



FEATURE

# Future of work: The state of the food industry

Change is coming, but is everyone ready?

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A DELOITTE SERIES ON THE FUTURE OF WORK IN THE FOOD INDUSTRY

## Food retailers and product suppliers look past the pandemic to the future of work. Greater cooperation may help the industry unleash its potential.

**A**S DEMAND CHANGES, so too must the very work we ask people to do, where we ask them to do it, and the specific skills necessary to perform the most vital tasks. Today, technology and new sources of talent are together unlocking new possibilities for what we refer to as the “Future of Work” (FoW). The food industry is no stranger to these changes and possibilities, especially after the turbulence and rapid acceleration experienced during the COVID-19 pandemic. However, while there are large potential payoffs from this FoW shift, many food retailers and product suppliers are not yet fully prepared to undergo the level of change required to reap the benefits. They also face some unique challenges along the way.

In this first-in-a-series paper, we assess the state of the food industry as it proceeds toward its own FoW—i.e., how it reimagines the work, workforce, and workplace of the future. Our primary research (see the box “Methodology”) reveals the food

### METHODOLOGY

To learn what food retailers and product suppliers are thinking, Deloitte and FMI-The Food Industry Association (FMI), surveyed more than 150 US-based executives at US consumer packaged goods, food manufacturing, and processing companies, as well as grocers and other food retailers. Additionally, we conducted 15 in-depth interviews with industry leaders to interpret survey findings and understand more clearly what is happening inside their companies. The survey and interviews took place in April and May of 2021.

industry’s FoW maturity, goals, roadblocks, and investment. The good news is that we find much progress to date, but some critical gaps are slowing the FoW journey.

Let’s begin by assessing what is causing the industry to change.

## The state of change

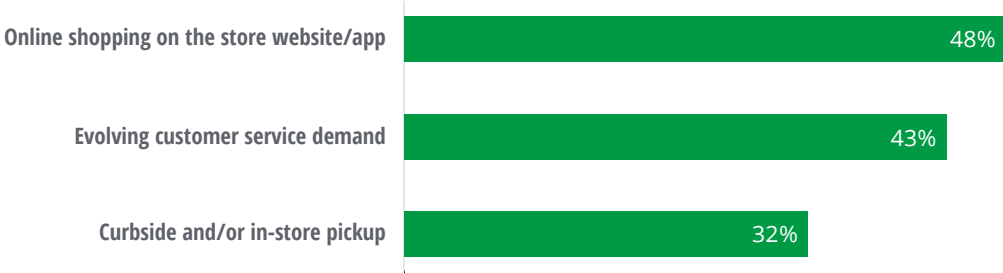
Restaurants and most of the food service sector suffered during the pandemic. But large segments of the retail food industry, the subject of this study, truly benefited in terms of sales—as people shifted to at-home consumption, consumer food sales rose to new heights.

Of course, food retailers and product suppliers would like to keep this enhanced revenue stream flowing, even after pandemic restrictions and hesitancy subside. However, doing so is now more difficult and expensive. The pandemic unleashed new forces in consumer preference that appear to be in opposition to the industry’s revenue and cost goals, as we will see below (figure 1).

As consumers quarantined during the pandemic, their preferences shifted, accelerating demand for e-commerce. The shift was sharp and immediate. Online grocery spending quickly grew to 28% of shoppers’ overall food retail spending during the early stages of the pandemic.<sup>1</sup> While new and innovative delivery solutions addressed consumer requirements for safer transactions during lockdown, they also were considerably more complex and costly solutions for industry players. FMI research suggests that during the pandemic, retailers spent almost US\$450 million on technology for online shopping and another

FIGURE 1

### Top 3 change drivers: Food retailers



Source: Based on Deloitte’s survey of executives from the US food industry.

US\$1 billion on delivery services or partnerships with third-party providers.<sup>2</sup> Additionally, the value of maintaining an omnichannel presence—that includes digital engagement systems—was largely captured by consumers and third parties, meaning these investments mainly helped food retailers maintain market share while increasing costs.<sup>3</sup>

As to the FoW implications, food retail executives suggest that these change drivers are mostly affecting the *nature of the work itself*. Consider that promoting items on a website or app is a different kind of work than building attractive end-aisle displays, or that rapidly picking items

while inherently making decisions on behalf of consumers, engaging with them in chat through the app, and delivering groceries to a vehicle curbside is different from operating a cash register. Executives also report that the skills required to do this work are changing and so are the physical locations, which might include a “dark store,” which is used only for fulfilling online orders.

Change drivers for the product supplier side might appear quite different at first glance. However, upon closer inspection, we find they are, in part, quite similar—two sides of the same coin (figure 2).

