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Major Food Industry Players Struggle as Smaller Companies Gain a Competitive Edge

Report by A.T. Kearney and The Hartman Group finds that big food can tap into \$70 billion opportunity in F&B market growth over the next 3 years

CHICAGO, Aug. 17, 2016 /PRNewswire/ -- A new report by A.T. Kearney and The Hartman Group titled "Is Big Food in Trouble?" finds that key trends in the food business are slowing the growth of the largest food and beverage companies. The top 25 food manufacturers in the United States have ceded 300 basis points to small and medium-size competitors since 2012, and have grown revenue at 1.8 percent compared with 11 to 15 percent growth for smaller companies. Changes in consumers' core values—amplified by social media, celebrity chefs, and myriad food-as-nutrition experts—are rewarding small and medium-size companies with above-average growth and slowing the growth of the top 25 food and beverage companies.

Randy Burt, A.T. Kearney partner and co-author of the paper, commented, "Large established food manufacturers need to give consumers real reasons to remain loyal. This includes providing innovative products that meet consumers' current and emerging needs, delivered when and where they shop and with transparency and authenticity in sourcing, production, and marketing."

Consumers are more passionate about the food they eat, and their appetites are creating dynamic shifts in the grocery aisle. The study marks these shifts, noting that:

- A focus on diet foods has shifted to real food as a way to maintain health
- More foods are being launched that go beyond basic nutrition to support heart health, digestive health, and higher energy levels
- Consumers are embracing 'free-from' segments (non-genetically modified, organic, and gluten free)
- Fresh food departments are growing at the expense of center store and processed foods
- Locally sourced foods with a direct-to-consumer model are becoming ever more attractive
- Consumers are demanding transparency in every aspect of the food supply chain

Laurie Demeritt, CEO of The Hartman Group and co-author of the paper, noted, "Consumers—led by Millennials and Gen Xers—will continue to press companies and retailers for more information and accountability about how ingredients are source and processed, how real their food products are, and how responsive they are to consumers' desire for choice and customization."

Based on industry projections, Big Food can tap into a \$70 billion opportunity in overall F&B market growth over the next three years. The study provides big food companies with three strategies for recapturing profitable growth:

1. Take advantage of cost take-out and divestiture to enable investments in growth activities
2. Use controlled acquisitions of smaller, established players and external venture capital development to add trending categories to a portfolio
3. Create venture funds to invest, seed, and grow nascent brands, products, and technologies that could position companies to take advantage of consumer trends with a lower entry cost

Dave Donnan, A.T. Kearney partner and co-author of the paper, stated, "Larger F&B manufacturers need to evaluate focused acquisition strategies as well as investments in new growth category venture funds. Corporate innovation models will require an open innovation platform that incorporates smaller entrepreneurial companies."

For a copy of the report, please go to www.atkearney.com/consumer-products-retail/is-big-food-in-trouble (<http://www.atkearney.com/consumer-products-retail/is-big-food-in-trouble>).

About A.T. Kearney

A.T. Kearney is a leading global management consulting firm with offices in more than 40 countries. Since 1926, we have been trusted advisors to the world's foremost organizations. A.T. Kearney is a partner-owned firm, committed to helping clients achieve immediate impact and growing advantage on their most mission-critical issues. For more information, visit www.atkearney.com (<http://www.atkearney.com/>).

About the Hartman Group

For over 25 years, The Hartman Group has been a recognized thought leader on demand-side trends in the food industry. Our expertise ranges from how the smallest nuances of product design affect your product's ability to grow to devising portfolio strategies that maximize sustainable, demand-led growth. We have advised some of the world's largest food and beverage companies on issues of portfolio management, brand renovation, consumer insights, and innovation. Our approach is always highly customized to each client's strategic interests and corporate culture. For more information, visit www.hartman-group.com (<http://www.hartman-group.com/>).

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