AlixPartners

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FOOD FOR THOUGHT – DELIVERING THROUGH DISRUPTION

Why European food and beverage retailers and manufacturers must think differently and act fast to respond to trends accelerated by COVID-19

The Food & Beverage industry has been battling to keep pace with dramatic shifts in consumer behaviour over the past decade. For example, we have witnessed the rise of the self-centric consumer and seen an increasing focus on "eating well", as consumer interest rises in the healthiness of foods, the sustainability of supply chains and whether or not ingredients are locally sourced.

COVID-19 has caused further significant disruption to every part of the industry. Across the world, consumer habits changed almost overnight, as stay-at-home orders and other social distancing measures were enforced.

But how do the trends, threats and opportunities differ across European countries? Is e-commerce enhancement the most pressing issue across those territories? Or will more traditional markets prioritise improvements to the in-store experience to build market share, over and above the levels of digital investment that other regions are racing to implement?

In this report, AlixPartners presents a series of regional perspectives from our team of in-market Food & Beverage experts, including the UK, France, Germany and Italy.

THE VIEW FROM FRANCE: HEALTHINESS HITS THE HEADLINES, BUT IS IT PRICE THAT WILL PREVAIL?

REWIRING LOGISTICS TO "LOCAL"
The race to respond to increasing demand for locally sourced, healthier products will intensify as a result of the pandemic. While most executives in retail will agree that the move away from years of massification and industrialisation in what we eat is the right way forward, behind this objective lies a host of complex challenges for French retailers to overcome.

Deconstructing an established, pan-European supply chain to plug into local producers close to a retailer's physical footprint plays to the strengths of independents such as E.Leclerc and Intermarché, where their operational agility and resource sharing will be key to success. Carrefour and Auchan, too, are heavily communicating their commitment to this strategy in recognition of the fact that harnessing the power of fresh produce – for home purchase or in-store consumption – will be critical to striking a point of difference.

Shortening a supply chain can only aid food transparency. Farmers and producers under the pressures imposed by the crisis could be supported – or saved – through acquisition and the associated vertical integration of these facilities. This will deliver retailers enhanced control over the quality and cost of dairy, meat and fish produce, where margins upstream are so compressed.

DELIVERING THROUGH DIGITAL
Digital will continue to dominate discussions in the boardroom at every stage of food retail restructuring.

France's grocery model of rapid consolidation and global expansion in previous decades was a catalyst for early adoption and penetration in e-commerce, and many retailers are active in online delivery or click and collect. We now see click-and-collect-only hotspots from E.Leclerc, Auchan and Carrefour in major cities where their store footprints may be non-existent or limited, as the promise of value from such recognised brands presents a major pull for consumers. Casino and Monoprix are also trialling partnerships with Ocado, drawing on the existing tried and tested logistics capabilities that food-tech partnerships can offer.

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Consumer behaviours and desires are multi-layered – price, service, speed, breadth of selection – and retailers must be mindful of all these aspects simultaneously. High quality remains crucial, too, and new home delivery players such as La Belle Vie are already seeing success on a small scale capitalising on online opportunities through the home delivery of fresh produce at incredible speed to a local, urban customer base.

IS PRICE STILL THE TOP CONSUMER PRIORITY?
While considerations for health and online convenience have spiked during the pandemic, it will likely be price that proves to be the trump card in the hand that food and beverage retailers have been dealt from the crisis.

It's a significant dilemma – consumers say they want healthier products that must come at a premium, yet market share and sales figures show that people are turning to Lidl, Intermarché and Leclerc in France – all of whom are also marketing on freshness. The "noise" of the new way of shopping and eating should be listened to, of course, but may only be relevant to a smaller customer base afforded the luxury of such choices.

Procurement strategies should still shift to strike a new balance when it comes to cost optimisation against a higher quality of fresh produce purchases, mindful of consumer demands. A focus on private label could play out well for retailers if new, local supply chains can contribute the right levels of value, quality and sustainability here. Making money will come at a price if nutritional value and sourcing strategies are opened to consumer criticism.

Above all, be wary that consumers are very sensitive to small changes when it comes to quality of service in this industry. Meeting every expectation and delivering financially will be no mean feat.

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ABOUT US

For nearly forty years, AlixPartners has helped businesses around the world respond quickly and decisively to their most critical challenges – circumstances as diverse as urgent performance improvement, accelerated transformation, complex restructuring and risk mitigation.
These are the moments when everything is on the line – a sudden shift in the market, an unexpected performance decline, a time-sensitive deal, a fork-in-the-road decision. But it's not what we do that makes a difference, it's how we do it.
Tackling situations when time is of the essence is part of our DNA – so we adopt an action-oriented approach at all times. We work in small, highly qualified teams with specific industry and functional expertise, and we operate at pace, moving quickly from analysis to implementation. We stand shoulder to shoulder with our clients until the job is done, and only measure our success in terms of the results we deliver.
Our approach enables us to help our clients confront and overcome truly future-defining challenges.
We partner with you to make the right decisions and take the right actions. And we are right by your side. When it really matters.