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Improving Food Safety is Good for Business Bottom Line

#FoodSafety #GoodHandlingPractices #FES #BD4FS #SME



Senegalese juice companies use food safety as a business strategy to gain access to better markets. Photo credit: Esteval

Anyone who ever owned and operated a business knows that allocating a budget is a rigorous exercise, and every alternative benefit and cost needs to be carefully considered. Adding funds to one operational area always means taking them from another. And, if some cost can be sacrificed with relatively little pain, a company will likely do it.

That's why businesses in lower income countries often [consider investing into food safety as a luxury only big exporters can afford](#). Indeed, whereas many of the [270 FDA and USDA food recalls that happened in the US last year](#) tend to make newsworthy headlines, consumers in emerging economies are often less made aware of what new contamination they need to be on the lookout for.

However, as this article will demonstrate, investing in food safety is good for business, including in lower-income countries. Indeed, even companies that sell to lower-paying domestic consumers are now paying attention.

Let us consider both the positive effects of food safety culture and the challenges of not having a robust food safety culture to small and medium size food enterprises in emerging economies.

Challenges of not implementing food safety measures

Let's first consider some possible consequences for businesses that do not implement food safety controls, consistent with international and local standards.

Reputational damage, even among poor consumers

Once the consumer understands that foods can improve or damage their health depending on whom they buy these foods from, they will continue to be more selective in their purchases. That is, companies who can consistently provide better customer experience will establish their brand, and [this reputation will continue to attract customers](#). The companies that do not do this risk establishing a negative brand driving away better paying clients, and profits. The long-term consequences of doing business badly can be costly.

Unwanted attention of regulatory agencies

The mechanisms of public controls over food safety systems at the company's floor are becoming ever more sophisticated worldwide. Different from country to country, it is a complex system where government regulation and private sector self-regulation intertwine. While there is still a difference in the level of enforcement between higher- and lower-income countries, even in Sub-Saharan Africa [the risk of a food inspection](#) that can go wrong for an enterprise has grown in recent years. This can be very costly. A punitive action can take many forms: from formal (or informal) fines to the government shutting down one's business.

Legal action by consumers

When the government does not take action, the consumers might. Even in lower-income countries, consumer activism is becoming costly to food companies doing business unsafely: not only will these firms lose their customers; they might also end up spending costly money on expensive legal representation. At the very least, consumer awareness leads to discretionary buying, and businesses with higher quality foods will tend to gain a reputation in the marketplace.

Positive effects of implementing food safety measures

Now, let's investigate why investing in food safety systems makes good business sense, often from a purely economic standpoint. Here are some reasons why:

Increased consumer awareness about food safety

As incomes change, [so do diets](#). Worldwide trends show that even in the face of the ongoing global economic slowdown [the growth of the middle class in the emerging economies](#) is here to stay. There is ample evidence that middle class consumers demand safer and healthier food options and [are willing to pay more for it](#). At the same time, even lower-income consumers benefit from this trend: with [higher consumer awareness comes consumer activism](#) which creates publicity around food safety issues. Thus, the middle class acts as an agent of positive change from which society at large benefits. Businesses that recognize this growing trend can offer products that this more lucrative consumer segment will pay for.

Safer companies have an edge over their competition

As consumer demand begins to change and more companies are responding to the trend by handling food in documented safer ways, these companies can win over more customers than their competitors. Invariably, this results in improved reputation for the companies that offer safer foods, which can lead to increased sales. Eventually, higher-end retail such as supermarkets will reward such companies will access to better shelf space, which will again lead to more sales.

Less food spoilage and waste

Companies that establish food safety systems compliant with international standards invariably [end up with less spoiled and wasted](#) food before it goes to consumers. This means that these food businesses will get a greater amount of higher quality products into more profitable customer segments, and thus will earn more than their less efficient competitors.

Increased total factor productivity

Food safety controls go together with a general culture of enterprise management and organization. The more organized work processes are, the more likely a company to systematically control product quality and, thus, safety. And vice versa.

As a result, a well-organized firm will use their resources – including labor – more efficiently. In economic terms, it means that the company's labor and capital productivity increases. Putting an effort to make a workplace and employees more efficient will have a business reap the benefits of better revenue flow, increased profits and even attractiveness to potential investors.

A business case for safer food manufacturing: small businesses in Senegal

Over the last three years, [Food Enterprise Solutions](#) (FES) has partnered with small and medium food enterprises in Senegal to understand their motivation for adopting food safety practices and to support them through training and technical assistance. During that time, businesses FES worked with frequently stated that the growing middle class, especially in larger cities, is demanding safer, higher quality foods. It makes sense: [urbanites of relative financial stability place more value on the quality](#), not just on the price, of what they consume, and are willing to pay premium for it. These Senegalese consumers aspire to higher life quality and look for companies that can provide it.

This demand can yield bottom line results for food enterprises: businesses that we worked with in Senegal reporters 24.7% increase in annual revenues on average since the time they began paying more serious attention to food safety and started putting organizational measures in place to conform to international food safety norms.

One such business, [Carvi Food](#), through its partnership with [Feed the Future Business Drivers for Food Safety \(BD4FS\)](#), funded by [USAID](#) and implemented by FES, has been able to improve its food safety procedures and put its products on the shelves of [Auchan supermarkets](#). One of the largest supermarket chains operating in Senegal, Auchan audited and approved Carvi, founded and managed by Alimatou Zayda Diagne, a 26-year-old Senegalese woman. Carvi Food is the first Senegalese company to make and offer "Kilichi," a product that had previously been imported from Niger and South Africa. Kilichi is a dried meat with spices that is usually prepared at home during holidays following the traditions of Northern Senegal. Carvi offers its customers assorted flavors of kilichi in 30g and 100g packets at 1,000 and 3,000 FCFA (around US\$1.70 and US\$5.20). The chili, garlic, salt, and ginger flavored products are marketed on their website with home delivery service. With 10 full-time employees, Carvi's operations are expanding. Ms. Diagne estimates the Auchan contract will increase their annual sales by 100% (from US\$30,000 to US\$60,000). Carvi benefits from Auchan's broad geographic network and its products will soon be available in major Senegalese cities beyond Dakar.

Conclusion

It is clear from FES' and from international experience that the tendency is for food companies to see food safety culture as an important component of their business model. And while for a small business the task of the organizational change required to improve food safety systems may seem daunting and costly, these investments can yield positive returns both in revenue increases and market reputation.

Inadequate food safety practices are prevalent among businesses operating along post-farmgate to pre-consumer food corridors in emerging economies. Disruption of the cold chain and poor hygiene practices are commonly observed during food handling at all points along the supply chain. This adversely affects the safety and nutritional value of food, as well as the shelf-life, quality, and market value of food products. Scalable solutions to food safety can reduce food loss and the incidence of foodborne illness, while also increasing profit for businesses and generating greater employment opportunities for the local workforce.

On this second annual International Day of Awareness of Food Loss and Waste, Feed the Future Business Drivers for Food Safety (BD4FS), funded by USAID and implemented by Food Enterprise Solutions (FES), recognizes the important role of businesses in developing and driving effective and sustainable solutions to food safety and food loss challenges. Core to our mission is strengthening capacities of food business actors so that they can be agents of positive change towards creating a culture of food safety.

Learn more about FES and BD4FS activities at <https://www.foodsolutions.global/> and <https://agrilinks.org/activities/business-drivers-food-safety>; and follow us at:



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