



Food & Beverage Outlook 2013

To help executives develop new recipes for growth, L.E.K. Consulting has developed a high-level forecast for three central issues facing the food & beverage industry in 2013 and beyond. In addition to our insights below, we have also developed outlooks for additional market sectors and initiatives across the economic spectrum – including retail, restaurants and customer experience & loyalty.



What are the Biggest Challenges and Opportunities Facing the Food & Beverage Industry During the Next Year?

We see several challenges and opportunities facing the food & beverage sector next year, with some of the most pressing issues outlined below:

- **Riding the Commodity Roller Coaster:** The droughts from last summer have caused unprecedented rises in commodity prices across key food ingredients. Managing covers on raw materials, optimizing supply chains, passing on pricing and innovating package size will all be center stage in 2013.
- **Capitalizing on the Hourglass Economy:** Tepid economic growth forecasts mean that there is no relief in sight for the middle class. Consequently the economy will continue to have an hourglass shape with the middle class losing spending power while markets grow for affluent consumers at the top and lower-income consumers at the bottom of this model. Food companies will need to continue to manage their product and channel exposure to capitalize on consumers' interest in premium products and also address the growing demand for value-priced alternatives.
- **Unlocking Innovation Potential:** Don't want to miss the next food trend that could rival the burgeoning Greek yogurt category? Food & beverage companies will continue to challenge conventional wisdom to find new breakthrough products and better leverage their existing portfolios to meet consumer needs.



What's the Current State of the Industry?

There are several important food & beverage trends to look for in 2013:

- **Consolidation:** Given the challenges of rising commodity costs, the hourglass economy and the need for a strong innovation portfolio, the food & beverage industry is set for another strong wave of consolidation in 2013 as manufacturers try to realize the benefits of scale in dealing with these issues.
- **Navigating Ever-Changing Channels:** Rising consumer confidence will be offset against what is expected to be a tough economy with potential inflationary pressures that may challenge consumers to seek food & beverage products from new sources. Manufacturers will need to be attentive to the rise of new channels (e.g., online shopping) and understand how existing channels are likely to change to meet consumers' evolving interests in the coming year (e.g., the role of traditional supermarkets, convenience stores' "fresh" food offerings, etc.).



What Burning Issues are Senior Executives Facing?

We see a number of key issues for the food & beverage c-suite:

- **Unlocking Innovation Potential Across the Product Portfolio:** What's the secret to growth? It's the product, stupid. Senior executives will need to take a hard look at the spending levels allocated for innovation relative to marketing and other costs. This requires a critical look at challenging issues such as:

Burning Issues, Continued . . .

- Are your existing investments positioning you for future growth?
- How can you unlock the potential of your product portfolio to better meet customers' needs?
- **Optimizing Pricing:** How much cost can manufacturers pass on to consumers? How can companies reformulate their products without damaging or diluting their brands? What can executives do to take costs out of the supply chain? How can manufacturers de-link pricing from commodity cost cycles through strategic pricing?
- **Building an M&A Competency:** How can executives better capitalize on merger and acquisition (M&A) opportunities in existing or new markets? Similarly, do companies have the organization competencies and bandwidth to manage multiple acquisitions?

Our Food & Beverage Practice

L.E.K. Consulting has deep experience in the food & beverage sector. We help clients across the globe capitalize on shifting market opportunities by developing strategies to bolster their product portfolios, improve operations and channel distribution, and implement new sales & marketing programs that resonate with their target customers.

Capabilities Overview

L.E.K. Consulting plays a pivotal role in helping food & beverage manufacturers and retailers gain loyalty with fickle consumers, pioneer new markets and product categories, improve operational efficiency and revitalize mature brands. We apply our industry expertise and worldwide resources with services that include:

- **Growth Strategy Development:** Design and help to implement strategic programs based on an extensive analysis of a company's relative strengths, the competitive landscape and evolving consumer preferences.
- **Customer Segmentation:** Pinpoint overlooked and underserved customer segments within a market, identify the relative value of these segments and understand how to gain long-term market share with them.
- **Product Development and Expansion:** Use sophisticated market and competitive analyses to define and evaluate emerging trends, and create go-to-market strategies that include channel prioritization and alignment.
- **Mergers & Acquisitions Support:** Identify opportunities by combining our meticulous financial analysis with the industry knowledge required to understand how shifting market landscapes can impact potential deals.

Meet Our Experts



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