AlixPartners

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HEALTH WINS:

How shifting consumer demands and regulations are rewriting the rules for food and beverage companies

Sweeping changes driven by consumer wellness priorities and mounting regulatory pressures are poised to fundamentally reshape the food and beverage industry. Shoppers are increasingly advocating for healthier products, calling for stricter ingredient regulations, reduced use of artificial additives, products with lower sugar, sodium, and fat content, along with sustainable packages free of "forever chemicals" such as PFAS.

The Make America Healthy Again (MAHA) Commission's recommendations remain at the policy proposal stage but clearly indicate the potential for extensive new regulations. In this context, the pace of regulatory reform is accelerating, signaling imminent and transformative policy shifts likely to deeply affect industry standards and practices.

To keep pace with shifting government policies, advocacy group demands, and market trends, food and beverage companies should consider a range of responses that include overhauling product formulations, creating new, healthier product lines, and acquiring smaller, niche players to meet changing customer expectations. An effective response may require significant changes across supply chains and manufacturing operations to compete and meet this powerful convergence of health concerns, regulations, and environmental standards.

HEALTH-FORWARD CONSUMER DEMANDS, PROPELLED BY EMERGING REGULATIONS

Recent regulatory and retail changes are accelerating compliance pressure for food and beverage companies. Several U.S. states are introducing new food labeling laws, including bans on Red Dye #3, more detailed disclosures of added sugars, and stricter limits on glyphosates. At the same time, large retailers are tightening their "no-buy" lists—excluding items with PFAS packaging or titanium dioxide—while e-commerce giants like Amazon now allow shoppers to filter for attributes such as "Glyphosate-Free" or "PFAS-Free."

Consumer activism is surging, leading to more petitions against seed oils, HFCS, and artificial preservatives, and an uptick in lawsuits over misleading "natural" claims (known as “healthwashing”). Even as social media posts proclaiming the latest health fads proliferate, survey data seem to support the movement:

61%

of consumers usually look at ingredients when choosing foods.

78%

of consumers stated they would spend more money on products with packaging claims stating “natural” or “all natural.”

45%

of consumers believe product packaging needs to be more transparent and easier to understand.

62%

of global consumers choose natural foods for a healthy diet

This landscape signals that regulatory momentum and changing retailer standards could impact nearly every food and beverage product category, compelling companies to proactively reformulate their products, adapt their supply chains, and enhance transparency, consumer trust, or face legal action.

COMPANIES RESPOND WITH TARGETED ACTIONS

In the absence of updated regulations, leading companies are beginning to implement targeted changes, hoping to influence the industry as the risk of doing nothing is too great. Seventy percent of Fortune 500 food and beverage companies have mentioned their efforts to address health concerns in earnings calls this year.

Walmart, the nation's largest grocery chain, announced its intention to remove synthetic dyes from its private label brands, along with a list of more than 30 ingredients, including artificial sweeteners and preservatives. Walmart officials cite growing consumer demand for reformulated products as the driving force behind this announcement.

General Mills and Kraft Heinz have pledged to remove artificial dyes from their products by 2027. FDA data show that artificial dyes have already begun to be gradually phased out, as the total certified pounds of dye have decreased by 13% from 2019 to 2024 (Figure 1).

FIGURE 1: FOOD COMPANIES ARE GRADUALLY PHASING OUT ARTIFICIAL DYES; TOTAL CERTIFIED POUNDS OF DYE ARE DOWN 13% SINCE 2019

Synthetic Food Dye Certification by the FDA (2019 vs 2024)

Food dye	Pounds of total dye certified (2019)	% of total (2019)	Pounds of total dye certified (2024)	% of total (2024)	% change
FD&C BLUE NO. 1	1,128,410	5%	1,443,569	7%	28%
FD&C BLUE NO. 2	538,922	2%	359,797	2%	-33%
FD&C GREEN NO. 3	8,110	0%	11,504	0%	42%
FD&C RED NO. 3	273,977	1%	166,907	1%	-39%
FD&C RED NO. 40	9,069,260	40%	8,635,962	44%	-5%
FD&C YELLOW NO. 5	5,448,471	24%	4,162,963	21%	-24%
FD&C YELLOW NO. 6	6,026,190	27%	4,725,750	24%	-22%
TOTAL	**22,493,340**	**-**	**19,506,452**	**-**	**-13%**

Source: FDA

Some leading food companies (e.g., General Mills, PepsiCo, Nestlé USA) have set up "Clean Ingredient Councils" to accelerate reformulation pipelines in response to consumer voices.

