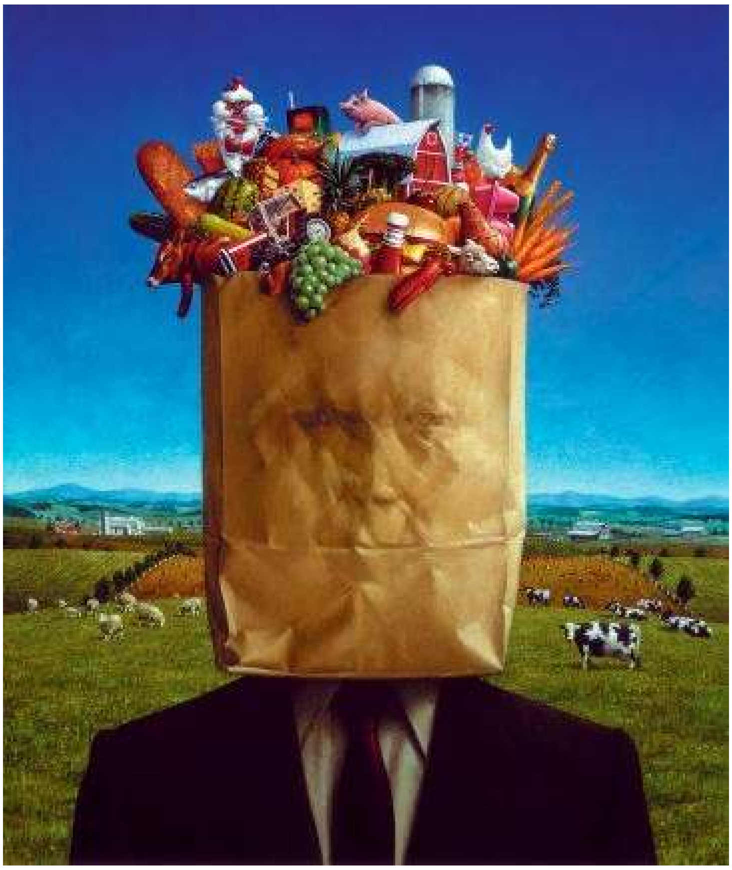
Cand.Merc.//Master of Science
Strategic Market Creation (SMC)
Department of Marketing
Master's Thesis

MARKET DYNAMICS IN THE FOOD INDUSTRY:

A NEW LOGIC TO SUSTAIN VALUE CREATION



15th, October, 2008

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"Copenhagen Business School" 2008

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***E**XECUTIVE **S**UMMARY*

A constant growth is underpinning the food industry, allowing for continuous product launches and industry developments. However, is this likely to continue and be sustainable in the future? The attempt of this research is to analyze current market dynamics in the food industry and provide a sound analysis of the forces shaping the sector. Through the labeling *production of consumption* and *process of consumption* have been identified the two major factors concurring at creating value in the industry, thus asking for a better understanding of the processes characterizing them. Suggestions and inputs from food experts' and consumers' interviews have been introduced and compared to guarantee a reliable understanding of current market dynamic. However a mismatch has been found at the very beginning of the research process concerning market complexity, separating consumers and food experts' perspectives. Market complexity appeared to be perceived in different ways. By analyzing this contrasting preposition major findings emerged, assessing a great distance between marketers and consumers in the food industry.

The paper through a careful analysis of demand and supply side factors shaping the industry, the emergence of food trends, finally highlighting consumers' behaviours and consumption choices, aims at providing a clear understanding of market dynamics, investigating the likely sustainability of long-term value creation. Market complexity exists, and constitutes a major threat driving market polarization and potential value destruction in the industry. The biggest contribution of this research attempts to reconcile the reasons for market complexity rise, suggesting remedies and alternatives to sustain long-term value creation. The conclusion of the paper provides a clear summary highlighting the logic of the whole process from fighting market complexity, thus identifying its real drivers, till suggesting an eco-system logic to guarantee a successful development of the food industry (Davenport et al., 2006). The main model provided is instead showing the logic characterizing industry dynamics and the major capabilities needed for companies to be implemented in order to overcome the challenge of market complexity and guarantee a sustainable and self-reinforcing market value.

CHAPTER 1: PROBLEM DEFINITION - THE FOOD INDUSTRY

1.1 Introduction

The global food industry has seen a growing relevance in the last few years, accounting for 14% of total industry output in Europe (Nordic competition authorities, 2005). A continuous and steady growth is characterizing the sector, increasing its attractiveness and relevance on the market place. Factors as: a dynamic and appealing environment, an increasing number of market players, favourable demand and supply factors, increased consumers´ interest, all contribute to accelerate growth and new market opportunities. Innovation is considered as the key driver for growth and positive business performance in the food industry, however increasing spending on R&D do not relate to satisfactory results (Meziane, 2007). Return on investment are particularly low, and according to recent study undertaken by management consultants McKinsey, "breakthrough innovation only accounts for 3% of new products…This highlights the difficulty, cost and risk associated with bringing truly innovative products to market on the one hand, and the importance of using alternative innovation types as part of a more comprehensive NPD strategy on the other" (Meziane, 2007). At the same time a number of complexities arise when analyzing the relations and the dynamics occurring within its components. Given these premises, is market growth and value creation sustainable in the food industry?

The present study attempts to provide a clear view of the current market situation in Europe, presenting an overview of the food industry and in-depth analysis of different trends re-shaping the industry. The food industry is characterized by a dynamic and complex environment, where interplay of demand and supply factors continuously redefines its shape and boundaries. The paper begins by investigating changes and innovations within the "food" sector. Transformations in consumers' habits and lifestyle drove to major challenges in the food industry, asking for a reconsideration and re-launch of many food categories according to upcoming market trends. Demand and supply factors characterizing the industry's dynamic environment have been analyzed, finally spotting five mega-trends reshaping the industry. A number of sub-trends are used to better comprehend the evolution of the food sector and the great market potential they provide in terms of market opportunity and market space. Value creation is sought, however a great deal of complexity underpins its sustainability given the fast and dynamic environment in which the industry is running, given the challenging relationship among its market players and finally given the unclear position of consumer and their relationship with market dynamics. A careful methodological investigation of secondary data, food expert and consumers' interviews has been utilized to provide and verify both the reliability of the market research, both the appropriateness of theories adopted throughout the paper to explain consumer behaviour and to achieve value creation in the complex dynamics underpinning the industry.

While the first part of the paper is widely focused on *production of consumption,* thus presenting market changes and trends development in the sector, *processes of consumption* are considered in the last part of the paper, where a great attention is focusing on consumers and their consumption behaviour (Edgell, Hetherington, Warde, 1996). An extended session on consumers has been included, supported by primary data retrieved from the Scandinavian market. Investigations regarding consumers´ consumption behavior and knowledge about the evolving food industry are provided; furthermore theories have been used to achieve a systematic understanding of consumers' consumption behavior patterns, motives, goals and desires. Innovation strategies in the food industry have been analyzed, revealing an inappropriate focus and reliability on internal knowledge. Assessing the drivers of market complexities and understanding the dynamics underpinning the market, a change in strategy has been suggested as major alternative to avoid value destruction and sustain industry growth. A shift in logic has been prescribed to overcome the challenge and best exploit the opportunities arising from the sector, thus shifting from internal to external sources of knowledge. An eco-system approach to industry development and an *interact* mode of innovation strategy is what is asked for to successfully create value and foster radical innovation. A proposal of methods and managerial capabilities for firms to apply in order to overcome market complexity and guarantee a sustainable and conscientious growth of the sector is also suggested.

The aim of this paper is to investigate the evolution of the food market taking into account food experts´ perspectives, consumers´ consumption patterns, finally providing an in depth understanding about market dynamics and market relationship aiming at sustaining value creation. A sound framework is proposed, reconciling eventual mismatches arising from the fast relationship within its players, its consumers and the fast changing market dynamics, revealing the necessaries conditions to guarantee a sustainable and continuous market growth. A shift in logic must be undertaken in order to align current companies' strategies to continuously changing market preposition, reconsidering industry sources of value and determinants of market complexity.

1.2 Key facts in the food industry

The global market for food has seen a growing relevance in the last few years, accounting for 14% of total industry output in Europe (Nordic competition authorities, 2005). Its net value was worth some US$1,455 billion in 2005, showing an increase of 8% with respect to 2000 (Euromonitor International, 2006). On the other side Western Europe in 2005 appeared to be the most valuable regional market for food, accounting for 34% of value sales worldwide against 23% value sales for

North America and 22% for Asia-Pacific (Euromonitor International, 2006). World agricultural production to 2010 is expected to grow at an average rate of around 1,8% per year, led by the continuous growth characterizing developing markets, the bulk of the expansion in production (OECD, 1998). The change in role between developed and developing countries will characterize major shift in importer/exporter relations in the food industry, however guaranteeing a continuous growth of the market. “Slow and steady growth is a long-term underlying feature of the food industry, which is less prone to economic fluctuation because of the necessary role it continues to play for consumers” (The Economist Intelligence Unit, 2005). Innovation will be the major driver of industry performance and growth, although experiencing a low return on investment and unsatisfactory contributions to increase business value (Meziane, 2007). Despite the increasing level of investment in R&D departments, low success is experienced, leading to an ever increasing amount of product failures (40-50% per year), and very scarce number of radical new offers (ibid).

Consumers Trends

The global food industry is faced with a number of ongoing challenges that require manufacturers and retailers to constantly revise production and retailing strategies in order to meet and satisfy changing consumer needs (Euromonitor International, 2006). Trends in demand for food are typically shaped by demographic changes and evolving consumer lifestyles. Major shifts in the market have occurred during the last years, 2000-2005, determining significant transformation in the production and distribution of food over the period. Major trends in the Western European food industry drove to an increase in demand for convenience, health, flavour and indulgence need (Euromonitor International, 2006). Rising disposable income and a higher spend on food products demonstrate that consumers are prepared and willing to pay more for foods perceived to present healthier standards, higher quality and greater convenience.

These factors have determined an increasing demand for innovation in food ingredients, food processing, food packaging and design thus global players have been placed a particular emphasis on the development of products showing convenience attributes, i.e. ready meals and snack bars. This is regarded as the fastest growing added-value sector in the industry, additionally presenting healthy, organic and premium features (Meziane, 2006).

Furthermore globalization has imposed new standard within the industry. Consumers travelling the globe, both virtually and in reality, create the need of a continuously revised culinary offer, able to attract and satisfy sophisticated consumers´ taste. Eating better and more adventurously is becoming an obsession, especially among rich people (Siemering, 2004). Healthier eating and the number and variety of food choice and venues continue to increase, creating a whole new culinary mosaic, as they are transplanted and reinterpreted all over the world. This fast paced evolution of the food industry lead both to a more dynamic and opportunistic environment, but also creates a higher level of market complexity, thus redefining consumers´ purchasing processes. A higher distinction among consumer targets is likely to strengthen differences among them and their subsequent food needs. Thus challenges will arise from retailers and manufacturers when capturing the correct target audience and clearly communicating to different groups new market offerings.

Retailer Trends

Changes in distribution channel have realigned the world food. Retailers during the last 10-20 years have undergone a deep transformation, fiercely expanding on the market while integrating both horizontally and vertically (The Economist Intelligence Unit, 2005). Retail consolidation reflects the expansion of supermarkets and hypermarket, driving the rise of private label products, increasing market competition and challenging food price equilibrium. "The growing role that own-brands are playing in consumer purchases is prompting increased investment in the marketing and exposure of core brands in the battle for shelf space" (The Economist Intelligence Unit, 2005). The degree of concentration of modern retailing taking place in Europe is likely to further increase in the future, through mergers and acquisitions, prevalently inside countries and sometimes with example of cross-border "invasion". Notably, cases as Tesco, Metro, Carrefour are among the biggest retailers' chain dominating the market, meaning massive buying power on their side (OECD, 1998). Given the increased role of global retailers, relationships with manufacturers have been undermined (Euromonitor International, 2006). A misbalance of power at manufacturers' expenses has pushed them to explore new distribution channels, as for example the internet, home shopping and tele-shopping.

Manufacturer Trends

Structural transformations in enterprises have occurred. Dominant players in the market have undergone a steady growth of their business through specialization, differentiation, merger and acquisition, both at a manufacturing level and at a retail stage. Multinationals playing in the sector are continuously increasing the size of their business, incorporating new business departments and consolidating their global presence acquiring local partners (The Economist Intelligence Unit, 2005). Globalization is the key source of growth in the sector especially in mature markets where non-organic growth in consumption is difficult to achieve without diversification of brand portfolios. A great focus has been placed on developing countries with the aim of developing a strong brand distribution network. Great opportunities of business expansion are especially in Asia and South America, where a strong rising population and increase in income are reshaping the economic environment (ibid). Furthermore, innovation and new product development have been regarded as the most important investment area for building competitive advantage in the current food arena (Meziane, 2006). However, the firm ability to launch new products and freely operate on global market, will always been restrained by international regulatory disputes (The Economist Intelligence Unit, 2005).

Although the huge size of MNE's in absolute terms, the fragmentation of the food-processing industry leads major players to hold a relatively small global market share (e. g. Nestlè 3%) (The Economist Intelligence Unit, 2005). Mergers on a global scale involving different sector outside the food industry are showing an increasing trend, as for instance the acquisition of Gilette performed by Proctor & Gamble. The example highlights an emphasis on diversifying brand and product portfolios within each sector to exploit faster-growing sub-sectors. This dynamism also shows the rising issue of product and market diversification underpinning the development of food companies. "Some companies have responded by continuing to branch out into further sub-sectors within or external to the food industry; conversely, others have responded by focusing on areas where expertise is strongest, opting to offload non-core business units to fund growth in key areas" (The Economist Intelligence Unit, 2005). A number of smaller and new players have also entered and expanded in the market, favoured by emerging trends in the sector, as the search for premium, gourmet and specialty food, often time provided by smaller niche players.

Government and institutions

As the food industry is becoming more and more globalize in its nature and in its product offerings, regulatory bodies belonging to the government and to private institutions are increasingly gaining relevance in the sector. Reforms, regulations and treaties have lately augmented, in order to better guarantee food security standard and fair trade agreement across different countries. The EU expansion also led to major changes characterizing shifts in funding and supports related to the farm and agricultural sector, especially with respect to East European countries. The number of farmers indeed has aroused from seven to 11 million, agricultural land area has expanded by 30% and crop production has increased by 10-20% (Europe Report, 2005). The new CAP is now geared towards consumers and taxpayers, while giving EU farmers the freedom to produce what the market dictates; CAP subsidies for such an increased number of workers would not simply be economically viable (Europe Report, 2005).

However, the reverse side of such law also brought positive aspects, as the reduction in existing tariffs on imports into countries such as the Czech Republic, Hungary and Poland, as a condition of their entry to the EU, thus favouring Western European economies (Europe Report, 2005).

In addition to the EU-25 expansion, 2005 was expected to see the full completion of an alliance between the European Union and the Southern Cone Free Trade Area (Mercosur) in South America (Europe Report, 2005). For the EU, such an alliance represents a clear opportunity for European companies to gain entry into growing markets, and for Mercosur, which relies on EU international cooperation aid to strengthen the development of markets such as Brazil and Paraguay, the alliance is of considerable political and economic benefit as it paves the way for a strong market creation (Europe Report, 2005).

Government and public association also regulate and dictate laws to safeguard consumers' public interest, with respect to food safety, food provenience and growing of societal problems deriving from food consumption. The rising worldwide level of overweight and obesity has, for instance, increased the pressure to regulate the marketing of high-energy, nutrient-poor foods to young people (Hawkes, 2007). In 2004, the World Health Organization called on governments, industry, and civil society to act to reduce unhealthy marketing messages. Since then, important changes have taken place in the global regulatory environment regarding the marketing of food to young people (Hawkes, 2007). An increasing number of laws and regulations are however mining government and stakeholder relationship in the battle to gain consumers´ trust.

Finally international disputes will continue to have an impact on the ability of firms to launch products or operate freely in some markets. For example, genetically modified (GM) crops and seeds have long been an issue between European and US governments. Recently the EU allowed the import of GM crops by imposing labeling and traceability requirements: however a number of EU members continue to object to GM foods and consumers remain suspicious (Industry forecast, Europe unit 2005). Similar transatlantic disputes have arisen over protectionist practices such as the trade marking of food and drink products (such as Parma ham) by location, a matter now regulated by the World Trade Organization. Bans on products exports also constitute an additional concern regarding food safety. A clear example is provided by the "BSE scare" and the following restrictions implemented by develop countries towards the export of meat coming from South-east Asian countries (Industry forecast, Europe unit 2005).

1.3 Research Question

The European food industry has undergone significant changes during the last years (The Economist Intelligence Unit, 2005). The industry first of all has been characterized by a steady growth of the sector, with a general increase of nearly 2 per cent per year during the last decade (Euromonitor International, 2006). Transformations in consumers' habits and lifestyle drove to major challenges in the food industry, asking for a reconsideration and re-launch of many food categories according to upcoming market trends. A constant increase of new products, innovations and brand extensions have characterized a complete new assortment of retail stores, seeing food changes with respect to form, composition and packaging aiming at adapting to new societal needs.

Witnessing the continuous development of food chains, shops and food related products, do a match exists between trends relating to/ emanating from different players? Is the food industry evolving towards a co-creation innovation logic, or is it so that the same player (-s) will come to direct the dynamics of the industry also in the future? Finally, what capabilities needs to be developed by whom and why (by the manufactures, the retailers, the authorities and/or the end-users) in order for the industry to adopt, a co-value-creation logic?

1.4 Methodology

The purpose of the methodology section is to explain the reasoning behind the decisions taken during the research. Hereby is provided a logical explanation of the choices occurred in regards to the use of the methodological approach, theory and data collection. Furthermore the structure of the thesis is presented, in order to give a clear description of the purpose of each of the sections and to explain how all the components of the paper are used to answer the research question. A graphical representation is provided to clarify the rationale of the overall structure and to highlight the major focus and effort that the research is addressing. Finally the reliability and validity of data is argued for, and a brief description of the limitations of the choices made, how they affect the whole project research and how they delimit its scope is presented.

Methodological approach

The overall methodological approach used in this thesis is based on the inductive method (Andersen, 2003). In inductive reasoning, specific observations and measures begin to detect patterns and regularities, to then move to formulate some tentative hypotheses that can be explored, finally developing some general conclusions or theories (Andersen, 2003). Inductive reasoning works as a bottom up approach, moving from specific observations to broader generalizations and theories (Andersen, 2003). Inductive reasoning, by its very nature, is very open-ended and exploratory, especially at the beginning. Data are used to identify patterns, leading to tentative hypothesis, ultimately questioned and utilized to formulate theory based on that evidence.

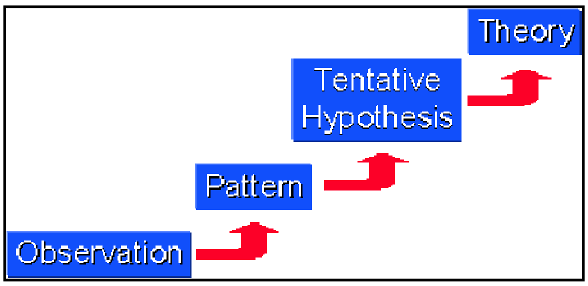

Fig.1 Inductive research method (Andersen, 2003).

Deductive reasoning in contrast is narrower in nature and is concerned with testing or confirming theories through empirical studies (Andersen, 2003). The inductive method is found to be the most appropriate for the given research, as it is the most suitable to address the problem definition and to provide guidelines throughout the paper. A logical argumentation is built up through induction, firstly identifying the food industry transformation, trends and potentiality, secondly looking into consumers' behaviour and reaction to such dynamic environment, finally searching for theories supporting the empirical findings and observations conducted through primary data collection, by means of consumers and food experts´ direct interview. Several patterns have been identified at the beginning of the research process; thanks to continuous analysis and subsequent information gathering tentative hypothesis narrowed down the focus of the research, identifying the real challenge underpinning the food industry. However a continuous revision of data and results has been completed and several theories have been considered and studied to better support the understanding of empirical findings.