FIGURE 2

### Top 3 change drivers: Product suppliers



Source: Based on Deloitte’s survey of executives from the US food industry.

Here, changes in what retailers are asking of their suppliers is the top FoW change driver—an artifact of food retailers passing some of their e-commerce challenges to their suppliers. For example, product suppliers are asked to create e-commerce-appropriate pack sizes and packaging, help meet unique logistical challenges (of delivering to new locations at different frequencies and of different shipment sizes than usual), and more. Product suppliers' heroic performance during the pandemic may even have raised retailer expectations. As one supplier put it, "[The concern is] it's going to work, and they're going to get used to it." Only 4% of food retailers said the evolving demands from food manufacturers was a top-three change factor, which may demonstrate a one-way nature of requirements flowing from retailers to product suppliers and presents an opportunity for better trading partner communication and collaboration.

While many issues exposed product suppliers' underlying resiliency problems, the rapid shift to at-home consumption was easily one of the most significant factors 2020. As the pandemic forced people to cook and eat more of their meals at home, product suppliers quickly learned how difficult it was to shift supply from food service channels to retail and to keep their existing retail offerings—e.g., toilet paper, hand sanitizer, yeast and flour, soda in aluminum cans, certain breakfast cereals or cuts of meat, and many niche varieties of consumer packaged goods—in stock. As a result, product suppliers are looking to organize their work, workforce, and workplace to be more adaptable to any planned or unplanned shifts in the future. While events on the scale of the pandemic might be considered once in a lifetime, the industry still should prepare to react to large shifts in consumer preferences.



Meeting the evolving demands of food retailers can be expensive, and retailers can't always pass costs on to consumers. Add in commodity inflation, increased labor costs, and new safety measures and it is a recipe for margin pressure—the third change driver. A supplier of frozen foods says, "Everybody's nervous. They don't want to lose a customer. They don't want to raise their prices. They don't want to mess with what's working." In such an environment, the industry needs FoW initiatives that can help increase productivity and decrease cost.

With a better sense of what is driving the work, workforces, and workplaces of food retailers and product suppliers to change, we focus on what they hope to gain from FoW initiatives, how prepared they are for the future, how much they are investing, and who is leading the charge.

increasing innovation, increasing capacity, and reducing cost (approximately 7% overall for each goal). If food companies are going to lead successful FoW initiatives and programs, they should use these goals for focus and motivation—or risk FoW becoming a label for efforts without a coordinated or cohesive meaning and result.

## The (future) state of success

When asked how they will build their own FoW, most companies pointed to culture. Some 41% said their most important action was building an organizational culture that celebrates growth, adaptability, and resilience. But when asked what they hoped to achieve, the answer was financial. The food industry sees FoW as a means to grow sales and market share. In fact, this competitive and business-minded objective is the most important overall outcome they seek from their work transformation efforts, according to our survey. Of course, companies also hope to achieve other critical outcomes. These secondary goals of their work transformation efforts include improving the customer experience (27% overall but 39% among food retailers), as well as

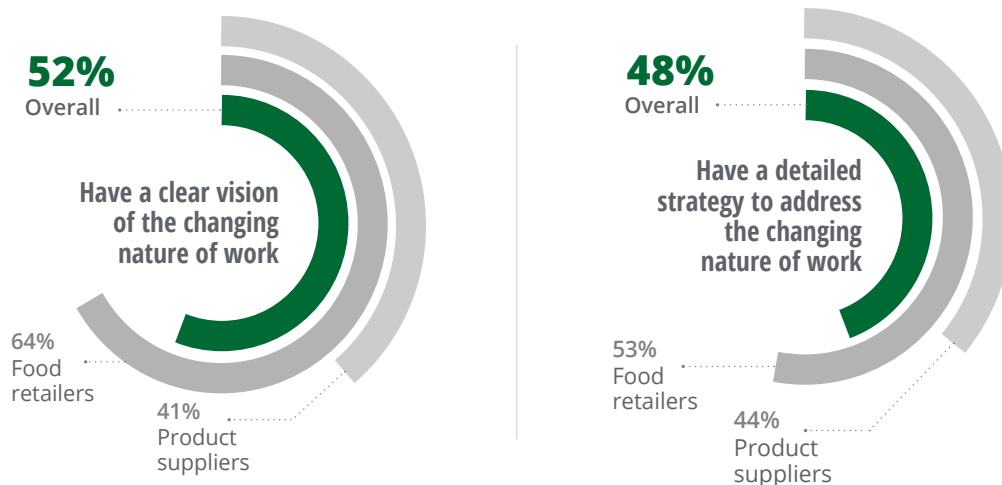
**#1 FoW goal:**  
Growing market share

## The state of readiness

The efforts required to prepare for FoW are significant. And not everyone is where they ideally should be on this journey. Fewer than half of executives say their companies are “ready” or “very ready” for work in the next normal. Additionally, almost half lack a clear vision of how the nature of work in the food industry will change over the next one to three years (figure 3). In the context of the pandemic, which unexpectedly accelerated the

FIGURE 3

### Current state of readiness



Source: Based on Deloitte’s survey of executives from the US food industry.

entire industry faster into the future than anyone could have anticipated, the current state of readiness is understandable. The good news is that the work is underway and food industry companies now have their eyes open to opportunities that would have been hard to see in 2019. But the challenge remains in building momentum to achieve readiness across the entire industry.

