How consumer demand is disrupting the food and beverage industry

Find out how supply chain visibility can help you meet consumer demands for transparency, sustainability and authenticity.

IFS

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The issue

Today's consumers are more knowledgeable and more discerning when it comes to the food and beverage products they buy.

As a result, it's no longer enough for a company to pay lip-service to social responsibility issues, they must act.

One step to achieving these goals is through supply chain visibility, enabling manufacturers to track exactly what goes into their products, and make changes that benefit the consumer and the environment.

Those who succeed in producing responsible, honest products are set to gain significant market share, while those who do not risk losing out.

Brands with purpose

grow their business effectively

Disrupting the food and beverage industry through innovation

Consumers are using their buying power to push for good, driving growth in brands who can prove they use less packaging, use responsibly sourced ingredients or have greater transparency.

This presents a challenge for established food and beverage manufacturers as smaller competitors are often better positioned to demonstrate these features.

They may have been established with a sustainable focus or they may be more agile, so they can adapt to changing demands. As a consequence, small CPGs took $15 billion in sales from larger corporations between 2012 and 2017.[1]

Large corporations can compete through inorganic growth–investing in small, fast-growing brands to fill holes in their product portfolio. Alternatively, they can review their supply chain and transform it to meet consumer demand for transparency, sustainability and authenticity.

Brands with purpose grow:

- Unilever has reported that their sustainable living brands–those taking action to support positive change for people and the planet–grew 68% faster than the rest of their business in 2018[2]

- The chocolate market grew 3% last year, however, chocolate with environmental claims, such as that made with renewable energy, grew by 22%[3]

- Innova Market Insights ranked storytelling as the No.1 trend among its top 10 brands for 2020, with 56% of global consumers saying brand stories influence their purchase decision[4]

[1] What the fastest growing CPG companies do differently. Boston Consulting Group. June 2018. https://www.bcg.com/en-gb/publications/2018/what-fastest-growing-consumer-packaged-goods-companies-do-differently.aspx

[2] Brands with purpose grow – and here's the proof. Unilever. June 2019. https://www.unilever.com/news/news-and-features/Feature-article/2019/brands-with-purpose-grow-and-here-is-the-proof.html

[3] Taking sustainability seriously is not an option it's an opportunity for innovative growth? The IFS Blog. February 2019. https://blog.ifs.com/2019/02/taking-sustainability-seriously-is-not-an-option-its-an-opportunity-for-innovative-growth/

[4] "Storytelling: winning with words" leads Innova Market Insights' top trends for 2020. Innova Market Insights. October 2019. https://www.innovamarketinsights.com/storytelling-winning-with-words-leads-innova-market-insights-top-trends-for-2020/

Consumer demand

#1 Transparency

Complete supply chain transparency

Transparent labelling

94% of consumers say food transparency is important to their purchasing decision.[5] However, only a quarter of consumers say they trust the accuracy of food labels, and 37% of people would be willing to switch brands if they shared more detailed product information they could understand.[1] This means there are huge opportunities for manufacturers who can accurately report what's in their products and where it comes from.

Achieving the level of transparency customers desire, requires switching to electronic control of product tracking and information, each item has a code and all information associated with this code is stored electronically. This information is then made accessible to consumers at the click of a button, scan of a QR code or by waving their mobile near the product.

Food safety

Not only does transparency help win customers, it also limits the impact of product recalls for unsafe ingredients. If a manufacturer has complete supply chain visibility, they can recall specific batches, rather than pulling every product from the shelves.

This benefits:

- The retailer who avoids negative media attention around the issue

- The manufacturer who can retain their place as a trusted supplier and avoid heavy fines

- The consumer who can trust the food they buy is safe to eat

Consumer demand

#2 Sustainability

In 2019, 85% of consumers expected companies to invest in sustainability, up from 64% in 2018.[6] For the food and beverage industry this means reducing waste, using responsibly sourced ingredients and removing artificial colors and flavor enhancers.

The push for sustainability is driven further by retailers, as they fight for customer loyalty using their sustainability credentials. This means sustainability is no longer a product differentiator, but a necessity to get on supermarket shelves.

**Consumer demand
for sustainability**

[6] "Storytelling: Winning with words" Leads Innova Market Insights' top trends for 2020. Innova Market Insights. October 2019. https://www.innovamarketinsights.com/storytelling-winning-with-words-leads-innova-market-insights-top-trends-for-2020/

Here are 3 ways end-to-end supply chain
visibility can support sustainability goals:

Consumer demand

#3 Authenticity

**Bringing authenticity
to your products**

Customers want to know a brand's story is verifiable and true, they want to know a company isn't just jumping on the bandwagon of social responsibility to persuade them to buy.

To successfully appeal to skeptical customers, brands must ensure their purpose runs through every element of their company, being fully transparent about all parts of their business. This helps customers to see that a brand is truly authentic.

One way to prove a product is authentic is to use Near Field Communication (NFC) or smart labelling. Customers can scan products and discover exactly where the ingredients in that product came from, as well as the brand story. The ability to demonstrate true authenticity, will be particularly valuable to luxury food and drink brands, where counterfeiting is common. But as costs reduce, NFC could become widespread across all food and beverage brands looking to share their story effectively.

NFC in action

Imagine you're standing at your local store contemplating a bottle of Château Le Pin for a special celebration. But it seems unusually cheap. Ping. A pop-up on your phone shows you the exact vineyard where the grapes were grown. There's even the story of how Château Le Pin got its name from a solitary pine tree that grows near the winery. An interesting fact to share at your dinner party!

How IFS solutions

can help you satisfy consumer demand

IFS gives you end-to-end visibility of your supply chain, so you can deliver on consumer demands for transparency, sustainability and authenticity.