Research design

The research has been conducted as a comparative analysis of the evolution of the food industry in Europe and in the Scandinavian market. A wide area of research has been included considering articles and literature regarding both the European market and the Scandinavian one. Given the phenomenon of globalization, and considering its relevance in the food industry, a study concerning only the Scandinavian market would not have been effective to understand phenomena reshaping the overall industry. The research design takes eventually the form of a comparative analysis where the Scandinavian market represents a case study unit to investigate changes and evolution in the food industry in comparison with the European industry. This method is regarded highly appropriate to spot differences and similarities occurring in the industry, highlighting the role and impact of globalization on the Scandinavian local market.

Structure

The research has been structured in two fundamental parts: *production of consumption* and *processes of consumption* (Edgell, Hetherington, Warde, 1996). While the first part of the paper attempts to present a clear understanding of the current food industry situation, providing reasoning behind the increased amount of products and services continuously appearing on the market, the second part aims at explaining the psychological mechanism behind consumers´ purchasing mechanism (Edgell, Hetherington, Warde, 1996). Once these two parts have been explained and fully understood, they will materialize themselves in concrete recommendations to answer the final research question.

Furthermore the structure of the thesis follows *The Reflective Cycle,* by firstly describing an initial problem situation, specifically defining the problem question, providing its diagnosis, its design/outcome, and finally concluding with an implementation and evaluation phase (van Tulder, 2007). Such structure has been considered highly appropriate to deliver a clear alignment between empirical evidence and theoretical frameworks. Hereby is explained the detailed structure of the overall thesis by presenting the content of its various chapters.

Chapters in pills

The paper begins by providing a brief description of the food industry, presenting its major actors, and explaining current dynamics underpinning the sector (Ch. 1). A thorough methodology part is also included in order to provide guidelines and explanation to support choices taken. Following, as mentioned above, the two major parts of the research *–product of consumption and process of consumption-* provide an in depth understanding of the evolution of the food industry, analyzing firstly the drivers of such continuous transformation and secondly the reaction and behaviour of consumers in the food industry. The labelling "*Production of consumption"* exemplifies the mix of processes characterizing the industry expansion, considering demand and supply factors contributing to industry changes and growth (Ch.2, Appendix A). *Production of consumption* is considered in the first half of the thesis (Ch.2-3, 5), aiming at investigating the drivers leading to the evolution of the food industry. A focused research has been conducted in this part to understand the emergence of major trends deriving from demand and supply factors and actors, thus presenting them through an in depth study of secondary data (Ch.2, Appendix B). Face to face interviews with food expert in the Scandinavian market provide further reliability and additional insight when understanding the evolution of the food industry (Ch.3, Appendix C). The analysis of data gathered from secondary sources, consumers and food experts' interviews, provides the ground to present an accurate picture of the Scandinavian food market, further investigating the likely innovation approach adopted by companies to foster NPD (Ch.3). Following, consumers´ interviews have been carried out in order to collect direct evidence of consumers´ understanding of the market (Ch.4, Appendix D). Comparing these results with food experts' opinion, consumers' main consumption traits and behaviours have been spotted, also providing an understanding their mental consumption processes (Fig. 5, Ch.4). Consumers´ understanding is regarded as a matter of primary importance in order to allow value creation. However difficulties arise when defining consumers´ behaviours, purchase patterns, motives and desires. *Processes of consumption* is hereby taken into consideration, firstly providing an understanding of the consumers under analysis and later by analyzing the difficulties that challenge a clear comprehension of consumers´ purchasing behaviour (Ch.4, Ch. 5). Complexities arise given the high bargaining power consumers are gaining, given the varied typology of consumption they represent, finally given the difficulties to understand the drivers and mechanism of their purchasing choices (Ch. 5). Uncertainty also occurs when looking at demand and supply factors re-shaping the food industry. Increasing changes in society dictated by a hectic rhythm of life lead to a constantly reconfiguring market environment, increasing its trends and degree of complexity. Interactions among industry´ s players also become challenging, due to market saturation and increase in competition (Ch.5). Is the current industry logic capable of sustaining value creation over the long-run? What are major managerial capabilities needed in order to overcome market complexity and sustain value creation? A shift in logic is prescribed to enhance value potential and effective innovation strategies in the food industry. Managerial capabilities envisaged from both market and consumer side are discussed; a wide use of theoretical evidence supports the argumentation, finally providing potential solutions (Ch. 6, Ch. 7). A graphical representation exemplifies the understanding of market dynamics in the food industry, highlighting various link between demand side changes, factors and trends, related to supply side changes, actors and strategies concurring to create market potential, once market complexity is overcame (Ch. 7, Appendix F). A final framework is lastly proposed to provide the reader with a picture of the understanding of the food industry and its market dynamics (Ch. 6). An answer to the dilemma of sustainable value creation in the in the food industry is envisaged and further recommendations are provided to conclude the paper (Ch.7).

Model

The final model discussed above, is hereby shown to provide a picture of the understanding of the food industry and its market dynamics. It shows the factors and actors interacting within the market space (demand and supply factors and consumers), following it presents how they all contribute to the evolution of the food industry (trends, strategies, typologies, processes), finally representing through the four red arrows the managerial capabilities sought in order to deliver value creation. Simplified models of the given one are shown at earlier stages of the project, thus showing the evolving thinking and tentative hypothesis guiding the development of the overall paper. A number of grids and matrix are also used to clarify explanations thus gaining a visual picture of the rationale behind.

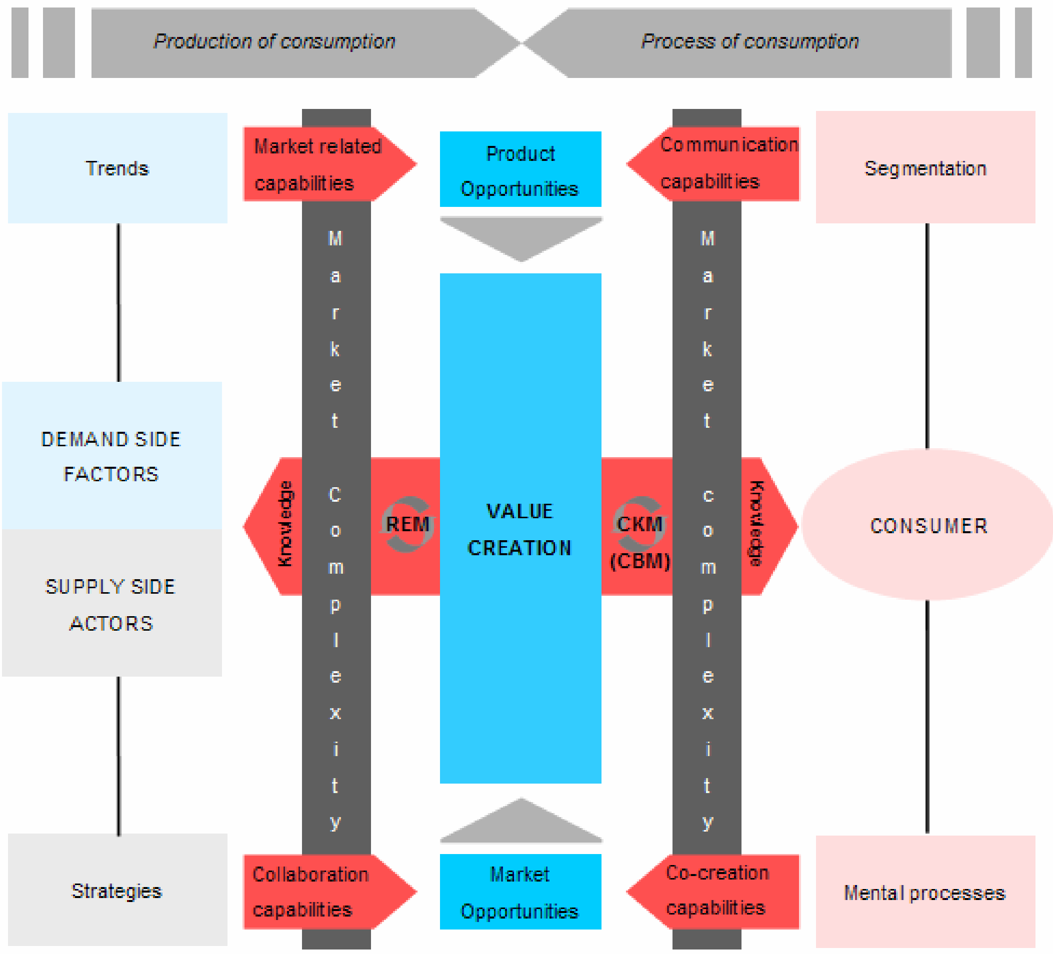

Fig. 6 Market dynamics within the packaged food industry, Own source.

Data collection

The data set forth in this thesis have been collected through a continuous research process lasting six months. The data retrieved are both qualitative and quantitative, consisting of primary data, such as interviews conducted with consumers and food experts, and secondary data in the form of academic papers, Internet resources, articles, statistical data, reports and books. The use of both quantitative and qualitative data also known as triangulation method ensures that the drawbacks of one type of data can be complemented with the strength of the other type of data, thus strengthening the reliability of the project (Andersen, 2003).

Secondary data

<u>Food Trends and Evolution Matrix</u>

As a starting point, a thorough use of secondary data has helped to identify the problem definition of the research project. An initial interest of the research was to provide an understanding of the evolution of the food industry, thus presenting an explanation to justify the continuous growth of the market, the increasing emergence of its trends and its continuous innovative new product launches. Primary knowledge about these factors has been retrieved by consulting market and industry report, books and magazines concerning the evolution of the food industry. Huge amount of information has been analyzed and categorized in order to narrow down the wideness of the topic, and find coherence and reliability to base the project on, analyzing from this starting point the eventual dynamics and challenges occurring in the industry. A wide comparison of sources allowed to achieve a final scheme presenting the major trends characterizing the food industry in Europe. Appendix B shows the process applied to reach such understanding, categorizing and investigating food trends according to a great number of sources among which Business Insight Online, Euromonitor International, The Economist Intelligence Unit, and OECD global reports. Thanks to this analysis five mega trends have been spotted, and a number of sub-trends belonging to them have been discovered. Lately an evolution timeline has been added in correspondence to the trends in order to better understand market dynamics and evolution. Thus an explanation of the first three mega trends emerging in the industry (health, convenience and premium) is firstly provided, followed by the rising of two subsequent trends, namely ethics and targeted nutrition. Lately, to explain the increasing number of sub-trends and the continuous evolution of the market sector, a matrix has been presented, where a suggestion of the rationale behind the increasing number of sub-trends and their emergence, is demonstrated. The matrix represents the own understanding of the market evolution; reliability of the representation is provided by a wide use of secondary data, and by an in depth analysis obtained through consumers and food experts´ interviews (Appendix C, Appendix D).

Demand and supply side factors driving the trends (initial grid)

Further analysis is provided in order to understand the drivers of food trends. Demand and supply side factors are imputable determinants of the given market situation. A grid is provided to simplify the understanding of the explanation of D&S side factors over the emergence of the trends (Appendix A). Hereby a categorization of trends drivers has been retrieved by consulting the same research engines adopted to spot food trends.

Primary Data

An in-depth knowledge about the food industry has been gained through a series of direct face-to-face, semi-structured interviews, conducted with food experts and consumers (Daymon & Holloway, 2002). Common to both interviews, they are all qualitative, open and semi-structured (ibid). The Semi structured interviews was found the most suitable interview form to gather a better understanding about consumers in relation to food, and gaining greater knowledge of the market sector through experts´ insight.

Food expert’s interviews

Personal interviews conducted with food experts have contributed to get a narrower picture of the general food industry situation, helping highlighting interesting area of research. Food experts' knowledge added a better understanding both of the Scandinavian market both of the European market, thanks to their professional experience in the industry. The interviewed target group has been carefully selected to represent a true sample of specialists in the industry, including academic researchers, industry consultants and food product managers. Seven interviews have been performed, at the starting stage of the research. Each interview was approximately lasting one hour. A guideline of semi-structured questions was formulated in order to be accurate and consistent during the whole interview process. Appendix C shows the range of questions formulated. Following the qualitative part of the interview, a quantitative part was also provided. A number of trends were explained and categorized in order of importance; following, a number of sub-trends were circled according to their market potential (Appendix C). This analysis provided great support at the initial stage of the research process, facilitating the delimitation of the area of research and pinpointing major hot topic to be dealt with. Accordingly, categorization and second data analysis have been influenced by the knowledge gained from food experts.

<u>Consumers´ interview</u>

Consumers´ interviews conducted with Scandinavian young adults in the age range between 24-30 years old have brought additional insight about their understanding of the industry, their perceptions and habits related to food. Consumers´ interviews based on a Scandinavian sample of the population facilitated the comparison process between the European and the Scandinavian food industry, where secondary data constitute instead the primary source of information to retrieve European market information. Twelve face-to-face, semi-structured interviews were performed, lasting about 40 minutes (Appendix D). The major focus of this analysis served to analyze consumers´ understanding of the food industry, verifying consumers´ knowledge about trends and factors underpinning the industry, finally testing whether marketers' efforts meet consumers´ request.

Use of theory

The use of theories chosen for this thesis aims at finding an understanding of the empirical data retrieved, thus providing greater reliability to the overall market analysis and future market forecast. Given the inductive nature of the research, theoretical frameworks are only considered at the end of the research process, providing support and understanding to the data retrieved, finally offering solutions to address the research question. Theories function as explorative tools by which explanations are provided to clarify observations and analysis. Theoretical frameworks seek to support arguments for final recommendations, furthermore functioning as structure of interpretation and analysis. Major use of theory is thus offered in the later chapters of the thesis, when solutions to overcome market complexities are analyzed.

However at an initial stage of the research a model introducing innovation strategy has already been presented, aiming at analyzing and defining the current stand taken by food companies in this regards. Following theories concerning consumers' behaviors and consumption choice mechanisms have been introduced, by using a combination of rational and behavioral frameworks, delivering a greater understanding of consumption processes and production of consumption challenges. With respect to current market logic characterizing food companies, a Porter traditional approach has been related to current practices and argued to be detrimental to value creation sustainability (Tidd et al., 2005). An eco-system logic based on networking and market-orientation is suggested as the best alternative to enhance growth in the business sectors (Davenport et al., 2006). Managerial capabilities are further emphasized in order to enact the new strategic logic.

Validity and reliability of data

As early in the research process enormous amount of data has been retrieved and analyzed, naturally new and additional information was gained, all of which at that stage could not have been confirmed from other sources. However proceeding with the research, information was consequently verified through a careful comparison of secondary sources (Appendix A, B), and primary data (Appendix C, D). This combined used of sources provides the analysis with a higher degree of reliability, aiming at depicting a truthful image of the food market.

Finally it should be taken into consideration that information coming from secondary sources might result outdated by the end of the project due to the highly dynamic and fast paced market environment characterizing the food industry.

Vocabulary reliability

To avoid misleading interpretation of the text, few clarifications concerning the use of vocabulary are provided.

The term *"Production of Consumption"* generally refers to the market mechanisms driving the creation of consumption. Thus this labelling in the thesis indicates both demand and supply side factors generating trends and strategies leading to new market and product opportunities. *"Process of Consumption"* refers instead to the processes driving consumers´ consumption patterns, decision making approach and consumption behaviour. Thus, in the thesis *Process of Consumption* highly addresses consumers´ universe.

"Market dynamics" is used to indicate interactions and processes occurring between demand and supply factors, thus typical of *Production of Consumption.*

The term "*consumer*" refers to end consumers differently from the term "*customer*" indicating retailers. However when discussing theoretical frameworks in chapter 6, the term *customer* do also indicate consumer, although usually preceded by specification such as end- final- customer, to avoid confusion. I have decided to keep in such cases the term customer, because I preferred to to alter the true meaning postulated by theoretical argumentation, due to the fact that customer may not mean consumer and vice-versa.

Delimitation of research scope

As the thesis is dealing with the Scandinavian food industry in relation to the European one, is beyond the purpose of this paper to form general conclusions regarding the food industry belonging to other markets. Although the high degree of globalization characterizing the evolution of the food industry, the industry is still quite local in its nature, thus general conclusions deriving from observations retrieved from the Scandinavian market would be misleading if applied to other countries.

Thus the research design takes the form of a comparative analysis, where primary and secondary data concur to define both the European food industry and the Scandinavian one. Given the fact that the Scandinavian market is taken as unit of comparison to draw conclusions and find differences, this implies that if another country would have been analyzed, other facts may have emerged, and a slightly different picture of the food industry would have been featured. Thus the analysis can not be considered in absolute term. It is valid and consistent for the purpose of the paper, considering the Scandinavian market research as an unit of analysis to verify theories and findings provided by secondary data analysis.

Finally by conducting interviews exclusively with young consumers, a smaller picture of the market is depicted. However this choice is in line with the major purpose of the research: provide an understanding of the evolution of the food industry. Thus a young age target has been preferred to better address the research purpose and provide a likely forecast of the industry future

1.5 Literature Review

Given the challenges and complexities arising in the food industry, a theoretical perspective has been adopted to suggest improvements and consideration regarding the appropriateness of current strategies to cope with innovation and value creation. Production of consumption and process of consumption concurring at the development of the food industry have been analyzed, attempting to understand the mechanisms driving both processes. A lack of evidence appeared to emerge from the latter one, where little was written about consumers' mental processes when facing consumption choices. Companies knowledge and understanding of such mechanisms appears eventually blurred by the increasing differentiation and sophistication of consumers' behaviours, thus lacking to fully capture what their true needs. Several theories have been exposed trying to explain and reconcile the understanding of consumers' consumption patterns, offering further suggestions taking into consideration food experts' theories and widely investigating consumers' perspectives.

Production of consumption has been easier to analyze thank to greater evidence and studies already existing. By analyzing the pattern of development of the food industry, major consideration have arouse, thus spotting eventual paradoxes and unsustainable business practices unlikely to contribute to value creation in the long run. Innovation has been considered a key determinant in business growth in the food sector, however a big gap has emerged between the amount of radical and incremental innovation performed, leading to unsuccessful performance results. By means of Berthon, Hulberth and Pitt' s framework, which consider the relevance of innovation strategies according to the market environment in which the industry is playing, I have placed the food industry in the low end of the matrix, assessing a low degree of both market and technological orientation (2002). Following, a reconsideration of current strategies in the food industry have been envisaged, looking at the propensity of firms to exploit stimuli from the external environment, valuing its commitment to establish business relationship and interactions with its final customers. An internal logic highly dominates the strategic mindset of industry players, merely focusing on defending their positioning on the market, increasing competition through continuous product launches, little respectful of what the market was really asking them for. By analyzing the drivers of market complexities, major factors causing this situation have been spotted, thus identifying the relevance of establishing relationships among market players and a greater emphasis on consumers, in order to favour radical innovation strategies and achieve greater successes. Thus, a shift in logic toward an eco-system business model, rather focusing on external sources and based on a networking approach to create value among its parts, has been presented and suggested as the best alternative for the industry development (Davenport et al., 2006). The traditional Porter view of management has been criticized and considered inappropriate to create sustainable value in the long run, given the highly turbulence and complexity of the market environment (Tidd et al., 2005). An *interact* mode of innovation strategy describes the shift in focus toward the other extreme of the innovation framework presented by Berthon, Hulberth and Pitt, where a focus on market orientation and technological innovation should both be aimed for (2002). Market orientation plays a crucial role in an industry in which only understanding consumers' insights will provide greater benefits. Appropriate mechanisms thus need to be developed to involve consumers better in companies' strategies, considering them as a great source of knowledge and of inspirations. Improved communication and marketing strategies should be adopted to increase mutual understanding, finally improving knowledge mechanisms to extract, manage and retain valuable information from them. Co-creation strategies with consumers, collaborative relations with business partners, better communication and improved market-related capabilities have been regarded as the four major competencies to be stressed in order to allow this shift in strategic mindset. Finally, knowledge play a great role in the industry considering an holistic approach to business practices, where knowledge management activities allow to reconcile production of consumption and process of consumption in a way to guarantee sustainable value creation.