KEY TRENDS AFFECTING FOOD AND BEVERAGE COMPANIES

Although uncertainty remains regarding which of the high-priority issues will prevail, consensus is forming around three potential areas for action:

- Ingredients and formulations
- Plastics and packaging
- Labeling and advertising

Our analysis suggests that 85%-90% of all food and beverage categories could potentially be directly touched by these consumer-influenced or regulatory changes within the next 4 years (Figure 2). While a broad spectrum of goods may ultimately be impacted, companies offering products in the high-risk categories should begin mitigation planning now. These changes come with critical cost implications, with estimates of a 15-30% increase in COGS for full product reformulations. Up-front investments would also be required to bring organizations into compliance. For example, IT and compliance systems, suppliers' qualifications, product and process changes (e.g., sanitation standards, storage procedures, segregation of ingredients), as well as legal consulting and support, along with initial staff training.

FIGURE 2: 85% TO 90% OF ALL FOOD AND BEVERAGE CATEGORIES COULD POTENTIALLY BE IMPACTED BY REGULATIONS OR CONSUMER-DRIVEN PREFERENCES OVER THE NEXT 4 YEARS

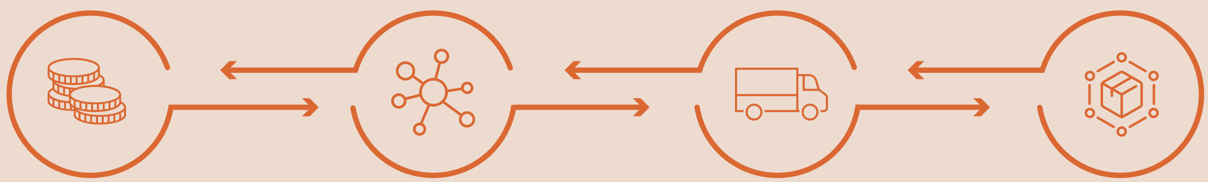
HIGH RISK	MEDIUM RISK	EMERGING/ WATCH LIST
Beverages: Sodas, sports, energy, RTD teas. High sugar and artificial sweeteners, artificial colors, synthetic preservatives	**Bakery:** Bread, muffins, pastries. Refined flour, added sugar and emulsifiers	**Baby & toddler food:** Increasing scrutiny for heavy metals, sugar, and additives. Transparency pressure rising
Snacks: Chips, cookies, bars, crackers. High sodium, refined grains, processed oils, added sugar, artificial flavors	**Condiments and sauces:** Ketchup, BBQ, salad dressings. Added sugars, preservatives, artificial flavors and oils	**Prepared meals:** Meal kits, shelf-stable entrees. Packaging, shelf–life agents, sodium. Clean-label evolution
Frozen meals & entrees: Processed meats, trans fats, synthetic preservatives, refined starches, dairy with hormones	**Dairy:** Yogurts, cheeses, spreads. rBST concern, added sugars in flavored variants, emulsifiers	**Pet food:** Extension of human-grade expectations: pressure on additives, by-products, and artificial flavors
Breakfast cereals & granola: Glyphosate residues (especially in oats), added sugars, artificial colors and flavors	**Meat & Deli:** Processed meat ingredients (nitrates, antibiotics), consumer demand for ABF sourcing	**Food service & institutional:** Public procurement shifting standards
Children's products: Higher regulatory scrutiny. Often contain dyes, added sugar, artificial flavors and refined grains	**Plant-Based alternatives:** Use of soy isolates, additives, flavor masking agents' pressure to be cleaner	
	Baking mixes & dessert kits: Artificial flavors/colors, sugars, emulsifiers, GMOs	

Source: AlixPartners

MANAGING A BURNING PLATFORM

Considering the magnitude of expected changes to the industry, manufacturers must prepare to address major shifts in end-to-end supply chains, as well as risk mitigation and cost control efforts, to survive (Figure 3).

