

Beat: Business

Major Food Industry Players Struggle - Smaller Companies Gain a Competitive Edge

Report by A T Kearney

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USPA NEWS - A new report by A.T. Kearney and The Hartman Group titled 'Is Big Food in Trouble?' finds that key trends in the food business are slowing the growth of the largest food and beverage companies. The top 25 food manufacturers in the United States have ceded 300 basis points to small and medium-size...

A new report by A.T. Kearney and The Hartman Group titled 'Is Big Food in Trouble?' finds that key trends in the food business are slowing the growth of the largest food and beverage companies. The top 25 food manufacturers in the United States have ceded 300 basis points to small and medium-size competitors since 2012, and have grown revenue at 1.8 % compared with 11 to 15 % growth for smaller companies. Changes in consumers' core values (amplified by social media, celebrity chefs, and myriad food-as-nutrition experts) are rewarding small and medium-size companies with above-average growth and slowing the growth of the top 25 food and beverage companies.

Consumers are more passionate about the food they eat, and their appetites are creating dynamic shifts in the grocery aisle. The study marks these shifts, noting that :

- A focus on diet foods has shifted to real food as a way to maintain health
- More foods are being launched that go beyond basic nutrition to support heart health, digestive health, and higher energy levels
- Consumers are embracing 'free-from' segments (non-genetically modified, organic, and gluten free)
- Fresh food departments are growing at the expense of center store and processed foods
- Locally sourced foods with a direct-to-consumer model are becoming ever more attractive
- Consumers are demanding transparency in every aspect of the food supply chain

Based on industry projections, Big Food can tap into a \$70 billion opportunity in overall F&B market growth over the next three years. The study provides big food companies with three strategies for recapturing profitable growth :

- Take advantage of cost take-out and divestiture to enable investments in growth activities
- Use controlled acquisitions of smaller, established players and external venture capital development to add trending categories to a portfolio
- Create venture funds to invest, seed, and grow nascent brands, products, and technologies that could position companies to take advantage of consumer trends with a lower entry cost

Source : A.T. Kearney

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