


How to 'wake up'
a food and drink company
that was put to sleep
for the Covid-19 crisis



Bwyd a Diod Cymru
Food & Drink Wales



Whilst we don't yet know when life will start to return to normal, there are some considerations that owners/managers of food or drink companies need to start thinking about.

We went into this lock-down overnight, but you can't start up your business again overnight. This guide aims to help you think about the financial consequences of restarting your business and avoid any mishaps which might end up costing you money that is in short supply.



What are the costs of restarting your business?

Forecasting how to comeback and the impact on your cash requirements is the number one priority

Don't underestimate the costs of coming back to market. Your fixed costs (rent, rates, people, utilities etc) will, despite the recent help, be incurred from day one.

In addition, the working capital needed for making your products may also need to be found. If your suppliers find their credit insurance won't cover the sector, or that they need money up-front because they have cash issues, then you might be scrabbling to pay people just to start making product.

Of course, your customers will also be expecting the old credit terms and might even delay paying, so forecasting is critical. Have you used up all your credit facilities weathering the crisis and the shutdown?

Where can you get short-term working capital?

- Your savings as a director's loan to the business
- Overdraft facility, get the bank to extend if possible
- A short-term unsecured bank loan from your existing bank (remember, the UK Government has lent them a lot of cheap money for relending)
- Other reputable lenders: The British Business Bank has a list of new and existing banks who are using the government backed schemes. Make sure you have a cash-flow and a persuasive story ready for them

Try avoid resorting to:

- Invoice finance: this might not work if your customers are not insurable because of their credit rating; for example, the hospitality sector is being marked down
- The cash-on-tap type lenders: the interest rates might not look too bad until you discover that they are quoting for the month not the year

Have a plan for accessing short-term working capital for getting you back up and running.

Financial checks

There are some obvious checks to make:

Do your opening and closing balances on bank statements agree with your accounting system?

Have you checked that any ERP system or stock control sheets have the right balance/level?

Have you written off stock, packaging, ingredients etc?
(These all need to be accounted for and the system updated)

Did your financial year-end occur while you were shut-down?
(Ask your accountant what stock level and or values they need)

If you have a loss it might need to occur in the old financial year as a loss in the Covid-19 year is easily explained and can be carried forward into next year to offset the profit.

Is your old business model still relevant?

One fundamental question you should ask is “do we have the same business”?
Just assuming it will be business back as usual might be a mistake.

Consumers have been driven into new patterns of behaviour.

This might mean they have found new brands, new loyalties and new ways of buying and consuming.

Have you kept in touch with your customer or consumer base?

Social media, customer contact and follow up, and traditional promotional activities might need to be deployed very quickly to re-establish the business

Even though it should not have happened, delisting or ‘forgetting’ to order may well mean money will need to be spent to rebuild the business you once had.

Do you need as many staff?
Some companies have furloughed staff and found they were able to operate on-line, turning their business model into a lower-overheads one, ie. effectively restructuring.

Before you plan to go back to the old model is it worth thinking about the market-place and whether it can be served differently?

Think about how to build/rebuild you customer/ consumer base after a shutdown.

What costs might you incur here?

What are the operational costs?

Now is not the time to have accidents or make mistakes when money is tight and accidents cost money

Don't rush - this is the moment you find that air compressors leak air, ink-jet/laser-coders were not shut down properly and are refusing to work. You won't generate sales if you can't produce the products.

Have you briefed everyone as if they were returning to work after a long-term sickness? Do you need to do mini-inductions?

What about allergen policy, safety or training on any kit that staff have forgotten or new staff haven't used before. Walk the process flow and remind everyone of the Critical Control Points in your process.

If you don't process your products, check that the order procedure for all incoming ingredients, packaging, etc is up to date. Are your contract processors/suppliers able to start and use the stocks of supplies without having to write-off and re-order fresh?

Some of these considerations may require external training and the associated costs.

But even in-house training has an opportunity cost, so if this needs to be done, build it into your reactivation plan.

Food Innovation Wales and the Food Centres can advise and provide technical support on the restarting a food or drink business, so please check technical guides available from <http://foodinnovation.wales/> or speak to your usual contact.



Accreditations

Loss of accreditation is a business cost you don't need at the moment.

SALSA, BRC normally would lapse but we have to assume that no one is going to wipe out your accreditation. That said, think how you can protect it and your reputation. Remember your product liability insurance only works if you can demonstrate due diligence.

Check your relevant records before starting up production. Are training records for everyone up to date? If not, make sure you train anyone who needs a refresh and update your records. If you are on unannounced inspections, you must assume that an auditor could turn up anytime.

Testing

A man wearing a white lab coat and a white cap is leaning over a large stainless steel vat in a kitchen. He is holding a thermometer and testing the contents of the vat. The background shows a tiled wall and various kitchen equipment.

If you have a lab for checking food safety / quality, then check the reference samples and recalibrate testing or monitoring kit in case it impacts on the safety or quality of produce being freshly made.

Why not make a small test batch if the kit hasn't been used? Especially if there are ingredients that haven't been used for a while in case a heat-treatment process might highlight an issue?



Finally, check, check and check again

What might you have forgotten? Start a checklist now and keep adding to it so you can get these checks in place.

Where are the dust traps, water traps, pest traps and sumps? Are the fluid levels (oil, waters etc) on all equipment, where they should be? If you start it and break it, it will cost you time and money and there may not be spares, engineers, etc readily available, causing you more expense in downtime as well as the cost of repairs.

Check your vehicles. Is any maintenance needed? Don't forget basics like checking the oil! And before you put vehicles back on the road check whether the tax, MOT and insurance needs renewing.



Keep in touch

For the latest information about government support in response to the Covid-19 crisis, please visit:

<https://businesswales.gov.wales/coronavirus-advice/>

For help in restarting your factory operations, please contact Food Innovation Wales:

<http://foodinnovation.wales/>

For a confidential conversation about accessing short-term working capital and the financial aspects of restarting production, please email:

Bwyd-food@bic-innovation.com