FIGURE 3: BURNING PLATFORMS



Raw and packaging costs	Supply availability and capacity constraints	Logistics and transportation	Quality, compliance/ risk management
• Higher costs of organic or non-GMO raw ingredients • Rising expenses for sustainable, biodegradable, or eco-friendly packaging • Inflation from stricter labeling and ingredient transparency requirements	• Limited availability due to seasonality for natural ingredients • Packaging shortages due to transition to sustainable materials (less widely produced) • Supplier capacity stress as smaller or local suppliers ramp up. Dependency on niche suppliers • Challenges with minimum order quantities with specialty suppliers	• Complexity as supply chains diversify to include smaller suppliers • Increase shipping/transport delays due to specialized sourcing/smaller batches • Regulatory checks/ customs delays • Infrastructure gaps for cold chain/handling sensitive ingredients	• Increased demand for supply chain traceability • Risk management complexity due to higher supplier diversity • Need for enhanced data systems to track and report compliance

Source: AlixPartners

As new ingredient bans and reformulation pressures take hold, companies must identify and source alternative inputs, which often have shorter shelf lives, varied handling requirements, and different allergen risks. Batch scheduling, manufacturing lines, and packaging machinery may need to be adapted to accommodate these changes. For example, transitioning to compostable films or natural colors requires recalibrating equipment, investing in new technologies, and retraining operators.

Another critical shift is traceability: New regulations and standards increasingly require companies to track ingredients and packaging materials down to the source, even at the supplier's supplier level. This heightened transparency increases the need for digital tools, compliance scorecards, and new processes for engaging suppliers. Inventory management becomes increasingly complex, as reformulated SKUs often require different safety stock rules and more flexible pack sourcing.

As supply chains diversify to include niche and regional suppliers, risks increase—not only lead time volatility and cost premiums but also challenges in managing quality and compliance across a wider base. Potential packaging mandates can add further pressure, as the transition to PFAS-free and recyclable formats can create shortages, cost spikes, and logistical headaches ranging from warehousing to retail shelf-readiness.

To maintain market share and avoid revenue loss, companies must strengthen governance, map supplier tiers, enhance collaboration, and adopt robust risk and contingency planning. Effective data monitoring and cost management will be crucial tools to ensure compliance with evolving industry standards.

AN EFFECTIVE RECIPE FOR CHANGE

As with any major transformation program, tackling the problem effectively requires first addressing urgent, short-term actions while the landscape evolves to provide the clarity needed to tackle medium and long-term priorities.

Our comprehensive strategy centers on three core pillars—mapping and visibility, assessment and planning, and implementation—which together guide food and beverage companies to prepare for and respond to health trend-driven supply chain and regulatory changes.

It begins with evaluating the current state and creating detailed N-tier supplier maps that reveal ingredient and packaging dependencies at every level, utilizing advanced tools for rapid scenario modeling and financial impact analysis. Leaders must then quantify risks, governance gaps, and contractual exposures while developing actionable scenario plans across short, medium, and long-term horizons.

In practice, this means launching quick wins such as simple reformulations and then scaling up broader portfolio changes, supplier rationalization, enhanced traceability, and packaging transformations over time. For lasting agility, teams must bring critical suppliers into capability mapping and risk planning, integrate robust governance for information flow and accountability, and adopt proactive measures for regulatory compliance and supplier resilience.

By leveraging these targeted, data-driven actions and scenario planning, we can also help mitigate cost of goods sold (COGS) increases and one-time transformation expenses, ensuring financial impacts are managed effectively. Ultimately, this holistic approach arms leaders in the food and beverage industry and their organizations to stay ahead of evolving standards, minimize disruption, and safeguard growth through targeted, data-driven transformation.

