Managing supply chain and labor shortages in today's economy

19 insights from Entegra's leading restaurant experts

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Introduction

Few professional areas have been so heavily impacted by the COVID-19 pandemic as the restaurant industry. Here, general managers and operators continue to struggle with two of the largest challenges their professions have ever faced.

Daily, they navigate a rapidly changing supply chain, while simultaneously managing an unstable and unpredictable workforce market. And while the restaurant industry is on track to normalize, that marker is still in the distance. Managers need guidance now.

Restaurant segment experts at Entegra have reviewed the evolving data and trends to distill important insights. Here, we summarize key recommendations to outline achievable goals and a top-level framework for hiring and supply chain success.

Navigating supply chain issues

Insights to navigate shortages and surge to recovery

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COVID-19 created, directly and indirectly, unprecedented stress on the supply chain for restaurants everywhere. Businesses with foodservice operations of all kinds saw **a drop in purchasing from $311 billion pre-COVID to $230 billion.**

What caused these issues, and how did they lead to rising commodities costs and the inflation the market is seeing today?

First, labor shortages had a drastic impact on packaging plants. 2021 resulted in **a 28% decrease in packaging workforce** compared to 2020 alone. Similarly, employment for truck drivers also sank, with **50,000 fewer drivers** in the United States compared to 2019 figures. This change caused shipping times to increase, and transportation prices to rise.

While supply suffered from these deficits, consumer demand rose. Consumption both at home and away remains strong, causing a huge surge in demand — and not nearly enough capacity to handle it.

Meanwhile, other factors coincided with these. Corn prices, for instance, have risen alongside wholesale prices. **This affected the price of feed**, the largest cost at the meat production level. Now, soybean and wheat prices are also increasing.

Additionally, 2020 and 2021 saw a multifactorial global logistics system seizure that still has not sorted itself out, and may in fact take years to recover.

Despite these hurdles, experts indicate the restaurant industry is in **the “Surge” stage of a “Four-S process of recovery”** (Survival, Start, Surge, Strengthen). This is good news for recovery progress, but a surge also means sustained demand, and further potential disruptions. Key commodities such as chicken, pork, shortening, oils, fish and beef will continue to rise in price, as they have YOY as of April 2021.

If disruption and unpredictability are to continue, restaurant managers must take proactive measure to protect their businesses from volatility, without sacrificing customer experience or overall business performance. Once again, Entegra's advisors recommend five concrete steps to stave off ongoing supply chain issues.

1 Simplify menus with interchangeable SKUs

As food commodity prices continue to rise, or even threaten complete disruption, menus must be agile to decrease potential negative impacts. Resilient menuing with interchangeable SKUs will allow managers to swap items in and out while planning for changes in availability and pricing beforehand.

2 Inventory control must be planned in advance

Similarly to guidance in item one, managers should assume shortages and delays will occur, and manage their inventory for all products and supplies accordingly. This means thinking (and ordering) ahead, using 6 to 8 weeks as an expected lead time for all purchases.

3 Perform ongoing preventative maintenance to avoid shutdowns

As supplies, labor and external service availability are no longer guaranteed, risks associated with mechanical failure for key equipment, technical issues and more, increase. Restaurant operators should therefore preemptively evaluate all existing systems, create a rolling plan for service and enact it immediately. Success-minded businesses cannot afford to wait until the last minute, or until an actual failure, to address maintenance.

4 Close collaboration with a distributor account manager

During this time, communication is key. Operators should remain in close contact with their distributor's account manager for feedback on how to stay ahead of supply chain issues. For instance, operators can review menus with their distributor to identify items at risk for upcoming outages, then work around them. They may also seek advice on how/where to reduce menu options to limit these risks as well. If their distributor or purchasing partner offers on-staff culinary expertise, those advisors can assist with menu ideation, substitution suggestions and identifying multiple-use ingredients to save on costs while creating a shortage-resistant menu.

5 Stock up on replacement parts to have them ready

An intuitive extension of smarter inventory management and proactive maintenance is keeping regular replacements in inventory for every item critical to the business. This could mean duplicate equipment, spare uniforms and linens, or other supplies that would hamper operations if unavailable for 6 to 8 weeks.

6 Employ ready-to-use (RTU) products for greater efficiency

RTU products are a simple and effective way for restaurant managers and operators to cut down on labor and ingredient needs without hindering guest experience. For instance, managers can purchase precut produce, or items like RTU muffins, desserts, sauces and soups that can be served as is — without additional prep. By employing RTU products, operators minimize preparation steps and increase their resistance to ingredient-based shortages.

7 Plan for seasonal upticks — and communicate them to customers

When consumers see prices rise, they may be deterred, despite strong demand. It's important for restaurant managers to not only plan for ebbs in pricing themselves, but to also communicate the nature of these changes. Customers should be made aware which price and availability changes are temporary so they maintain interest and trust in the business during the Surge stage, ultimately returning during and after the Strengthen period of recovery to spend more.