1.6 Limitation

The research is limited to describe the food industry to simplify the data research process and providing a greater focus throughout the paper. Furthermore the use of secondary data, although very abundant and detailed, lacks the adoption of original Scandinavian sources. Exclusively English texts have been analyzed. Danish, Swedish and Norwegian document might have provided a more accurate description of the overall industry condition and a greater amount of information would have been extremely country specific.

Confusion sometimes may arise due to the analysis of both European and Scandinavian data, adopting them jointly to provide final conclusion. Thus generalization pertaining the European food market may be influenced by Scandinavian results. However due to the limited time and scope of the research, a detailed analysis comprehending the whole European food market could not have been developed.

Finally, considering the use of theory, no specific framework has been adopted to conduct neither the research process nor the theoretical argumentation. Own models, grids and matrices have been preferred to better depict the own understanding of the industry and to demonstrate subsequent reasoning and suggestions. This choice however may lead to a greater risk of misunderstanding and lack of reliability.

CHAPTER 2: DIAGNOSIS - INDUSTRY ANALYSIS

2.1 Production of consumption: D&S side factors

To understand *production of consumption* in the packaged food industry, demand and supply side factors have been analyzed to spot the drivers of emerging food trends and to explain the evolution of the market sector. Market dynamics arising from the interaction between demand and supply inputs provide a sound base to understand the rise of transformations in the industry, driving to a continuously re-defining market preposition. Demand side factors are clearly linked to the emergence of food trends, while industry strategies arising from the supply side are likely to reshape the boundaries of the packaged food industry, in the attempt to follow continuous market changes. The close link between the two is finally imputable to determine a challenging and dynamic market environment, where a continuous relation and understanding one of the other is necessary in order to create market and product opportunities (Fig. 3). Final output arising from demand side factors, given a deep understanding of market trends is materialized into new product opportunities, while from supply side factors a wider range of market opportunities may arise.

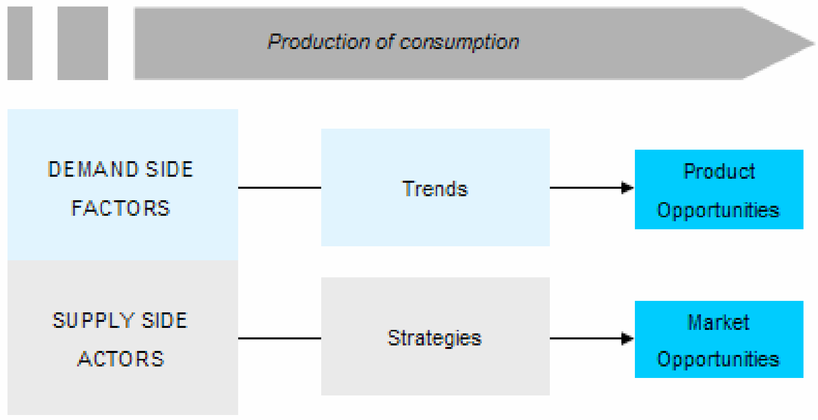

Fig. 3 Demand & Supply factors re-shaping the Industry, own source

Demand side factors

According the OECD report on food trends, major demand side drivers can be classified into four groups: demographic, income growth, eating habits and consumers' attitudes (OECD, 1998). Each of this change lead to several implications in the food industry from a socio-economical perspective, thus asking for a dynamic and flexible market environment able to continuously answer and adapt to emerging needs. From these major four changes I found a number of relevant factors significantly influencing the emergence of food trends and subsequently asking for an increasing number of new product offerings. Those factors have been identified among a great number of sources, and fitted to these four categories as considered highly linked to them. I found the OECD report as great source of inspiration to conduct and structure the analysis, however due to its old date (1998) did not present a reliable picture of the market situation. Appendix A2 explains the logic adopted when considering each factor and assessing its relevance with respect to its influence on the market, while Appendix A3 describes all different factors shown in Table 1, highlighting their correlation to new market needs.

Supply side strategies

Supply side factors impacting *production of consumption* have been grouped into three distinct categories, according to major players acting and influencing the packaged food industry: a. Government and institutions; b. Manufacturers and retailers; c. Media and IT (Table 1). Supply side strategies have thus been investigated as concurrent reasons for the development of the industry. The most important risks and uncertainties arising while trying to assess the future of the packaged food industry are occurring from supply side factors affecting the market. The most relevant set of reasons causing unpredictability are driven by continuous tensions between producers and retailers. Following, governments and institutions' action, policies and regulations concerning food circulation also play a determinant role in the evolution of the food industry (OECD, 1998). A complete and thorough explanation of the interaction of these actors and their relative strategies is provided in Appendix A5. Thus, a first section regards changes occurring from governments and institutions, such as transformation concerning health regulations and food standards and their likely impact on the food market evolution. Following it is described a section regarding transformation in business strategies undertaken by producers and retailers. Five major business strategies have been spotted as frequently characterizing producers and retailers evolution in the fast paced food market environment. Appendix A.4 shows the rationale adopted when choosing the selected strategies. Those strategies are clearly linked to consumers' market trends, showing the close relation between demand and supply side factors and their relative influence on each other. Finally the last category analyzes the role of information and media in the evolution of the European food industry. Strategies deriving from such transformations have contributed to the reinforcement and the acceptance of its trends, further showing an evident effort from market players to follow and react to new market demand stimuli.

Hereby a graphical representation is provided to simplify and sum-up the understanding of the above described market dynamics emerging from demand and supply side factors concurring to sustain the emergence of food trends (Table 1).

Demand Side			Rising Food Trend	Supply Side		
Changes		Factors		Strategies	Actors	Changes
Demographic changes	Population	Population increase	X	MNE' M&A	Manufacturers & Retailers	Business Strategies *
		Rising of ageing population	Health Premium	Premiumization		
		Population migration	Premium	Globalization		
		Population diseases Allergies, Diabetes etc	Health	Diversification Innovation		
	Lifestyle	Single household Rising of women working Increased hours worked Meal time fragmentation	Convenience, Indulgence & Premium	Distribution channel Premiumization		
		Youth Rising of the "pink pound"	Innovation	NPD & Innovation		
		Home entertainment	Premium	Premiumization		

Income growth		Consumers' sophistication GDP increase	Premium & Services			
		Increased mobility	Ethnic food Exotic ingredients	Media	TV Magazine	Media & IT
Eating habits		Sensory Experience	Gourmet			
		Group segmentation	Segmented products Personalized nutrition	Information Technology		
		Health-conscious	Fresh & Natural	Food standard	Government & Institutions	Regulations & Food Standards
		Dieting	Increase in protein consumption			
Consumers' attitudes		Obesity	Dieting Weight management Functional Food Natural and fresh Low-fat	Health campaign Diversification*		
		Food security	Organic Homemade/Local Authenticity	Trading policy Ethic * Food security		
		Ethics	Ethics Fair trade	Social concern Ethic *		

Table 1. Demand and Supply side factors impacting trend evolution, Own source

By means of this market analysis, fully described and presented in appendix A, I attempt to demonstrate the high relation characterizing demand and supply side factors, jointly driving the evolution of the food industry and highly influencing one the other in the way they predict, complement and satisfy emerging industry needs and changes. “There is not a major trend, nor a red threat in the food market guiding the industry. There are a bunch of stimuli, inputs and trade-off challenging the evolution of the industry” (Thomsen, 2008, Appendix C). Thus, if market trends primarily emerge from demand side factors, company’s strategies should contribute to the development and convergence of mechanisms between demand and supply inputs by quickly adjusting and adapting to continuous market changes, exploiting external sources to greatly improve new product offerings.

2.2 Food mega-trends

Demographic changes and evolving consumers’ lifestyles have re-shaped major features of the food industry: a number of trends have aroused. In general, an increase awareness and concern towards food has emerged, driven by an accentuated interest in health issues and obesity problems. The change in consumers’ lifestyle also required a transformation in food packaging and portions, leading to an increased interest towards convenience food. Thank to increases in income and wealth, an appreciation and request for high quality food, specialty store, and gourmet and premium products has also considerably expanded in the market. After an in-depth analysis characterizing the

European food industry (Appendix B1), three major trends have been identified as primarily characterizing the food industry, namely health, premium and convenience (Jones, 2000); (Meziane, 2006); (Mescam, 2008). An illustration depicting the trends is provided below (Jones, 2000).

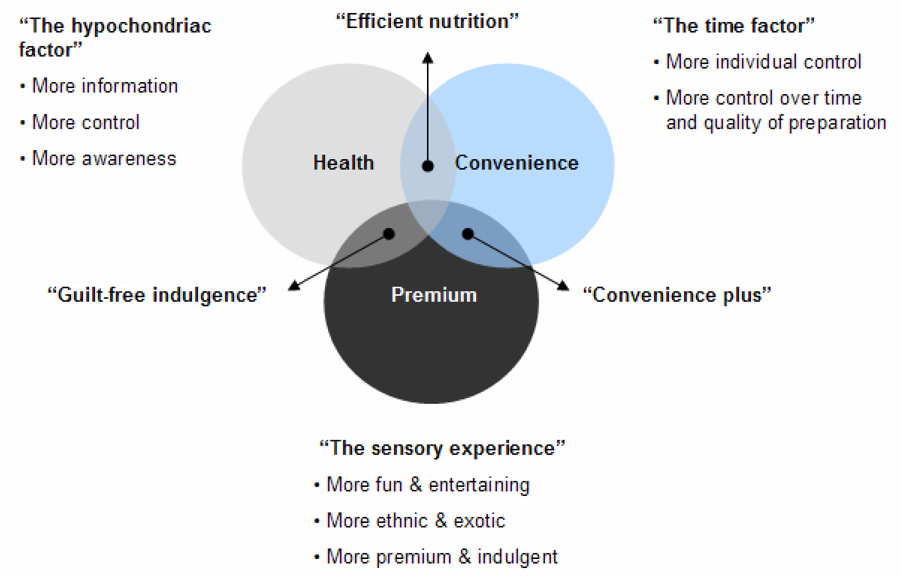

Fig. 4 Food Mega-Trends, Jones (2006)

Within the mega-trends, a number of sub-trends have been taken into consideration, as extremely significant to provide greater evidence of how the food industry is continuously evolving. A categorization of these sub-trends has been provided through a detailed analysis of primary and secondary data, finally including in the research the most relevant sub-trends with respect to the study main purpose (Appendix B2). To simplify the understanding of the categorization and the following explanation relative to trends and sub-trends, Table 2 below represented, provides the reader a clear overview of the analysis. An accurate description of each sub-trend is instead provided in Appendix B3. Data retrieved from food experts' interviews have also been taken into consideration while assessing the sub-trends categorization, delivering reliability and consistence to the study (Appendix C, part 2).

Mega-Trend	Sub-trends	Specification
Health	Low fat/low cal	
	Functional food	
	Wellbeing	
	Natural & fresh	
	Organic	
Premium Food	New alternatives	
	Ethnic food	
	Food origin	
	Gourmet and specialty food	
	Indulgence & Guiltless Gourmet	
Convenience	Portability –On the go-	Packaging innovation
	Ready to eat	Snack
		Ready-meals

Table 2. Major trends and sub-trends, Own source

Health

Health is the most important innovation driver in the global food and drinks market, and is set to remain at the forefront of new product development strategies accompanied by growing consumer and regulatory pressures (Meziane, 2006). "Health" accounted for 39.1% of product launches during the period 2004-06, positioning itself as number one trend in NPD (Meziane, 2006). The importance of "health" as mega-trend is likely to continue in the future, supported by a public of consumers strongly believing in its success with respect to new product development (ibid). Furthermore major NPD and innovation has regarded this category of food, boosting new launches of products highly beneficial for the individuals. These products are aiming at helping and preventing several disturbs, spanning from fat-related problems, to preventing heart and cardiovascular diseases. Thus the health trend can be seen from different perspectives: both related to obesity and calories and fat reduction, both preventing health diseases through beneficial additives. Furthermore, under the "health" tag, whole natural products and freshly prepared products are considered. A low presence of additives and preservatives has been associated with a healthier product offer (Søndergaardh, 2008, Appendix C). Thus *organic* food production has also been regarded as a healthy alternative, considered instead as an ethical issue when concerning sustainability and support to local production.

Premium Food

Premium is now one of the most important global food trends of the past years. "Premium" refers to the quality, uniqueness and speciality shown by particular foods or ingredients, sometimes also regarding its elaborate packaging, charging a high price-point for its purchase (Jones, 2000). Such products were once restricted to very upper class food halls of leading department stores or select retailers. Today they are instead becoming available through wider distribution channels, notably in supermarkets, attracting and including a wider target group. Thus, consumers today are trading-up to premium brands in categories that were once considered commodity, while premium is allowing a number of operators to reposition existing brands and products. Furthermore premium food is considered one of the key growth areas for manufacturers and retail multiples, as consumers are increasingly willing to pay a premium for top of the range products (Jones, 2000).

Unlike other trends in the global food and drinks industry, premium is not geographically specific. Differently from trends related to health issues for example, where their acceptance is highly dependent of their contest, the concept of high-quality, indulgent food and drink is universal. Most consumers enjoy food that smells, tastes and feels good, although preferences do vary by country to country (Jones, 2000). The major target group for premium food is consistently represented primarily by educated cosmopolitan, urban single, wealthy seniors (Page, 2006). Finally premium food has lately been seen as a trend encompassing other major concerns despite its focus on quality and indulgence. Its popularity has been increasing through various combinations with other key trends throughout global food and drinks, particularly successful in the context of growing health awareness.

Convenience

Convenience is a fairly well-established trend in the food market starting to arise a decade ago due to changes in lifestyle and societal customs. It has lately suffered from standardization but is witnessing some interesting developments in terms of packaging innovation, especially in the area of flavour/nutrient delivery and enhancement (Meziane, 2006). The most relevant characteristics within convenience are: portability, e.g. “on-the-go”; and ready to eat e.g. snacks and ready meals.

2.3 Additional trends

The most significant change occurring in the food and drinks market is the increasing convergence of the three main trends; “health”, “premium”, and “convenience”. This gives rise to a continuously increasing number of offers on the market, embedding combined trends and providing multiple product characteristics (Meziane, 2007). However, completely new trends are also arising. According to a global food report, *targeted nutrition* and *ethic,* have seen an increasing interest and acceptance from consumers (Euromonitor International, 2008). They are of great relevance when studying the changes and dynamics of the actual food and drink sector, impacting both manufacturers and consumers (Meziane, 2007).

Targeted nutrition

Food and drinks companies have begun increasingly to narrow more down consumers’ segments, addressing individual segments’ unique demands. As consumers begin to take greater control over and responsibility for their daily diet, they are demanding products that suit their specific perceived health needs. Food and drink companies are responding to this challenge in two ways: a. developing products with functional health benefits that target typically the most common health issues e.g. heart health, diabetes etc. b. developing products that consider a specific demographic segment, most commonly women, children and older consumers (Blake, 2006). The developments of such products are increasingly becoming popular. Generally driven by smaller market players, with either a science or marketing bias, targeted nutrition aims at delivering formulations tailored to very specific needs (Meziane, 2006). Hereby is provided an exemplification of specific target preferences and requirements (Blake, 2006).

Target segment	***Requirements***
Women	Healthy food and drink e.g. weight control; skin aid, nail and hair care; anti-ageing properties; energy-boosting products;
Children	Food and drink providing the right nutritional balance for healthy development, convenient to purchase, easy to prepare, store, serve and clean up
Older consumers	Products with functional benefits, commonly related to diseases prevention, such as diabetes, heart disease and visual impairment; convenience of single portions and ease of consumption and preparation.

Table 3. Targeted Nutrition, Blake (2006).

From a market perspective, major advantages for producers are gained by increased product appeal, by augmented consumers' loyalty and greater brand equity. However, risks arise due to the potential decrease in sales because of the limited target, the need of specific marketing activity to spot the real target and be appealing to it, finally due to risky strategy for the ROI of the company (Euromonitor International, 2008).

Ethical food and drinks

"Ethical" is becoming an increasingly important trend, especially after claims such *organic* and *natural* have become increasingly mainstream. The emergence of ethical food and drink products is a direct result of the increasing responsiveness from consumers to socially responsible messages, which were initially instigated by support groups and niche manufacturers. Food quality, waste and pollution, and food safety are rated as the most important consumer concerns in driving uptake of ethical food and drink. The "feel good" factor related to the choice of buying ethical products also reveals the double interest of consumers concerned both with their own health, both with their responsibility towards other individuals. Furthermore consumer support is no longer limited to remote growers in foreign countries, as the emergence of "local" food features a key trend in the recent past (Meziane, 2006). "Local" is becoming increasingly important, mostly because of the willingness to support the local community and because of the growing concern over food miles – the environmental impact of shipping certain products from far away countries.

Organic and Fair-Trade can be considered the two main pool of ethics (Dodds, 2007). Organic in this respect has to be seen for its social responsible action towards locally produced food, since the same *organic* trend has previously been described within the health sphere, referring to the low level of chemicals and pesticides implied in food processing. A high degree of overlap however, has been registered between organic and Fair Trade. Market penetration of organic and Fair Trade is increasing steadily as ethical products become more mainstream. The share of ethical products will move higher in core areas and develop in more heavily processed foods (Dodds, 2007). The total number of organic and Fair Trade launches has more than doubled since 2005, which is indicative of the development of added value processed food and drink, itself linked to a greater use of ethical ingredient (ibid). More than half of all new Fair Trade and antibiotic or hormone-free products are also organic, with organic share lower in the less dynamic areas of GMO and additive-free products. Fair Trade is a distant second, with an estimated global market of $1.4bn, but is growing at an estimated annual rate of 37% (Dodds, 2007). Such growth shows that consumers are responding to the ethical message and voting with their shopping trolleys in favour of a more responsible approach from food and drinks manufacturers towards the environment and towards developing economies (Meziane, 2006). Coffee is the core Fair Trade product with 57% of sales in 2006, followed by bananas with 12% (ibid). Products other than these are tending to grow at a faster rate, and other main areas include chocolate, cut flowers, tea and juices. Further widening of the Fair Trade offering is evident, although sales of ice cream, bakery, soft drinks and spices are limited at present.

Corporate Social Responsibility

An additional sector belonging to the ethical trend concerns also CSR issues, related for example to packaging sustainability/ recyclables. Companies in the EU are responding to targets for waste recovery and recycling offering CSR programs, taking measures to reduce products packaging. A CSR approach to packaging waste has been adopted in the US where retailers such as Wal-Mart are pressuring suppliers to cut down on packaging. CSR programs are also increasingly addressing the issue of pollution and greenhouse gases with strategies aimed at reducing corporate carbon footprints. Carbon labelling of consumer products is expected to become more widespread. Companies especially in Europe are increasingly marking packaging as recyclable where possible. Although the real use of recycled packaging materials, biodegradable packaging and reduced packaging remains limited, it is on constantly increasing (Dodds, 2007).

