

The European Food Industry 2016 - Three Scenarios

International workshop “Future needs in innovative agri-food and forestry-wood chains”, Lisbon 20. – 21. November 2006

Dr. Tine Andersen,
Danish Technological Institute
tine.andersen@teknologisk.dk



Outline

- The context of the scenarios
- Three scenarios for the food industry 2016
- Points for discussion



Context

Sector study for EMCC: Dossier on the European food sector:

- Mapping report
- 4 case studies
- 2 cluster case studies
- Scenarios
- Data sources.

www.emcc.eurofound.eu.int/content/source/eu06026a.html



Scenarios = alternative futures



Not looking into a crystal ball but...

Stories of the **inevitable** and **necessary** recombined
with the **unpredictable** and **matters of choice**

(Ulrich Golücke)



The Three Scenarios



"Rock Your Body"



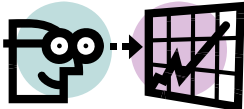
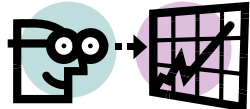
"Stayin' Alive"



"We are the World"



The three scenarios

	Rock Your Body 	Stayin' Alive 	We are the World 
The development of the World economy			
Consumer demand for high value-added products			
Product and process innovation in the sector			
Globalisation of production and trade	WORLD TRADE ORGANIZATION 	Regional / bilateral	WORLD TRADE ORGANIZATION 
Public support for healthy food habits	Little involvement	Active involvement	Active involvement





Rock Your Body

- Global growth – knowledge economy in Europe
- “I-culture” in Europe – consumerism worldwide
- Healthy living prevents age-related illnesses
- Clean environment – in Europe
- And who cares about how cows are treated in Argentina?





Rock Your Body – the European consumer

- Choice of food depend on health properties
- Convenience food and restaurant meals support a busy lifestyle
- Functional food presents an easy solution
- Wealth drives demand for all types of high value-added food
- Food safety is a big issue





Rock Your Body

Industry, market and value chain

- CAP abandoned – weaker links agri-food
- The very big, the small and the innovative
- Division of work:
 - Manufacturing in China,
 - ICT-business activities in India
 - Product development in the US or Western Europe
 - ...but on its way to Asia due to lack of scientists in Europe
- Increase in alternative distribution
 - E-trade
 - Convenience food distributed by health and fitness centres restaurants, food-to-go chains, hotels, schools, and company canteens



Rock Your Body - Marketing and Innovation

- Segmentation according to health-food-profiles
- Dialogue marketing using internet
- Loyalty through health-food packages: Discounts on products and membership to clubs and communities
- Large employers new target group – monitoring of employees' health condition supplemented by nutritional advice
- Two different directions for innovation



Product

Process





Stayin' Alive

- The Lisbon strategy has failed: Stagnation in European economy
- Global companies turn towards the emerging economies
- More regional and/or bilateral trade agreements
- Nationalistic and 'inwards' thinking and culture is dominant

The citizens' trust in the European project is low





Stayin' Alive – the European consumer

- Even Mediterranean consumers now go for price before quality
- Demand for organic food and luxury food decline all over Europe
- Star chefs replaced as popular icons by anti-authoritarians
- Many, but not successful, public campaigns to encourage healthy eating and sustainability
- Certified foods not in big demand
- Public health sectors in decay – functional food as shortcut to health

Price before safety





Stayin' Alive

- Industry, market and Value Chain

- Cost first and last
- Little investment in R&D and the implementation of new technology
- Outsourcing, offshoring, relocalisation of whole companies
- Not many SMEs left
- Brands fail - private label prevail
- The largest retailers have created their own product development departments
- Knowledge is moving into the distribution channels





Stayin' Alive

- Marketing and Innovation

- Retail chains: Discounts, loyalty schemes, special bargains
- ICT (e.g. SMS) used to inform about offers
- Product innovation “behind the scenes”: genetic modification, ingredients
- Much effort in communication, transport and logistic technologies
- New developments in sensor technologies, wireless communication and robotics.





We are the World

- A sustainable world for all
- New international trade regime setting out global minimum rules on working conditions, environmental protection, additives, and animal welfare
- CAP supports sustainable production and regional development
- Strict European legislation on labelling, food safety, use of chemicals
- Health is just one dimension of sustainability

Focus: The relationships individual – society – environment





We are the World – the European consumer

- Increasingly, consumers distrust industrially produced food
- They prefer
 - ‘natural’ food (low degree of processing)
 - face-to-face contact with food producers
 - detailed information about the producer and the production process
- International sustainability certificate developed, but lacks trust
- High quality convenience during the week – cooking in the weekends
- Emerging economies main market for low value-added products and traditional “western style” highly processed food products

Growing “sustainable segment” vs. large “price segment”





We are the World

- Industry structure and Value Chain

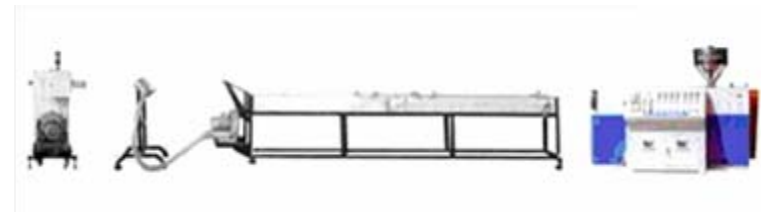
- Many successful SMEs within high quality sustainable production
- Still much food manufacturing within Europe due to strict regulations
- Many traditional producers have moved out of Europe
- Two separate value chains: sustainable and price
- Retail chains have little power – other channels prosper
- Transport is kept to a minimum – preference for local suppliers
- Extensive monitoring of the food supply chain





We are the World - Marketing and Innovation

- Sustainability segment: Dialogue marketing and sustainability branding
- Price segment: Consumer loyalty schemes
- Product innovation in sustainability chain:
 - The product is the story or vice versa
 - Ethnic and 'historical' foods unknown or forgotten
- Process innovation in large companies producing traditional products in Europe
 - Efficiency in production lines, logistics and communication infrastructure throughout the value chain



Competences in demand

	Rock Your Body 	Stayin' Alive 	We are the World 
Shop floor	Weak job growth • Little or no room for people with only basic skills • All aspects of food safety and hygiene • Specialised process technology competences • Quality management	Job loss • Large companies: Ability to handle processes involving ICT, biotech, chemistry, nanotechnology etc.) • Room for employment of people with basic skills where trade barriers allow companies to command a premium price	Job growth • Sustainable sub-sector: Good craftsmen with a keen knowledge of raw materials in demand • Employees with food industry certificate and courses on sustainability issues are preferred • Discount sub-sector: Small and decreasing demand for low-skilled manual labour



Competences in demand

	 Rock Your Body	 Stayin' Alive	 We are the World
Specialists	Strong growth and outsourcing • Nutritional specialists • Marketing communication • Customer relations management • Knowledge of international regulation and standards	More emphasis on finance, sales, supply chain, less on development • Big demand for sales and marketing qualifications in large companies • Supply chain management	Large sub-sector differences • Few in sustainable chain • E-logistics and e-trade competences • Discount chain: production engineers, traders and supply chain managers
Management	• Language ability and good cultural skills • Advanced leadership competences (management of experts)	• General business management skills, management by systems	• Quality management and documentation • Language ability



**Are these futures plausible?
Are you geared to them?**

Thank you for your attention!