8 Have smaller, local distributors at the ready

When availability for critical items becomes an issue, bottlenecking for large national distributors can affect all clients. Restaurant operators should maintain relationships with smaller and more local distributors to keep their purchasing options open, especially for important ingredients. If possible, operators should work with a purchasing partner who can help them seamlessly source products from both national and local suppliers.

Entegra services to address supply chain issues

Subscribe to Purchasing News:

Entegra's twice monthly newsletter alerts clients of new products and other changes.

Grab 'n Go Solutions:

One of several Entegra turnkey solutions that allow flexible success with minimal staff involvement.

Leanpath:

Entegra's partnership with Leanpath provides operators the tools and resources to reduce food waste, leading to savings in food costs and driving more efficient and engaged labor.

National Account Executives:

Entegra clients can tap into our NAEs' expertise for advice on how best to navigate supply chain disruptions, ideas on substitutions and more.

Entegra's on-staff Culinarian:

Available to clients for menu and SKU review to help optimize purchases and streamline offerings. Entegra's professional culinarian also assists in menu ideation, product development, tasting and other services.

Addressing labor shortages: Hiring

Insights to find, attract and hire a stable team

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Insights to find, attract and hire a stable team

It's clear from the data: demand for labor is surging beyond any point in recent history.

According to a fall 2021 report on job posting data from **Indeed**, employers are seeking workers at a rate **46.1% higher** than at the pre-pandemic baseline. Nearly 3% of job posts are now "urgent" — a number that may seem low, but is approximately **60% higher than mid-2020 figures**. Not surprisingly, private sector North American workers saw **3.5% year-over-year wage growth** in Q2 2021, the largest since 2007.

These figures are averaged across industries, but the impact is readily apparent in foodservice — especially for restaurant owners and managers.

46.1%

higher demand for workers

60%

higher "urgent" job posts

3.5%

year-over-year wage growth

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While the situation is challenging for employers, managers can successfully tackle labor if they are willing to take this new dynamic seriously and approach hiring and compensation with a post-COVID mindset on the labor market.

To that effect, Entegra's restaurant segment advisors make five key recommendations to managers looking to hire and retain resources in 2022.

1 Compete for workers with clarity in job posts

There have never been more options for new work than today, which means workers will lean toward positions that clearly articulate hours, compensation, responsibilities and other details. While clarity and transparency may have always been a best practice, they are now also necessities for attracting an engaged workforce.

Managers need to be descriptive, without being overwhelming. This means approaching job listing from a "what's in it for me?" employee-focused angle, answering questions proactively and avoiding content that could come across as presumptuous or demanding.

2 Now is the time to spend money on hiring and invest in workers

In a well-known business leadership parable, a CFO worries about investing in employees, only to see them later leave. The company's CEO responds it would be worse if they fail to invest in workers, than having disengaged labor stay.

This cautionary tale rings true this year, as employees hold greater leverage with a larger number of job prospects, and higher expectations for pay and working conditions.

Now is not the time to be frugal — pennies saved on employee-related costs today risk dollars lost on rehiring thereafter.

Wage growth in any sector can also push up wages in adjacent sectors competing for similar workers. Managers must therefore look at resource spend on today's hires as a necessary investment in a more secure and reliable workforce as COVID-19 recovery continues.

That investment may take forms such as:

- Hiring bonuses including flexible hours, advertised up-front
- Promotional packages, such as training programs or tuition reimbursement
- A full reevaluation of employee pay packages

Hiring investment should also include the hiring campaigns themselves. Managers who did not previously leverage social media, including paid social spend, to boost visibility on job postings should consider the benefits of putting their workplace's offerings first among prospective employees' options.

3 Don't "mind the gap" when reviewing employee work histories

Historically, some employers viewed gaps in an applicant's work history as a red flag. But given the events of the past two years, and the subsequent choices individuals have had to make, this criterion has clearly been rendered obsolete.

Prospective employees who took time off to care for family members or friends, or who had to put in extra hours for childcare or home-schooling — voluntarily or otherwise —should be weighed equally with those who worked throughout the pandemic.

4 Leverage temporary labor services

Temporary labor support has always been an option for employers, but its utility is more apparent as restaurant managers continue to face labor shortfalls.

In particular, managers can now consider sourcing temporary labor support — planned or on-demand — through partnerships with GPO partners like Entegra. In addition to securing lower prices on physical goods, these partners can connect restaurants and other businesses to discounted rates on services that include temporary labor.

For example, Entegra's *planned labor* offerings include services through:

- **All Team:** A specialized recruiting and screening provider for skilled hourly workers. Its Food Team division is specifically geared to foodservice.
- **Anserteam:** A WBENC-certified provider with expertise in contingent workforce solutions, staffing from 293 offices in North America.
- **Trueblue, Inc.:** The leading provider of blue-collar staffing across general labor and skilled trades, including logistics, drivers, technicians and more.

Entegra also offers *on-demand* labor support through Instawork, a provider of 500,000 professionals vetted from 20 metropolitan US areas. Instawork is a strong resource for all use cases for restaurant managers, from single call-outs to full-time staffing.