2.4 Reflective sum-up: Market dynamics and food trends

This session wants to encourage the reader to notice the high degree of interconnection between demand and supply side in the food industry market. While seeking a rationale explaining the emergence of food trends, I have found that their logic lies behind both market side, where changes in demand factors stimulate consequently transformation from supply actors, both concurring at sustaining further industry development. However, if this appear evident from my analysis, in reality the degree of relation between demand and supply side factors in the food industry are not extremely obvious. Studying market dynamics ex-post, it is easy to see the relevance of a related market logic in the industry to favour innovation and growth. However "the industry is neither extremely pro-active nor market-driven" stated Søndergaard, food expert from MAPP institute (Appendix C, 2008), highlighting a lack of capabilities from suppliers to predict and co-evolve at the same pace of demand side factors. Suppliers indeed need to be extremely prompt and flexible to answer challenging market needs, strictly focusing on the evolution of market factors. Given the highly dynamic and changing environment characterizing the food industry evolution, according to Drucker, the current industry condition particularly favours and sustains innovation, thanks to continuous demographic changes underpinning the market (1985). Constant growth is indeed favouring the sector, providing great opportunities for development. However, is this likely to be sustainable in the future? Provided the given market analysis, it seems like suppliers are trying to follow market stimuli to find inspiration to innovate, thus asking for a strict collaboration logic to improve their capabilities to better respond to changing market situations. Consequently a greater amount of product and offerings are emerging on the food market place, increasing its level of maturity and complexity. However I believe that a reactive approach to market changes is not enough to be sustainable in the long-run. A lack of suppliers' action toward proposing, suggesting and predicting new market situation is likely to threaten the sustainability of market growth and value creation in the industry. The need of tight links between demand and supply side factor emerge, but greater pro-activeness need to be shown by market players in order to systematically drive innovation and value creation.

CHAPTER 3: DESIGN - EVOLUTION AND UNDERSTANDING OF THE MARKET

Given the in-depth food market analysis concerning demand and supply side factors influencing the evolution of the food industry and the emerging food trends, hereby is provided a session reflecting on production of consumption, presenting suggestions and considerations retrieved by Danish food experts (Appendix C). Food experts' opinions have been analyzed and carefully reported to drive the argument of the discussion, firstly presenting the Nordic food market, secondly discussing similarities and differences between Scandinavian and European food trends. As presented in chapter 2, five mega-trends are leading the industry towards new paradigms and standards. However difficulties arise when trying to rank these trends and to envisage future developments, opportunities and analysis forecast. This challenge in the food industry is highly correlated to the nature of the local market. Generalization on the sector can be made and can be found quite true all over the world, but to deliver a precise forecast of the industry evolution, local characteristic of the chosen market play a crucial role in its future development. Hereby the first two paragraph compare the Nordic food industry to the European one, in order to clarify potential differences that may characterize the two market. The final two paragraphs presents instead current innovation strategies and business models characterizing companies in the food industry, introducing the need of an integrated framework to guarantee sustainable value integration and successful NPD.

3.1 The Nordic food industry

The Nordic food industry is experiencing an extremely dynamic momentum. A significant number of changes have re-shaped the industry. New players are entering the arena, and a number of new products and brands have been introduced. New trends and fashions are continuously arising, demanding a constant alignment between consumers' demand and marketers' offers. Furthermore Danish consumers are showing a great interest in the food industry, spending a considerable amount of money on products compared to other countries (Søndergaardh, 2008, Appendix C). Prices are higher, and the assortment is smaller than in the rest of Europe (Nordic competition authorities, 2005). One reason for this is given by the high taxes on the production and sales of food and beverages. Nevertheless the gap is increasingly reducing thanks to increased competition. The small food assortment is instead caused by the relatively small size of food stores in the Nordic countries. The high prices of products may also explain the scarce food differentiation presents in the market (Nordic competition authorities, 2005). Although these two undermining factors, the Danish food industry has a major economic and industrial importance, undergoing a steadily growth in recent years. Intense investment in R&D have been undertaken, thus achieving leading technologies and processes to lower production costs and exploiting benefits from large-scale operations (ibid). Consumers are also the main driver to the industry profitability, placing a great interest and concern on food related issues. However, globalization and greater competition on the market place are increasingly triggering the growing gap between quality and price (Søndergaardh, 2008, Appendix C). A number of discount store and speciality food stores confirm the growing reality of a polarization of consumers' tendency towards food products. (Vej, 2008, Appendix C). Although at the moment quality is still considered a very relevant issue to consumers' eyes, and specific trends such as organic, fair trade, health are gaining increasing interest, a sudden slash in the economy may revert the market situation to its opposite end (Søndergaardh, 2008, Appendix C).

3.2 Analysing Scandinavian and worldwide trends

Food experts argue that the development of the Scandinavian food market from a trend perspective, is keen on following its own local trends, disregarding to a major extent the effect of globalization (Vej, 2008, Appendix C). Companies are investing in local characteristic of the market, trying to focus on consumers' local needs. "While global general problems are shaping the sector, local remedies are addressing and answering the challenges" (Vej, 2008, Appendix C). However, great coherence and similarities with the evolution of the European food industry can be envisaged, as presented by the overall results retrieved from the interview process (Appendix C; Appendix D).

Food experts ranked *health*, *premium* and *convenience*, as the most influential and relevant trends in the sector, followed by *ethic* trend and finally *targeted nutrition* (Appendix C, Part 2). The analysis of the results quite clearly reflects the general tendency driving the European food industry, as presented in chapter two.

Health is considered the main focus when developing new product concepts, and a number of requirements apply to launch on the market a highly health aware nutritional option. Health refers to the enhancement of food products with beneficial ingredients, as preventive and curative measures to commonly suffered diseases, finally helping consumers to control their nutrition. "The importance of health as a mega-trend is set to continue in the future, with 89.7% of survey respondents considering it to be "important" or the "most important" for innovation in the next 5 years" (Meziane, 2007).

Following, *premium* is gaining increasing importance on the Scandinavian market, thanks to average income increase and greater interest for luxury products (Søndergaardh, 2008, Appendix C). Premium shows quality enhanced ingredients, unique features, exclusivity and luxury. Premium is one of the key growth areas for manufacturers and retail multiples, as consumers are increasingly willing to pay a premium for top range products. However, the pressure of product replication, or "me toos" from competitors and own label suppliers, is forcing food manufacturers to continuously review the innovative aspect of their product offering.

Convenience is a fundamental trend which started several years ago, characterizing few products. Convenience, meaning portability and easy to prepare, is witnessing some interesting developments in terms of packaging innovation, especially in the area of flavour/nutrient/freshness delivery and enhancement. Nowadays convenient features apply to a very wide product offers, complementing other trends. Convenience is seen by Scandinavian consumers as a standard requirement to assist them in every day life eating occasion, thus satisfying hectic lifestyle needs (Søndergaardh, 2008, Appendix C). It is regarded as an attribute requirement nowadays indispensable in every new product launches.

Furthermore *ethic*, considered as an upcoming big trends in the European market, in the Scandinavian market has already experienced a strong growth, driving an increasing concern from both producers' and consumers' perspectives. Ethics is becoming an increasingly important trend, especially after claims such organic and natural have become increasingly mainstream (Meziane, 2007). The emergence of ethical food and drink products is a direct result of the increasing responsiveness from consumers to socially responsible messages, which were initially instigated by support groups and niche manufacturers. Companies took advantage of the increased awareness of consumers concerning sustainability by largely expanding CSR benefit to their product offerings. More and more companies are exploiting the market momentum of this trend, delivering a wide set of alternatives to allow consumers to best satisfy their altruistic behavioural need when doing groceries (Vej, 2008, Appendix C). The trend has favoured a wide increase of more sustainable offerings, addressing a varied number of ethical concerns, spanning from sustainability to packaging recycling, organic and fair-trade. "Sometimes is hard for consumers to understand CSR issues. But they value producers which are active in the local environment, privileging "homemade/local" products to sustain their own community" (Vej, 2008, Appendix C).

Targeted nutrition, seeking to increase product differentiation by introducing products with multiple attributes specifically addressed to distinct target groups, has been particularly exploited by manufacturers but still scarcely understood by consumers (Appendix D). As explained in chapter 2, manufacturers through this trend are developing specific product categories tailored to very specific group target needs i.e. pregnant women, children, etc. However, Scandinavian consumers do not really notice this trend yet, probably due to the small size of the market, probably due to scarce marketing communication and further negatively influenced by their scepticism toward modified / functional products (Appendix C/Appendix D). However in the European food market, targeted nutrition represents one of the leading trend in the evolution of the food sector, providing manufacturers with a great room for incremental innovation and specifically targeted products offerings (Meziane, 2007).

3.3 Production of consumption: Innovation in the European food industry

Provided an analysis of the likely development of the European food industry in terms of trends and sub-trends, market dynamics transforming the industry are yet not clear. Demand and supply side factors of the food market have been previously analyzed to offer a better understanding of the forces driving the sector. However, how interactions among industry players are likely to occur? Who is influencing what in the run for value creation in the food sector?

Researchers sustain that companies evolve closely studying and understanding trends emerging in the market, supporting them and evolving with them (Thomsen, 2008, Appendix C). A number of industry trends have been accredited to be the major reasons for pushing marketers to increasingly follow consumers, launching a constant number of new product offerings. According to this, companies are driving the development of the industry, in a way to increase profit differentiation, launching new products, finding innovation stimuli by looking at competitors, studying and analyzing market trends, analysis reports (i.e. Nielson) and emerging consumers' needs (Vej, 2008, Appendix C). Marketers are extremely attentive to market signals, picking up trends, pushing them among consumers, finally evolving with them and adapting them to local market needs (Thomsen, 2008, Appendix C). Other researchers believe that consumers are the major drivers of the industry evolution. "Being close to consumers, companies can make innovation happening and be successful" (Boye, 2008, Appendix C). MNEs devolve their greatest efforts to focus on consumers, developing market-driven strategies, stressing on consumers' understanding and collaboration to better respond and foresee local market needs and taste. Target definition strategy, spotting consumers' value and developing communication strategies in a more focused way, have all been considered critical issues to be improved in order to achieve innovation and new product launches (Kraft, 2008, Appendix C). Taking this perspective into consideration, according to Berthon, Hulbert and Pitt framework distinguishing between innovation or market driven orientation, I would place the food industry into the "follow" archetypes (2002). Firms belonging to this innovation mode rely heavily on market research to establish the parameters of products and services and to drive their development, thus focusing on customers' needs (Berthon, Hulbert and Pitt, 2002). However other researchers argue that "marketers are not yet extremely proactive, nor market driven" as Søndergaard states, "thus media play a major role diffusing trends and spreading the need of new market solutions" (Søndergaard, 2008. Appendix C). According to Thomsen, there is no major trends, nor a red threat in the market guiding the industry, "but a bunch of different stimuli, inputs and trade-offs concur to increase the complexity of the food industry" (Thomsen, 2008, Appendix C). Following this view, an "isolate" archetype suggested by Berthon, Hulbert and Pitt better describes the current food industry situation, expressing a view of low innovation (trend awareness and technology focus) and low customer orientation (2002).

Thus contrasting opinions arise when assessing the extent to which innovation in the European food industry is whether or not driven by a market-pull or a technology push, and whether this would be the best alternative for a sustainable creation of value. "The European food and beverage industry displays much lower R&D investments than industries in other sectors and is quite conservative in the type of innovations it introduces to the market" (Costa & Jongen, 2006). The industry display only 2,2% of radical new product launches against about 77% of total product launches generated by incremental innovation (ibid). R&D investments and technological innovation is highly disregarded in the food industry, thus leading to a very small percentage of truly new products on the market. Consequently consumers' understanding of new value added in similar product offerings is steadily decreasing, finally leading to a very high percentage of products failure. In order to deliver breakthrough innovation to the market, *progress in science and technology* has been regarded as the main driver for future NPD (Meziane, 2007). However increasingly shorter product lifecycle and time to market requires firms to develop competitive NPD strategies able to quickly react to market trends in a timely fashion, putting in turn more pressure on product development teams and challenging the traditionally lengthy innovation process which rely mostly on internal resources (Meziane, 2007). The fast pace and dynamic nature of the food industry environment requires according to Berthon, Hulbert and Pitt a stronger focus on innovation orientation, thus technology oriented innovation (2002). They believe it is crucial for firms to adopt a proper innovation view, according to a given set of environmental circumstances, where low turbulence environment asks for market-oriented innovation strategies e.g. *isolate, follow*, while highly turbulent environments prefer technology oriented innovation e.g. *shape, interact* archetypes (2002). Thus the orientation of the organization should be in line with key aspect of its market environment. However investments in R&D and technology in the food industry have proved to be both expensive and risky in terms of the upfront investment required to build in-house capabilities to develop such products furthermore risking to not match market requirements. Costa and Jongen define the concept of market-oriented companies as "companies which have committed themselves to the continuous generation and internal dissemination of market intelligence relevant to the current and future needs of their customers, as well as to the continuous improvement of their responsiveness to such needs" (2006, p. 459). According to this definition European food company can hardly be defined as market-oriented, due to their failure to capture and integrate in their innovation strategy consumers' knowledge. "A *reactive* approach in which food companies try to market what was developed through advertising and other marketing efforts" thus only responding to changes in the food chain or to environmental and demographic transformations, it is not necessarily related to a market-oriented strategy, because it does not take into consideration what consumers wanted in the first place (Costa & Jongen, 2006). According to Costa and Jongen a market-oriented approach to product development implies that companies understand the relevance of both market information and technical knowledge and finally they are able to combine these two to develop successful innovations (2006). What some of the food experts have argued above it does not hold true, thus the food industry rather than been characterized by a *follow* strategy, it is better described by an *isolate* strategy, highlighting an over-reliance on "internal" innovation and resistance to "external" sources, thus discouraging "breakthrough innovation" in the future (Berthon, Hulbert and Pitt, 2002) (Meziane, 2007). A proactive approach to NPD should rather be the answer given the complex market situation characterizing the food industry environment, thus shifting a greater focus both on market and both on technology. "Merely being customer-oriented in a philosophical way is not enough", argue Berthon, Hulbert and Pitt, which stress the fact that this focus will only satisfy short term objectives, failing at creating sustainable value over the long run (2002, p. 1067). "Innovation is indeed a pre-requisite for creating customers and this is a quite different process from attracting and serving, or being *led* by customers who already exist" (2002, p. 1067). The usual critic towards a market-oriented innovation strategy is the emphasis on incremental innovation, rather than radical one, while innovation orientation has the potential to create markets and customers: "It can do this by defining human needs, hence determining the nature of consumer demand" (Berthon, Hulbert and Pitt, 2002, p. 1068). Thus given the turbulent industry environment characterizing the food industry, and assessed that the current *isolate* strategy is not sustainable over the long run to create continuous value, the *interact* archetype suggested by Berthon, Hulbert and Pitt best envisage a potential direction for NPD strategy orientation, where a true dialogue must be established between the market and innovation, developing market knowledge competences (2002).

3.4 Reflective sum-up: "product of consumption"

How then should we understand the increasing profitability of the industry and the drivers of its sustainability for future value creation? Fig. 3 in chapter two is not longer suitable to explain the rise of product and market opportunities. To understand value creation in the food industry, production of consumption play only a limitative role as consumers represent a major asset providing great sources of profit. A bigger picture need to be analyzed including consumers as major player contributing to deliver value. Production and consumption and process of consumption need to be jointly consider in order to achieve an *interact* strategy to foster successful NPD in the food industry (Berthon, Hulberth and Pitt, 2002). A great focus must be placed both on consumers, thus creating a truly market-oriented company vision (Costa & Jongen, 2006), both on technology, developing internal capabilities to retain and manage external knowledge extract from market interaction (Berthon, Hulberth and Pitt, 2002). The use of external sources of innovation, such as universities, technology centers and suppliers to gain access to innovative technologies without having to commit capital expenditures upfront, shall be considered as relevant alternatives to increase radical innovation, finally increasing consumers' satisfaction (Meziane, 2007).

CHAPTER 4: IMPLEMENTATION - CONSUMERS' ANALYSIS

As concluded in chapter three, a greater framework need to be utilized in order to deliver a coherent picture of the mechanism driving the food industry development. Consumers represent a great source of value in the food industry, driving the need of continuous NPD. Understanding consumers is key for manufacturers to point their efforts at satisfying their needs and requests, thus pushing the evolution of the market in line with the expectation of its buyers. Thus it is crucial for manufacturers and retailers to understand consumers, identifying what is their knowledge and their comprehension regarding the food industry, their involvement with food, and their reaction to the increasing trends characterizing the market. By assessing consumers' knowledge, understanding and interest about the market, we can also see the role they play in the industry, and the eventual value they can contribute with in the evolution of the sector.

4.1 Scandinavian consumers

Few analogous and recurrent patterns have been drawn concerning Scandinavians' consumption behaviour with respect to food. The facts listed below represents general characteristic distinguishing this population with respect to food habits. Data have been retrieved by the Nordic competition authorities journal, then compared with the results retrieved from food experts' interviews.

- "Food is crucial in nowadays society: with food you show who you are" (Thomsen, 2008, Appendix C). Food products are gaining symbolic value, and the quote "You are what you eat" is increasing relevance.
- There is a strong difference between segments: depending on age mostly. Old people have more money than young ones. Young are more apt for trying new products (Thomsen, 2008, Appendix C).
- High average of visits to the groceries, due to high shops accessibility and few number of cars (Schmidt, 2008, Appendix C). *Impulsive shopping* is then what usually drives consumer consumption patterns in Denmark (Nordic competition authorities, 2005).
- Shopping is more and more divided into the *daily shopping and weekend shopping*. In this last situation time and price are not as important as assortment and service (Søndergaart, 2008, Appendix C).

- There is a *focus on price* which makes discount shops the daily choice (Nordic competition authorities, 2005).
- Both focus on *price and quality* have made consumers more value-oriented. (Nordic competition authorities, 2005). Value for money for Scandinavian people does not mean the cheapest option available, but the demand for the best product possible for the lowest price (Appendix C).
- High preference for products coming from *own domestic suppliers*, even though a greater acceptance of foreign and international food has been registered (Nordic competition authorities, 2005; Thomsen, 2008, Appendix C).
- Awareness and interest among consumers towards *organic* food consumption has strongly increased. The retailer sector in the Scandinavian market is gaining scale advantages by developing its own organic food lines and adopting aggressive and targeted marketing and promotion activities, thus (Nordic competition authorities, 2005).
- Increasing focus on *"soft values"* which led to the request for greater information access provided by ethical labelling (environmental, animal-welfare, human rights etc.) as well as labels with information on additives such as contents of sugar, salt etc. High interest towards organic and food safety (Nordic competition authorities, 2005).

4.2 Consumers' interviews

Given this general guideline depicting Scandinavian consumers' main consumption traits, hereby is now provided a session where a specific target group has been taken into consideration. It is formed by 12 individuals in the age range between 24 to 30 years old, presenting consumers of different Nordic nationalities (Dane, Swedish, Norwegian and Icelandic). The young target group was specifically selected in order to facilitate the likely food industry forecast characterizing the next decade, provided in chapter 7. Interviewees were all students, some of them with part time job, leaving either alone, with friends or with their partners. Semi-structured interviews lasting approximately 40 minutes each, helped to understand this specific group requirements with respect to food, highlighting its characteristics as "groceries shoppers", their knowledge and interest regarding food and food industry (Appendix D). Thank to the homogeneity of the group, the analysis facilitated to draw some major conclusion concerning food consumption in relation to a specific consumers' target group, finally helping to clarify *processes of consumption*.

