



What to Expect in the Food & Beverage Industry in 2018?



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 **Quick read**

Introduction

We have prepared an insight into what is waiting for us in 2018 within the food and beverage industry. These trends are based on developing and emerging consumer demand for products that are healthy, convenient and trustworthy and are informed by our work with clients across Europe, Middle East, Asia, Africa and the Americas.

Trustworthy Tradition

In the face of fast paced change and overall unpredictability, consumers are attracted to traditional tastes with innovative updates. Consumers are seeking comfort by choosing food and beverages with genuine links to their heritage in these trying times.

The longing for traditional formulations means that manufacturers have an opportunity to utilise the past as a muse for innovation, such as the revival of traditional recipes in modern packaging suitable for the grab-and-go lifestyle.

The element of originality and having a story behind a product have been amplifying the craft and artisan scene within the food and beverage industry over the past few years. Traditional or 'retro' products are able to connect with consumers who wish to know more about the products' authentic links to the past, which makes the claims of the product more trustworthy in these particularly tumultuous times.

From the manufacturer's perspective, the key is to deliver products that are new, yet familiar. They need to innovate by using recognisable formulations, formats or flavours as their starting point, which reduces investment risk by connecting with consumers from all socio-economic backgrounds.

Plant Potential

The inclination for natural and cleaner diets will accelerate the expansion of plant-based foods.

A growing preference for healthier and simpler lifestyles is prompting consumers to include more fruits, vegetables, nuts, seeds, grains and botanicals in their diets. Thus, more manufacturers are launching or marketing products with plant-based formulations.

- In the face of fast paced change and overall unpredictability, consumers are attracted to traditional tastes with innovative updates
- The element of originality and having a story behind a product have been amplifying the craft and artisan scene within the food and beverage industry over the past few years
- More manufacturers are launching or marketing products with plant-based formulations as part of the health and 'free-from' trend
- As a counter response to the health and wellness trend, the indulgence segment of the premium trend is expected to go even bigger in 2018 with over-the-top milkshakes and burgers with unlimited personalised fillings
- Socially conscious consumers are growing in importance
- The hectic lives of modern consumers create the need for quick fixes that are still fresh, nutritious and customisable, informing the snacking sector
- The industry needs more process innovations to keep up with increasingly well-informed consumer demands.

The catalyst for this emerging trend is the health and 'free-from' trend, with plants gaining prominence in advertising and marketing of food and beverage products. However, it is important to note that most consumers are still buying these products as an occasional snack, drink or meal, rather than changing to a full vegetarian or vegan diet, which is called a flexitarian diet. Nevertheless, plants have been promoted to essential ingredients which provide more desirable nutrients. This gives manufacturers the opportunity of making health claims with regards to their formulations.

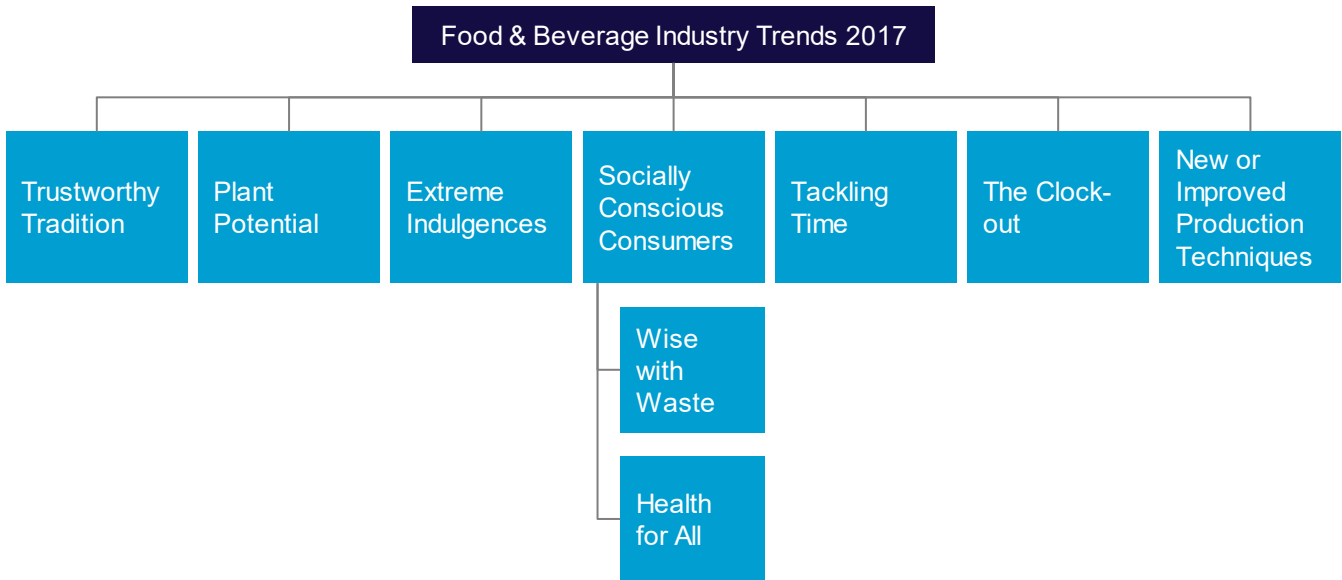
Extreme Indulgences

There has been a kickback against the ongoing health trend.

