



FOOD & BEVERAGE

The top 5 issues F&B manufacturers are facing today

The high-level issues facing food and beverage manufacturers today might feel like the same challenges the industry has been dealing with for years, but the context in which these challenges exist have changed dramatically. Consumer demand for greater product innovation and transparency, ever-increasing quality and compliance pressures, tighter profit margins, new channel opportunities, and a dynamic workforce are just some of the factors that are shifting market dynamics to the point where food and beverage manufacturers need to take a fresh approach to how they do business. In some cases, technology is driving the change; in other cases, technology offers the solution. In this changing environment, successfully managing growth and profitability depend on how well food and beverage manufacturers can evolve while embracing modern technology.

1. Innovation and transparency

You need to look no further than the Internet for a prime example of how technology is impacting the food and beverage industry. The ease of consumer access to a plethora of information, reviews, and opinions of products and their direct competitors has forever altered the competitive landscape. Similarly, consumers are going online to seek a greater amount of detail about products—beyond just ingredients and nutritional value—they want to know if a product is GMO, its country of origin, and its environmental effect.

Consumers are continually looking for new products to try, in greater varieties, along with healthier and better-tasting foods. Consumer health awareness has been steadily gaining influence through nutritional ratings and rankings, such as Guiding Stars®, Weight Watchers™ POINTS, and the Glycemic Index. Consumers expect easier-to-understand labels and will avoid products they perceive as having unhealthy ingredients.

Major retailers such as Walmart®, Costco®, and Albertsons® have responded to these demands by requiring food and beverage manufacturers to make sweeping changes to their products, such as more humane treatment of livestock, greater sustainable food sources, and minimizing environmental impact.

To make these types of adjustments to their product lines, food and beverage manufacturers must make many changes, including transforming the tools they use to provide information. Whether this information is made available via mobile-friendly websites or smart labels, the sheer amount of data that must be collected (especially when it's down to the lot level), curated, and disseminated is far greater than in the past. A market-savvy company will use modern tools, such as digital marketing and social media, to keep both customers and consumers engaged and build brand loyalty.

2. Quality and compliance

Just as the increasing demand for new products and more information is never-ending, so is the continuously changing landscape of quality and compliance. Food and beverage manufacturers must contend with label requirements that vary by both country of origin and where the products will be consumed. Regulations not only vary from region to region, but these regulations are constantly evolving. In fact, despite becoming law in 2011, the US's Food Safety Modernization Act (FSMA) was still in the process of being implemented, with the US Food and Drug Administration (FDA) [continuing to release FSMA guidelines](#) even in 2018. As a result, the full impact FSMA will have on US-based food and beverage manufacturers, as well as companies outside the US that are selling in the US, has yet to be determined.

The constant push to innovate adds additional pressure to already complex compliance issues. New varieties, flavors, ingredients, and package sizes are just some of the many ways in which manufacturers can innovate in order to explore niche opportunities in an environment where differentiation is key to success. The resulting proliferation in SKUs creates even greater labelling complexity—a new list of items means a new list of potential errors.

Customers, consumers, and regulators all expect food and beverage manufacturers to take a more proactive and responsive approach to quality and recall management. In an age of instantaneous communication, it's not unreasonable to envision a day when consumers will expect to be personally informed of recalls and outages in a timely manner, and told how to get replacement products. Market-leading companies that figure out how to do this will have a competitive advantage.

Few industries deal with regulations as complex as those of the food and beverage industry. Requirements are rigorous and the risks associated with failure are high. Manual processes are too slow, cumbersome, and error-prone to keep up with the pace of change. Utilizing automated technology to help manage quality and compliance processes is an essential ingredient of the successful growth and profitability of food and beverage manufacturers.

3. Margin pressures

Increasingly complex regulations and the resulting compliance-related costs can cut into profit margins that are already tight from fierce competitive pressures. Barriers to entry in the food and beverage industry have remained low, so new manufacturers are regularly entering the marketplace. Whether rivals emerge due to increasing globalization or by capitalizing on some other market factor, they are contributing to product proliferation and driving down operating margins in many product categories.

Consumers have evolving tastes, expectations, and health concerns. With disposable income rising in both developed and emerging nations, consumers have expressed their interest in greater variety as well as healthier and better-tasting foods. While early adopters are often willing to pay a premium, these premium prices tend to come down as more competitors enter the market and supply increases.

