

Food Industry Report 2018

Principles
INSIGHT

How businesses can overcome the 6 key
food industry challenges



What to expect

A guide to the current challenges within the food industry and how you can overcome them.

Consumer expectations have never been so high. From Amazon to Google, international brands have set a new precedent for excellent customer service.

This macro trend has had a knock-on effect on the food industry too. Consumers are demanding tailored services, brands to react quickly to trends and products in formats to suit their growing needs.

The big challenge for the industry is staying close to consumers to understand their needs and react quickly to compete with other providers.

What you'll get from this guide

1. An overview of 6 key customer and industry challenges
2. An understanding of how these challenges could affect your business
3. Examples of clients we've helped to face these challenges



6 Key Industry Challenges

1

Digital Shopping

Convenience is key as shoppers use a variety of channels

2

Innovative NPD

Creating standout in a competitive market

3

Food Trends

Impacting consumer behaviours and product selection

4

Voice recognition technology

Is talking tech affecting customer habits already?

5

The War On Plastic

The changing attitudes towards plastic and waste

6

Rise Of The Independents

Smaller businesses able to adapt quickly are growing in popularity



1 DIGITAL SHOPPING

Gone are the days of the Friday 'big shop' as customers use a range of channels to purchase meals and treats.

The UK market has seen a resurgence in coffee culture and eating out in recent years. Many consumers we speak to discuss how food is a necessity that they want to make as pleasurable as possible.

This has led to demand for more complex meals regularly. However, as consumers' lives become increasingly busy with the demands of work and home life growing, ease and simplicity are priority when it comes to meal preparation.

This creates a challenging market for manufacturers and retailers as not only is meal preparation time key but also convenience, recipe knowledge and freshness.

Meals Direct To Your Door

Meal box companies have grown in popularity for these reasons and customers are willing to pay premium prices for them. They have a range of benefits for consumers:

- **Flexibility** - fitting around busy work schedules for delivery limiting trips to the supermarket and quick cooking times
- **Tailored Dietary requirements** – whether protein demands for gym goers, vegan for the planet conscious or those on calorie control diets
- **Simplicity** - Customers no longer have to worry about new ideas for meals, not knowing how to cook or having the right ingredients.

Challenge for retailers and manufacturers:

This simple and convenient service may reduce the time consumers are spending in store, creating brand exposure limitations. However, learnings can be taken from these companies such as food trends they follow and popular dishes served to help shape NPD.

Growth Of Mobile Shopping

Shopping on the go has never been easier with an increasing number of food retailers bringing out easy to use apps. These apps challenge the industry by enabling consumers to:

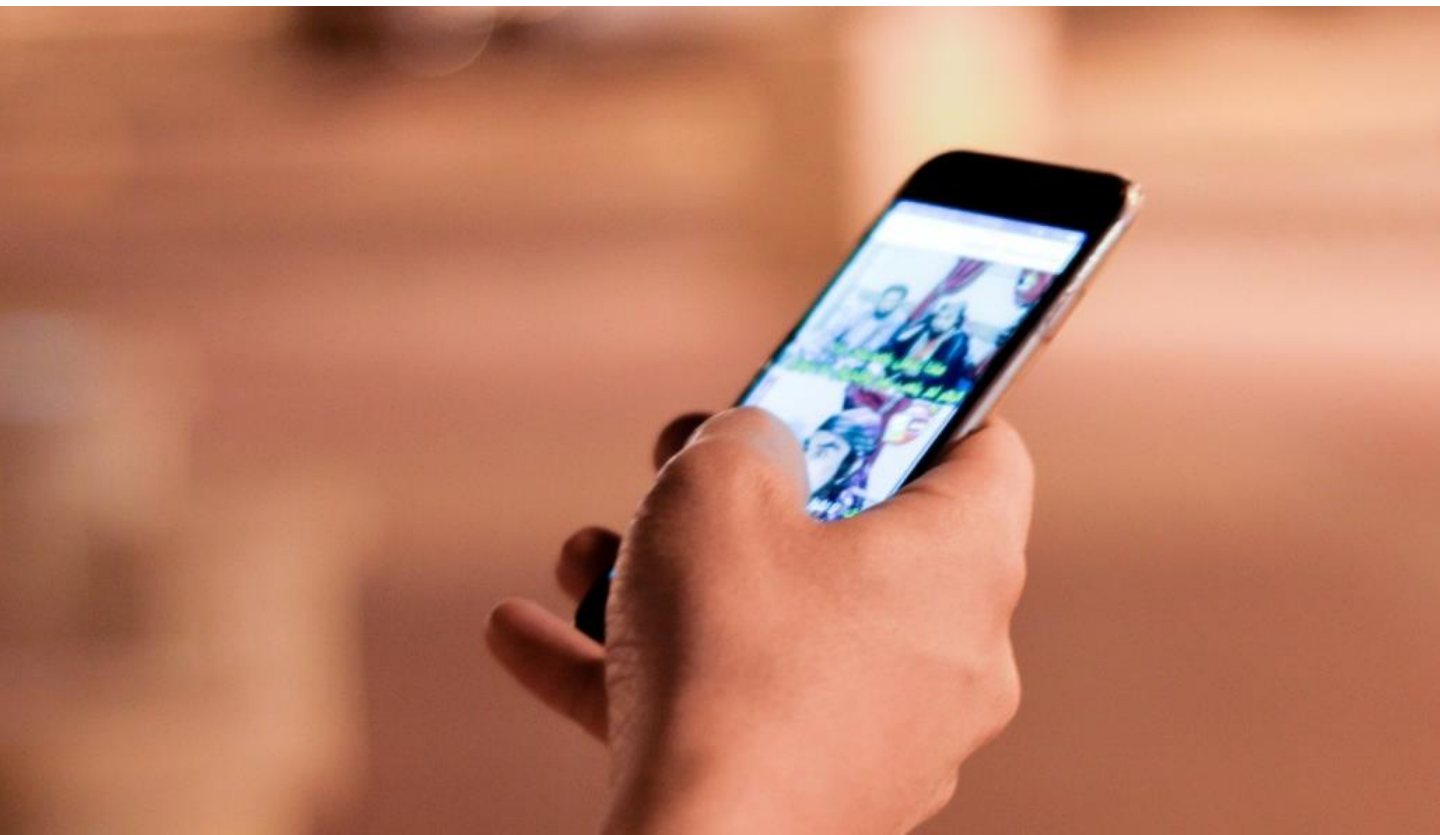
- **Shop in stages** - Rather than spending hours traveling to and walking around the supermarket, apps allow you to add items as you need to, adapting the shopping process to customers' lifestyles.
- **Select delivery times** – Research has shown that the first thing most shoppers will do is book their delivery time. This highlights the need to fit around their lifestyles and busy schedules.
- **Store favourites** – Highlighting these enables customers to auto select the same items they love making the process quicker.

Challenge for retailers and manufacturers

For retailers it is important to create an easy to use app which gives customers a simple and quick journey. In order to do this, customer's behaviours and preferences need to be understood.

How many times will they alter their shopping basket, how do they search for items, how do they categorise items, how quickly do they want items delivered, how frequently do they shop?

Manufacturers also need to understand these answers to ensure their products are correctly positioned for customers to easily find and naturally navigate to.





2 INNOVATIVE NPD

As the market becomes even more competitive the fight for sales leads brands to focus on innovative NPD. But how do you ensure your product stands out in a competitive market to attract consumers?

Getting the facts

New products can be exciting for any organisation, a way for sales teams to attract the attention of distributors and raise brand awareness with customers. To create standout and increase potential of product success we recommend you understand the following:

1

Your USP

What is it that makes your product stand out? Is it the flavour, texture, format, packaging, specialist ingredients? Whatever your USP ensure that it is clear within your messaging, pack and that this answers a customer need

2

Your competitors

It may sound obvious but simply going into stores and looking at displays can help you understand what you're up against. Step into the consumers shoes and see it from their perspective. Would your product stand out?

3

Your audience

Where do they shop, when do they consume your product type, for which occasion and ultimately why? All of these answers will help you develop a product which suits consumer need, create attractive packaging and design impactful marcomms

4

Your distributors

Connecting with consumers and understanding the market will not just help you to shape your product but also give evidence to distributors that your product will be successful



3 FOOD TRENDS

There are always new trends in the market, some don't hang around for long, however some can impact consumer behaviour in the long term. We've identified six key ones which will not only impact product development but packaging and marketing long-term.