Consumers as "groceries shoppers"

When asked consumers to present themselves as "grocery shoppers" similar traits arouse from their description. Characterizing them all was a concern toward price. *Price* is particular relevant given also the young age of the target group interviewed; *quality* and *ethic* were the following areas of interest for consumers; lastly *health* and *variety* were also highly valued when doing groceries. All consumers interviewed are *impulsive shoppers*, habitual clients visiting the store 3-4 times a week, primarily *price* aware, mostly *looking for offers* and *promotions* (75% of respondents), and attracted by *non-food related items* weekly promoted (Appendix D/a). When asked to motivate what drives them toward the purchase of a food product, considering that *price* play a crucial role for 50% of the respondents, following, equally voted emerged the search for *health, ethicality* and *quality* (25% each) (Appendix D/3). *New products* are not highly considered (25%), usually more accepted if needed for special occasion, if they are on promotion or if they can substitute the product needed. The factors preventing them from buy arise usually due to price reasons, lack of time, and difficulties to understand new product offerings (Appendix D/2). Furthermore their habitual grocery store (Netto 75%), does not offer a great product variety nor display new products arrivals, thus making it hard for this target group to be fully aware of new food alternatives. Going for groceries is not usually regarded as a pleasant activity in consumers' everyday life. The majority of the respondents (67%) does not particularly like spending much time there. They try to be as quick as possible, usually pressured by time and however suffering a lack of variety offered in store. The remaining consumers group like instead spending time at the supermarket, finding it relaxing, a good place where to get distracted from work, finally considering it interesting to find inspiration and satisfy curiosity (Appendix D/2). Food however is considered by the 91% of interviewees as a "big issue" in life, mostly due to the pleasure that food provides, due to the fact that is seen as a social bond, finally because of the high interest concerning health and quality (Appendix D/b). Furthermore the majority of the respondents also think about themselves as "involved food consumers", linking this attribute generally to an high interest towards food quality, ethicality, curiosity regarding new products and finally due to their brands and companies' knowledge.

Consumers' understanding of the food market

Trying to investigate consumers' market understanding, questions regarding food trends knowledge and acceptance were at the core of the second part of the interview. A quite high number of trends have been named by the interviewees, thus a clear awareness regarding the food market has been assessed. Greatest knowledge was towards the health trend and several relative sub-trends, followed by an elevated recognition towards ethicality (Appendix D/d). The majority of the food trends named were also followed in consumers' everyday life, thus differentiating among 77% of trend awareness and acceptance against 23 % of trend mere knowledge. The need to follow such trends once again was dictated by the desire to satisfy a need for quality, health and ethical behaviour, as already emerged in previous responses (Appendix D/e/b). Family pressure was the main driver to develop such awareness in the given issues (50%), followed by societal pressure, felted by 33% of the respondents due to governments' adverts and campaigns. Great food market knowledge emerged lately again when asked interviewees to provide attributes and value related to the five mega-trends spotted in the market (Appendix D/h). Coherence, similarities and awareness toward the topic, characterizes the data retrieved, leading to the main conclusion that food market knowledge is particularly spread among young Scandinavian consumers, correctly understanding and interpreting to a high extent the marketers' message. Targeted nutrition was the only mega-trends quite disregarded, hardly known (66%), scarcely understood (33%) and negatively considered (33%) (Appendix D/h). Respondents knowing about those products were actively involved using them, due to food allergies or stomach sensitiveness; the rest of them, once presented the trend main characteristics, lamented low awareness about it due to the scarce product variety of the Nordic food market.

After the interviewees had to highly focus on these trends, their likely behaviour toward them was again investigated in order to see if a higher degree of information and knowledge would influence their answer with respect to the same question asked before this analysis (Appendix D, question d/i). Respondents in general were quite coherent with previous statements. Some marked the fact that they do not follow any of these trends specifically but a bit of everyone, hinting the search either for product showing multiple attributes or a shopping behaviour drove by occasions. However a strong interest towards *premium* has emerged, previously absolutely disregarded. Lower price concern and greater income level would probably augment the focus for this food category, incrementing the sale of exclusive and specialty products (Appendix D/j). All in all a great level of knowledge has been shown by this specific target group, where a strong interest and involvement towards food has clearly emerged. Low degree of market complexity has arouse; respondents stated that they do not feel threatened by the increasing presence of new products and continuous launch of new offerings (91.5%, Appendix D/k). However they do see marketers' great effort to increase product differentiation, they notice new companies joining the food market sector and an increased number of consumers deeply interested in it. Probably because of the small market size, or due to their frequent visits to discount stores, they really do not see an overload of offerings, rather instead they complain for little product variety or little product introduction into the market, lamenting the difficulty to notice new product offers (Appendix D, question h/j).

4.3 Consumers' consumption process

A group of food experts' has additionally been interviewed to offer an additional perspective to this investigation, attempting to explain consumers' consumption processes. "Consumption is a process concerned with the acquisition and use of goods and services" (Edgell, Hetherington & Warde, 1996, p. 303). It is interesting to understand consumers' choice, what drives consumers to purchase a commodity rather than the other, how and why they unfold their buying decision process. The major problem arising when trying to understand consumers buying choices is due to the context specific situation in which individuals act. It becomes very difficult for researchers to isolate each different situation and buying occasion, in order to determine the rationale driving the consumer to its final choice. Furthermore, if taste and judgement vary between situations, only by keeping the company close to its consumers allow an understanding of consumers' behaviour.

Information gathered by professionals in the sector has been considered the most effective way to picture an unbiased situation of the market, thanks to their in depth knowledge and experience with respect to food. Semi-structured interviews have been performed, allowing a fair ground for discussion and argumentation, although ensuring to collect similar types of data from the informants (Daymon & Holloway, 2002). The group interviewed was formed by Danish professionals, among which three professors and researchers specialized in the food industry, one researcher belonging to the MAPP institute, one industry consultant with great knowledge in the industry, one consultant and professor collaborating with a research company (GFK) and finally a product manager from Kraft. Considerations representing a *standard* (mid-income, mid-age, family) food consumers have been drawn, being representative for the Scandinavian countries, given the very similar market, demographic settings, welfare systems and consumers' lifestyle (Nordic competition authorities, 2005). Interview questions differed from those addressed to consumers, first of all because these data have been collected at the very begin of the research process, thus serving also the purpose to spot a relevant issue in the food industry, secondly because the aim of those interviews were not only addressed to identify consumers' consumption behaviour, but more in general to retrieve a clear picture of the food market in Scandinavia.

The following section will deal then only with the interview part regarding the analysis about food consumers and consumption choices given the food market development, trying to explain consumers' acceptance of food trends and market changes. A widely use of theory has been complemented to further develop discussion and facilitate the understanding of the issue.

Lack of rationality and market complexity

According to food experts, the major problems consumers are dealing with is finding coherence and rationality when making consumption choices. The food industry is characterized by a dynamic and complex environment, of which consumers only have limited knowledge. Companies are driving and increasing the complexity of the market, launching constantly new products and innovations (Boye, 2008, Appendix C). The food industry sector is completely changing from its old standard:

product life cycle is nowadays shortening dramatically, in the attempt for marketers to continuously attract, entertain and retain consumers through new product offerings (Meziane, 2007). Consumers on their side do try new product, but are mostly loyal to their traditional ones (Boye, 2008, Appendix C). They are getting annoyed by the overload of newness and information, obliged to read and check on labels and ingredients to understand what they are buying (Thomsen, 2008, Appendix C). Products are becoming so different and complex that consumers cannot process the whole information, can not understand the cost-benefit related to each offers (Thomsen, 2008, Appendix C). While product competition is constantly increasing, consumers competence is instead decreasing, creating a big knowledge gap in the food market (Hansen, 2008, Appendix C). They are constrained by a decreasing amount of time and knowledge to understand the market, thus simply lacking the rationality to choose what best would serve their interest (Søndergaardh, 2008, Appendix C). However they need somehow to justify their action: if it is not because of the brand or because of the attributes of the products, they need to look for something else, they need to develop a justification that sustain their actions. This may be an interest towards health, ecology, organic, low fat, etc. (Hansen, 2008, Appendix C). Boye calls this justification a need for rationality behind their consumption choices, which can be led by health, environmental, organic concerns for example (Boye, 2008, Appendix C). Thomsen adds that consumers would finally opt for the easiest alternative they will have, looking for simplicity and easiness to make sense to their consumption behaviour - e.g. “I pick what looks best; the cheapest one” (Thomsen, 2008, Appendix C).

Two main approaches attempt to explain consumer behaviour choices and consumption pattern. On one side the behaviourist approach link consumer behaviour to the necessity of reacting to stimuli coming from the environment, while on the other side the cognitive approach explain consumer behaviour as a thorough knowledge and learning process (Statt, 1997). Behaviour is the result of stimulus – response (i.e. all behaviour, no matter how complex, can be reduced to a simple stimulus – response association), and is always determined by the environment. According to this approach, learning depends on classical conditioning (learning by association) or on operant conditioning, (learning by reinforcement) (Statt, 1997). According to this theory, consumer behaviour and reasoning behind a choice, is only dictated by the environment and by the stimuli that individuals are facing. When dealing instead with complex and important decisions, the Cognitive approach is preferred over the behaviourist one, as it provides a better approach to learning and knowledge. Learning is hereby a permanent process by which changes in behaviour, knowledge, feelings or attitudes occur as the result of prior experience (Statt, 1997). Cognitive theory maintains that how one thinks largely determines how one feels and behaves. Memory is an important component of this assumption. However, within this approach is hard for psychologist or marketers to understand the rationale of consumers undertaking a determined behaviour, rather than the opposite, given the lack of evidence and explanation of their choice, only driven by their mental processes.

Boye, Hansen and Thomsen suggest that consumers, when faced with consumption choices, tend to favour Hedonism versus Utilitarianism (2008). Hedonic decision making satisfies the desire for fantasy and pleasure experienced by consumers, somehow answering the immediate desire they feel when exposed to food consumption (Boye, Hansen, Thomsen, 2008). *Utilitarianism* is instead a cognitively driven, instrumental and goal oriented consumer behaviour approach, where criteria for buying lead to a final decision choice. A clear parallelism can be drawn between hedonism and behaviourism versus utilitarianism and cognitive. Given the food market complexity and the great product differentiation, consumers find hard to fully comprehend cognitive factors upon which to base their choice, i.e. quality, product attributes, cost-benefit, etc. Greater difficulties arise for consumers when seeking to transform information and gaining greater knowledge over the food market (Hansen, 2008, Appendix C). Researches show that generally 10-15% of consumers are able to consider value for money and comprehend products alternatives; 80% of consumers are instead completely puzzled about their consumption choice, not knowing what exactly they are buying (ibid). A behaviourist approach seems to be better appropriate to explain a consumer behaviour approach to food, where given the high complexity of the market, time limitation, and lack of rationality, a simple approach answering to instinctive needs, is highly preferred. Boye, Hansen and Thomsen suggest that an hedonism approach to explain consumption behaviour it is even more appropriate than the behaviourist one, where a need for hedonism dictated by market complexity outweigh the rationality sought by consumers to undertake the best consumption choice safeguarding their best interest (2008). They furthermore argue that hedonism and pleasure food products are likely to gain greater acceptance against their health-specific products alternatives due to increased pressures and constraint in life: “consumers seek to affirm their own decisions, indulging into high end products as a means to reward themselves” (Thomsen, 2008, Appendix C). Boye, Hansen and Thomsen, continue their argue by introducing the notion of *mental accounting* in consumers’ mind to outbalance guilty feelings arising from hedonic consumption, seeking for alternatives justifying the purchase of unhealthy food products (2008). Individual mental accounting is a self-control devise suggested to justify consumers’ behaviour, thus preventing a state of cognitive dissonance and avoid mental imbalances. Rationality is thus sought in order to explain consumer behaviours choices (Boye, 2008, Appendix C). According to this perspective, *food trends* are seen as major “justification” tool to explain consumers’ actions (ibid). This way of thinking about food consumption behaviour represents an additional alternative trying to provide insight about consumers' mental processes while assessing purchasing choices.

The argument suggested by food experts add additional evidence to the fact that a need for rationality is sought by consumers when making consumption choices. *"Rationality"* commonly stands for good sense and sound judgements. It is what everyone would like to think to make use of when making decisions (Statt, 1997). However is very rare that individuals can use rationality when making decisions, because most decisions are made in a state of *incomplete information*. Sometimes the best alternative possible is not even searched for, but a satisfying alternative is enough to answer to the decision making challenge. Seeing food trends as justifying factors of food consumption may be accepted and considered true if representing an *heuristic*. Heuristic is a procedure or methods for solving a problem of making a decision and it can be defined as a sort rule of thumb, a reasonable guideline to adopt in the search for a solution (Statt, 1997). It provides a short cut to survive to the overwhelming amount of information in the world.

Polarization effect

Market complexity and need of knowledge are furthermore leading to a polarization effect among consumers. The market itself is launching opposite signals to consumers, developing both an increasing amount of discount store and cheap stores, both specialty and luxury food stores (Hansen, 2008, Appendix C). In this climate the all food battle may end in a direct competition between price and quality, where discount stores will enormously increase their relevance and value, sacrificing on food variety, quality and novelty (Vej, 2008, Appendix C). Some consumers would be extremely interested in the sector thus showing greater knowledge and understanding of food market changes and innovation, thus becoming more critical and sceptical. Most of the others would instead not be concerned with food at all, considering it a mere necessity, thus shifting towards low price offerings and convenient low quality products (Boye, 2008, Appendix C). Generally little knowledge of the food market lead only a small segment of consumers to know what they are purchasing and why, about 10-15 % in total, while the other 80% do not have a clue of what they are buying due to the high level of market complexity (Hansen, 2008, Appendix C).

4.4 Reflective sum-up: Processes of consumption

A high degree of coherence has been found comparing results investigating consumers' consumption patterns deriving from secondary data, consumers' interviews and food expert's interviews. This consistency has shown reliability of the data retrieved, however it should be kept in mind that food experts' opinions about Nordic consumers provide to a greater extent generalizations about common consumption pattern, taking an "helicopter" perspective about the overall issue.

Consumers' responses show instead a micro-level analysis of their personal consumption habits, thus offering a specific case study from which it can be assessed the relevance of distinguishing among target groups in order to determine precise pattern of consumption regarding food concern.

Hereby I sum-up my findings through this table, with the attempt to highlight general characteristics spotted both by food experts, both revealed by consumers, additionally showing major difference of perspectives mainly concerning consumption choice mechanisms (Table 4). Although a clear and quite homogeneous picture of Scandinavian food consumers emerged, divergence has came across when investigating consumers' mental process of consumption, where food experts' theory failed to apply to the target group under scrutiny.

<table>
<tr><th></th><th>Food experts</th><th>Consumers</th></tr>
<tr><td>✓</td><td colspan="2">• Impulsive shopping behaviour</td></tr>
<tr><td>✗</td><td>• Daily shopping Vs week-end shopping</td><td>• Shopping depending on occasion</td></tr>
<tr><td>✓</td><td colspan="2">• Price and quality concern</td></tr>
<tr><td>✓</td><td colspan="2">• High interest toward "Soft values"</td></tr>
<tr><td>✗</td><td>• Health focus</td><td>• Organic focus</td></tr>
<tr><td>✓</td><td colspan="2">• Food is considered a big issue: "You are what you eat"</td></tr>
<tr><td>✗</td><td></td><td>• Food is a social bond</td></tr>
<tr><td>✓</td><td colspan="2">• Offers and promotion awareness</td></tr>
<tr><td>✗</td><td></td><td>• Request for greater variety</td></tr>
<tr><td>✗</td><td>• Limited knowledge</td><td>• High level of knowledge</td></tr>
<tr><td>✗</td><td>• Highly perceived market complexity</td><td>• Low perceived market complexity</td></tr>
<tr><td>✓</td><td colspan="2">• Perceived increased number of NP offerings</td></tr>
<tr><td>✓</td><td colspan="2">• Difficulty to spot and understand NP offerings</td></tr>
<tr><td>✗</td><td>• Difficulty to make consumption choices</td><td></td></tr>
<tr><td>✓</td><td colspan="2">• Loyalty to traditional products</td></tr>
<tr><td>✗</td><td>• Lack of rationality</td><td></td></tr>
<tr><td>✗</td><td>• Trends seen as mental justifications</td><td>• Trends seen as a personal choice</td></tr>
</table>

Table 4. Spotting contrasting opinions between food experts and consumers, Own source

Looking at consumers' characteristics, homogeneity emerges among them, thus showing a reliable description concerning Scandinavian consumers' major shopping habits and preferences. However greater discordance has arouse when analyzing consumers' behaviours and consumption patterns. If from a food experts' point of view an increasing degree of market complexity is leading to justification and simplification mechanisms in consumers' consumption behaviours, where food choice is explained by an interest in health, ethic, premium etc., from a consumers' perspective such complexity is not perceived and processed in the same way. A high level of knowledge and interest towards food products and food trends has been assessed among young food consumers, rationally opting for one alternative or the other driven by price, quality, time and trends considerations. As already stated, consumers do not feel particularly threatened by market complexity, nor they seem driven by hedonic consumption behaviours. Market complexity in consumers' opinion is not considered as an obstacle to successfully achieve rational choices, rather market complexity is considered as the difficulty to understand and respond to new market stimuli. Consumers lament the fact that they do not notice or get attracted by new product offerings, although they are missing greater product variety on the market. This highlights a communicational problem between companies and consumers, where companies fail at properly addressing consumers' need, while on their side consumers would be open and interested witnessing a greater amount of product offerings. From the data retrieved I feel justify to conclude that *specific target group* play a major role when determining consumption processes and *knowledge* may be imputed as the major cause driving consumption choices. If this is the case a graph below show the understanding of *processes of consumption* from consumers' and food experts' perspective (Fig. 4). The upper part exemplifies the mental consumption process characterizing the interviewed target group, where given a high level of knowledge, market complexity is scarcely perceived, thus allowing consumers to make consumption choices according to a rational decision making process, valuing and deciding according to food trends, product attributes, brand and company name. The lower part of the graph shows the likely consumption patterns that food experts suggest as commonly adopted by the greatest amount of consumers. Those consumers are generally characterized by a low level of knowledge, thus perceiving greater market complexity and unable to make rationale decision choice. Thus they are developing justification mechanisms, seeing food trends as rationales justifying their product purchases, or due to market polarization they may only differentiate between price and quality, avoiding to rationally understanding what is likely the best option they have. Market polarization can lead to great value destruction in the food sector.