Learn how to produce market-gaining clean label products with ERP

IFS customers

achieve success in the food and beverage industry

IFS solutions

for the food and beverage industry

IFS understand the challenges of the Food and Beverage industry and use these insights to steer our solutions. This means IFS customers get a future-proof solution that continually maximizes their opportunities.

Enterprise resource planning (ERP)

IFS ERP gives you a 360-degree view of your supply chain and manufacturing business, which means you can experience seamless communication with suppliers, partners and customers. Get integrated business software with functionality broad enough to support quality management, product development, document management, forecasting and CRM—all the tools you need to adapt to the changing landscape of the food and beverage industry. Recall information is available at the press of a button, helping you to comply with food laws and regulations and limit the disruption of product recalls.

Sustainability management

IFS sustainability management gives comprehensive support for all stages of a product's lifecycle, through the entire supply chain to the use phase and end of life. It leverages existing data, enables the creation of material declarations and environmental product declarations, and serves as a base for environmental reporting such as GRI.

Quality Management

CRM

Forecasting

Product Development

Document Management
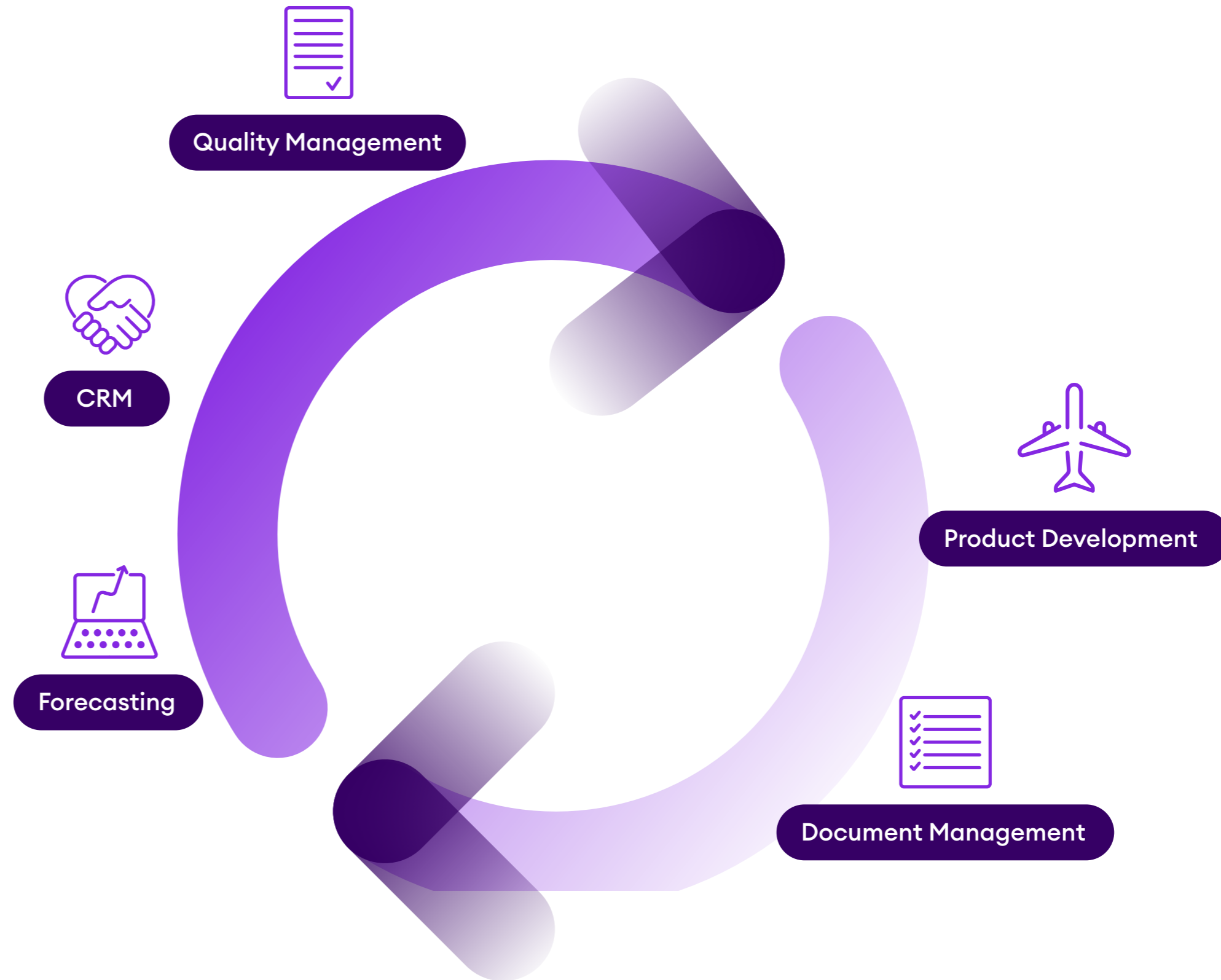
About IFS

IFS develops and delivers enterprise software for companies around the world who manufacture and distribute goods, build and maintain assets, and manage service-focused operations.

Within our single platform, our industry specific products are innately connected to a single data model and use embedded digital innovation so that our customers can be their best when it really matters to their customers–at the Moment of Service.

The industry expertise of our people and of our growing ecosystem, together with a commitment to deliver value at every single step, has made IFS a recognized leader and the most recommended supplier in our sector.

Our team of 4,000 employees every day live our values of agility, trustworthiness and collaboration in how we support our 10,000+ customers. Learn more about how our enterprise software solutions can help your business today at **ifs.com**.

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