About Oliver Wyman

Oliver Wyman is a global leader in management consulting. With offices in more than 70 cities across 30 countries, Oliver Wyman combines deep industry knowledge with specialized expertise in strategy, operations, risk management, and organization transformation. The firm has more than 5,500 professionals around the world who work with clients to optimize their business, improve their operations and risk profile, and accelerate their organizational performance to seize the most attractive opportunities. Oliver Wyman is a business of Marsh McLennan [NYSE: MMC]. For more information, visit www.oliverwyman.com.
The pace of disruption has accelerated. For an industry, consumer trust is everything, and the industry rose to the challenges of the pandemic and won meal occasions from other sectors.

Looking forward, that trust is threatened by on-going product availability disruptions, labor and workforce challenges, inflationary pressures, which are not transitory, as well as threats to physical and cyber infrastructure. Today, however, disruption on several key issues has converged at an unprecedented speed. The duration of these challenges has immediate as well as longer-term implications. Food retailers, wholesalers, and suppliers of all shapes, sizes, and geographies must address these new challenges together with a renewed sense of purpose and commitment to collaborate to better serve consumers.

It is often difficult to look up from the day-to-day operations of the business and see what’s coming in the next six to twelve months and over the next twelve to twenty-four months. What we discovered is a hierarchy to the various issues FMI members face in terms of immediate needs, imperative issues, and underlying enablers. There is broad alignment across retailers, wholesalers, and suppliers in the prioritization and urgency of the issues. As part of FMI’s evolving operating model, product supplier members participated in the process for the first time. As such, there are nuances between retailers and suppliers in terms of imperative issues priorities, particularly in the context of rising ESG expectations, impacts related to labor shortage and workforce challenges, as well as the role that accelerating technology transformation will have on business models and go-to-market capabilities. We share these findings with you so you can focus on the now with a sense of urgency, while also being able to look up and ahead.
**PROCESS**

With the help of our strategic partners at Oliver Wyman, we have gathered insights from the FMI Board of Directors through a series of interviews and board surveys with forward-looking executives in the food retail, wholesale, and CPG industry. The high-level Imperative Issues process is shown on the following page.

**IDENTIFY**
- Identify Imperative Issues through
  - External research
  - Internal focus groups
  - FMI Board sessions

**INVESTIGATE**
- Solicit perspectives on issues through
  - Executive interviews
  - Survey of FMI board members

**DOCUMENT**
- Develop report on issues, including
  - Recent trends
  - Retailer, wholesaler and supplier responses
  - FMI Role

**INCORPORATE**
- Use findings and FMI role to inform
  - FMI Strategic Plan

The major imperative issues were identified through external research of the industry, internal focus groups, and discussions at meetings of the FMI Board and other FMI committees. A survey of FMI members provided insight into the importance of issues to the FMI membership. The survey of board members on FMI’s role provided feedback on where members believe FMI can make the largest impact.
SIX MAJOR ISSUES AREAS

After synthesizing findings from external research and internal focus groups, FMI has identified six major categories of imperative issues: labor shortage and workforce challenges, supply chain disruption, evolving consumer behaviors, rising ESG expectations, changing marketplace and societal dynamics, and accelerating technology transformation.

IMPERATIVE ISSUE
(% OF SURVEY RESPONDENTS RATING ISSUE AS TOP TWO PRIORITY)

1. Labor shortage and workforce challenges (88%)
2. Supply chain disruption (85%)
3. Evolving consumer behaviors (13%)
4. Rising ESG expectations (5%)
5. Changing marketplace and societal dynamics (3%)
6. Accelerating Technology transformation (8%)

Some of these issues are immediate in terms of need to resolve, and some are far-reaching and intertwined, with the implications from one area having consequences in the others. Each of these is described in greater detail in the following sections.
LABOR SHORTAGE AND WORKFORCE CHALLENGES

IMPACT OF LABOR SHORTAGE, changing workforce expectations, and industry need to attract and retain talent at every level across the food sector

FOCUS (average rating of urgency, score out of 3)

RESTORE ACCESS TO FRONTLINE AND SKILLED LABOR 53%

ADAPT TO FUTURE WORKPLACE 28%

ENHANCE INDUSTRY REPUTATION AND ATTRACTIVENESS 20%

The talent shortage will change how we go to market; the need for frontline workers is critical.

Labor and work/life balance are the fundamental issues that are disrupting the whole food industry ecosystem.

We need to make the industry more attractive.

The talent shortage will change how we go to market; the need for frontline workers is critical.
SUPPLY CHAIN DISRUPTION

SYSTEMIC END-TO-END CAPACITY, labor, and cost challenges that impact efficiency, resiliency, and business continuity designed to better serve consumers

IMPERATIVE ISSUE

FOCUS (average rating of urgency, score out of 3)

HIGHER URENCY

RESTORE PRODUCT AVAILABILITY 93%

We must strengthen consumer confidence by improving our ability to keep shelves fully stocked

EMBED GREATER RESILIENCE INTO THE SYSTEM 10%

The supply chain lacks resiliency; parts are severely broken

CONTINUE TO RAISE THE BAR ON FOOD AND PRODUCT SAFETY 8%

Food and product safety are foundational to everything we do

The supply chain lacks resiliency; parts are severely broken.
Evolving Consumer Behaviors