## The state of investment

Investment is a prerequisite for achieving FoW readiness. Nine in 10 companies are making investments in FoW-related initiatives, so the breadth of industry support is impressive. However, much of these investments are considered “moderate” or even “limited or pilot” (figure 4). For now, only two in 10 food retailers or one in 10 product suppliers classify their investments as “significant,” so the industry may still have a long way to go.

We believe these numbers show a disconnect between the market share growth that organizations want to achieve with FoW initiatives and their willingness to make the significant resource contributions to achieve it. Nearly 50% of executives fault “too many competing priorities”

for this problem. Interestingly, only around 8% of executives list “limited financial capital” as a main barrier, and 19% cited a lack of readiness in skills, experience, or culture. It is going to take leadership to navigate through the competing priorities and properly resource FoW efforts.

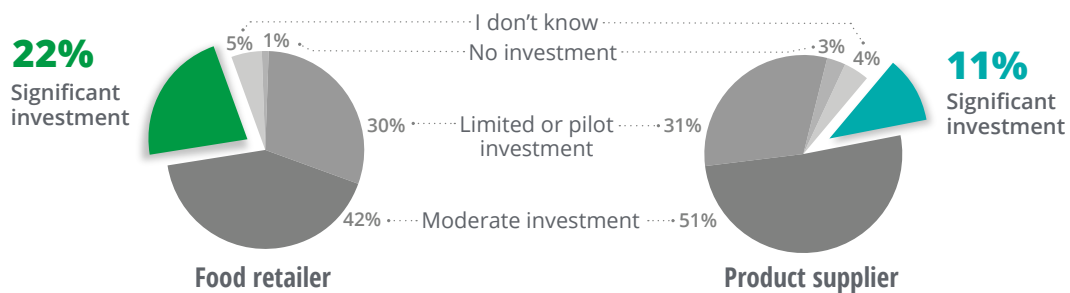
One vice president of workforce transformation at a product supplier, who has successfully unlocked resources, is investing in “facilitating better collaboration, allowing people to do collaborative working in an office and more focused work at home, as well as upskilling people for roles relevant for the future such as [working with] AI.”

## The state of leadership

Despite concerns about investment levels, companies are tapping a broad base of senior leaders to champion their FoW efforts. Setting the tone at the top is critical to drive FoW efforts forward. A broad and inclusive leadership team will help keep the priority on FoW efforts even when seemingly urgent but less important daily challenges intervene. As expected, talent/HR leadership is listed as a champion in more than 70% of companies. In a sign of how important and broad-reaching these efforts are considered, 44%

FIGURE 4

### There’s scope for further investment in FoW-related initiatives



Source: Based on Deloitte’s survey of executives from the US food industry.

say their CEO is a project champion. Relative to product suppliers, food retailers are more likely to say they have champions from operations or administrative leadership (42%) or IT leadership (36%). Then again, product suppliers include line-of-business (35%) and digital transformation (24%) leadership at relatively higher rates. Additionally, 7% say they created a new leadership position role specifically for FoW.

## The state of people

Food industry companies have laid some of the groundwork in preparing their employees for the change journey to come. Seven in 10 executives say they have engaged their employees in an open and honest communication about the changing nature of work. The same number say their employees trust them to implement changes associated with the FoW. Note that both stats are coming from company executives and not the workers themselves. But the industry faces more immediate challenges. If food companies can't find, hire, retrain—or retain—the people they need to operate, they can quickly become hamstrung.

