



Webster Bank®



Food & Beverage Industry: sustaining your business with creative solutions

Improving efficiency and reducing costs is an essential part of running a business.

But in the food and beverage industry, it's an absolute necessity. Thanks to tremendous competition, razor-thin profit margins, labor shortages (despite increasing wages) and supply chain challenges, controlling and owning the entire process from farm to fork, ocean to table or fruit to glass is key to not only surviving, but also to thriving in this hypercompetitive market.

This trend also means that business owners in this industry now face a greater need for access to capital to evolve, expand and scale operations to increase production, expand markets and forward integrate to control more of the process and improve margins.

Recently, we spoke with two experts who specialize in different segments of the food and beverage industry. We've outlined their insights about how this shift is reshaping businesses specifically in the seafood and beverage segments — and offer a few tips that you can use to nurture your own operation for future growth.



Different food industry sectors, common supply chain problem

Business lockdowns from the COVID-19 pandemic caused slowdowns in manufacturing and moving products across the globe. It also left containers stranded in various ports where they weren't needed, and conspicuously absent from those where they were needed. As a result, there's now a container shortage which has caused shipping and freight costs for all businesses to soar almost tenfold, from \$3-5K to \$20-30K per container.

To address the situation, many companies are looking into different ways they can own more of the supply chain. By investing in specific equipment, for instance, food and beverage companies can assume greater control over production and get finished, packaged product into the hands of their consumers faster.

Trends impacting the need for financing in the seafood industry

Across the seafood industry, there's a growing need for access to capital. From commercial fishing to processing and packaging to aquaculture, there are a variety of issues and trends impacting this industry, transforming business and driving incredible change, including:

- **Sustainability.** Many stores and retail outlets now require seafood providers to prove their products are from a sustainable source, otherwise they will not buy from them. As a result, seafood companies must invest in more sustainable fishing practices and processes to transition their operations — and maintain a market for their products.
- **Seasonality and weather factors.** Both can limit access to the natural supply of fish, often impacting how much and how often commercial operations can fish. But by leveraging innovative strategies and new technologies, for example, fishing companies can develop sustainable aquaculture operations which can help fill the gap caused by these two factors.
- **Consumer demand.** A nutritious and lean source of protein, fish supplies the vitamins, nutrients and Omega-3 fatty acids essential for maintaining strong bones, heart health and brain development, as well as combating the negative effect of high-cholesterol levels which now afflict about **38 percent** of Americans. In order to keep up with demand, seafood operators and fishing companies need to invest in different ways to scale operations to keep up with growing demand and preference.

— The seafood market in the U.S. alone is estimated at **\$6.3 billion**.

- **Technological advances.** Of course, as demand continues to grow, supply is in danger of dwindling. But investing in aquaculture or fish farms is one way seafood companies can use the latest technology to “grow” certain types of fish for consumption, and give nature time to replenish stock. Aquaculture operations require significant investment to ensure food safety and sustainable operations, particularly by acquiring holding tanks, purification systems, chillers, etc.

Business needs for seafood operators

- Refurbishing commercial fishing boats with new nets, winches, freezers and navigation technology.
- Acquiring extremely expensive fishing permits or licenses (e.g., scallops) so you can operate in a highly regulated area for a limited time.
- Dealing with employee shortages and high pay rates
- Adopting sustainability practices and procedures for catching and processing fish in order to comply with retail sales agreements – and consumer demand.
- Investing in more efficient technology to automate seafood processing.



STANDOUT CLIENT

Industry segment: Aquaculture

Business: Raises finfish and shellfish sustainably



Capital needs resolved:

- 1) *Capital* to purchase equipment that will automate seafood processing
- 2) *Line of credit* to support business through 18–36 month process to raise fish to commercial standards

Trends impacting the need for financing in the beverage industry

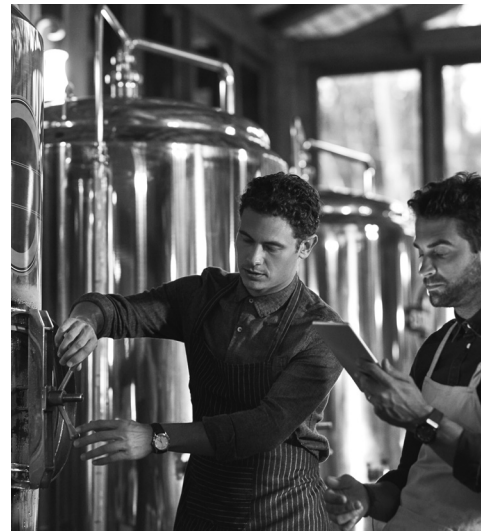
The beverage sector is also experiencing transformation as companies deal with a number of trends and look for creative ways to approach their operations, re-imagine revenue streams and continue to meet and exceed consumer expectations—all while operating in a saturated market. Among the key trends dictating the need for capital in this sector:

- **The need for greater efficiency** – and ability to control costs. For example, investing in a pasteurizer can allow breweries to control more of the supply chain and extend shelf life of their products . . . and keep this part of the brewing process in house.
- **The ability to offer more convenience** – that meets consumers where they are (whether in-person, online, in stores, etc.) For example, hiring web developers to create and monitor a robust online presence is now a key to growth along with keeping operations flowing and products widely available.
- **The necessity to differentiate among stiff competition** – in saturated and dynamic markets where owners must not only develop new drink lines to meet changing preferences, for example, but also offer distinctive in-person experiences with tasting rooms, events, food, etc.
- **Ability to scale** – and invest more in the business. Companies must have the agility to scale up – otherwise they run the real risk of going out of business. Finding ways to diversify and maximize a wide range of channels to distribute products is now key for survival.

— Consumption of RTDs has grown **43%** since 2020

Business needs for beverage companies

- **Researching and formulating RTDs** (ready-to-drink) products that became available when bars were closed due to the pandemic and consumers still wanted professionally mixed drinks.
- **Diversifying drink lines** to meet changing consumer demand for more health-conscious, low-calorie or gluten free refreshments.
- **Creating more robust experiences** by expanding outdoor dining spaces (e.g., beer gardens), outfitting them with heaters so they're more permanent for fall/winter seasons, adding TV screens, all to encourage customers to hang out, stay longer, and spend more.
- **Adding kitchens** so companies can serve food—and keep customers on premises ordering more beverages which have a much higher profit margin.
- **Branching out** to add canning and packaging processes, distribution operations, and expanding other spaces, particularly at craft breweries, in order to control costs, diversify revenue stream and own the entire experience.



“Restaurants and breweries have to constantly keep up with efficiencies and market trends.”

—Deborah Viveiros, VP Business Banking, Webster Bank

STANDOUT CLIENT

Organization: Wachusett Brewing Company

Industry segment: Craft brewery

Business: Brews a variety of craft beers, hard ciders/seltzers, and handcrafted cocktails

Capital needs resolved:

- 1) *Funding* to expand and rethink entire operation; add on kitchen to serve food, install pasteurizer to ensure longer shelf life of products, etc.

How to choose a financing partner for your business

When looking for a funding partner, food and beverage operators should seek a lender who completely understands the daily challenges of this industry along with the specific goals of the business.

As you evaluate lenders, ask these questions to find the right match:

1. **What is the appetite for lending to businesses in your industry?** Does the lender have experience arranging financing for different businesses within your sector?
2. **What is the bandwidth for lending?** Does the lender work to find ways to make lending possible? Does he or she understand and have access to different programs that are available for businesses? And can he or she bring different people together to make the right deal happen for you?
3. **Is there specific expertise?** Does the lender really understand your market? Or does he or she simply use buzzwords? Is there experience working with other business owners to navigate similar challenges? And can he or she structure solutions to meet your needs?

4. **Does lender offer personalized service?** Because every business is unique, you need a lender that is relationship driven. Is he or she willing to personally visit your operation, for example, to see it up close and in action? Is he or she willing to work with your team of advisors, including your CPA and lawyer, to execute a solution?
5. **Can the lender provide the capabilities of a national institution but with the important advantages of local decision makers?** The ability to tailor a holistic solution for your operation is key. So, look for a lender who can also offer important services like cash management, fraud prevention tools, and/ or treasury services that can help you drive sales, create efficiencies and protect your business.
6. **Can the lender help you adopt more efficient bank technology?** Instead of issuing, receiving and reconciling paper check payments, for example, can he or she help you implement ACH services, which let you accept collections and make payments electronically and make your transactions faster, cheaper and more secure.

“The lender you choose must have the ability to bring all parties together as well as a keen understanding of your business and the varied distribution channels for your products.”

—Louis Amoriggi, SVP Commercial Banking, Webster Bank

Webster bankers can offer reliable guidance for companies across the food and beverage industry. By sharing their expertise and providing insights, they help business owners uncover efficiencies and find opportunities that meet their unique situation and goals.



“It’s a great time to borrow. Interest rates are still low and banks remain willing to lend.”

—Louis Amoriggi, SVP Commercial Banking, Webster Bank

As you move forward, let these tips and trends guide your next move.
Let's talk possible.

The opinions and views in this guide are those of the author and are not intended to provide specific advice or recommendations for any individual.

All loans and lines are subject to the normal credit approval process.