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FMI FreshForward conference recap

How changing consumer demands
and technologies are reshaping the retail
food market



The future of the food industry was the main topic of discussion during the inaugural FreshForward conference in Chicago, where leading grocers, marketers, shippers, growers, and processors gathered to discuss the latest trends and issues affecting the fresh food industry.

Held for two days in September 2018, conference panel discussions focused on four major issues: The Evolving Consumer, Global Food Production, Combating Food Loss, and The Blurring Boundaries of Foodservice. Each panel consisted of industry experts, including representatives from some of the industry's leading retailers, producers, and analysts.

Deloitte Consulting LLP Managing Director Larry Keeley, a noted analyst and president of Doblin (a Deloitte company), delivered the opening keynote address, "Better experiences, Bigger expectations: Rethinking fresh food solutions and systems."

Keeley used historical examples to illustrate his framework for innovation in the industry and spoke about how existing elements can be combined to innovate. "Food systems innovation is rarely bold or effective. Yours must be both," he stated.

The Evolving Consumer

The Evolving Consumer panelists touched on some key issues that producers and retailers are facing in light of changing consumer demands around the quality, freshness, and production methods of their favorite foods. The focus also centered on how consumer preferences are driven by changing market influencers, such as demographics, social trends, and digital innovation.

Demographic changes

With projections showing that Millennials will overtake Baby Boomers as the largest group of adults in the United States in 2019, it should come as no surprise that their food choices and shopping preferences are exerting outsize pressure on producers and retailers alike.¹ Specifically, many Millennials, and to a lesser extent Generation Z, are placing a greater emphasis on eating healthy and are demanding that stores carry more in the way of fresh and organic foods than did previous generations.²

"Millennials want to know, 'Is it fresh?' 'Where's it from?'"
Lynn Dornblaser, director of Innovation & Insight at Mintel, told FMI participants:³

Dornblaser also opined that Millennials, and their Generation Z cohorts, are more experimental in the foods they are willing to try and are interested in making grocery shopping more of an "experience" than a chore or necessity. "They want to go into a store and be entertained and shop the perimeter even more than they did a few years ago," she said.⁴

Freshness vs. convenience

By their very definition, fresh foods require preparation and time to turn into healthy meals. In what might be viewed as the opposite of this, however, is the increasing emphasis that consumers are placing on convenience. In an age of instant gratification where consumers can stream their favorite TV shows, movies, and music

whenever and wherever they want, the concept of ready-to-eat meals is growing increasingly popular across all consumer segments. However, many stores still have more work to do to meet their consumers' growing demands for more personalized service and food options.

Putting consumers first

With consumers looking for more personalization, choice, and convenience when it comes to food shopping, retailers should continually find new ways to deliver products and experiences that will keep them coming back to their stores, as opposed to turning toward online-based meal delivery services. To achieve this, panelists discussed how to continually expand the use of technology, both in and out of their stores to:



Better use data to help determine which products and promotions are popular with their consumers and which are not



Develop a more comprehensive picture of their consumers and their preferences



Enhance the in-store experience using technology like NFC tags to alert consumers about when items on their shopping lists are nearby, provide directions to specific items within the store and more



Make the shopping experience more entertaining through technology that can be used to create a "storytelling ecosystem" within stores, providing shoppers with touchpoints, facts, and alerts to help create a more interactive shopping environment

Global Food Production

With the global population now at more than 7 billion, and growing, experts warn that we are running out of land on which to grow the crops and raise the animals required to feed our increasing population.⁵ To combat this, they say, food producers need to leverage technology to improve efficiency and, at the same time, overcome the negative public perceptions surrounding the agriculture industry.

Land to hoe

Will Rogers wasn't wrong when he advised people to buy land because "they ain't making any more of the stuff." In fact, the continued urbanization of the United States, and other countries around the world, is reducing the amount of arable land available for farmers and ranchers to use for crops and livestock. Because of this, says Sebastian Langbehn, head of Global Vegetable Seeds for Bayer, it is more important than ever for producers to turn to technology to feed the world.⁶

Speaking during the panel on global food production and fresh foods, Langbehn cited China, which consumes more than 50 percent of the world's produce, as a leader in developing infrastructure and adapting new technologies to help promote seed building in its eastern corridor, and to create urban and vertical gardens that allow for farming in areas with little open land.

Altering perception

Closely related to the loss of farmable land, the panel suggested that agriculture can often be painted as being wasteful, polluting water supplies, and increasing the production of harmful greenhouse gases.

