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Supply Chain Challenges and Culinary Consumers

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Supply Chain Challenges and Culinary Consumers

Abstract

"I can say that we are in uncharted territory with consumer increase and complications in each of the supply chain areas. This sounds like an opportune time for innovation and creative thinking."

Posting about the effect of supply chain issues on the restaurant industry from *In All Things* - an online journal for critical reflection on faith, culture, art, and every ordinary-yet-graced square inch of God's creation.

<https://inallthings.org/supply-chain-challenges-and-culinary-consumers/>

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Disciplines

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Comments

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Supply Chain Challenges and Culinary Consumers

Jeff Kelly

December 14, 2021

“How does your meal taste?” A common question from servers, managers, or chefs—and what is your response as a consumer at your favorite local restaurant? Never have we spent so much time discussing exciting terms like logistics, product visibility, demand planning, raw materials, allocation, purchase orders, and numerous other supply chain lingo. Supply chain challenges exist in all sectors of our economy. While this article will focus on restaurant supply chain issues, many of the specific issues for the restaurant supply chain parallel other economic sectors. Prior to joining Dordt University, I spent the last 20 years managing various aspects of supply chain in the restaurant sector.

Supply Chain Overview: Let’s take a look at the basics in supply chain, beginning with securing an original raw material and finishing with a meal that you are eating in your favorite restaurant. The sequence looks like this: raw materials need to be ordered and then delivered via ship (international) or truck to the manufacturer for further processes that then results in a finished product. This product can be fresh, frozen, a single ingredient, or a completed product. Once in the manufacturing facility, the product becomes finished, which means that it is in its final product state. Next, the finished product needs to be transported to a distribution warehouse. The primary means of transportation from a manufacturer to a distribution center is by a truck. Finally, the distribution warehouse will select the appropriate product and transport the product to a restaurant. The primary means of transportation from the distributor to restaurant is also by truck—our domestic supply chain is heavily dependent on the trucking industry.

Breakdown of Each Supply Chain Component

Raw Materials: Securing international products and raw materials has been a challenge. Being able to source ingredients, getting those ingredients shipped to the United States, and getting the product unloaded at our ports has been paralyzingly slow. A recent report on CBS 60 Minutes will give you greater insight on this challenge.

Transportation: As was outlined earlier in our supply chain overview, trucking transportation is critically important to several phases of supply chain management. The trucking industry has been under pressure in recent years to have enough drivers to meet our nation’s demand, and the current supply chain environment has magnified these issues. The American Trucking Association paints the picture of what brought these problems into light and shows that our driver shortage won’t likely end anytime soon.

Manufacturing: Challenges associated with manufacturing include procuring raw materials, having the labor needed to make the product, honoring proprietary formulations for specific customers, determining proper allocation to customers for limited available products, and a host of other hurdles. Most manufacturers are held accountable contractually to deliver the correct product with the correct volumes and at the correct price. Meeting these contractual demands during these times is nearly impossible.

Distribution: The distribution part of the supply chain is directly impacted by what products are available to deliver to the restaurants. Out of stock items are at an all-time high. As a consumer, we are now accustomed to asking if menu items are available. The distributors are also failing to provide specific contracted items and are forced into offering substitute items. The distributor is considered a “middleman” between the manufacturer and the restaurant. Being out of stock on key items significantly impacts the distributor’s revenue, and they have few solutions to offer as remedy.

Restaurant: As Americans, we love to eat away from home. Our habits haven’t changed much during the pandemic. We still want our favorite restaurant food, and we are willing to use third party delivery (Uber Eats, DoorDash, Grubhub) in order to satisfy our wants. At the restaurant itself, labor, available products, safety concerns for employees and customers, and increased pricing have been problematic. The restaurant owner has no choice but to pass along price increases to maintain their margins. I wouldn’t expect these price increases to go away anytime soon, if ever.

Labor challenges have often resulted in reduced operational hours. Restaurants feel it is better to reduce the hours of operation and provide the best service they can rather than further disappoint their guests. Restaurants also deal with out-of-stock goods, loss of key proprietary items, and product mix issues. You may see a different menu, or the same menu with completely different products. If you’ve noticed that things might taste a little different, they probably do!

Now What?

Consumer Impact: Regardless of slower service, change in flavor profiles, and higher prices, we are addicted to our away-from-home eating habits. Strong consumer demand continues, pricing elasticity has been accepted, and no improvement seems to be in sight. Most consumers have come to an understanding that the restaurant sector is impacted by supply chain issues as much as other sectors. We need to be patient with our servers and restaurant owners; we need to understand that we will pay more for our convenience and that these issues will not resolve any time soon.

What’s on the horizon? Perhaps we are living in a new normal. Have we lost sight of the fact that eating away from home is a convenience, not a necessity? Having been a part of the restaurant sector and supply chain for the past two decades, I can say that we are in uncharted

territory with consumer increase and complications in each of the supply chain areas. This sounds like an opportune time for innovation and creative thinking. Perhaps we will see more automation in order to off-set the labor challenges.

What can we control? We have the opportunity to demonstrate grace, patience, and appreciation for all of the people that are working hard in their unique supply chain roles. There is a tremendous amount of pressure to get these problems resolved. The supply chain employees that are in the cross-hairs every day are folks like you and me. They have families, financial responsibilities, and personal challenges—they could use our prayers. Let's be patient with those serving us in the restaurant sector. They are doing the best they can with the resources they have.