While this trend is expected to have most impact within the HORECA segment, the packaged foods segment can also exploit it. The health and wellness trend has a premium aspect to it with cleaner and



Fig 1: summary of our predictions for the food and beverage industry trends in 2018



Source: Farrelly & Mitchell Research

more natural ingredients hiking up costs. However, not all products released or marketed as premium are healthy. The indulgence segment of the premium trend is expected to go even bigger in 2018 with over-the-top milkshakes and burgers with unlimited personalised fillings.

This extreme indulgence has started appear as a counter response to the health and wellness trend that seems to take over the food and beverage industry.

Socially Conscious Consumers

Wise with Waste with a focus on eliminating food waste.

The staggering amount of food wasted globally is pushing the industry to change. Governments and development agencies worldwide are proposing programmes to dramatically decrease the amount of food waste and educate younger generations to be more sensible around the factors that cause food waste.

The ongoing trend of better-informed consumers triggered this trend. Furthermore, consumers are becoming more aware of the fact that food does not have to be picture perfect to taste good and be

nutritionally balanced. This is extremely important as one of the most prevalent causes of food waste in developed countries is consumers' desire for the perfect looking food - often influenced by multiple retailer policies and standards. This is particularly endemic in the fresh produce sector, especially fruit and vegetables.

Programs and policies by governments, restaurants and retailers to donate the foods that are close to their use-by date, instead of discarding them, will exponentially increase in 2018 and beyond. There are also opportunities for manufacturers with regards to packaging and portioning, as we have identified these areas contribute significantly to food waste.

Health for All

Healthy food and beverages will become a basic need for all consumers.

In relation to increasing consumer awareness, people are becoming more mindful of the issues with regards to social justice, specifically food security for all. While premium food and beverages were on a fast rise in the recent years, the consumer push for value for all income points is expected to encourage manufacturers to innovate and come up with healthy products at all price points.



Tackling Time

Time is of the essence. The hectic lives of modern consumers create the need for quick fixes that are still fresh, nutritious and customisable.

The snacking and on-the go trends will continue to evolve, develop and grow.

Consumers want quick fixes that are not “fast”. They still want to maintain a balanced diet with increased convenience. “Slow” is now on the rise for advertisement and marketing such as slow-release energy. The fact that a product can save time will be a big selling point in 2018. However, consumers do not wish to sacrifice nutrition or personalisation at the expense of saving time. The leading trend is products that can cut down meal preparation time but not to a degree that it will take away from the ‘trustworthy tradition’ trend. As with the ‘plant potential’ trend, tackling sensory issues is an important aspect for innovations that promotes convenience. Additionally, smart phone apps that help consumers with time management with regards to food preparation will be on the rise in 2018 and beyond.

The Clock-Out

Is night-time the new occasion for functional food and beverages?

The high stress levels of an increasingly more pressured global workforce created the desire for calming down before bedtime in order to sleep better. The beauty industry has already developed specific products to relax, restore and recharge. In food and beverage this trend is expected to go beyond herbal teas and dark cocoa-filled chocolate. Besides relaxation, another function that will be on the rise is repressing night-time food cravings.

New or Improved Production Techniques

The industry needs more process innovations to keep up with increasingly well-informed consumer demands.

An example of new or improved production techniques is High Pressure Processed (HPP) which is used in the beverage industry. This is most common among smoothies or juice drinks and has been used since the turn of the century. However, its popularity has been increasing for the past few years and is expected to increase even more in the future.

While consumers like fruits and vegetables as ingredients, it is very important for the final product retains the freshness of those ingredients while being natural and preservative-free for the health-conscious consumer. Pasteurisation, a commonly used method in the treatment of such beverages, destroys the majority of natural vitamins and antioxidants as these nutrients are very sensitive to high temperature. HPP is a way to overcome these losses, but it also has its own advantages and disadvantages. HPP allows manufacturers the ability to retain natural active ingredients in fresh drinks. On the other hand, lesser processing also means a shorter product shelf-life, tighter requirements for refrigerated storage conditions, and a limitation on the use of certain packaging materials. This highlights the continuous need for process innovation in the food and beverage industry to support and drive the growth of the health and wellness trend.

Trends to be Continued in 2018

The health and wellness trend will continue from previous years to expand in full force in 2018. Below are some specific products that are expected to receive extra popularity in the upcoming year.

Naturally Brewed Teas and Coffee:

Tea leaves will more frequently replace herbal extracts, just as ground coffee beans are replacing powder extracts, in line with ever-expanding health and wellness trend with regards to using natural and simpler ingredients. Natural brewing using tea leaves, will continue to grow as a trend.

Sophisticated Sport Drinks:

The health and wellness trend is not only affecting what we eat but also other ways we treat our bodies. As more people get into living a healthier lifestyle, more people start to exercise, which means that protein sports drinks stop being a niche for body builders and start to enter a more mainstream market. Consumers will keep demanding drinks with more natural ingredients and more innovative amino acids that aid exercise.

Matcha Green Tea:

The matcha-based green tea has been receiving increasing interest outside of Japan and Asia for the past few years. A very particular appearance, along with a specific taste, functionality, and texture, this drink has a unique edge, attracting consumers looking for something new.



Conclusion

In the face of fast paced change and overall unpredictability, consumers are attracted to traditional tastes with innovative up . Socially and health-conscious consumers are shaping a sector with produce carrying tags of originality and free-from, while a backlash to health and wellness trends is seeing a demand for luxurious indulgent produce. The industry needs more process innovations to keep up with increasingly well-informed consumer demands.



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