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Planning is Recipe for Success in the Food Industry

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Like most businesses, food manufacturers and distributors rely on two key ingredients to cook up profits: increased sales and decreased costs. It's a simple recipe, but it requires careful planning and a lot of preparation time. This article outlines several planning strategies that can help you keep more of the profit you earn.

Sales Force vs. Forced Sales

Many companies overlook the importance of a well-trained sales force. Untrained salespeople, under pressure to meet their goals, tend to "force" sales, often becoming pushy and aggressive. But that approach rarely succeeds. The key to closing the sale, is to create trust and value. People will do business with you if they feel that they can trust you, and they recognize the value of what you have to offer. By investing in sales training, you can build a sales force that has the ability to develop trusting relationships with your customers and to communicate the value of your products and services.

Planning for Growth

The food industry is one of the fastest growing industries in the U.S., yet few food companies plan for that growth. Instead, they attempt to keep costs down by investing in facilities that meet their current needs but don't give them room to expand. As a result, these companies quickly outgrow their facilities and are forced to move every five years or so - an enormous drain on their resources.

To avoid this trap, develop a five-year plan that anticipates your real estate and facility needs down the road and builds in room to expand. The plan should cover not only your plant and equipment needs, but also the capital needed to finance the expansion as well as zoning issues and other governmental requirements. To control expansion costs, these issues need to be addressed well in advance.

Taking Advantage of Government Incentives

Federal, state, and local governments offer an extensive menu of low-interest financing, tax credits, grants, and other economic development incentives for companies that expand or relocate their businesses. But every year, companies leave hundreds of thousands or even millions of dollars on the table because they lack the knowledge and expertise to identify, access, and maximize these benefits.

The Small Business

Administration (SBA), for example, offers qualifying businesses below-prime financing for real estate acquisitions with only a 10% equity investment. Businesses that expand in or move into one of New York State's 72 economically distressed "Empire Zones" can qualify for a variety of significant tax incentives. State and local governments compete with each other to attract businesses (and the tax revenues they generate) by offering a variety of tax credits, energy discounts, training grants and other incentives.

To take advantage of these benefits, start by identifying your business goals and the resources you will need to achieve those goals. Next, enlist the assistance of an economic development professional who can help you develop a strategy for reaching your goals in the most cost-efficient manner, identify government programs that fit your strategy, and guide you through the complex maze of rules and regulations while you focus on managing your business.

An economic development professional can also help you negotiate discretionary benefits. Most governments are willing to provide grants and other assistance in exchange for the jobs, tax revenues, and other economic benefits your company will bring. An economic development expert can quantify these benefits and negotiate the best deal possible.

Financing the Deal

Food manufacturers and distributors can increase profitability by planning to take advantage of the many unique financing tools that go far beyond the conventional commercial mortgage loan. For example, food manufacturers are eligible for tax-exempt bond financing. The principal advantage of tax-exempt financing over conventional bank loans is the availability of lower interest rates. Depending upon the structure of the tax-exempt bonds, interest rates can be more than 50% less than conventional bank loans. Creative financing mechanisms can also provide up to 100% finance of a project, mortgage recording tax waivers, sales tax exemptions and real property tax abatements.

Making the Most of Technology

In the kitchen, the latest gadgets can help you work more efficiently, but they're no substitute for basic cooking technique. The same principle applies in business. Computer technology and automation can help well-managed companies become more efficient and reduce costs, but they will only generate unnecessary costs for a poorly managed company.

A meat processing company, for example, upgraded its cutting-room equipment with computerized scales and digital measuring devices. But the new technology did nothing to improve the company's efficiency and output; it merely enabled it to measure its inefficiency and poor output more quickly and accurately.

To reap the benefits of technology, you must first evaluate your company's operations, redesign inefficient processes, and eliminate processes that add little or no value. Otherwise, you're just streamlining waste. And as Peter Drucker once quipped, "There is nothing so useless as doing efficiently that which should not be done at all."

Getting Back to Basics

The recipe for improving profitability is simple in theory, but executing it requires diligence, planning and a commitment to the basics. To survive and thrive in today's competitive environment, you need to scrutinize your costs line-by-line and redesign, eliminate, or outsource business processes that add little or no value. You need to hire and train a quality work force. And you need to identify and exploit economic development incentives that can give you a competitive edge.

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