



Moving towards the new food world

Summary document



CHR HANSEN

Improving food & health

Executive summary

- ▶ Chr Hansen undertook a project to discern the long-term, structural trends that would affect its industry and the value drivers that would drive consumer decisions between now and 2025. This work involved extensive expert and industry interviews, investigation into technological practices, and ethnographic studies
- ▶ The project identified five value drivers - all constrained by affordability - that consumers use to make decisions about food consumption and purchases. Each of these value drivers goes beyond the typical 'buzz words' and represents a deeper structural shift that defines an aspiration and unmet need in the market. Combining the value drivers presents dilemmas, and solving these will be a key source of future industry growth
- ▶ Industry players appear to be taking one of three courses of action in this new food world: (1) Defending the legacy of existing brands while looking for new growth opportunities outside of their core, (2) leveraging healthy background positions while improving efficiencies, or (3) innovating new quality food experiences for both premium and mainstream markets. However, within all of this change, dairy is one of the few food categories that has a 'health halo' and thus expected to remain stable

Something big is happening in the world of food and health: The food industry is at a crossroads

*"I spent over 30 years in the food and beverage business. The first 28 years it was a pretty predictable business. We had global GDP-growth, we understood our consumers, could react and win market share, and our commodity prices tended to go down. For a big player it was a really nice place to be. With the financial crisis we started to see a turning point but we saw it only as a financial crisis, not as a consumer crisis. **We saw the signs of change but in the boardroom we simply didn't believe them. We are just now starting to realize that there are consumers out there that have different beliefs than what we thought our consumers had.** Although the science and our brands would tell that the products were okay, people would not necessarily believe that."*

- Former executive of a large food company

Based on the observations, we realized not only that the world is shifting but also how it is doing so

Old Food World



Quality = Price
Fresh *or* safe
Hidden and canned
Snacks are treats
Processed is acceptable

Success: Being predictable

New Food World

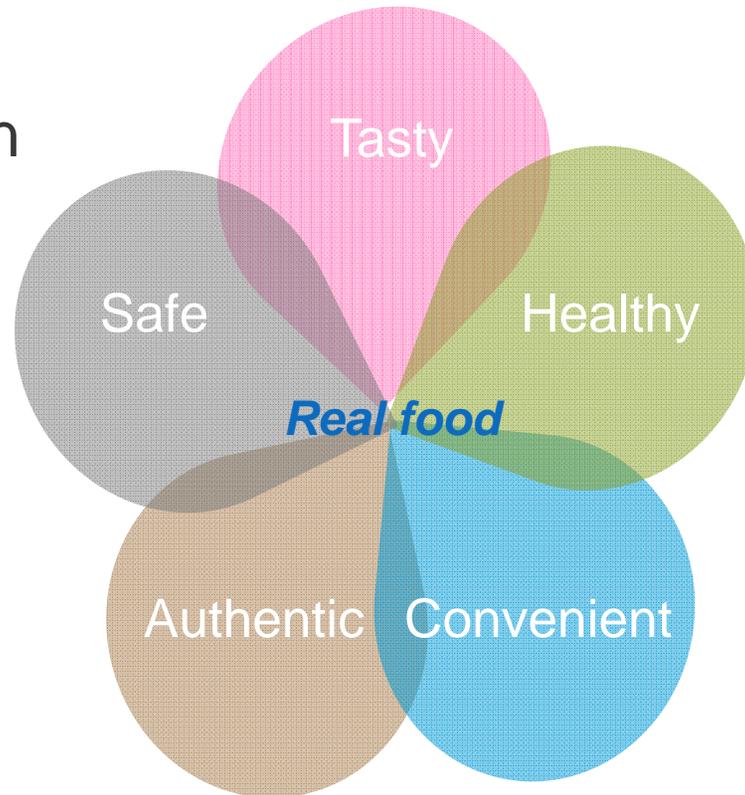
Value for money
Fresh *and* safe
Visible
Snacks are healthy
Processed is undesirable



Success: Solving dilemmas

We have identified five global consumer value drivers that are shaping the new food world

The future value equation



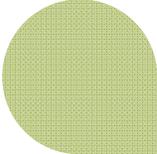
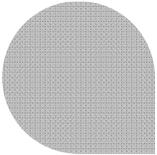
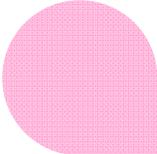
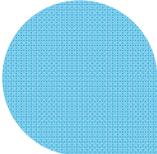
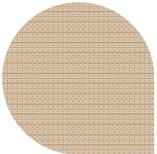
Value

In the pursuit of real and better food people look for foods that offer a more satisfactory taste, more perceived health & wellness benefits, higher convenience, lower safety risk, and that feel more authentic. Foods higher on these parameters are deemed worth paying a premium for.

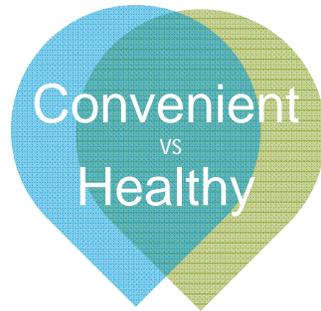
...for money

People demand value for money, and price will remain an important constraint.

Each of the five value drivers define an aspiration and unmet need in the market

VALUE DRIVER	SHIFT IN A NUTSHELL	FROM	TO
 Healthy	People are striving for healthier food options that are simpler and easier to integrate into their everyday lives	Reflective health	Healthy habits
 Safe	Food safety is moving to the foreground, with increasing demands for transparency and trust building	Following regulations	Always transparent
 Tasty	Tastiness is moving beyond established 'sweet spots' to more unique and real taste experiences	Standardized 'Sweet spots'	Taste with integrity
 Convenient	Convenient foods are moving from being guilty compromises to enablers for eating better food in the everyday	Guilty compromise	Everyday enabler
 Authentic	Processed foods are moving away from 'one size fits all' to catering to more diverse emotional and cultural needs	One size fits all	Authentic foods

The pursuit of real food is a constant negotiation among the five values, and solving difficult dilemmas is key



SITUATION TODAY

People find healthy foods unappealing, and crave foods like snacks and other highly processed foods that are high on calories, poor on nutrients, and laden with additives.

Eating healthily requires extra time and energy that people are hard-pressed to find. Today's convenient meal options like ready-made and fast foods are increasingly linked to serious health issues.

The healthiest foods are those that are nutrient dense and contain no chemicals. But such unprocessed, fresh foods tend to be unstable and present a safety risk.

People increasingly find mass-produced foods to taste bland. Rich flavors of non-industrial foods come with contamination risks, and safety of hi-tech flavor solutions is questioned.

Foods that people relate to tend to come from non-standardized production settings with inherent safety risks. Industrial foods have to solve the 'clean label challenge' to become relatable.

CHALLENGE

How can we make healthy products with rich flavors?

How can we bridge the gap between convenient and 'good for me'?

How can we make fresh foods and 'ready-to' meal solutions safer and help consumers trust them?

How can we bring more umami to foods in a safe way?

How can we help make authentic foods safe, and standardized food more relatable?

We also see that industry players tend to take one of three courses of action

Defend



Fight for the legacy of existing brands while looking for new growth opportunities outside of the core

Observe



Leverage healthy background positions while improving efficiencies

Innovate



Push for new quality food experiences for both premium and mainstream markets