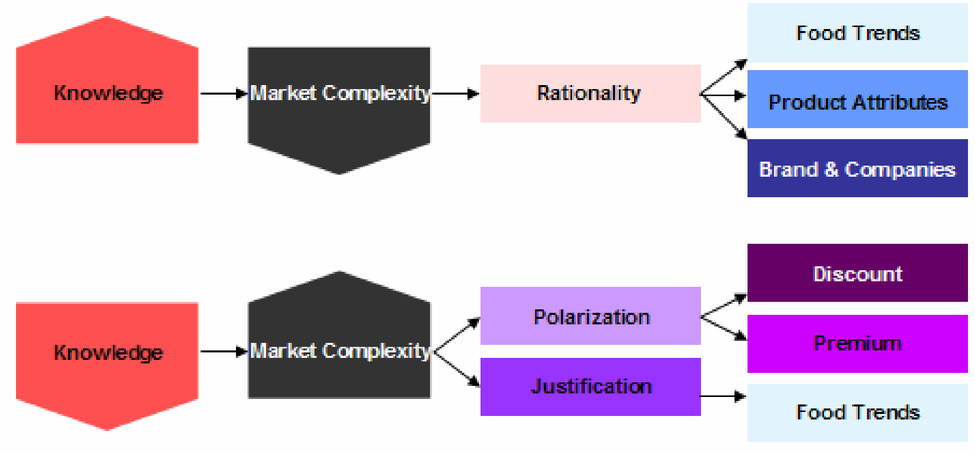

Fig. 5 Processes of consumption, Own source

CHAPTER 5: DESIGN - INCREASING MARKET COMPLEXITY

In this chapter a greater attention will focus on *market complexity*. As mentioned firstly by food experts, market complexity represents a global trend in the food industry driven both by consumers –due to differentiation, and by suppliers –due to competencies (Hansen, 2008, Appendix C). Market complexity embodies also the main obstacle hindering value creation in the food industry. Thus is extremely relevant to understand where market complexity arise from and by comprehending its mechanisms we can finally derive strategies to lessen these conflicts in the industry, guaranteeing a sustainable and profitable development and growth. Through food experts' and consumers' interviews a better understanding of market complexity has been provided, helping to identify its major causes and implications. Taking into consideration the food industry driving forces already presented in the previous chapters, namely demand side factors, supply side actors and consumers, in this chapter I discuss the potential role they play creating market complexities. Furthermore, given the high relation and links among these players, complexities arising from their relationships are also envisaged and discussed. This findings lead to the evidence of an inappropriate strategic management logic driving the development of the food industry, where Porter's views concerning industry positioning and competition are detaining major relevance (Tidd et al., 2005). Given the high level of interaction in the industry among its various players, an individual logic to drive the market is not enough to guarantee its long-term value. Furthermore, due to the highly turbulent, dynamic and complex market environment, this strategic mindset represents an obstacle to value creation, rather alimenting and sustaining market complexity. Current traditional market strategies must be replaced by updated version of value creation enablers, where in a "dynamic networked world... the whole is more than the sum of its part", thus asking for a co-creation market logic

(Davenport et al., 2006, p.68). Porter's traditional view is hereby discussed and proved to be limitative to create and sustain value in the food industry, where a focus on R&D and competitive advantage is not enough to deliver discontinuous preposition in a highly unstable and dynamic environment which characterizes it (Tidd et al, 2005). Thus a shift in logic is suggested, where a market-orientation vision supported by a networking logic of co-value creation represents the best alternative to deliver innovation strategies and successful NPD.

5.1 Demand side factors

Chapter two and Appendix A, have provided an in-depth analysis of demand side factor driving the development of the food industry. As we can see from this market analysis, new and changing paradigms in society are continuously redefining market dynamics, due to their diverse nature and due to the different contexts they may apply to. Globalization plays a major role driving the emergence of such changes; however global strategies are not likely to be the best solution to address local issues. On the other side, companies' and retailers' presence due to consolidation is becoming increasingly spread all over the world, asking for different strategies to apply in different markets, thus being extremely attentive to local market needs and changes. The advantage of being global multinational may however raise competitive benefits and advantages, leveraging competencies and networks all over the world. Market complexity arises due to the great mixture of factors and drivers reshaping the market in different places, leading sometimes to paradoxes and contradictions, due to the extremely high pace industry. More and more trends may continuously arise and an increasing number of factors may be necessary to be kept under control in order to predict market changes and rapidly adapt to them. Given the global edge firms are experiencing, a positioning fit in the most attractive industries or markets, as advocated by Porter's positioning theory, does not represent a sustainable strategy any longer (Davenport et al., 2006). Flexibility, adaptability and continuous learning and changing is what it is asked to be learned to be able to survive in such highly unpredictable environment, where firms recognizes to have only very imperfect knowledge (Tidd et al., 2005).

Interaction demand and supply factors

"The food industry is not extremely proactive, nor market-driven", argue one of the food expert interviewees (Søndergaard, 2008, Appendix C). Demand and supply side factors in the food industry are highly correlated since the development of the former ones lead to the following re-shape of the latter ones. Supply side actors, namely governments, manufacturers and retailers need to be particularly aware of demand side changes in order to promptly respond to new market requirements and challenges. Growth and profitable developments of the industry are guaranteed if suppliers are able to correctly interpret the signals that the market is launching. In this way new business strategies can constantly be revised and aligned to market changes, having demand and supply side factors developing hand in hand, thus increasing market opportunities. "One could expect the current scenario of high market instability, increasing competitiveness, slowing economy and modest technological development to be rather favourable to a market-oriented approach" (Costa & Jongen, 2006, p. 459). Furthermore we have seen in chapter three how a market-oriented logic is a critical factor to develop successful innovation process and NPD.

5.2 Supply side factors

At a supply side level, market complexity first rises due to internal fights among major market players. Manufacturers and retailers, are all competing against each other in order to gain consumers' trust and loyalty, while at the same time government and institutions are continuously emitting new rules and laws to regulate the market sector, protecting or controlling both consumers', customers' and suppliers' interests. A Porter's industry framework is thus highlighted, where forces driving industry competition are fighting among each other aiming at "finding a position in an industry where a company can best defend itself against these competitive forces or can influence them in its favour" (Tidd et al., 2005, p. 119). According to this view, difficulties arise internally among suppliers launching different and competing signals to consumers, creating complexities in the market and arising its level of confusion. The most evident outcomes arising from these fights are shown by the emergence of a great amount of new products, private labels and the increasing consolidation of discount stores, all contributing to increase market complexity and greater competition. Porter' s positioning approach, given the highly unstable environment, does not lead to any creation of value, while increasing competition among its industry players will only augment market saturation and imitation (Tidd et al., 2005). A shift in logic must be sustained, where vertical and horizontal value chains are replaced by intrafirm, extrafirm and interfirm networks (Davenport et al., 2006).

Manufacturers-retailers tensions

Retailers and producers are striving to be closer to consumers, aiming at following and addressing the subsequent needs emerging in the market. A *market-orientation* strategy is visible from both players, concerned at delivering continuous NP offerings. However, a great emphasis on consumers´ need is highlighted at the expenses of their mutual relationship. The two parties indeed, in their run to conquer consumers´ satisfaction and retention, are undervaluing the importance of cultivating a strong relationship with each other, thus mining their B2B market development. Increasing direct competition between the two actors is shrinking margin of profits, and strategy re-alignment is decreasing the differences among retailers and manufacturers, driving them to compete in an extremely mature market place (Kim & Mauborgne, 2004). On one hand, retailers are facing the competitive pressures to develop a low price image, increase of short-term sales, volume movement, and sales of non-promoted products and growth of customer foot in store. Manufacturers on the other hand, are rather focusing on building brand image and awareness, new products and services launches, in-store displacement and promotions to strengthen their communication strategy, finally also emphasizing growth objectives in term of sales and market share in the long-term. Manufacturers are getting bigger and bigger in size, constantly incorporating new segments and product categories. The will to outperform competitors and winning market share may cause confusion on the market and revaluate the current market paradigm in market relationship. Furthermore, swing in power from supplier-manufacturer toward buyer-retailers has in the last years re-shaped the food industry, dictating new relationship paradigm. Changes in strategies for manufacturers have occurred, given the strong dependency from retailers and the lack of power they have suffered from. A re-alignment of objectives has driven manufacturers' strategies to focus more on short-term profit, re-assessing sales promotions and marketing practice to be in line with retailer's goal and therefore more easy to be reached. According to Day, given the market characteristic of the food industry and the standardized nature of the products exchanged, a gravitational pull toward the transactional end of the relationship spectrum is envisaged as major threat to the supplier-buyer relationship (2000). A lack of interaction and collaboration between the parties may thus cause a potential lack of value arising from mutual exchanges. Thus, a mere transactional relationship is established, where product exchange is left as the only motives for cooperation. This asymmetry is likely to cause market inefficiencies and anti-competitive effects in the industry. "Retailers should think more in the long-term, while manufacturers should stop thinking exclusively about money" (Sondergaard, 2008, Appendix C). Presented the complicated state of manufacturer-retailer relationship in the food industry, it seems like the two parties are transforming into substitutors one of the other, rather than working as complementors (Nalebuff & Brandenburger, 1996). Their main emphasis is placed on similar product offerings and a convergence of strategies. A read ocean and saturated market dominated by big giants might represent the most likely forecast for the next few years (Kim & Bourgogne, 2004). A greater emphasis should rather stresses the importance of leveraging relationships with external sources in order to harness all potential innovation sources, and reduce the time and expense invested in developing new products. (Meziane, 2007)

New products. "Companies are driving and increasing the complexity of the market, launching constantly new products and innovations" (Boye, 2008, Appendix C). Both manufacturers and retailers, pushed by an increasing shorter product lifecycle, are particularly focusing their strategies on NPD and innovation, continuously providing new offerings, sometimes irrelevant of consumers' specific requests, thus decreasing consumers' ability to notice and understand them, creating greater confusion and complexity.

Private label expansion. Lately retailers´ business has shifted upstream in its value chain, delivering its own products to consumers, developing its own house or store brands. These brands directly compete with manufacturers' national brands, representing a means of vertical differentiation and winning customer loyalty. The proliferation of private labels notably bolsters still further the retailers' bargaining power, rising further issues related to rationing shelf space and in-store promotion. Brand has become now a key issue in the food industry, challenging the dominant position of manufacturers in favours of retailers. In general private labels are used to provide products with a lower price, from 10 to 18% cheaper in Europe compared to branded products (Stanley, 2006). The private label market in Western Europe is mature, however on going trends toward premiumization, speciality goods, functional products, convenience, are continuously stimulating retailers to augment their product differentiation. Private labels raise a further paradox mining buyer-supplier relationship. In many cases in fact largely recognized manufacturers are the same producer for their national brand products and for retailer´ s products as well. If this strategy from one side increase manufacturer´ s sales, from the other side has an enormous destroying potential for its own image.

Discount stores. Discount stores will strongly take spread everywhere developing their own private labels at the expense of brand labelled products. Hard discounts in fact constitute the number one in private label production and sales, becoming stronger and stronger on the market (e.g. lidl, aldi). Together with price driven private labels, the upmarket label will develop, directly competing with brand leaders. The warning is that if a branded product is not a market leader, then that product could be seriously under threat in the next few years (Stanley, 2006). Discount stores in this scenario are growing in number and power, while product prices in different retailer chains are adjusting becoming very similar to each other, softening intra-brand competition between the same retail formats.

Interaction between suppliers and consumers

It is assessed that in one month, around 95% of households pass through a supermarket (Euromonitor International, 2006). It is crucial thus for retailers and manufacturers to consider this fact when planning the launch of any new product. "More than 90% of NPD fails and often this is because the traditional launch mechanism is failing. People used to talk about wanting more choice, but now they talk about condensing choice into easily understood segments. People want simplicity." (Euromonitor International, 2006). Consumers sometimes hardly recognize the introduction of new product offers, due to scarce communication and marketing launches. An increasing amount of product offerings and a higher complication of product attributes restrains consumers from fully understand market evolutions, finally destroying value creation initiated by suppliers. An alignment between suppliers and consumers is vital to deliver value; furthermore, consumers' understanding of demand side changes and marketers' understanding of consumers' market comprehension, is imperative to correctly deliver to the market what is requested and at the same time be properly understood. "Companies should be more consumers' focused and engaged. Consumers do not trust products and the distance between consumers and marketers is continuously increasing (Boye, 2008, Appendix C). A *consumer-led* approach is suggested by Costa and Jongen in order to enhance companies' ability to translate subjective needs into objective product specifications, thus reaching successful NPD (2006, p. 459). "Concurrently, marketing strategies communicating the existence of a new or improved product which satisfies consumer need in a distinctive and superior way must be conceived" (Costa & Jongen, 2006, p. 459). Furthermore consumers are becoming *shopping smarter* in that they are not fooled by hype, have an ever decreasing deference to brands and cannot be sold a product on the strength of a television advert or poster alone. "The traditional means of talking to consumers is not working any more" (Euromonitor International, 2006), new *marketing mix* need to be considered and cooperation between manufacturers and retailers need to be guaranteed in order to develop the best communication strategies to attract and interest consumers (Moore, 2006). Consumers are happier than ever before to buy products on promotion – and not only because they need to save money, but because they care less about which brands they are buying, valuing more the help provided in store and the greater information offered (Moore, 2006). Better communication can greatly improve consumers' market understanding, new product offerings, finally better addressing specific consumers' targets, increasing involvement and creating new paradigm to sustain value creation. Finally suppliers, although the variety of business strategies they adopt, fail at communicate their image to consumers and differentiate from competitors, thus challenging consumers' knowledge and increasing confusion in the market (Smith & Colgate, 2007).

Companies focusing on traditional strategic management approaches, aiming at describing, analyzing and predicting the world fail at understanding customers' latent needs, and at delivering creative and innovative prepositions to sustain value creation. "The major fallacy of the descriptive strategic mindset is a continuously expanding range of new descriptions… aimed at searching for a *perfect* strategy based on ever-increasing complex analyses, descriptions and alternative reaction scenarios" (Davenport et al., 2006, p. 77-78). The level of complexity arising from such models reaches extremely high levels, making it hard for managers to then utilizing them. A shift towards a creative and proactive strategic mindset is required to substitute the outdated descriptive and reactive traditional strategic management mindset (Davenport et al., 2006). In this view, customer orientation, exploration and learning are the driving force to enable such transformation, where the task of strategic management is now the one of managing adaptation, knowledge and create sustainable networks (Rosenø, 2007, lecture).

5.3 Consumers

Demographic changes, arising concerns related to food security and health, continuous emerging new trends, increasing interest in the industry shown by a wide number of stakeholders, all contribute to position the industry at the core interest of consumer' life. However, looking at the dynamics taking place in the industry, it is not easy to comprehend the actual role of consumers in shaping the food market sector. Consumers' understanding of the market and of its trends, their ability to accept them, influence them, driving them, is somehow blurred and confused by the increasing pressure exerted by major institutional and market players. In this given context consumers result particularly confused, as market complexity is continuously increasing, and their knowledge steadily decreasing (Hansen, 2008, Appendix C). A too big gap is separating the two players, creating complexities in consumers' mind, not able to differentiate among the options, failing at understanding marketers' communication. The great and confused effort of marketers to offer them the highest choice possible without really understand their requirement allow consumers even more to strengthen their unpredictability and inconsistency in everyday consumption behaviour. Nowadays contemporary consumption is characterized by an increasing fragmentation and contradiction, giving rise to the emergence of the "unmanageable consumer" (Gabriel & Lang, 1995). Consumers today are highly differentiated, given the ideologies they believe in, their value, their own responses to society, and their needs, thus being increasingly unpredictable to marketers' effort to understand and manage them. Gabriel and Lang have attempted in their book to provide a complete picture of consumers' typologies, suggesting *positions* that consumers are taking in the current society, in the effort to frame consumers. Inequalities among consumers are already great and the fragmentation of consumption is already itself a feature of contemporary society increasing furthermore market complexity (Gabriel & Lang, 1995).

5.4 Reflective sum-up: Market complexity

Market complexity is thus arising from multiple domains in the food industry, drove essentially by major market players. Close interactions taking place in the food industry among its actors lead to an even increased confusion due to the competitive nature of their relations, where little knowledge and understanding of each other characterize them. A Porter's view of positioning aiming at defending each other from competition through competitive advantage is no longer sustainable given the increasing complexity and continuous transformation of the market. A high degree of competition is adding on to create an unsustainable market development, where increasing similarity of manufacturers' and retailers' business is threatening the sustainability of their relationship, increasing competition, shrinking the margin of profit from both sides and preventing the creation of new value in the industry.

Furthermore, lack of knowledge from marketer's side toward consumers is the most imputable cause to create complexity in the market, due to an increased product offerings and an irrelevant understanding of it from consumers. Marketer's inability to capture emerging food trends and relevant market signals drive again to a misinterpretation of needs and requirements asked by society. On their side consumers are becoming more and more differentiated and complicated in their consumption choices, characterized by unpredictable and contradictory behaviors, hard for firms to manage. A greater commitment to involve them and understand them is again necessary to develop successful innovation strategies (Costa & Jongen, 2006).

Market complexity is thus considered the main factor hindering a sustainable value creation in the food industry; managerial capabilities need to be adopted and exerted by the industry market players in order to guarantee a secure and profitable growth of the food sector.

CHAPTER 6: IMPLEMENTATION – VALUE CREATION

Given the extremely high complexity of the food industry and its dynamic environment, the existent business model governing the majority of companies is no longer useful and sustainable to stimulate value creation. As seen in chapter three, a shift from an *isolate* to an *interact* archetype of innovation strategy is what is requested given the particular set of environmental conditions, where a high focus on both technology and market is needed (Berthon, Hulberth and Pitt, 2002). A co-creation logic need to be taken into consideration to develop a continuous growth in the sector guaranteeing successful innovation. A lack of disruptive innovation is the major threat the food industry is facing, followed by the increasing market complexity caused by the difficult relationship among its market players. As seen in the previous chapter, a Porter's strategic mindset based on positioning and competition, will not contribute to crate value in the long run. Major actors in the sector need to promptly understand the need of an *ecosystem* model to conduct business. A shift in mindset must be enacted in order to concretize opportunity provided by the nature of the industry itself. From a manufacturers' point of view, their approach toward the market, their suppliers and their consumers, must assume a different focus, where knowledge sharing, learning, collaboration, co-creation and a network logic take the lead to re-shape current business models' and strategies. *Poised strategy* is the answer to remain successful and competitive given the new business paradigms in the food industry, thus learning to manage multiple business models and co-shaping value innovation through networks and alliances (Davenport, et al., 2006).

The framework proposed below, finally provides an exemplification of the understanding of market dynamics in the food industry in relation to value creation, showing the relevant actors in the food industry, their connections and the fundamental organizational capabilities firms may enact in order to implement a co-creation logic (Fig. 6). The overall discussion would thus be presented from a manufacturer's point of view, where suggestions are offered to manufacturers in order to overcome the market complexity hurdle and jointly with the other market players sustain value creation in the food industry. Four major organizational capabilities are found to be the main responsible to enact the new logic in the food sector, according to market research, shown with red arrows. Knowledge management is seen as crucial factor to link production and process of consumption, making sense one of the other, finally jointly concurring at value creation. It is distinguished more specifically into Relationship Management Logic (REM) to be developed to guarantee an integrated value creation perspective with other b-to-b customers, and Consumers Brand Management Logic (CBM), to build up a better understanding of final consumers (Tollin, 2008). I consider CBM knowledge logic of great relevance for companies to manage, given the lack of insight into consumers' consumption processes; however is in parenthesis belonging to Customer Knowledge Management because I consider CBM a specification of CKM.

