

2.1 Food industry trends

PRODUCT
DISTRIBUTION
PROMOTION
PEOPLE
FINANCE
RISK
GROWTH

- > *Local versus global*
- > *Health*
- > *Traceability*
- > *Convenience*
- > *Private labels*
- > *Super premium products*

Local versus global

As in most industries, agriculture and food production are moving toward globalization, assisted by the liberalization of trade. If San Remo are selling Australian pasta in Italy, and your supermarket is selling French grissini, then you know you are operating in a global industry.

On the other hand, food tastes and packaging requirements remain local. This, combined with the perishability of many food products and the cost of transport, is limiting the full globalization of the industry.

As the amount of choice available in the big supermarket decreases, consumers are also looking to purchase local products locally. This is also tapping into the consumers' need to feel closer to the maker of the products because of the growing sense of dislocation from the 'simple things in life'. These factors are giving rise to the farmers' and producers' markets, ranging from simple community markets through to sophisticated retailers who are tapping into the buy local ethos.

A continued focus on health

Consumers are looking for products that are healthy, convenient and provide them with good value for money.

With the consumers continued focus on health, this means the categories that have a reputation as a healthy staple have grown (fruit and vegetables) as have categories that represent a healthier product alternative (sugar substitutes, soy based drinks). With consumers continuing to increase the protein in their diets categories that are protein based have also grown (meat, fish and eggs).

Genetically modified crops are seen as a key way of enhancing the food system but are resisted across the globe with concerns about long term implications on the environment and consumers health.

However, there is a growing acceptance of functional foods that provide benefits beyond basic nutrition.

Traceability

Traceability of foods is now integral to being in a food business with tight regulations on the labelling of products leading to appropriate structure and systems allowing the full documentation of food along the value chain, the tracing of quality problems, and recall programs. Retailers are now insisting on full compliance with in house standards, increasing the cost of doing business with the retailers. This is running alongside the tightening of food safety regulations generally.

The need for convenience

The need for convenience has led to growth in categories such as refrigerated complete meals and fresh ready-to-eat salads, especially if they are perceived to fit with the focus on health as well.

Private labels

In Australia, private labels have typically been pitched to the consumer as 'value for money', sometimes with a suggestion of 'assured quality' ('David Jones'), sometimes not ('Home Brand', 'Black and Gold'). Private labels are continuing to grow strongly, driven by retailers looking for greater margins. This is forcing smaller brands from supermarket shelves, leaving 2-3 leading brands plus a private label in each category. For a brand to retain its position it must invest in research and development and marketing to continue to differentiate in the consumer's mind while minimizing their cost of production to ensure competitive pricing.

Super premium products

In addition to the buy local movement there is also the movement in consumer demand towards the super premium products. With increases in disposable income, consumers are prepared to pay for a small amount of something of exceptional quality, especially if it is convenient and is perceived to not have negative impact on the consumer's health.

Websites

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