Addressing labor shortages: Retention

Insights to engage and grow an existing workforce

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Insights to engage and grow an existing workforce

Employers know hiring is currently difficult, with more job opening posts than job seekers to answer them. Coupled with the factors detailed in the first section of this paper, this reality means a job market with reduced employee loyalty, as more workers are willing to “shop around” for better opportunities — or outright willing to resign if their current position is not adequately satisfying.

A recent research study found multiple factors were promising for retaining current employees, and while compensation is a major factor, it is far from the only one. Employees self-reported the need for professional growth and development, and for scheduling predictability. For instance, **87% of millennial workers** said training is crucial to their job satisfaction.

Particularly worrying is that, especially in foodservice, workers reported high rates of emotional, physical and sexual abuse. **A stunning 50% — half of foodservice employees — reported workplace emotional abuse.** 15% reported they have been sexually harassed by their bosses or coworkers. **And an equal number reported sexual harassment from customers.** In an era of greater awareness and higher willingness to outright quit, today’s workers demand assurance that their mental and physical health will be monitored and cared for.

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How should restaurant managers address these concerns and retain their workforce? Entegra advisors recommend seven key actions.

1 Offer hiring incentives and cash bonuses

Money talks — more so now than it has in previous eras. Spot bonuses demonstrate to employees not only that their time and effort are valued, but also that they are personally recognized for their effort in a time of decreased worker commitment.

Current employees must also get the right message. If new hires receive sign-on bonuses and incentives, existing staff working in a variety of positions during difficult times will also expect to benefit.

2 Listen and engage with employees

Currently, **only 35% of the workforce is "engaged,"** meaning those workers who actively speak positively about their company and would be willing to endorse it. 52% are not engaged, and 13% are actively disengaged, speaking negatively about their employment. These numbers represent a clear opportunity for managers to proactively tackle low engagement by ensuring workers both feel and are heard.

This can take forms such as:

- Scheduling weekly one-on-one check-ins with employees with no agenda besides discussing concerns, problems and potential solutions. Managers need to hear concerns, validate them and follow up later to demonstrate they've listened.
- Feedback systems, including polls and surveys, to gauge anonymous employee sentiment. Workers are 16% more engaged when they have a system or platform to provide feedback to employers.
- Formal HR training for managers, as well-trained managers are vital to lowering turnover and improving workplace perception for all employees

3 Unique incentives

While raising wages will certainly move the needle with prospective employees, that's not always possible — especially for operators struggling with already-thin margins. They can instead focus on unique incentives — those that can't or won't be easily matched elsewhere — to stand out for employees. Consider perks like free or discounted meals during work hours, transportation allowance, childcare assistance or discounts at local partner businesses. These benefits have a clear monetary value, but also feel irreplaceable to workers who might otherwise consider similarly compensated roles.

4 Provide and promote greater work/life balance

In addition to flexibility around remote work, companies should consider offering programs that clearly demonstrate a commitment to work/life balance and mental health. This can take the form of mental health day allotments, greater PTO packages, free quarterly lunches or blocked-out time free from meetings and check-ins. Additionally, workers who balance their time wisely should be rewarded, potentially in the form of additional compensation.

5 Provide development plans for employee growth within the company

Of surveyed people who left previous jobs, **93% said they would have stayed** if the company had invested more in their development and career growth. Workers who believe their employers have a meaningful long-term plan for them are far less likely to leave, and far more likely to become engaged employees who reinforce positive impressions about the workplace to their peers.

Managers should not only acknowledge today's achievements, but demonstrate to employees how those achievements will lead to greater opportunity in the coming months and years. National associations have recommended managers create and execute career path plans employees can expect to progress through if they stay with the company.

6 Invest in training

Training programs address retention issues directly and indirectly. They do so directly by making employees feel valued and reinforcing career progression and growth that drive engagement and retention. They do so indirectly by increasing the skillset of workers, meaning greater flexibility across a company's workforce, allowing managers to more fluidly address shortages and staffing needs.

Managers should consider partnering with providers like Entegra for training support. For example, Entegra offers discounts on programs like ServSafe (food service safety training), as well as online training programs like the Six-Foot Kitchen Training Suite. These programs are simple to implement, and a cost-effective measure for investing in the workforce.

7 Leverage temporary labor services

As outlined in section five of the hiring portion of this guide, temporary labor services are now, more than ever, relevant to filling gaps in staffing needs. Managers that leverage these services, directly or through a partner provider, will have the agility and flexibility to address immediate shortages while executing plans to better retain full-time staff long-term.

Summary

Multifactorial labor issues and global supply chain disruptions have restaurants and other foodservice establishments to an extent not seen in decades. While recovery is ongoing and slow, managers can take control of their workforce and inventory if they realistically assess the situation, work with qualified purchasing partners, and enact proactive plans. By addressing widespread job applicant and employee concerns and preparing for the near-future of shipping and logistics, intelligent managers can continue to surge to recovery, ultimately strengthening their business performance.