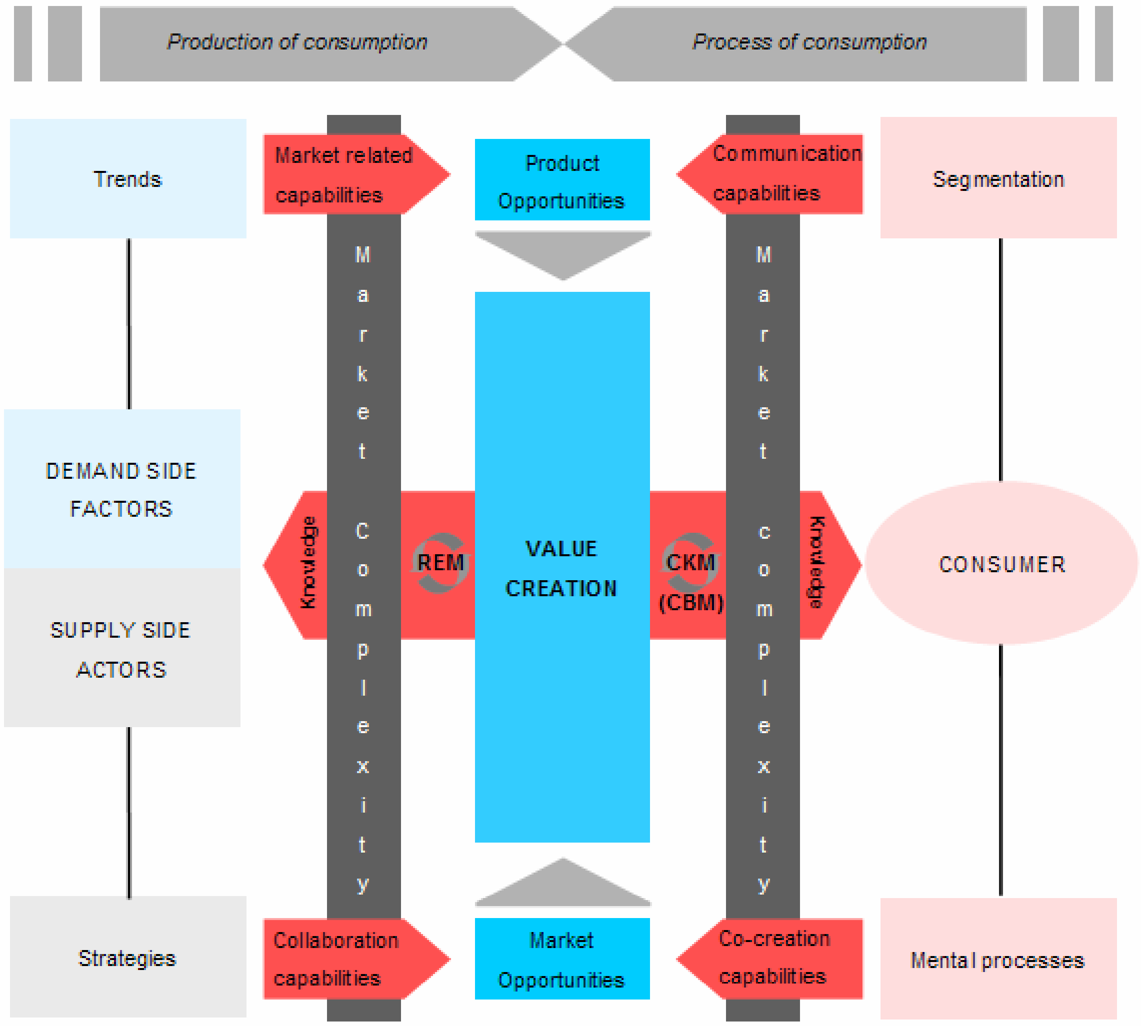

Fig. 6 Market dynamics within the packaged food industry, Own source.

6.1 Production of consumption in the innovation economy

Nowadays food companies are facing ever more competition, shorter product life cycles, changing technology and increasingly demanding consumers, who are progressively better informed than before. The shift in the way of doing business, from an industrial economy perspective to the Innovation Economy, is underpinned by continuously rising consumers' trends and demographic changes. The old way of doing business was stimulated by competition, and by achieving and finding a defensible position in a selected industry (Tidd et al., 2005). Companies rather focused on doing-better and achieving economies of scale instead of taking into consideration consumer' s logic. However today the main objectives of food companies should no longer be profit, growth nor control, rather self-renewal, sustainability and innovation (Davenport et al., 2006). The marketing concept need to change from trying to sell "whatever the factory produces" to "produce what the market needs" (Rosenø, 2007). "In the fast-changing innovation economy, mainly driven by advanced technology, knowledge-networking, and globalization, the resulting socio-techno-economic environment is one that challenges the essence of relatively stable business models that firms used to achieve their particular goals" (Davenport et al., 2006). In this climate, a greater importance for *knowledge* and *innovation* arouse, challenging the efficacy of existing business models. The great discontinuity and complexity emerging in the food industry lead a request for a revised strategy, where a portfolio of business models should replace the old way of thinking (Davenport et al., 2006). Thus appropriate capabilities must be developed to coherently work in the new business logic, where each companies is viewed "not as member of a single industry but as part of a business ecosystem that crosses a variety of industries, and that is open to multidimensional knowledge impacts and influences" (ibid). This market situation particularly applies to the food industry, where stimulus and opportunities arising from different business sectors might constitute interesting integrative alternative to food companies and food retailers, as the example of cross-categories products, and the increasing presence of non-food related items related to the food business. However, for this ecosystem to be successful, a high degree of collaboration and cooperation must be developed by each single player, building co-opting capabilities both to seek benefits from mutual interaction and reduce costs, both to improve innovation processes. In such ecosystem companies, customers and consumers must work jointly to provide value to the industry, starting from supply chain activities till providing a sustainable answer to consumers' need and innovation requirements. A *systemic thinking* must be adopted in order to correctly operate in a holistic logic of business practice (Davenport et al., 2006). Cooperative networks are the major means on which the whole new logic lies on (ibid). Thanks to the fast changing environment characterizing the food industry, new business models may arise by making sense of socio-cultural dynamics and opportunity gaps, being closer to customers and consumers value prepositions, and reconfiguring value chains activities (Davenport et al., 2006). Finally responding creatively to challenging new market requests and conditions, value innovation is also sustained; systemic thinking meanwhile, allows managers to seek opportunities from a greater industry environment. Dynamic interactions among business models' activities create organizational energy, the driving force that rejuvenates and sustains the business ecosystem (Davenport et al., 2006).

6.2 Managerial tools to gain market value

Market-related capabilities

Market related capabilities are the first means by which suppliers can guarantee an accurate understanding of the food market, and its following trends. *Market related capabilities* are considered the first pillars to be developed by suppliers in order to align their strategy to the market, thus becoming extremely market and customer oriented (Day, 2000). If market capabilities fail to be embedded, difficulties might arise from suppliers´ side, facing a lack of ability to identify and create value in the market. "Market orientation is therefore important for innovation in the food industries. Fundamentally new innovations are scarce in food production. Many innovations are modifications of existing products and are demand-driven innovations" (Trail & Grunert, 1998, p.11). Although demographic and social changes provide great opportunities for product innovation (Drucker, 1985), "Several studies have shown that radical innovations are very rare in the food industry" (Tollin, 2008, p. 107). This is due to the fact that innovation in the food industry is primarily incremental, focusing on line extension and product repositioning (Meziane, 2007). As assessed in chapter three, the food industry can be positioned in the *isolate* mode of innovation strategy, due to the scarce market and technology orientation characterizing it (Berthon, Hulberth and Pitt, 2002). Thus a greater emphasis on market-orientation must be developed, where a customer orientation logic is further strengthen by a customer creation strategy (Berthon, Hulberth and Pitt, 2002). Merely serving customer is indeed not enough to develop a coherent market-oriented logic, typically short-term in focus and reactive in nature (Berthon, Hulberth and Pitt, 2002). True market-oriented companies are those who continuously create and disseminate market intelligence relevant to current and future need of their customers, stimulating and sustaining continuous innovation and NPD (Costa & Jongen, 2006).

Market related capabilities constitute also the first means by which firms are prone to engage in external relations, shifting from being internally focused on proper value chain processes to become open to an ecosystem logic (Davenport et al., 2006). Value creation starts when both partners engage in the same objective: creating value out of their interaction. With this concept in mind, beneficial exchanges must characterize the nature of their relationship, where both partners need to understand the potential of the relationship and be involved in it to gain and deliver value. Once *market relationship* capabilities are developed and absorbed in the firm´ s mind-set, a higher level of trust and a stronger drive for interaction and value creation with retailers will be experienced, favouring value-added exchanges (Day, 2000). However in order to exploit such comprehension, cohesion and cooperation must sustain supply actors relations to avoid a fighting environment where value creation could be discouraged due to competition.

Collaboration

"By working together as partners, retailers and manufacturers can provide the greatest value to consumers at the lowest possible cost" (Kumar, 1996). Opposite to transactional exchanges, a greater focus on **collaboration** exchanges should be highlighted (Day, 2000). Strategies of collaborating with retailers and bonding with channel partners have to be emphasized in order to enhance the possibility to create value out of the partners' interaction (Day, 2000). Value creation need to be achieved from both sides of the relationship, thus allowing for value sharing, a mutual exchange of benefits (Walter et Al., 2001). "Value creation can be regarded as the raison d'ètre of collaborative buyer-seller relationship" (ibid). At this last goal, very close interaction, information exchange, social and process linkages, finally a mutual commitment from both parties will deliver mutual long-term benefits in buyer-supplier relationships. Collaboration can also be used as an opportunity to learn new market and technological competencies, leading to an internalization of partners' know-how, learn new skills and knowledge, finally developing long-term relationship (Tidd et al., 2005). Collaboration between manufacturer-retailer could extremely accelerate the profit of both parties by deploying sophisticated systems such as just-in-time delivery, electronic data interchange, and so-called efficient-consumer-response systems which allow manufacturers to monitor sales in stores and to produce and ship their goods in response to actual consumer demand (Kumar, 1996). This cooperative interaction could substantially reduce cost of inventory in the industry, eliminating duplication and middle-man work. Furthermore, by working together, increase in sales would be reached, offering customized goods according to different store characteristics and target group. Trusting each other, both partners are able to share confidential information, to invest in understanding each other's business, and to customize their information systems to serve each other better (Kumar, 1996). The current market dynamic, exploiting power from one party to the other is only likely to work in the short run, producing negative effects and consequences over a long time period. When trust is established instead, information sharing and maximization of value can be reached. According to the research conducted by Kumar, *trusting* relationships are far more beneficial than *exploiting* ones. Retailers trusting manufacturers are much more committed to the relationship; furthermore when trust is involved, sales volume is higher (Kumar, 1996).

Highlighted the need of trust, the necessity of collaboration and cooperation as major elements to guarantee the beginning of a successful interaction between the two partners, a strong ***customer-oriented*** vision must be adopted in order to best satisfy their needs. Acknowledging and understanding the diversity among business customers this represent the first step to undertake in order to successfully achieve this task. Thus ***segmentation*** is the key word to guarantee improved exchanges between highly complex manufacturer-retailers relationship in characterizing the industrial market (Freytag & Clark, 2001). Given the increasing turbulences shaking the market place, the authors state that "is clear that firms have to move away from transaction oriented marketing strategies and move towards relationship marketing strategies for enhanced performance" (ibid). First of all suppliers must identify the different kind of customers on the market, thus applying some criteria to create different market segments. “The buyer’s perception of their own needs and wants still are regarded as important variable of segment identification”, then influenced by buyer-seller relationship and by changes in the environment. In the food industry a variety of segments and different customers arise in the vast world of retailers, offering suppliers great opportunities to treat them differently. Thus, after identifying segments, suppliers must select which one to target, making sure that the company can create competitive advantages and gain the position in the segments they want. The segmentation task should identify what kind of overall relationship the customer requires and then investigate the needs and wants of each type of interaction (Freytag & Clark, 2001). An alignment between segments characteristics and company competences is finally needed in order to perform the desired task, thus satisfy customers’ expectation. Thus is explained the higher need from suppliers to develop specific knowledge and information absorption capability to be able to understand and serve them. If these measures are not applied, suppliers face the challenge to fall in the growth trap (Ritter, 2008). This trap highlight the effort that often time suppliers mistakenly face aiming at increasing revenue by augmenting number of customers. In such way they fail at creating true value and a real increase in profit margins. It is rather more convenient to focus on selected customers increasing the profit gained with each of them, and develop stronger relationship and commitment with those (ibid). A customer profitability analysis is suggested as good way to assess ABC group of customers, by relating sales volume with profit margin, thus understanding the relevance of each customer on the supplier business (Ritter, 2008). The focus for retailers might however lie in network practice and multi-suppliers management capabilities. The relevant finding of this paper highlights the extreme importance for buyer-seller relationship to strive for collaboration and cooperation avoiding competition. Value creation and potential new value in the market can only arise from mutual relational exchanges. Other business practices may be profitable only in the short run, causing major drawbacks over the long run. ***Network management capabilities*** must be developed in order to align interests and administrate knowledge across company boundaries and being able to govern various network types. Innovation can be guaranteed by understanding the degree of interdependencies between parties and providing mechanisms to promote it. Moreover, network experience has been found to be positively linked to the rate of innovation. The amount of collaborative relationships within an extended network is positively related to the degree of its innovative value (Perks & Jefferey, 2006). Under-evaluating the importance of network configuration, cause companies to lack the ability to retain power in the network, to retain control and feedback from its inventions. Too little involvement of members means the risk of losing control over the structure, while the opposite can hinder the innovative performance of network partners (Perks & Jefferey, 2006). Rather network organizations should certify management's ability to enable activities and interaction, whilst providing direction. The findings show that through networking implementation, innovation is sustained and emphasized but further managerial competencies must be applied in order to retain new success.

6.3 The role of knowledge

The emerging Innovation Economy has made companies and stakeholders realise that intangible assets, such as *knowledge*, are key factors for survival, which means that hard assets no longer represents the company's market value (Davenport et al., 2006). Knowledge is considered a key asset in the food industry, representing the first mean driving both product innovation and consumption decision choices. Knowledge creation and utilisation lead to innovation by means of collaboration; "Knowing how to collaborate helps a company to create and transfer knowledge" (Miles, Snow & Miles, 2000, p. 300). "Knowledge management is defined as the function or process that creates or locates knowledge, manages the flow of knowledge within the organization and ensures that the knowledge is used effectively and efficiently for the long-term benefit of the organization" (Tollin, 2008, p. 108). The main KM challenge is the transfer of knowledge among the various part of the ecosystem to jointly create market opportunities and deliver product innovation to the industry. In this respect consumers also play a major role contributing to NPD, however the ability to acquire and retain such knowledge is crucial to benefit from this source of value. According to the six mental models for managing knowledge in relation to product innovation identified by Tollin in her study, I find relationship management logic (REM) and consumer brand management logic (CBM) as best exemplifying the form of knowledge needed to concur at creating value given the innovation economy paradigm in the food industry (Tollin, 2008; Davenport t al., 2006). Both logics present a high degree of market knowledge, furthermore they both emphasize the need to create and participate in internal and external networks, finally aiming at creating a climate for innovation and learning (Tollin, 2008; Davenport et al., 2006). CBM logic place a great focus on consumer insight, considering it an important aspect of knowledge for companies, realizing the importance of investigating consumers' consumption styles and values (Tollin, 2008). The REM logic stresses instead "the importance of having a holistic customer insight", meaning to develop sustainable relationship with B2B customer (Tollin, 2008, p. 126). In this respect suppliers need to realign their strategy and mindset to enhance relationship orientation with customers, integration and alignment of processes, finally knowledge and skills (ibid). A relationship orientation places a particular emphasis on the lifetime value of the partner is serving, also opening the collective mind-set to new possibilities for relationship building. Knowledge and skills acquired from the relationship are of great relevance for the supplier, in order to codify the messages sent by the market and its end-users. The challenge here lies in the ability of the firm to retain such a knowledge and enabling the learning process. Employees experience must be assimilated and controlled, while database and transaction files must also be kept in order to have a history of each relationship (Day, 2000). Finally an integration and alignment process is the primary feature of market-relating capability linking the firm to each of its customers, while connecting firm´ s specific functions (Day, 2000). Interactive technologies may support this process enhancing coordination/cross-functional teams, mass customization services for example. *Learning organizations* see knowledge once again as the basis for competition, where "mobilizing and managing knowledge becomes a primary task and many of the recipes offered for achieving this depend upon mobilizing a much higher level of participation in innovative problem-solving and on building such routines into the fabric of organizational life" (Tidd et al., 2005, p. 502). It is important in organizations to develop routines that guarantee learning process to happen and ways in which to mobilize individual and shared learning, to be then reused in a network perspective. Network structures enable stronger information flows and innovation opportunities. The change from being market share- to market space oriented drives companies to develop flexible and dynamic structures, to change and adapt to the occurring situations, while at the same time joining networks. The better the network is in achieving relational rents, the stronger market position the company gains. ***Open Innovation*** guarantees effective responses to benefit at most from the external environment, exploiting information, knowledge and R&D from shared platform. Furthermore technical advances, such as the internet, have changed the market and made firms shift from a local to a global focus. The flow of information and the knowledge sharing amongst stakeholders, i.e. consumers, have made information and communication the key elements behind the drivers of the new Innovation Economy. The winning new policy is the ability to combine internal and external ideas re-inventing existing business models (Davenport et al., 2006). This logic is in line with the *interact* mode of innovation, where a true dialogue is established between the market and innovation (Berthon, Hulberth and Pitt, 2002).

Customer Knowledge Management (CKM) represents the new logic companies must adopt in order to fully capture customers' knowledge of the market (Davenport et al. 2006). Differently from relationship management or customer relationship management which focus on distinguishing and addressing different consumers' needs, CKM exclusively aim at understand the knowledge of the customers. By means of this revelation companies can finally act in a way to best communicate to their target, finally by understanding their difficulties, facilitating them in their consumption choice. As seen in chapter four through consumers' research analysis, increased market complexity is leading to a scarcer consumers' knowledge about food products. Companies by establishing sound relationship with consumers and by understanding their knowledge of the market, act in their own interest by facilitating consumers' comprehension of the food sector. A higher degree of customers' knowledge lead in facts to rational decision choices, distinguishing among brands, products and trends, thus purchasing what they conscientiously like the best (Fig. 5, Ch.4) finally reducing the knowledge gap in the market between consumers' competence and product attributes (Hansen, 2008, Appendix C). If this fail to happen, as predicted by food expert, a polarization effect will characterize the food industry, thus focusing only on the battle of price versus quality.

Consumers' *cognitive complexity* should be taken into consideration by companies in order to successfully address customers' needs. "Cognitive complexity refers to the structural complexity of an individual's cognitive system, i.e. it describes the sophistication of the cognitive structures that are used for organizing and storing cognitive content" (Zinkhan & Braunsberger, 2002). Consumers' knowledge about a product consists of storage of a set of information and features relative to the products. When evaluating a new product, or brand, consumers may then rely on this set of stored information as benchmarking to the new input, organizing the information into knowledge structures according to their degree of cognitive complexity. Gregan-Paxton, Hibbard, Brunel and Azar agree on the fact that "new product learning often occurs via a category-based process; that is, consumers rely on knowledge associated with a closely related product category to understand and evaluate a new product" (2002, p. 543). However it is argued that cognitive complexity may be context specific, meaning that a complex cognitive structure may be applied on a particular product/occasion, and have low cognitive structure for another product, thus substantially differentiating from the concept of analogy. An individual may have a high level of cognitive complexity in one domain due to extensive experience and knowledge in that domain. However the more information an individual receives and processes, the more he will form complex structure to organize its knowledge, thus favouring a generalized cognitive complexity. The individual who is more exposed to a wide variety of stimuli is then more likely to be cognitively complex in a wide variety of contexts. This, in relation to the food market, will bring great benefit to companies because consumers thanks to a more complex cognitive structure will react more rapidly to new products and new trends, better understanding their nature and drawing generalization from other contexts/ situations. Cognitive complexity can be measured, as found in the study, by the Rep Grid (Zinkhan & Braunsberger, 2002). Thanks to this measurement, cognitive complexity has the potential to be a particularly useful construct for understanding consumers' evaluation and perception. It can clarify whether an advertising or marketing campaign can be understood by consumers, to what extent and how the consumer is thus likely to comprehend new product information and messages. An increased degree of cognitive complexity may be aligned to a greater level of rationality, better learning how to manage information complexity and overload. Furthermore the need of companies to stimulate consumers' cognitive complexity can again be linked to the greater need of communication and marketing strategies currently failing at attracting and retaining end users.

6.4 Process of consumption in the Innovation Economy

Given the understanding of market dynamics and interactions between demand and supply side factors in the food industry, even if market related capabilities are developed, even if collaboration is enhanced, this would still be not enough to guarantee sustainability and growth in the industry. Market related capabilities alone do not ensure value creation: if marketers understand changes in demand factors, but do not understand how consumers react to these transformations, value creation will fail. In order for value creation to happen in the food market, marketers' efforts have to be understood by consumers, thus product of consumption must be comprehended by consumers, and marketers to be effective in their purpose must understand processes of consumption. Consumers play a major role determining effective value creation. They are the one that allow value to concretize into profit. Thus is imperative that they are taken into account when considering business procedures to ensure value creation. Production of consumption and process of consumption are two fundamental mechanism that only working together and at the same pace can guarantee sustainable growth.