However, says Dr. Frank Mitloehner, a professor in the Department of Animal Science at the University of California, Davis, reality, at least in the United States, is much different. Addressing the panel, Mitloehner said the United States actually has the world's smallest environmental footprint for livestock, with 9 million dairy cows producing 60 times the amount of milk that farmers did in 1950 using 25 million cows. The numbers, he says, are similar for beef and pork producers.⁷

As for pollution and greenhouse gases, the US Environmental Protection Agency (EPA) notes that the entire agriculture industry is responsible for just 9 percent of greenhouse gases in the United States, which is less than the amounts produced by the transportation and energy industries.⁸

Another panelist, Cargill Protein Group's Chief Marketing Officer Chuck Gitkin said the agriculture industry needs to better promote its use of technology to fight the negative perceptions perpetuated by the media, which he said paint the industry as not being "on the side of good." Negative reporting, in his observation, has eroded the public's trust in food companies. "We're not trusted, and we need to change that dynamic. We are not the bad guys—in fact, we are the good guys."⁹

Panelists also said that the use of genetically modified organisms (GMOs) is another topic that is misunderstood by the general public. The reason for this, they said, is because farmers and food companies have been reluctant to discuss this topic in public, making it possible for others to take unopposed control of the narrative.

Because GMOs are viewed in a negative light, panelists said, it is important for industry leaders to step up and present the other side of the story; to explain that organics, while trendy, produce low yields, which take a heavy toll on the environment, and it is often more cost-efficient to produce larger quantities of food and transport them over long distances than it is to produce them locally.

To help change public opinion, panelists agreed that growers and producers should more effectively explain how technology is making it easier for them to:



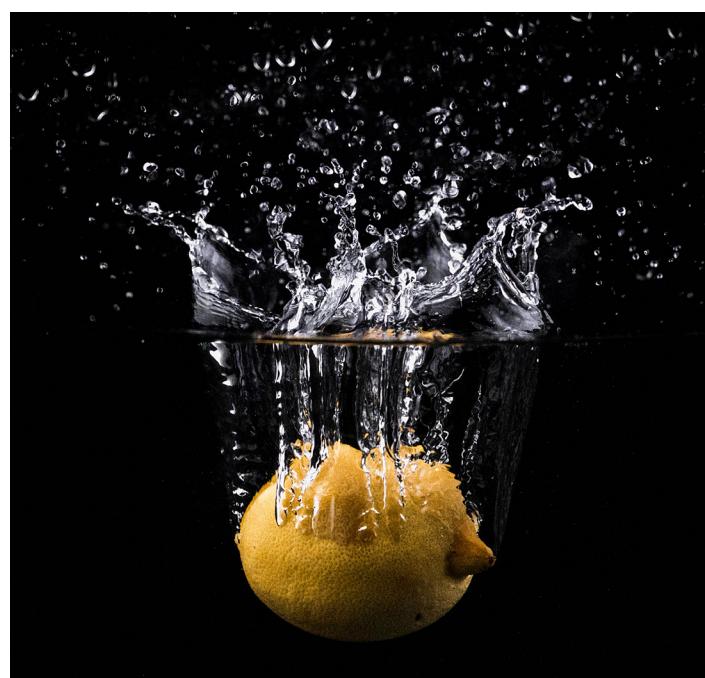
Use GMOs and other technology to grow larger crops on less overall land and with reduced labor costs than on smaller, local farms



Flash-freeze fresh produce to ensure quality during shipment and storage



Help ensure food safety through blockchain and supply chain management, making it possible to track products from farm to store and quickly address potential recalls or other issues, if necessary



Combating Food Waste

In 2012, the Natural Resources Defense Council reported that "up to 40 percent of all food in the United States goes uneaten."¹⁰

This continues to be a key message and was the central theme of the Combating Food Waste panel discussion. The session opened with a video produced by the Ad Council, showing the life of a strawberry from the time it was planted through its harvesting, packaging, shipping, purchase, and eventual disposal after it had rotted away unused in a refrigerator. From leftovers forgotten in the back of the refrigerator to fresh produce that is literally left to die on the vine, the volume of waste is staggering, both in terms of the calories left unused, and in the economic cost this creates for producers and consumers alike.

According to the panelists, the causes for waste vary around the world but all can be addressed using commonsense approaches and technology. In the United States, for example, one of the major causes of food waste was identified as Americans' tendency to serve large portion sizes. By simply cutting down on the amount of food consumed at each meal, experts say, consumers would not only be healthier, but would also produce fewer leftovers and, in turn, less overall waste.

Clearer coding

Similarly, panelists said many consumers are often confused by the labels on their foods, including the sell-by and consume-by dates often found on many fresh and perishable food products. Streamlining labeling standards and messaging would go a long way to solving this problem, panelists agreed.

Mack Tilling, president of Relish Works, a Chicago-based innovation incubator, also suggested that technology solutions can be used to address the labeling issue, saying that new innovations like freshness indicators can be built into packaging. "It could be a game changer, but it's still probably a few years away," said Tilling.

Coding issues don't only apply to consumers, however. Panelists said another key driver of waste is the number of SKUs associated with fresh produce. By simplifying the system, they said, retailers can help reduce the number of errors they see in their inventory levels and ensure that produce hits the shelves while it is still fresh, rather than wilting away in storage.

