

4-28-2020 Practical steps for food businesses during COVID-19

Meeting Consumers Where They Are: At Home & Online

Practical steps for food businesses to check your readiness in this COVID-19 world

Consumer habits are shifting at exponential speeds. There is no longer a single preferred way to shop. Everyone wants to consider their specific needs and occasions before selecting what to buy, where to buy it and how it will be acquired. That's a lot of choices, and consumers have never been more in control.

But COVID-19 has changed nearly everything – both for consumers and food companies. The global pandemic is forcing many companies to make tough decisions about how to move their business forward. Some businesses are finding their footing. Others aren't.

Many business-to-business suppliers, for instance, are turning to (or working quickly to improve) a direct-to-consumer (DTC) model, allowing consumers to order product online from the comfort and safety of their homes. The last thing any business leader wants is to close up shop, which halts not only the distribution of goods, but endangers the livelihood of hardworking employees.

If you manage one or more brands whose business model is challenged in the current environment, what do you do? Now is the time to take a closer look at short- and long-term business planning and consider alternative options to better prepare for what lies ahead.

For the foreseeable future – and perhaps even longer – e-commerce adaptability will be necessary for some companies to persist. But how ready is your brand to move into a DTC model? Can your business handle this new pressure? Can it survive if you don't try?

Forging a path forward

Signal Theory, a food marketing firm, has helped clients navigate this space for years. As COVID-19 changes America and the world, our FoodThink experts are here to provide guidance and thought starters for you to consider as you wade into uncharted territory. When we wrote about the state of online grocery in 2018, our advice was simple: Whatever you do, do not ignore online grocery. Forbes further bolstered that idea, stating that by 2025, online grocery is predicted to account for 20% of total grocery sales.

There aren't too many analysts who would disagree that we've hit that 20% threshold an abrupt five years sooner. Through two posts, we'll walk through ways your company might proceed with a DTC component. This post will cover logistical matters, and the next will focus on marketing.

DTC logistics: How to make selling online work

If you decide an e-commerce strategy is your best path forward, you should know that your digital marketing team is just as essential for success as a traditional sales team. You need people who understand coding and writing for the internet, as well as the difference between metadata and tagging. In the world of DTC, the digital team becomes your de facto sales team. They can ensure search engines find your business more easily, help convert clicks to purchase and reduce bounce rates and abandoned shopping carts.

If you do not already have an internal digital marketing team, consider partnering with an agency or firm that has these capabilities. Then, along with your leadership team, work through the following to determine what's right for your business.

Platform: Where will you sell?

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Option 1: Your website

If you want to drive customers to your own website, perhaps a self-contained shopping site is right for you. The biggest challenge will be getting people to your online store. Even if your site averages high traffic numbers, those visitors may be “window shoppers” who aren’t ready to buy. A strong marketing push (more on that in our next post) may help drive ready-to-purchase shoppers to your site.

- Upside to selling through your site: Many visitors are those who already enjoy your product. Selling through your own site allows you freedom and control.
- Downside to selling through your site: The conversion cycle is likely longer because many may be visiting the site for content rather than making a purchase.

Option 2: A third-party e-commerce website

If you prefer to sell through existing e-commerce sites where people already shop (like [Amazon](#) or [Alibaba](#)), be prepared to immerse yourself in the competitive world of customer reviews, product specs and highly detailed descriptions. Pricing considerations, including shipping costs, will also be a factor.

- Upside to third-party selling: These sites have established consumer trust and can have built-in fulfillment systems that can lessen the strain on your company.
- Downside to third-party selling: Competition is fierce, and customer reviews can make or break a product. Profit margins are often minimal and third parties maintain strict oversight with sellers.

Option 3: Retailer websites

If you are already selling your product to certain retail stores, you may be able to take advantage of their e-commerce capabilities. To best leverage their platforms, you’ll want to provide high-quality photos, recipes and product descriptions that include features and benefits. Work with the retailer to develop promotions and learn how to feature your product prominently on their site.

- Upside to selling through retailers: You won’t have to do much additional digital marketing to reach your audience. Customers are already on the site.
- Downside to selling through retailers: Competition is high, and you have little control over your products’ display. That’s another reason why it’s so important to provide optimized product titles, descriptions and high-quality images.

Shipping: How will product get from your dock to the front porch?

Perhaps your existing warehouse and distribution channels have capability and capacity to handle an increase of individual requests for smaller quantities. More often than not, though, that isn’t the case – most companies work to minimize unused plant square-footage.

Handling order fulfillment yourself, whether from your own website or a third-party’s, may make sense in the short-term, but are you in a position to ship hundreds of custom-packed boxes to hundreds of unique addresses? What happens when you’re flooded with orders on Tuesday and Wednesday but Thursday and Friday are quiet? How does this affect your labor costs and utilization rates?

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Most food producers excel at making product and shipping bulk orders to retailers or distributors. Selling DTC completely disrupts that familiar model.

If you're able to fulfill orders, brainstorm with your team about how you will manage the myriad of additional considerations, such as the variety of box sizes, customer order changes, availability of storage and workspace, and the capital tied up in up-front costs.

As you build momentum, you may want to begin vetting third-party shipping groups that specialize in e-commerce. They have sophisticated systems in place to monitor inventory – not just product, but shipping inserts for recipes, cooking instructions and food safety guidelines.

Remember to evaluate your products' shipping requirements when deciding your best course of action. While you may be used to refrigerated freight for bulk orders, FedEx, UPS and USPS aren't set up for those needs. Addressing the following questions may help:

- Do you have to ship overnight or can you use dry ice for longer shipping distances? A melted or spoiled product won't garner a favorable review.
- Will shipping fresh vs. frozen affect the product quality consumers have come to expect?
- Should you have an order cutoff date to ensure product integrity during shipping?
- Is there a minimum spending requirement per order?

Customer service: How will you tackle the influx of touchpoints?

Shifting to a DTC model will present numerous customer service opportunities and challenges. For starters, because the individual customer is vastly different from your B2B customer, you'll want to think through the details of fielding customer service calls.

How responsive do you expect your customer service representatives to be? Do those expectations align with your brand's reputation? If your company is already known for speed and ease, you can't let up now. Then again, would it make more sense to activate an automated system? Maybe so, especially if your SKUs are limited and your ordering process is rather simple. You might also consider using bots on your site or Facebook page to field routine inquiries.

Who will manage the customer service aspect of your online business? Will this person have the proper time and authority to act swiftly? And don't forget that everything is fair game for customer reviews. Leave no stone unturned regarding your customer service protocols. Pay particular attention to your representatives' tone of voice while fielding calls, their speed of problem solving and even the condition of your boxes when they arrive on customer doorsteps.

All those little things add up and, like it or not, your reviews will reflect your customer service competence and diligence. If selling through a third party, poor reviews can also affect your highly important seller rating.

Sounding manageable? Let's keep going.

Working through the logistical components (platform, shipping and customer service) is a great place to start as you venture into or fine-tune your e-commerce in a COVID-19 world. It's by no means a simple process, but taking it one step at a time will enable you to move forward without overanalyzing.