Further margin pressures are even coming from retailers—who are demanding lower wholesale prices and faster deliveries. Furthermore, the growth of private label products, which now **represent 14% of packaged foods sales**, puts further competitive pressure on branded products. The entry of online retailers such as Amazon® into the grocery business portends still greater margin pressures on manufacturers to find new ways to further reduce costs and increase efficiency.

Margin pressure is nothing new to food and beverage manufacturers. Unexpected changes in seasonal supply or pricing can wreak havoc on a food and beverage manufacturer's bottom line. But these new factors, including customers expecting faster response times with near flawless order fill rates or trying to manage an overwhelming number of products and SKUs, can tax a company's capabilities to the limits if it doesn't have the right infrastructure in place to keep up. Companies that use robust planning and forecasting tools in concert with end-to-end supply chain visibility hold the key to protecting both customer loyalty and profits.

4. Channel progression

Maintaining customer loyalty and profits can also be influenced by how food and beverage manufacturers products are sold. Like many industries, food and beverage is impacted by the proliferation of e-commerce channels. Omaha Steaks® and Wine of the Month Club have been around for years, but newer competitors, such as online meal-kit services Plated® and Blue Apron™, are chipping away at grocery and restaurant profits. **The \$2.2 billion meal-kit industry is growing three times faster than any other food and beverage channel.** With the entry of Walmart® into the meal-kit market, as well as Amazon's acquisition of Whole Foods™, the food and beverage industry is poised to experience a major overhaul to its distribution channel model.

Consumers are already embracing home delivery of groceries (such as with Amazon Fresh or FreshDirect™), as well as ordering groceries online and then physically picking them up from their local grocery store. With more people grocery shopping online, grocery stores are seeing a **reduction in impulse snack purchases**.

Food and beverage manufacturers need to plan for how these evolving channels will impact business. For instance, some manufacturers might produce one type of packaging for products meant for brick-and-mortar retail, and a different type of packaging for products purchased online. Many manufacturers will look to build closer relationships with their retail and distribution partners, while other manufacturers might even offer their own e-commerce channel.

5. Dynamic workforce

Embracing online channels and offering greater transparency are smart choices to make for food and beverage manufacturers. Modern consumers expect modern shopping experiences. But it's not just consumers who seek this level of engagement. Today's workforce also have the same expectations from the companies they work for. They want user-friendly solutions, embedded analytics, mobile access, and artificial intelligence that can enable them to work in the ways they want to work and help them be more effective at their jobs.

Not only do these types of tools help manufacturers maximize human potential, they also have the additional benefit of improving recruitment and retention to help sidestep the manufacturing skills gap—a gap that's increasing as baby boomers leave the workforce. With a shrinking talent pool, food and beverage manufacturers need to focus more on skill development and career planning.

By ensuring that employees have access to the right tools they need to do their job, food and beverage manufacturers are also ensuring that their employees are in the best position to provide the best service to their customers. Leading food and beverage manufacturers recognize they can maximize employee productivity by creating a work environment in line with modern employee expectations.

Transformative technology

Food and beverage manufacturers need to continually take a fresh approach to their businesses as they introduce new products, manage suppliers around the globe, and quickly respond to competitive activity. Companies have the challenge of creating new products and brands while also controlling expenses, even though manufacturing and supply chain expenses will likely increase due to shorter shelf life and higher transportation costs. At the same time, food and beverage manufacturers must meet evolving compliance requirements, while updating formulations, specifications, and labels to meet changing regulations.

Manufacturers must also be mindful of social trends that are impacting the food and beverage industry, such as consumer desire for increased transparency, more flexible channel options, and modern and effective tools for the workforce. The food and beverage industry is used to having to change quickly to meet market dynamics, but the impact technology is having across all aspects of the business and the role that it plays is transformative.

For food and beverage manufacturers, technology can be friend or foe. ERP systems that were implemented years (and often decades) ago can no longer support the complex demands of this industry. Keeping current isn't just smart—it's profitable. From cloud computing and collaborative technologies to mobility and analytics, technology holds the key to competitive advantage and growth.

[Learn more >](#)



Gold
Channel Partner

Copyright ©2017 Infor. All rights reserved. The word and design marks set forth herein are trademarks and/or registered trademarks of Infor and/or related affiliates and subsidiaries. All other trademarks listed herein are the property of their respective owners. www.infor.com.

641 Avenue of the Americas, New York, NY 10011

INF-1658652-en-US-0417-1



Connecting Businesses With
Best-In-Class Enterprise Solutions.
1 Ivybrook Boulevard, Suite 177
Warminster, PA 18974, USA
Phone: 215.675.5754
www.ICCG.com