Don't waste—donate

While it's probably impossible to completely eliminate food waste, the panelists agreed that retailers can do more than just throw aging food away. "We want to make food loss taboo," said World Wildlife Fund Director of Food Waste Pete Pearson, who estimated that 90 percent of food waste currently ends up in landfills where it only helps to increase methane production, which is harmful for the environment.¹²

Many panelists mentioned that a lot of food that is disposed of remains fit for consumption and can be donated to local food banks, or recycled back into the production stream as animal feed or compost. Jason Wadsworth, manager of sustainability at Wegmans Food Markets, said donating and recycling is a priority at his company, which currently pulls approximately 40 percent of food that would be otherwise thrown away out of its waste stream. "It's about structural change and people," said Wadsworth.¹³

The Blurring Lines of Foodservice

In a world of instant gratification, younger generations spend very little time on food preparation.¹⁴ Whether they don't want to spend time preparing a meal from scratch in the kitchen, or simply don't know how—or don't like—to cook for themselves, more people than ever are turning toward prepared foods or food kits to satisfy their nightly dinner requirements. That was one of the key takeaways from FreshForward's Blurring Lines of Foodservice panel, which discussed how supermarkets and other retailers can fight to keep their consumers' "share of stomach" and drive additional business to their stores.

Made fresh in store

With the increasing popularity of home-delivered meals and meal kits that can be heated through, or prepared "fresh" by adding just a few simple ingredients to precut and measured proteins and vegetables, grocers are looking at new ways to hold on to business that they see slipping away to Internet-based providers.

Grocers are increasingly expanding their own prepared-food offerings that consumers can pick up fresh in store. Chef Kiersten Firquain, founder of Happy Food Co., said grocers like herself are starting to compete head-to-head with meal-kit providers by offering easy-to-make meals featuring fresh, locally sourced ingredients. The key to success here, she said, is the use of high-quality ingredients that can go from package to table in 30 minutes or less.

For added convenience, panelists agreed these offerings should be featured in the front of the store so that consumers can simply grab and go without having to search the aisles for what they want. Making it easy for consumers to pick up fresh meals with a minimum amount of hassle is a simple way to drive repeat business and lure consumers back to the store when they need to do more extensive shopping, panelists said.

Dining in

For consumers who find reheating prepared meals too much effort, panelists said, many groceries are creating in-store seating areas where freshly prepared food can be purchased direct from a temperature-controlled case or delivered to the table by the store's staff. In either case, said Greg Livelli, a senior vice president at Hussmann Portfolio Solutions, these new "grocerants" should create comfortable, attractive dining spaces that emphasize the quality and freshness of the foods being offered.¹⁵



Moving forward with fresh foods

The way food is grown, marketed, and consumed is constantly changing, and producers and retailers need to keep up with and, if possible, get ahead of the latest trends to remain competitive and relevant in the marketplace.

Across the various panels at FreshForward, concepts and themes emerged that can be distilled into three categories of recommendations (each with its own set of activities) to help achieve this goal:

- Better understand the consumer and optimize the path to purchase by:
 - Evaluating the benefits and limitations of age-based segmentation and considering a tailored approach based on demonstrated buying behavior and attitudes toward fresh
 - Recognizing the need for a cohesive and compelling customer experience—thinking about both physical and digital aspects of interactions and providing stories, recipes, and inspiration
 - Investing in a skilled workforce—knowledgeable, well-trained employees who can provide advice and information about fresh products are a key factor in purchase decisions
- Adapt behavior and ways of working to foster change and responsiveness through:
 - Accepting risk and being willing to make mistakes, as well as mitigating the impact of failure by using small pilots that are implemented quickly to gauge consumer response
 - Leveraging partnerships across the ecosystem—many issues in fresh transcend traditional producer/distributor/retailer boundaries and need comprehensive solutions
 - Embedding data and analytics in everyday processes and decision making to improve forecast accuracy, reduce food loss, and increase profitability

- Embrace technology to better connect with consumers and transform the supply chain by:
 - Deploying smart labels, NFC tags, and augmented reality and other innovations in product packaging and store displays to educate consumers and facilitate the buying experience
 - Incorporating predictive analytics, AI, blockchain, and other ways to link and interpret data into manufacturing and distribution to reduce waste and enhance traceability
 - Exploring precision agriculture, sensors, drones, and other means to improve efficiency and reduce costs in food production



A fresh look at the future

The food industry, like many others, is currently being disrupted by a variety of technological and societal changes that are fundamentally changing how people look at how they consume food and how those foods are produced.

As consumers continue to demand more fresh foods—and more healthy “fast” food options—retailers, suppliers, and producers should embrace the exciting and challenging opportunities these demands present to respond to the changing marketplace.

How do they do this? That’s the question that remains to be answered; however, if the FreshForward conference showed us anything, it will require everyone involved in the industry to adopt a combination of new thinking, new technologies, and new marketing approaches to move the industry forward over the coming years.

Endnotes

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