proactive and shape a crisis strategy focused on disruption avoidance and sustained business performance, which allows you to emerge from any crisis as painlessly as possible.

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To confront and overcome crisis, you need expertise at every step – from preparing, to responding, to recovering. PwC's Global Crisis Centre is a virtual centre of excellence made up of crisis specialists from different countries and industries. Our crisis teams can access and convene the best skills, experience and knowledge from across PwC's network of member firms in 157 countries. We work with you to prepare for, respond to and recover from crisis. Find out more about how you can confront crisis with confidence by visiting us at [www.pwc.com/crisis](http://www.pwc.com/crisis)

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