The greatest people challenge right now is talent availability and retention (figure 5). FMI's *The Food Retail Industry Speaks* survey reflects that turnover in food retail was 40% before the pandemic, and 46% said COVID-19 made it harder to recruit and retain people.<sup>4</sup> Manufacturers of all kinds are hard pressed too. According to Deloitte's broad-based manufacturer research, 77% report they will have ongoing difficulties in attracting and retaining workers in 2021 and beyond.<sup>5</sup>

The job roles within food retailers and product suppliers vary drastically. The labor pools for frontline workers and office workers vary to the same degree, making it very difficult to speak in generalities. However, we see two important factors are at play in talent attraction and retention beyond short-term concerns about pandemic-related unemployment subsidies, which primarily affect frontline workers. First, companies in other industries, including technology, are starting to drop their four-year degree requirements, and are now hiring from the less-credentialed labor pool upon which the food industry has long relied. Second, the ability to work remotely creates national competition for employees, including

FIGURE 5

### Food retailers and suppliers face unique talent challenges



Source: Based on Deloitte's survey of executives from the US food industry.

those from higher-paying markets and sectors of the economy. Most of the food executives interviewed said offering flexibility and hybrid work options, where possible, will be key to retention. As one senior vice president of human resources put it, previously “companies have gotten by based on their name and their reputation” but that now “no flexibility is a dealbreaker for employees” who feel like they have new options.

Beyond retention, the two sectors diverge somewhat on the key challenges they cite. Product suppliers, for example, place as much emphasis on cultivating company culture as they do on retention. Both food retailers and product suppliers recognize the need for the workforce to employ more technology, but they see the challenge differently. Food retailers are looking to get there through retraining and reskilling, whereas product suppliers are perhaps more likely to try to hire in those high-demand skills.

Some companies are looking to address the need for talent with more automation. Three in five execs say they are aggressively seeking to automate work where possible. “It’s so hard to find people that have a desire to do these manual labor types of roles now,” said one director of plant operations. “And so, we’re trying to automate as much as possible, wherever possible because it normally gives you speed and consistency. Depending on how much we want to spend, I would say we could automate 50% or more [of the work].” Ideally, this technology will be incorporated in a way that facilitates people and machines working in partnership in a rearchitected workflow, producing better outcomes than either could alone.

## The road ahead

The FoW isn’t about waiting for tomorrow. On the contrary, it is created by the investments made today. Organizations that are not already considering how to rearchitect work, unleash the

workforce, and adapt the workplace risk falling behind their competitors that are already further down the FoW path. Earlier we framed “a glass half empty” in terms of industry readiness, but leadership is being shown by the half of food companies that do have the vision and strategy in place to meet the future. Those trailing behind now should take the opportunity quickly follow their lead.

How will they get there? Deloitte believes that the biggest motivator for people is the work itself.<sup>6</sup> Food industry companies should seek to humanize work and rally around outcomes that inspire and energize. In fact, people should be placed squarely at the center of an FoW vision that’s focused not on past performance but instead on achieving new, better outcomes. Companies in the food industry would be well advised to develop their own FoW vision and put a strategy in place now to hit their goals, whether they’re related to market share growth or something else. That is likely to require real investment of both time and money. A path through the competing priorities getting in the way of making these investments should be defined. FoW deserves to be a top priority and, perhaps as companies exit the many crises brought on by the pandemic, that will soon be easier.

We recommend that companies ask themselves several questions:

- What steps can we take now to make FoW a higher-priority agenda item?
- How can we formalize an actionable FoW strategy, even in the face of uncertainty?
- Who is sponsoring this strategy? Are the appropriate leaders involved? Do they represent the entire company, and are they empowered to make change?
- As we redefine work, are we making roles that are more worker-centered and interesting? Are we preparing for a fluid future and thinking beyond “optimization?”



- Are we creating opportunities to redesign the physical and digital environments to enable collaboration, human connection, innovation, and creativity?
- Are we using technology to transform work in ways that allow people to find purpose and meaning in their work and perform at their best?
- How can we ensure that leaders create a culture of trust and confidence that provides a sense of belonging and safety where the entire workforce can thrive?
- Do we have a strategy to recruit women and minorities who disproportionately exited the workforce during the pandemic?

Instituting a cross-functional and inclusive FoW leadership team can be an effective way to address these questions and create momentum. An effective team would be responsible for providing clarity of purpose, breaking roadblocks,

and creating accountability for outcomes. Fortunately, many in the food industry appear to have taken this first step.

As we reflect on the overall state of the industry, we have a final observation. The food industry is an interconnected system. It comprises not only food retailers/wholesalers and product suppliers but also packaging companies, service providers, and others. As with any complex system, communication and feedback loops are essential to finding better outcomes for the FoW and for the industry overall. In other words, a single company can't create the FoW on its own. Going forward, leading food retailers and product suppliers should strive to unify their approach and to seek solutions that are beneficial to all parts of the ecosystem. There may be a role for industry groups to aid in establishing goals and ground rules that coordinate efforts and conquer their shared challenges. Shared technology platforms may also help coordinate efforts more effectively once those understandings are in place.

Look to [Deloitte Insights](#) for additional findings from our FoW in the food industry series over the coming months.

## Endnotes

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