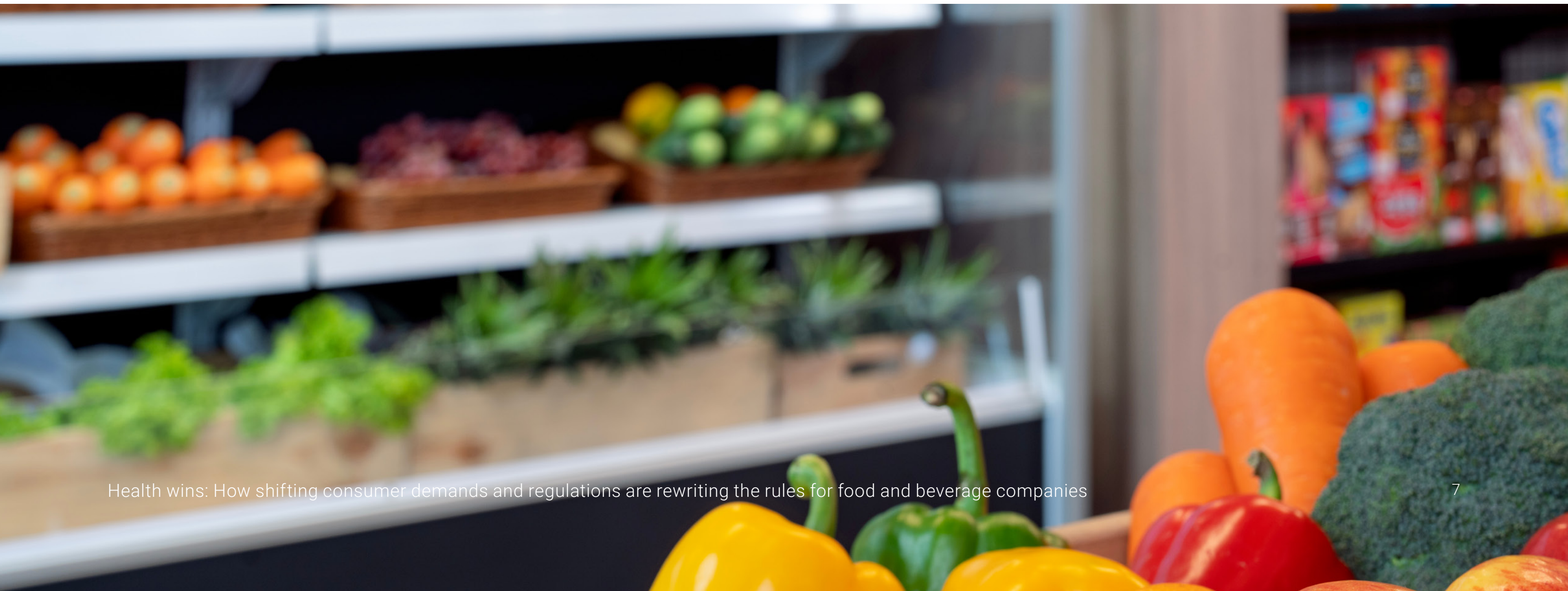
LEAD THE TRANSFORMATION OR BE LEFT BEHIND

The window for proactive transformation could be narrowing rapidly. A very high percentage of food and beverage categories face potential regulatory disruption within the next years. The convergence of consumer activism, regulatory momentum, and retailer standards demands an immediate—not reactive scrambling.

Forward-thinking companies in this industry must move beyond compliance to embrace this transformation as a catalyst for innovation, market differentiation, and sustainable growth.

The question is no longer whether these changes will reshape your industry, but whether your organization will lead the transformation or be left behind by it.

Contact our team today to develop a comprehensive plan that turns a consumer-driven regulatory challenge into a strategic opportunity.



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ABOUT US

For more than 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.