1 Plant Based Revolution

Whether reducitarian, going vegetarian or vegan we are being driven to increase plant based foods in our diets.

2 Sugar Reduction

The focus on reducing sugar intake is leading to portion control of favoured products and the search for reduced sugar alternatives.

3 Alcohol Reduction

Millennials are driving the growth of low and non-alcoholic luxury drinks. However, alcoholic flavours are stretching into different markets such as sweets and chocolate.

4 Natural Foods/Clean Eating

Public awareness on the effects of food on our bodies is switching focus to natural, fresh products for some.

5 Cross-category products

More brands are working across category, expanding their product reach to new audiences such as Magnum into chocolate bars.

6 Street Food

Pop-up restaurants and food vans inspiring demand for new flavours, quality ingredients and affordable, good tasting food.



4 VOICE RECOGNITION TECHNOLOGY

20% of the population are now thought to own voice activated devices such as the Amazon Echo and Google Home. The simplicity of being able to say 'Alexa, ask Ocado to add milk to my shopping list' may be a sign of traditional shopping quickly becoming a thing of the past. This is great for consumers, making shopping simpler and more convenient, but what does this mean for product providers?

How will brands be seen?

This technological leap may lead to two key changes in consumer behaviour, creating challenges for brands and retailers.

- 1 Customers may be more likely to shop online**
Online product visibility compared to in-store is limited with fewer opportunities to disrupt consumers' purchasing decisions.
- 2 Customers may enter a repeat purchase pattern with other product options not being considered**
Existing brands may establish a monopoly over customers with Alexa adding previously ordered items or programmed favourites, with limited alternatives suggested.

One marketing strategy to raise product awareness is to physically disrupt consumers shopping within stores by placing items where they wouldn't expect. However, if more people are moving towards Alexa as a shopping aid perhaps the future is audio disruption.

The important focus for brands should be how to use this technology to their benefit e.g. to be on the suggested products list, supply physical and e-vouchers to prompt customers to your product, or physically disrupt customers with sample products delivered within their shop.



5 THE WAR ON PLASTIC

The War On Plastic has dominated the media and trade press in 2018, triggered by the BBC's Blue Planet 2 and more recently National Geographic's coverage of how plastic is affecting our world. But what can this mean for your business?

This is already affecting restaurants with brands such as JD Wetherspoons, Pizza Express and more recently Starbucks leading the way by either removing plastic straws completely or introducing eco-friendly alternatives. Supermarkets and manufacturers are also changing their ways with Iceland promising to be plastic free for their own brand products by 2023, driving the creation of paper based food trays.

The concern for businesses now is that this topic is extending to other areas:

- **Excess packaging** – It's not just plastic customers are tackling but unnecessary packaging, brands need to be mindful of this in the design process
- **Ethically Sourced Ingredients** – Whether this be meat, palm oil, fair trade or locally sourced, customers are becoming more aware of how products are made
- **Recycling** – For many recycling can be confusing, clearer labelling of products and how they can be reused or correctly recycled is needed as individuals become more concerned about the waste they produce

This will affect every company in a different way, however it should be seen as an opportunity not just as a public perception piece, but also for NPD and aligning corporate responsibility with business practices.

By understanding consumers feelings, expectations, behaviours and interactions with products, your business can be better prepared for the changes ahead.

CRAFT

6 RISE OF THE INDEPENDENTS

With companies searching to meet the demands of Millennials, lessons are being taken from independents who are challenging the market.

Independent businesses are known to be the backbone of the British economy and this is increasingly the case within the food industry. Trends show consumers moving away from larger brands and thinking more local, independent and fresh.

Appeal of authenticity

Moving away from corporate giants and mass producers, independents offer authentic backstories of individuals / families/ friends creating products they are passionate about. This passion can be felt in the branding, product ingredients and taste.

The perfect example of a true success story is BrewDog. With a blend of craft ales, small funky pubs and great flavours, they became the fastest growing alternative beer brand in the UK.

The appeal of BrewDog is in the brands desire to push boundaries and create a great product. All of these elements contribute to the 'good-vibes' felt when handing over more money than you would pay for larger brands.

So what can this mean for retailers and larger manufacturers?

Stop, collaborate and listen...

The Co-Op have recently taken leaps to not only challenge but support independent suppliers within craft beer.

