

# Food processing: A growing global appetite

**Global growth rate**  
**3.69%**

**NZ advantage score**  
**10.0**

### Changing consumer food purchasing decisions

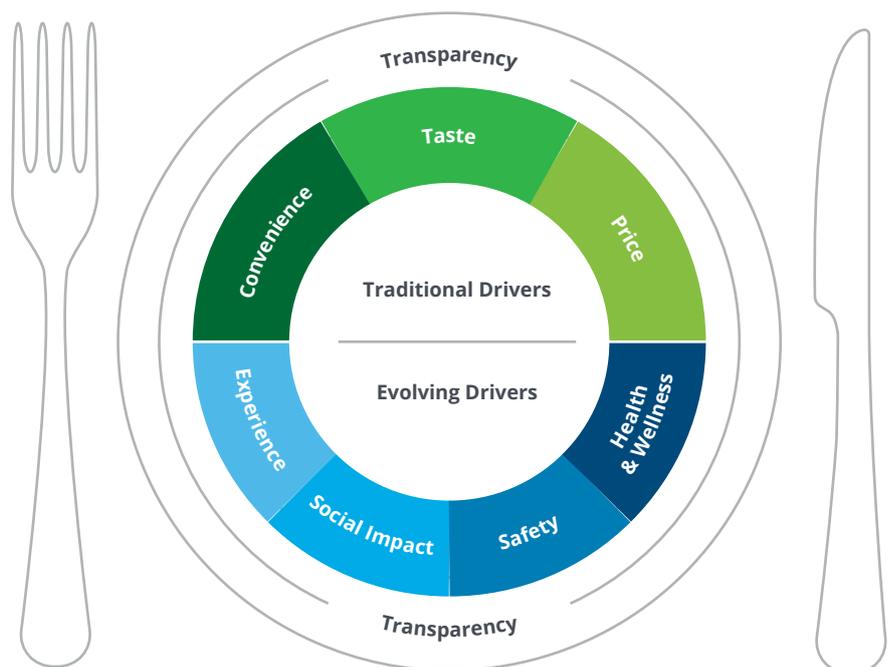
To take full advantage of opportunities in this industry, New Zealand needs to be cognisant of changing consumer value drivers. Today's consumers are actively shaping and expanding the number of drivers they consider when making food purchasing decisions.

Figure 9 shows the Consumer Value Driver Plate. It illustrates the key drivers within the consumer food value equation, and serves as a framework to evaluate where and how consumers make trade-offs across competing factors when making purchase decisions.

Developed by Deloitte, the Consumer Value Driver Plate is based on a survey of over 5,000 consumers in the United States.<sup>46</sup> The study found that increasing numbers of consumers are making purchase decisions based on the full plate (i.e. both traditional and evolving drivers). This shift is fundamentally disrupting the value equation for food processors and retailers.

The study found that more than half of consumers surveyed make their food purchasing decisions on "product plus" factors or evolving drivers, such as specific ingredients, and how and where the product was made.

Figure 9: **Consumer preferences - traditional drivers and evolving drivers**



Source: Deloitte Food Value Equation Survey 2015, Deloitte Analysis

# Health and wellness, safety, social impact and experience are supplementing the traditional drivers of price, taste and convenience

These drivers have always been present, but have historically been confined to speciality niche products and retail channels, with limited impact on the purchase behaviour of the majority consumers.

Today, however, these factors are evolving and becoming increasingly important drivers of behaviour for a large group of consumers. Health and wellness, safety, social impact and experience are supplementing the traditional drivers of price, taste and convenience.

This shift in what lies behind food purchasing decisions presents a meaningful and scalable opportunity for the food processing industry.

## Opportunities in food processing

New Zealand is well positioned to capitalise on changing consumer value drivers in their food purchasing decisions.

### Focus on products with evolving drivers

New Zealand offers a diverse range of products that address the evolving drivers of health and wellness, safety, social impact and experience. Current and emerging examples include:<sup>47</sup>

- Innovative dairy products from probiotic yoghurts and cholesterol-lowering butters, through to milk powder used in asthma inhalers worldwide
- Blueberries and their antioxidants
- Manuka honey's health benefits
- Whey and casein, which are used in medicines and many sports nutrition products

### Focus on healthy products

Worldwide, over 2 billion adults are overweight or obese. The increased awareness of obesity has led to greater demand for healthy, clean products.<sup>48</sup>

New Zealand has an established reputation for high quality produce. To ensure this advantage continues, the industry must maintain trust while developing new products to meet changing consumer preferences.

