

INSIGHTS FROM THE BDO RESTAURANT PRACTICE

# RESTAURANTS SERVING UP SUPPLY CHAIN SOLUTIONS

By Carrie Shagat and Adam Berebitsky





Now, nearly two years into the COVID-19 pandemic, supply chain disruptions have taken a number of forms, spanning all industries — including restaurants. At the top of their list of challenges are food, supply and labor shortages that weigh on consumer prices, the dining experience and talent retention. Despite these headwinds, outlooks for the financial health of the industry remain positive. In fact, the International Foodservice Manufacturers Association (IFMA) expects foodservice industry growth to [nearly return](#) to 2019 levels by the end of 2022.

How can restaurants realize these projections? **By cooking up an innovative strategy.**

### FOOD AND SUPPLY SHORTAGES

Restaurants face heightened pressure stemming from shortages of key foods and supplies. At the start of the pandemic, the food industry saw piles of unused produce, dairy products and other food items with a short shelf-life spoil. Restaurants weren't buying due to COVID-19-related closures. Now, there doesn't seem like much of anything is left. Though some challenges vary by geographic region and by store type, added transportation costs, port congestion and demand variability have resulted in a dearth of supplies. Restaurants that have shifted to primarily delivery or carry-out options are experiencing shortages of to-go boxes, paper bags, plastic utensils, straws and more. When it comes to food, even the largest franchises are impacted. McDonald's, Taco Bell and Subway have pulled popular items from their menus, as chicken, beef and other key ingredients are subject to shortages.

Offering less menu options isn't a foolproof strategy to navigating supply chain uncertainty. Even what's on the menu may not be available — and for a number of reasons, including longer delivery lead times. Because of the limited demand at the start of the pandemic, trucking fleets are few and far between. Trucking companies have yet to replace their workforce and, in other cases, have gone out of business.

At the same time, however, demand has largely returned. Customers are pouring pent-up demand into carry-out, delivery and any available dine-in offerings, leaving restaurants to either evolve operations to meet customer needs or risk falling short of positive revenue projections in the year ahead. For many restaurants, solutions have taken the form of partnerships, ghost kitchens and improved supply and demand forecasting. Partnerships can reduce risk and mitigate pressures weighing on supply chains by offsetting costs, leveling staff workload, improving employee retention and



combining resources. Similarly, bulk orders of non-perishable food and supply items and ordering locally can help reduce lead times and ensure availability of key ingredients. Ghost kitchens have also grown in popularity over the course of the pandemic as restaurants leaned on delivery and carry out services to compensate for losses in foot traffic revenue. Ghost kitchens allow for flexible ordering, food production and delivery options that improve supply chain and order management efficiencies at scale.

From an operational due diligence standpoint, it's vital that restaurants leverage the technology at their disposal for a data-driven foundation. Tools like BDO's supply chain digital twin allow for analyzing data in real-time and simulating "what-if" scenarios so restaurants are better equipped to manage inventory and supply needs, customer satisfaction and other KPIs to run an efficient and profitable establishment.

## WORKFORCE HURDLES

In April 2020, unemployment reached a record high of more than 23 million Americans. While restaurants were able to reopen their locations months into the pandemic, they've struggled to rehire staff. The unemployment rate in the restaurant industry fell to [7.5% as of September 2021](#), but that remains above pre-pandemic levels. According to a report by [Black Box Intelligence](#), most of the industry's workforce is leaving for a variety of reasons, including to receive higher pay (28%), access a more consistent schedule and income (23%) and pursue professional development and promotional opportunities (17%). As a result, restaurants are short staffed

and existing employees are feeling the pressure of high demand, creating a new focus on employee satisfaction and workplace culture.

Restaurants are offering more incentives and accommodations to retain and attract talent. Popular responses include streamlining curbside and drive-through ordering with digital tools and pre-ordering services, closing dining rooms and changing hours of operation to ensure restaurants don't overwhelm their staff. Other restaurants have increased wages and offered signing bonuses. According to a [report](#) from the U.S. Bureau of Labor Statistics, hourly wages in leisure and hospitality increased 13%, reaching an average of \$16.60 in August 2021. To go a step further, restaurants should prioritize creating culture and connectivity in the workplace. Fueling human connection by supporting employee wellness, offering a better work-life balance and setting business goals that align with staff passions or community interests can elevate employee morale, increase retention and improve customer satisfaction.

## PAVING A PATH FORWARD

Addressing supply chain challenges can be expensive and time-intensive, but failing to evolve operations will only continue to weigh on bottom lines over time. If restaurants hope to realize revenue projections for 2022, they'll need to get creative in navigating food and supply challenges. Beyond good business sense, emphasizing a positive work culture and human connectivity will improve conditions for staff and help restaurants deliver on memorable customer experiences.



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