# Regional Food Group Predictions for the Year Ahead!

As 2009 drew to a close, sufficient data had emerged to measure of how the food and drink sector was performing in the prevailing economic conditions: affected by the recession but holding up, receiverships and closures were low but there had been some significant job losses in larger businesses. With minor variations and problems that are unique to this recession, this performance within in the food and drink sector pretty much mirrors previous recessions: manufacturing becomes leaner, price promotions and special deals, a focus on key skill requirements, and a slowdown in new product launches.

Most pundits predict a slow climb out of recession or at least a stabilisation of economic conditions: but what will 2010 hold? The RFG Membership Survey carried out in October 2009 indicated that regional food and drink businesses concur and are optimistic and expect the business climate to improve in 2010.

There are global, national, and regional issues that may all impact on food and drink businesses. There are Big Issues and Mega Trends and the Regional Food Group has analysed these to form a PEST analysis with predictions for 2010 and beyond.

## Big Issues

There are three Big Issues facing the sector:

- Food Security and Sustainability
- Environmental Management
- Health & Demographics

Strategies for small businesses to deal with these Big Issues can be problematic: understanding these complex issues is difficult with resources to provide solutions probably scarce. It is best to be aware of these Big Issues and keep up to date with the changing environment that food and drink businesses have to operate in.

**Food Security and Sustainability** issues mean that the most noticeable effect for small businesses is the fluctuating price and availability of raw materials. Droughts and floods are both impacting on the failure of staple crops such as wheat and rice and the stock shortages that result have impact on food production across the world. Small businesses will find it difficult to manage and mitigate the circumstances relating to raw materials. It is important to have full control of product costings and be able to increase prices to remain profitable. Equally important is the ability to be able to reformulate products to ‘engineer the cost’ out and maintain profits. Maintaining good relationships with suppliers will help as they will be able help keep raw material prices as low as possible: good stock control and placing orders with reasonable notice as well as payment on time will be beneficial.

**Environmental management** is very important: much of the current legislation is aimed at large businesses but it is inevitable that this will migrate towards smaller businesses. There is a lot of assistance available to help all businesses put measures into place to ensure their environmental impact is minimised and to prepare them for future challenges. Some common sense approaches can help small businesses. Minimise food waste by ensuring as much raw material ends up in finished products as possible. Work cleanly to reduce chemical usage (and the associated expensive costs). Ensure all equipment is well maintained so it works efficiently.

**Health and demographics** is becoming a popular theme relating to food and food production. This is a significant area of concerns as they tackle a population that has many food related health concerns such as obesity and diabetes. Consumers are increasingly aware of the relationship between food and health particularly the need to reduce saturated fat, salt and refined sugar combined with the recommendation to eat a minimum of five portions of fruit and vegetables a day. Food products that exploit or more of these consumer needs will prove attractive to the majority of consumers. The population demographic is increasing towards older people and some product attributes can tempt these consumers: for example the sense of taste is not as pronounced so stronger flavours may be required. Also the strength of the jaw and chewing action decreases so textures to aid eating may be appropriate.

## Global Mega Trends

There are four well established global Mega Trends:

- Indulgence
- Convenience
- Health & Wellbeing
- Sustainability

**Indulgence** is an exciting trend for regional food producers where premium and luxury products can really excel. This isn’t a licence to be unhealthy; if saturated fat and sugar content is high, then portion size may be reduced. Authenticity is one of the watch words for this trend: consumers want the real thing, so chocolate means chocolate, not chocolate flavour. Provenance is also powerful in this trend – products must provide a guarantee that they are the real thing. The

EU Protected Names Scheme is a good example of how products can utilise a guarantee of Authenticity and Provenance. Indulgent consumers will always be thrill seekers so this trend is also exciting and should tempt, tease and please!

**Convenience** is about the speed of delivery and fitting in with consumer schedules. The 'noughties' have seen much criticism of fast food but this has been about the nutritional content, not the speed of delivery. Consumers now want faster food that is healthy so it fits with their schedules of 'bleisure' – the space where the co-existing worlds of business and leisure blur. Flexible time schedules have never been more prevalent and for some people breakfast is dinner, so multi tasking products can meet many consumer needs. Convenience also means other things such as portions for single households, easy open (and close) packaging, and ready to cook.

**Health and Wellbeing** is a vast trend encompassing many consumer needs depending on the personal health cohort. Well being is about general wellness of body, mind and soul. Food and eating is seen by most as a pleasurable experience and it can help create a feeling of well being, particularly if there is a treat or some indulgence involved. However, the bigger part of this trend is the emphasis in health. The government predicts that at least 40% of the population will be obese by 2025 rising to 60% by 2050. Combine this with a society where slim is a desirable state and weight management is a major focus for consumers and the government. Food manufacturers must address nutritional balance in their products and ensure that are clearly and accurately labelled. Where the energy: food volume ratio is high then portion size can be used to manage energy intake. At a time when the UK population has unparalleled access to food to provide for their nutritional and health needs, nevertheless there are some people in the population that are malnourished. A good example of this is that one in four teenage girls are deficient in calcium (essential to build bone mass and avoid osteoporosis), either through incorrect food choices or continuous dieting to remain slim.