## Capture the value of healthy products

New Zealand businesses can also capture the value of healthy products since consumers are prepared to pay a premium for them. A 2015 Deloitte study found that 74% of consumers pay close attention to nutritional content, 55% are willing to pay up to 10% more for a healthy version of a product and 26% are willing to pay 10% more.<sup>49</sup>

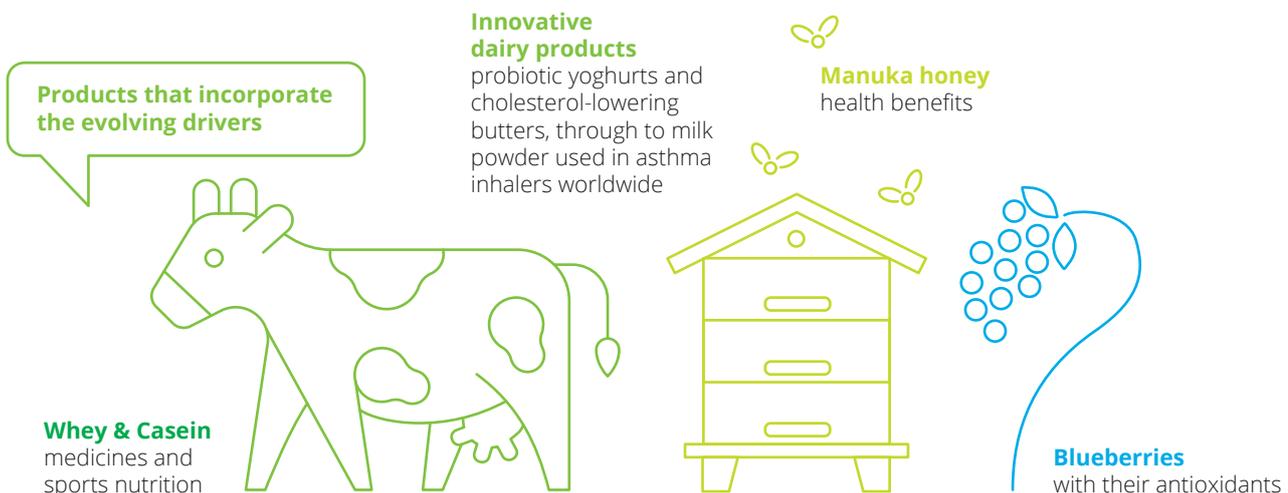
### Expand New Zealand's wine offerings

New Zealand has a strong and vibrant wine industry, which mostly competes in the global still white wine market; more specifically, Sauvignon Blanc. But New Zealand could expand this beverage platform to include red wine, sparkling wine, brandy, vermouth, and white wine exports other than Sauvignon Blanc.

New Zealand has the capability to export these alternatives in addition to the volume of Sauvignon Blanc we export. Moving into other types of wine exports would expand participation in the market, target what consumers want and increase New Zealand's export earnings in this industry.

### Big challenges to address

New Zealand faces some obstacles to take full advantage of the opportunities in this environment characterised by evolving consumer value drivers.





### **Innovation to support growth**

As the global population continues to grow, food processors will be challenged to continue to improve productivity. To date, the food supply chain has shown itself to be adaptive to evolving consumer demands. However, future success will require both adapting to changing demographics and consumer preferences, as well as managing in an increasingly global and complex business environment. This highlights the need for food processors to effectively collaborate across the value chain in an innovative manner.

### **Adopt products to specific customer requirements**

It is important to modify solutions to fit consumer preferences and tastes, as these can vary from country to country. New Zealand businesses must think about the individual product's attributes and provide information to consumers that is open and transparent. This calls for action to develop approaches to minimise the cost implications of adapting products to customer specific requirements.

### **Consumers are in the driver's seat**

Using the influence and reach of new media, many consumers are taking control of the conversation about food. This is a departure from when the food processor could significantly influence consumer preferences through mass marketing.

Instead, consumers are increasingly relying on social networks, self-proclaimed experts and web-based media as their sources of information.<sup>50</sup> This means that New Zealand food processors must take full advantage of these information sources, and also recognise that reputation is hard won but easily lost.

New Zealand food processors must therefore take measures to ensure that their supply chains are as secure as possible in order to maintain their customers' trust. New technology like blockchain, a distributed and publically accessible ledger that records transactions in a tamper and revision-proof way, is just one example that could potentially be used to track what goes into a product and who handles it along the way.

### **Positioning for prosperity**

New Zealand is in a good position to take full advantage of opportunities in the food processing industry within an environment influenced by evolving consumer value drivers. But there are barriers to overcome to realise the opportunities that exist within this industry.

1. How should New Zealand adapt products and services to address evolving consumer value drivers?
2. Are we targeting the right investment to support innovation to address new consumer preferences and maintain trust in our products?
3. How can the industry find better ways to collaborate in global value chains?