Food and beverage industry outlook: Deals and trends in 2011

Carolyn Cooper: Welcome to this podcast for Food in Canada and Canadian Grocer magazines. We’ll be focusing on some of the key issues facing Canadian food and beverage companies and the steps they can take to survive and grow in this changing economic climate. I’m Carolyn Cooper, Editor of Food in Canada.

Today we’re speaking to Sebastian Distefano, National Industry Leader, Food, Beverage & Consumer Products, for KPMG. It’s good to have you with us, Sebastian.

Sebastian Distefano: Hello, it’s great to be here.

CC: So tell us what are some of the impacts that the current economy is having on consumer confidence and on the food and beverage sector in Canada as a result?

SD: The economic recovery is taking longer than expected. As the Canadian government focuses on fiscal consolidation this year, after a wave of stimulus spending and tax breaks implemented earlier in the recession, unemployment rates may rise and growth will be challenged. Add to that the high levels of consumer debt in Canada—currently at approximately 150 percent of disposable income—and you start to see that consumers will continue to remain cautious when it comes to spending.

There’s still a lot of uncertainty in consumers’ minds right now. Over the last few years, Canadians have been very careful with their spending; for example, eating in more often and buying lower cost private label products. In 2011, consumers will continue to look for more value, quality and service for every dollar spent and private label foods will continue to be a popular choice. Alcoholic beverages will likely see volumes decline, although spending should rise due to increased demand for higher-priced brands. The demand for carbonated beverages is stagnant right now in mature markets like ours, driven primarily by health concerns. And healthy food and beverage products will continue to be a top trend across Canada.

CC: What are some of the other key trends that have emerged in the food and beverage sector because of the economy?

SD: One of the reasons healthy products are so popular right now is that baby boomers are getting older and their interest in health and wellness is influencing the market. On the flip side, more than 70 percent of Canada’s population growth comes from immigration, so food and beverage companies need to understand what these new Canadians want, and be innovative in their product offering to capture that market.
Another trend is food and beverages from different regions and cultures, with exotic ingredients that provide a new experience for consumers. Consumers are looking for products that are innovative and creative, that provide that extra level of value that set them apart from the rest.

A third major trend is the growing interest in sustainability, and you don’t have to look too hard to see the impacts. Coca-Cola has started using hybrid trucks to make deliveries. Nestlé developed plastic bottles for their bottled water that consume less plastic. Many grocers are selling more locally grown; for example, Foodland Ontario produce can be seen in many stores. More than ever before, consumers are challenging companies to improve their environmental performance and spending their money with those that do. Again, the key factor here is product innovation, including everything from environmentally friendly packaging to socially conscious product labeling, to transportation and logistics that focus on reducing the carbon footprint.

SD: A key opportunity for growth is emerging markets such as China and India. In the next 15 years, Asia Pacific and China will add about 1.1 billion new consumers, which is all of North America and Europe’s populations combined. So food and beverage companies can’t afford to overlook these emerging markets that will have a significant influence on the food and consumer trends of the future.

From an operational standpoint, food and beverage companies need to continue to operate lean, including better management of inventory and SKUs. Also, if they can partner with retailers to improve their collaboration and communication, they can better tap into the needs and wants of Canadian consumers and enhance growth by delivering the products and experiences that consumers are after.

And lastly, food and beverage companies can incorporate online and social media strategies into their marketing efforts to help communicate to and with consumers about their products.

CC: Given the economic challenges we’ll be facing this year, what can food and beverage companies do to survive and perhaps even gain competitive advantage?

CC: Thanks, Sebastian. We’ve been talking to Sebastian Distefano, National Industry Leader, Food, Beverage & Consumer Products, for KPMG. I’m Carolyn Cooper for Food in Canada magazine and KPMG.

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