A recent rebrand of their own label products alongside introducing 50 new small local breweries to their supplier list is set to grow their share within this booming market.

The challenge for manufacturers and retails now is to provide the 'small business feel,' by adopting some key characteristics. Being trend driven, locally grown, fast moving and experience focused is often difficult for larger brands.

Industry Examples

These case studies are based on recent food industry projects our clients have completed with us to resolve their business questions



STRATEGY



Launching a product in a new market

Question: How do we tailor our premium ice cream branding to the UK market?

Method: Video/written diaries, in-home interviews, taste & concept testing groups

Deliverables: Video highlights, customer journey analysis, branding strategy, market assessment

Results: Consumption overview, market gaps identified and strategic direction given. The brand have successfully launched in the UK



CUSTOMER EXPERIENCE



Improving customer retention

Question: How do we evolve our loyalty card propositions to increase customer retention?

Method: In-store shopper interviews, staff interviews and interactive discussion groups

Deliverables: Concept ranking, marcomms feedback and strategy for the card

Results: Identified triggers and barriers to loyalty card use, communications review and action plans to inform development strategy.



INNOVATION



Brand and product review

Question: What is the future for our brand and product range?

Method: Trend review, segmentation analysis, market review and strategic stakeholder workshop

Deliverables: Strategic Brand Passport report identifying knowledge, insight and planning gaps.

Results: A full day workshop identified core gaps in knowledge for the brand, potential NPD, stakeholder engagement and alignment of business needs.



DIGITAL



Food app development

Question: How do we digitally support parents through the baby weaning stage?

Method: Discussion groups, online quant customer interviews, concept testing workshop

Deliverables: Insight to inform app development and go-to-market strategy

Results: Identified favoured design features and tested pre-app creative. Also advised client to consider potentially more profitable markets which the client is pursuing.

CONCLUSION

So how can you meet consumer demands in the face of these changing behaviours?

1 **Know your own brand**

We've found a surge in the need for Brand Strategy Workshops with our clients. It can be hard to keep up to date with your business strategy, especially if you have multiple brands. These workshops are designed to bring everyone together, putting everyone on the same page and working towards the same goals.

2 **Keep close to consumers**

Understanding your customers allows you to make informed decisions, size potential markets and appetite for your product before investing significantly in development. Ethnographic studies are inspiring clients to create products based on customers' real behaviours and needs, helping them stay ahead of the competition.

3 **Understand your competitors**

Keeping up to date with market trends and competitors is vital to keeping your products relevant. Visiting stores yourself and subscribing to industry newsletters can help this. We've enabled our clients to innovate their products and services by completing market reviews, analysing competitor behaviours and taking learnings from other industries to inform strategy and NPD.

Client Questions

In these challenging times clients turn to us to help answer those burning questions and identify areas for growth. Maybe some of these sound similar to your own?

Our **First Principles™** approach to your business issues means all of our insight programmes are bespoke, tailored to meet each unique client challenge.



CUSTOMER EXPERIENCE

How can we get closer to our customers?

What do customers really think about our product?

How does our brand compare to competitors?

What is our customer's buying journey?



INNOVATION

What new products and services should we build?

How do we change our current brand positioning?

What new marcomms campaigns can we create?

What is the next big trend my team should focus on?



DIGITAL

How can we optimise our existing digital systems?

What kind of mobile application can we build?

How can we design immersive experiences?

How do we optimise our website for conversion?



STRATEGY

Which target markets should we focus on?

How do we diversify our revenue streams?

Which territories should our brand move in to?

How do we grow our brand in a saturated market?

ABOUT US

We're a **First Principles™** insight agency meaning we begin projects by making as few assumptions as possible. All of our insight programmes are bespoke, tailored to meet each unique client challenge.

Customer Experience

Truly understanding consumers, their needs, experiences and journeys is at the heart of everything we do. We use this to ensure your business is meeting consumer needs, that you are targeting the right audiences and identifying new market opportunities.

Innovators

Our UX, creative and development credentials stretch across sectors and countries. We've built and launched brands, products and experiences. We can work with you to expand your digital strategy both now and into the future.

Strategy

Running stakeholder workshops is one of our key strengths, taking insight and industry knowledge and directly applying it to your business strategy. These workshops are a great way to engage stakeholders, utilise results and gain business buy in.

A selection of our clients:



GET IN TOUCH

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