**Food sustainability** has taken a new significance with the launch of the DEFRA Food 2030 Vision: a strategy for food production and supply for the next 20 years. Not only does the UK have to produce more food, not just for itself but as part of a global food supply, but this food should be produced with less input resources particularly in the agricultural phase. So, the food supply chain has to be sustainable particularly in terms of environmental management. Local food is seen as one of the underpinning strands of a sustainable food supply chain where it is acknowledged that the environmental footprint is less where food is grown/ reared, retailed and sourced locally.

# Regional Food Group PEST Analysis

As part of a review to extend the life of the current strategy for the Regional Food Group, a PEST analysis was undertaken. This looks at the **political**, **economical**, **social**, and **technological** factors – both factual and hypothetical - that will affect food sector in the near future to 2012 and then beyond. The original analysis was extensive: it has been distilled to those issues that are likely to have the greatest impact:

**Political**

| | 2010-2012 | 2012+ | Implication/ Issue |
|---|---|---|---|
| Political | Uncertain situation in UK<br><br>Utilisation of UK public funding to support business | Relatively stable situation in UK<br><br>Utilisation of EU funding to support business | Continued support for business |
| | Legislation ties up businesses<br><br>Food compliance systems at an all time complexity | More legislation<br><br>Alignment between manufacturing, retailing and consumer needs | Owning and managing a food business will become more complex |

**Economical**

| | 2010-2012 | 2012+ | Implication/ Issue |
|---|---|---|---|
| Economical | Cuts in public sector spending | Rationalised public sector budget | Alternative funding from EU/ DEFRA/ BIS |
| | No VAT on food | VAT on food | What size will a shopping basket be? |

**Social**

| | 2010-2012 | 2012+ | Implication/ Issue |
|---|---|---|---|
| Social | Food is <10% of household spend | Food becomes a larger part of household spend – to 25%? | What will a shopping basket look like? |
| | Greys and Pensioners | Young Pensioners returning to work/ retiring later | Changing demographics |
| | Lifestyle health problems<br>Alcohol/ drugs prevalent in society<br><br>Binge and Purge | Lifestyle health problems<br>Emergence of a modern temperance movement<br>Balanced, healthy | Changes in eating/ shopping habits/ products |

| | | | |
|---|---|---|---|
| | | nutrition | |
| | Local food and drink – Living la vide locavore | Local when local/ seasonal is good enough – a rebalancing | Will local continue to be trendy? |

**Technological**

| | 2010-2012 | 2012+ | Implication/ Issue |
|---|---|---|---|
| Technological | Distrust of GM | Creeping and reluctant acceptance of GM | |
| | Improvements in freezing technology | Improvements in frozen food retailing | Implications for cook/ chill companies in region? |
| | Advertising by magazine/ internet/ TV<br>Broadcast TV | Advertising tactically targeted and only by mobile comms<br>Demise of broadcast TV: surge of 'on demand' | Communications and marketing |
| | E commerce is relatively unsophisticated | E commerce becomes more interactive | E commerce platform for local food |

**Environmental and Ethical issues were also studied and produced the following:**

**Environmental**

| | 2010-2012 | 2012+ | Implication/ Issue |
|---|---|---|---|
| Environmental | Energy wastage incl. food | Energy efficiencies – more energy from carbon fuels, scrubbing of emissions to prevent environmental damage, increase of food waste to biomass | Could food waste be as valuable as food products? |

**Ethical**

| | 2010-2012 | 2012+ | Implication/ Issue |
|---|---|---|---|
| Ethical | CSR only for big businesses | All businesses will be built around CSR | |
| | Fair Trade and Local | Local is the new fair trade | |
| | | MMC investigate retailing again? | |

## In conclusion:

So, having reviewed the Big Issues, the global Mega Trends, and the prevailing political, economical, social, technological, ethical and environmental situations, what are the Regional Food Group predictions for 2010 and beyond?

**General Economic and Environmental Drivers**

- ✓ Ambient stable products
- ✓ Alternative protein sources
- ✓ Vegetable based diets
- ✓ Not just Local but Seasonal

**General Social Drivers**

- ✓ Emergence of a modern Temperance movement
- ✓ Obesity becoming as socially unacceptable as smoking

**Industry Drivers**

- ✓ Processing and Packaging technologies for shelf life and quality
- ✓ Ingredient development to meet consumer needs and demands
- ✓ Knowledgeable and flexible workforce

**Industry Economic and Environmental Drivers**

- ✓ Investment in R&D and PD
- ✓ Over hauls in energy use
- ✓ Towards zero waste
- ✓ Infrastructure, particularly transport and distribution

For more information about this report or to find out about more about our research and development activity, please contact:

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