



# 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 ITALY: SEIZE THE MOMENTS OF CONSUMPTION, AUTHENTICITY AND DIGITAL TRANSFORMATION

## IDENTIFYING NEW MOMENTS OF CONSUMPTION

In recent years the self-centric consumer has truly emerged, whose buying behaviour is driven by where and when they will consume a product. Agile brands have achieved success by identifying these new moments of consumption and associating their products with them. But COVID-19 stay-at-home instructions and other social distancing measures have disrupted many of these trends, with additional consumer lifestyle habits emerging from the pandemic. Brands must be more agile than ever in recognising new moments of consumption – for example, Aperol's #AperolAtHome campaign – and be prepared to shift their marketing mix from traditional to online channels, including social media, in order to reach consumers.

There is also the broader consideration of how Italian consumers now choose to shop. Their desire to reduce time spent in stores will increase retailers' opportunities for grab-and-go sales. An increase in proximity purchasing and e-commerce also requires retailers to review physical store layouts across their real estate footprint. The accelerated adoption of e-commerce – in what has previously represented a more traditional consumer environment – demands a faster transition to digital along the entire value chain for manufacturers and retailers. Upfront investments now could yield significant medium-term savings.

## WHAT NEXT FOR TRADE-UP STRATEGIES?

Consumers have become increasingly willing in recent years to pay a premium for products they see as authentic and consistent with their values – benefiting brands like Illy, whose end-to-end management of the supply of its coffee beans is seen as a true mark of authenticity. While this has provided retailers with an opportunity to trade up on premium products, the COVID-19 pandemic is also likely to diminish consumer spending power with many Italians feeling concerned about their financial health, more so than their physical wellbeing.

At the same time, in Italian food retail, the concept of authenticity has long been closely linked to specific territories, traditions and cultures – something which brands are acutely aware of. One only has to think of

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Barilla's use of 100% Italian wholegrain pasta for its domestic market, or Ferrero's partnership with Italian farmers' cooperatives to create new hazelnut plantations in a number of regions across the country.

The pandemic is likely to augment this trend further, with consumers becoming increasingly keen to support local producers and retailers. We will likely see an acceleration of the trend for brands to trade up by leveraging their regional or local identity.

## INCREASED COST AND COMPLEXITY ACROSS THE VALUE CHAIN

The pandemic has left the F&B industry with a complex set of supply chain challenges. The need for more stringent safety measures in factories alongside the potential scarcity of raw materials will increase costs for manufacturers and retailers. At the same time, food traceability must become a key priority for procurement functions, and dual-sourcing strategies must be implemented to ensure business continuity. Just-in-time production and centralised distribution approaches may have to be set aside, with more stock held in plants and a greater geographical spread of distribution centres. Manufacturers and retailers will also need to develop adaptive sales forecasting processes in order to be able to respond to rapidly-changing consumer trends in terms of product and channel mix.

While all these requirements will increase cost and complexity, this could also represent a watershed moment for the sector in terms of leveraging digital capabilities across the entire value chain, for example using digital tools to improve traceability, reducing the reliance on intermediary logistics stops, increasing the adoption of digital sales models and in retail, the need for high numbers of frontline cashiers and investment for automation in dark stores.

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## ABOUT US

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