How the industry addresses consumer values, expectations, lifestyles, shopping behaviors, and meal occasion planning focused on convenience and value

**Focus** (average rating of urgency, score out of 4)

<table>
<thead>
<tr>
<th>Imperative Issue</th>
<th>Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retain meal occasions</td>
<td>63%</td>
</tr>
<tr>
<td>Improve omnichannel shopping experiences</td>
<td>15%</td>
</tr>
<tr>
<td>Address consumer demands for transparency</td>
<td>15%</td>
</tr>
<tr>
<td>Keep up with consumer understandings of health &amp; wellness</td>
<td>8%</td>
</tr>
</tbody>
</table>

**Higher Urgency**

- **Retain meal occasions**
  - Elevated at home meal consumption will continue for the foreseeable future

- **Improve omnichannel shopping experiences**
  - The transition to e-commerce is one of the biggest challenges we face

- **Address consumer demands for transparency**
  - The industry needs to be trusted by consumers

- **Keep up with consumer understandings of health & wellness**
  - Consumers are seeking solutions to improve their health and well-being
RISING ESG EXPECTATIONS

ADDRESS CONSUMER, COMPANY, AND INDUSTRY CONSCIENTIOUSNESS and responsibility on end-to-end environmental, social, and governance expectations

FOCUS (average rating of urgency, score out of 5)

REDUCE FOOD WASTE AND ASSOCIATED SHRINK 26%

"Food waste is a chronic issue we must solve."

FIGHT FOOD INSECURITY AND HUNGER 26%

"We are in the business of feeding people, no one should go hungry."

NAVIGATE VALUES-BASED SOCIAL RESPONSIBILITY 26%

"The supermarket has become the focal point for societal issues."

RESPONSIBLY AND SUSTAINABLY STEWARD ENVIRONMENT 11%

"We need to leverage that we are a purpose driven industry."

PROGRESS TOWARD DIVERSITY, EQUITY & BELONGING GOALS 8%

"We need to become more diverse as an industry."
## CHANGING MARKETPLACE AND SOCIETAL DYNAMICS

**REIMAGINED MARKETPLACE** and the new role of the physical store changing society’s interaction with the food industry

### IMPERATIVE ISSUE

<table>
<thead>
<tr>
<th>Focus Area</th>
<th>Average Rating (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Protect pro-business policies</td>
<td>55%</td>
</tr>
<tr>
<td>Improve economics of e-commerce</td>
<td>23%</td>
</tr>
<tr>
<td>Increase organizational ‘clock speed’ and agility</td>
<td>13%</td>
</tr>
<tr>
<td>Explore new revenue streams &amp; profit models</td>
<td>10%</td>
</tr>
</tbody>
</table>

### HIGHER URGENCY

**Inflation, input costs, labor policy wages and e-commerce are challenging how we manage our business**

**The cost of doing business is going to get more expensive**

**The pace is getting faster; are we capable of dealing with it?**

**Marketplace disruption and uncertainty is creating new pressures that trading partners must address**

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FMI/Oliver Wyman, Imperative Issues: Identifying Food Industry Challenges 2022
ACCELERATING TECHNOLOGY TRANSFORMATION

THE WAYS IN WHICH TECHNOLOGY WILL TRANSFORM the food industry and alter the financial structure, labor requirements and business processes, and new forms of risk management

IMPERATIVE ISSUE

FOCUS (average rating of urgency, score out of 3)

HIGHER URGENCY

PREVENT CYBERSECURITY BREACHES
63%

"This issue is huge, and we need to share best practices"

ACCELERATE ADOPTION OF AUTOMATION
30%

"We need to get more serious about automation as labor is a real problem"

MAKE FULL USE OF AI AND ML
8%

"The industry is behind the technology curve and machine learning has tremendous potential"

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Restoring supply chain equilibrium and addressing the significant workforce challenges will require breakthrough thinking and a new era of collaboration. The future presents new obstacles, but it also presents opportunities for those who are able to identify those obstacles early on and work toward solutions.

The industry must focus on what is controllable through advocacy, including consumer education and public relations, collaboration with peers and trading partners, and education on best practices. Food retailers and suppliers have identified key areas of focus encompassing a broad range of issues to include restoring access to frontline and skilled labor while addressing the ability to adapt to the future workplace. The longer term, enhancing industry reputation and attractiveness is a strategic opportunity as the food industry competes for talent.

The supply chain requires near-term and long-term focus to restore product availability and to embed greater resilience in the system.

Evolving consumer behaviors highlight the need to retain meal occasions, improving the omnichannel shopping experience, and addressing consumer demands for transparency and trust. Environmental and social issues have risen in importance. There is a strong willingness to reduce food waste and the need to fight food insecurity and hunger. Navigating values-based social responsibility, while responsibly and sustainably stewarding the environment, has now taken on a whole new level of importance.

The changing marketplace will require an overarching need to protect pro-business policies and improve the economics of e-commerce. A common enabler is the acceleration of technology transformation designed to prevent cybersecurity breaches while accelerating the adoption of automation.

FMI will continue to leverage and refocus our core services in advocacy, collaboration, education, communication, and research that will help you navigate through today’s unpredictable marketplace and chart a course into the future.

FMI and Oliver Wyman thank the many of you who supported and engaged in the process to ensure FMI continues to meet your needs and that of the industry moving forward.