6.5 Managerial tools to gain customers' value

Given the fact that is very hard to interpret processes of consumption and according to Yiannis and Lang consumers are just becoming more and more unpredictable and unmanageable (1998), a different focus should be undertaken by companies in order to make sense to this complex and dynamic market situation. "Understanding what customers value in different contexts, and what customer value creation strategies are more (less) appropriate in particular context, is central to marketing strategy and marketing thought" (Smith & Colgate, 2007, p. 9). From the consumers' analysis conducted, communication emerged to be one of the most highly factor rated by consumers driving their decision choice (Appendix D). However scarcely understood communication strategies are performed by most companies, thus hindering consumers from understanding their message and the concrete product offering. Better and more focused communication can be then seen as the first major tool for companies to be modified in order to increase market value. Furthermore by better understanding consumers, companies can extract great knowledge from them. Co-creation practices with final customers represent the second tool to be deployed by companies to properly address consumers' emerging needs, finally overcoming market complexity and foster value creation.

Communication

Assessed the increased market complexity in the food industry, communication is the major tools companies are enabled with in order to provide customers an understanding of their product choices. Thus appropriate communication tools, clarity and simplicity are crucial to successfully address consumers' doubts, concerns and misunderstandings regarding food. The major finding arising from consumers' interviews has underlined the fact that a scarce and not easy communication hinder customers from seeing new product offerings, and/or fully understanding what they are about, finally discouraging them from buying the new alternatives (Appendix D). Furthermore has emerged that targeted nutrition in the Scandinavian market does not represent a commonly accepted trend due to the poorly targeted communication applied to promote such offerings.

Strong communication campaign is the first means by which to affect customers' awareness and brand image; few interviewees stated the relevance of stimulation to brand awareness through TV advertising, following in store promotion, discount offers and new product launches appeared to be the most involving way to get customers' attention, helped by consistent advertising material and promotional flyers (Appendix D/2). Clarity, simplicity and easiness constitute fundamental attributes that a communication campaign should focus on, helping consumers to understand the new product offering and clearly communicate its attributes and benefits.

Given an appropriate communication campaign, ***segmentation*** is imperative to allow companies to tailor the offer to the needs of specific segments. Mapping customer differences is facilitated by ***customer relationship management*** (CRM), providing an accurate customer data collection empowered by sophisticated IT tools. CRM's core idea emphasizes that "*a customer should not be seen as a set of independent transactions but as lifetime income stream*" (Buttle, 2004). Companies generate better results when they manage their customer base in order to identify, satisfy and retain their most profitable costumers. Engaging in profitable relationship does not increase value if not sustained by adequate CRM technology, able to retain important customers data, in order to understand customers and implement relationship strategy better. Addressing the need of different categories allow companies to satisfy customers better, increasing value per customer and achieving customer lock-on (Vandermerwe, 2000). Successful retention programmes segment customers according to potential lifetime profitability, then determining the type and frequency of marketing activities relevant for each group in order to exploit and increase this potential (Kapferer, 2004). Existing customers are more approachable with regards to creating strong relationships and more profitable in the long run, thus better investing in rather than wasting money on attracting new one (Bruhn, 2003). The positive relation between customer retention and an increase in profit upholds the relevance of the strategy. The 80/20 rule states that 80% of the profit often come from 20% of a company customers, emphasizing the necessity for companies to identify the most important customers, making it necessary to approach this group differently e.g. through RM and CRM.

Customers' co-creation

Consumers play an essential part in the companies' network, and are one of the most important elements in the 21st century concerning value innovation. Nowadays the biggest challenge for companies in order to be effective on the market is the ability to capture value from them. The shift in power from providers to consumers should enhance an integrated structure of the value chain. The fast pace of globalization and the increasing need for individual and customised products, push companies to become service-centred, developing closer relationship with end-customers (Matthing, Sandèn & Edvardsson, 2004). Companies now acknowledge customers as knowledge resources, and value their importance in co-creation. Customers therefore influence and drive innovation in many industries (Davenport, Leibold & Voelpel, 2006). They have become a new source of competence for companies, where they are stepping out of their traditional roles, moving out of the audience and onto the stage. They can now initiate dialogue and have become co-creators as well as consumers of value (Prahalad and Tollinswamy, 2000). By interacting with companies they reveal their needs and logics, finally driving researches and improving the overall performance of the companies. In order to retain this potential, companies must be able to observe, understand, analyze, and finally interact with them. Continuous experimentation and testing would produce more accurate responses to an increasing number of current consumers improving the chances to attract potential ones. Customers' lock-on is the aim of the game, ensuring increasing returns, consumers' retention and loyalty to the company (Vandermerwe, 2000). Customers provide useful information, where sharing of knowledge with the company leads to greater collaboration, increased word of mouth, and a decrease in price-sensitivity (Kapferer, 2005). The roles of managers have thus changed from only managing collaborative partnerships into harnessing consumers' competences, managing their personalized experiences and shaping their expectations (Prahalad and Tollinswamy, 2000). Vandermerwe (2000) argues that true customer focus involves both increasing value *for* customers as well as obtaining valuable knowledge *from* them thereby providing a dynamic flow. By extracting value from customer, in order to work with it and in return creating increased value for customer, companies have shifted from being responsive to customer satisfaction towards providing better value for both parties. The increased involvement thus is two folded, it both aids companies in their attempt to reach increased loyalty and stronger customer relationships as well as it provides them with a ground to increase innovation, thus higher profits. Due to the involvement, customers become more engaged thus increasing their loyalty, collaborating with companies through e.g. lead-user methods and prototype testing. Companies applying such techniques are able to extract valuable information from their most responsive group of customers, granting effective feedback to their challenges, finally providing a matching answer to the overall customer demands. However according to Blake (2006) food products are typically low involvement products, where the level of involvement depends to a certain extent on the type of industry thus requiring alternative approaches are needed to increase consumers' loyalty.

Relationship marketing (RM) places emphasis on building long term relationships with customers rather than on individual transactions. It involves understanding the customer's needs as they go through their life cycles. Activities in relationship marketing involve all the marketing variables, delivering a more personalized offer of products or services to existing customers. Relationship marketing tools should be provided, aiming at reaching an integration level between the company and its customers. The integration stage can be reached when companies have both exchange of product or services as well as interaction between the company and customers (Bjerre, 2007). Relationship marketing differs from transactional marketing due to several features, among which a particular focus on profitable retention, emphasis on customer value, long term timescales, high customer contact and concern with relationship quality (Christopher, Payne & Ballantyne, 2002). Highly valuable relationships are built on the creation and delivery of superior customer value on a sustained basis. This explains the relevance of understanding customer preferences in a specific market and segment, beyond classic market research. Companies must now understand the process customers engage in, filling eventual gaps in their activity life cycle, entering new market space and exploiting new opportunities (Vandermerwe, 2000). The company through RM wants to demonstrate to consumers that it possesses the capability to serve their needs in a superior way, particularly if a committed relationship can be formed (Futrell, 2004). Relationships can also bring relevant costs, thus a correct involvement and engagement should first be evaluated. So far I suggested the potential of relationship marketing and the benefits provided to existing customers; however this technique lacks the ability to deeply understand latent customer needs, thus clashing with customer knowledge management, where a greater consideration is based on obtaining tacit knowledge from customer, co-operating with them to deliver improved offers (Davenport et al., 2006).

Customer knowledge management goes beyond RM and CRM limits. It is defined by Davenport et al. (2006) as the companies' ability to properly manage knowledge residing in their customer. "CKM is the strategic process by which cutting edge companies emancipate their customers from passive recipients of products and services, to empowerment as knowledge partners" (Davenport et al., 2006, p. 268). CKM describes what firstly has been referred as understanding consumers' processes of consumption and consumers' comprehension of the evolving food market. CKM might sounds similar to CRM and RM, but it differs from the two given its focus on the knowledge of the consumers, rather than the knowledge about them. Companies have understood this by realizing that both corporate customers and consumers detain sometimes a great amount of knowledge, and in order to best communicate to them it is imperative to understand how to be effective and hit what is highly considered by them.

6.6 Reflective sum-up: Developing a co-creation logic

The highly connected nature characterizing the food industry and its market players has been pinpointed already starting from chapter two, when showing the elevated relation between demand and supply side factors concurrently shaping the food market evolution. The need for collaboration and networking highly influences the degree of innovation and value creation that companies can reach within the industry, thus asking for the development of a market-oriented vision aiming at connecting both external market players and institution, both final customers. An *interact* mode of innovation has been suggested as best describing the innovation approach companies should consider, focusing on market and technology, where a merely market-oriented vision would fail at delivering radical innovation, given the highly turbulent and complex market environment (Berthon, Hulberth and Pitt, 2002). A consumer focus is however crucial to truly understand what consumers wants and how they process their consumption choice. By means of this companies can pro-actively serve their needs, thus creating markets and customers (Berthon, Hulberth and Pitt, 2002). The ability to manage, retain, transfer and decode knowledge become then the primary issue companies should be concerned with in order to best exploit crucial information. An eco-system logic will best represent the likely business model favouring a sustainable value creation in the industry, supporting networking practicing and co-creation logics (Davenport et al., 2006). But what types of knowledge could be relevant to collect and disseminate in a food company? As already argued, technical knowledge and market information are primary typologies of knowledge that manufacturers are eager for; following, consumers' knowledge is crucial to comprehend consumers' consumption process thus predicting new market requirements. Researchers have demonstrated the importance of user contributions to the evolution of products in connection to accelerate product development, to reduce development costs, and to enhance new product value (Ritter & Achim, 2003). Co-creation techniques must be developed in order to extract and retain consumers' knowledge from their interaction with the companies. Consumers' involvement in this respect is crucial to lead to a successful collaboration. High level of customers' involvement favours the adoption of interactive and digital tool such as online communities, program alerts, tags, blogs, which together with the development of powerful and easy-to-use design tools give rise to a huge unexploited free market potential. "More recently researchers begun to explore the potential of image-based, web-based and virtual reality technologies to obtain better, real-time consumer information and involvement in NPD processes" (Costa & Jongen, 2006). Another common way to involve customers is through *Experience centres*. Continuous communication and interaction is fostered there, adding value to the firm and getting close to sensitive customers' issue. Finally *Customer desired outcome* is a supplementary technique to induce customers to think about ideal desires and outcomes, achievable with the use of current products. The aim is to deeply understand their decision making process, providing new alternatives to answer their demands (Rosenø, 2007). However the major gap in consumer co-creation strategies is the obvious lack of clear guidelines to be incorporated in companies' practices to enable an effective implementation of such tools. All in all consumer's insight has been regarded strategically relevant to enhance innovation processes, allowing for a better match of offerings and increasing the sustainability of radical innovations. The current state of innovation strategies performed by companies, although claiming to be market-oriented, only in part satisfy market demands, generally focusing merely on incremental innovation, increasing market complexity and decreasing consumers' knowledge and understanding.

CHAPTER 7 EVALUATION: EVOLUTION OF THE FOOD INDUSTRY

7.1 Evolution of the food industry: product opportunities

A number of key opportunities and growth areas are expected to characterize the packaged food market over the 2008-2012 forecast periods. Key consumer trends, such as demand for convenient, healthy and also premium food items, are expected to continue to underpin product development and opportunities in the medium term, particularly in developed markets. Demand for convenience is expected to result in increased sales of portable products, such as snack bars, and easy-to-prepare products, such as chilled and frozen processed foods. Products fortified with calcium and vitamins, as well as organic products, are expected to benefit from demand for health-orientated packaged food (Euromonitor International, 2006). "The most significant change occurring in the food and drinks market is the increasing convergence of the three main trends; "health", "premium/indulgence", and "convenience", and the emergence of "ethical" as a fourth key trend" (Meziane, 2007). The convergence and interplay among those trends led to the emergence of an increasing number of sub-trends and consequently to a greater market and product complexity (Appendix C). Major sub-trends characterizing the industry evolution have been already considered in chapter 2 following the explanation of food mega-trends. Among those, the mostly rated by food experts were: CSR, Natural food and Super premium, respectively belonging to ethics, health and premium mega trends (Appendix C). Following a number of sub-trends have been considered as consequence of emergent market requirements. Among all the mostly highly rated were again sub-trends belonging to health (19 votes), Ethics (9) and Premium (8) (Appendix C). According to consumers' opinions, health and ethics again reported the highest relevance (Appendix D). A high level of understanding and awareness towards those trends highlights consumers' awareness and knowledge relative to food; however major European trends such as Targeted Nutrition and Premium are not as highly recognized nor accepted yet. Based on these results, considering both Scandinavian food experts' and consumers' opinion, both consulting general secondary data, a matrix has been drawn attempting to explain how the convergence of such trends has led the evolution of the food market sector and how is likely to continue. Given the enormous amount of new products constantly launched on the market, the matrix provided also highlights the logic behind product innovation. (Fig. 5). Thus mega-trends are used as basic ground to explain the evolution of the food market in a number of following sub-trends. Health, premium and segmentation are depicted on the horizontal and vertical axis of the matrix. Health is shown from a lower to a higher extent, while premium coincides with segmentation and standardization is linked to mass market. The blue arrow crossing the matrix and growing in size represents the ethic trend, converging with premium, segmentation and health in the fourth box. This box also represents the likely future direction towards which the food industry is evolving. Convenience has been excluded as key mega trend underpinning the evolution of the food sector, thus is not represented in the matrix. Although its relevance, I see convenience as an attribute applicable to any other trends, furthermore expected to be integrated already in new products as standard requirement to allow successful NPD launches.

Hereby is presented a graphical representation of the proposed matrix, followed by a careful explanation of each of its boxes. Sub-trends described in chapter 2 have not been re-explained although taken into consideration and included in the matrix.

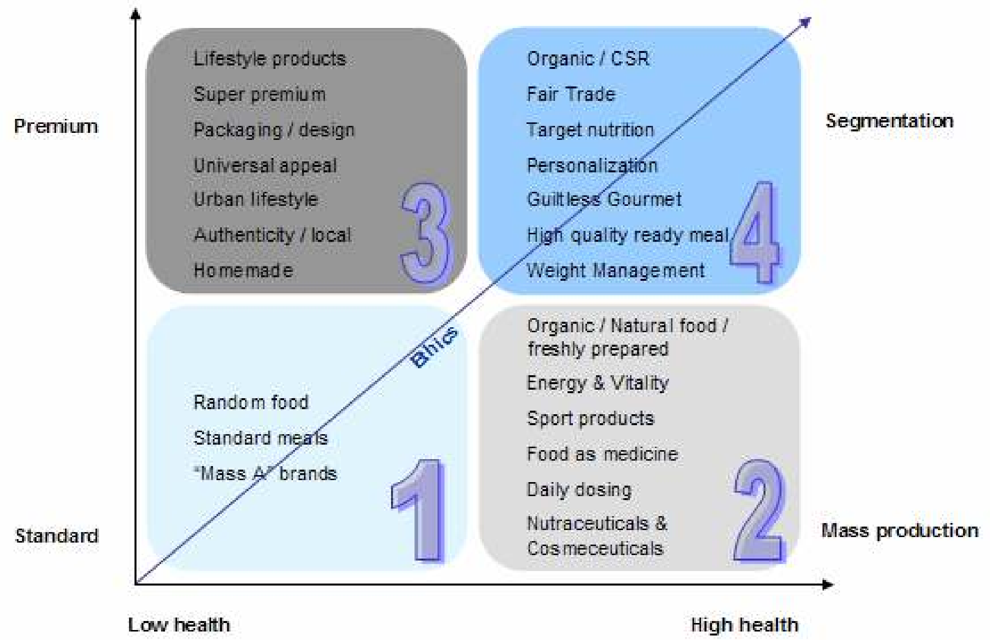

Fig. 5 Evolution of sub-trends, Own source

Discussion

A detailed description of the elements appearing in the matrix is reported in Appendix E. Hereby are only discussed major findings concerning the matrix analysis, thus providing final considerations regarding each box and their relevance with respect to the likely evolution of the industry, keeping in mind previously presented argumentations.

Box1 represents a standard offer of food products, where low price and standardized features primarily characterize the offerings. This product sections best describes one likely consequence of market polarization, as predicted by food experts (Appendix C). The increasing market complexity could indeed explode by creating a polarization effect on the food industry, where from one side we would have extremely cheap offerings, low in quality and attributes (Box1), while from the other side a high focus on premium, exclusive and expensive products would interest high income and highly aware food consumers (Box3-4). Sadler (2006) talks about a continuous disappearance of "mass A" brands, middle value brands that used to constitute the majority of the food alternatives. The increasing number of discount products and private label from one side, and the fast growing premium segment from the other side, are dramatically shrinking their space on the market. Box1 is finally extremely poor with respect to product innovation and alternative product offerings, thus showing the potential downturn that the food industry is threaten by if current market conditions do not change.

Box2 is mainly focusing on healthy and ethical attributes. The emergence of numerous sub-trends stressing beneficial and natural ingredients is greatly increasing product varieties and categories on the market. Nutraceutical, cosmeceutical, food as medicine, sport and energy products are few examples of sub-trends arising from an increasing concern about health. Products aiming at preventing and curing health related disease are increasingly more accepted and valued while doing groceries, because considered “better for you”, and helpful to fight common health fears.

Box3 represents a category of products stressing the premium attributes, where exclusivity and extra quality play the major characterizing feature providing them extra value. This product category is particularly addressed to an increasing segment of consumers disposing of high income levels, particularly concern about appearance and socially aware of their position. Furthermore this category has been consequently regarded due also to the greater differentiation between healthy indulgence and non-healthy indulge consumption moment, when consumers finally deciding to reward themselves with a treat, want it to be extremely pure, high quality and good in taste, scarcely caring about the low health aspects. The packaging plays also a major role for this product category, where fancy and luxury packaging add value to the relatively innovative products.

Box4 is finally the last category of new sub-trends arising from an increasing convergence between healthy and premium features. Segmented and customized offers also belong to this product category, showing an increasing awareness in the food industry to deliver personalized food offers, where consumers can decide and select what is best according to their physical and health characteristics. Examples of these sub-trends are provided by personalized nutrition, mix-and-match options, weight management.

Box2-3-4 are all exemplifications of trend convergences and increasing market complexity. However those are also the drivers for new and potential value creation in the food industry. Marketers by correctly address new products to segmented target group can substantially increase profitability and market growth. Greater simplicity and clarity however has to be developed while communicating the new offers to customers.

7.2 Market opportunities

Taking into consideration demand and supply side factors discussed in chapter two and provided the following understanding of the food industry, a table has been provided to illustrate the driver of market opportunities, linked to food trends and changing in companies’ strategies (Appendix F). The table provides useful tools for companies to highlight from a demand side perspective the relevant factors to keep under control when thinking about new product launches. From a supply side point of view are instead presented major strategies undertaken by key market players, highlighting the elevated correlation with market trends, finally providing products and market opportunities potential. The blue box in the middle name some of the main direction the industry is taking, both in terms of emerging trends and products (discussed above by means of the matrix), both in term of new market space opportunities arising for manufacturers if engaging in a co-creation industry logic. Hereby this latter aspect has been discussed, where major market opportunities are taken into consideration, supported and exemplified through concrete suggestions and cases.

Discount stores and *private label* offerings represent the biggest threat to manufacturers' brand development and acceptance. Discounters are developing their preposition becoming increasingly more sophisticated and broadening their product offerings, i.e. greater fresh product variety, convenience store format open an increased amount of hours. Private label on their side are also continuously developing and improving, coping "mass A" brands and increasing diversification and premiumization strategies. As a result, they are appealing to a wider number of consumers across Europe. Manufacturers in response should adopt a series of strategies to increase their *market* and *brand value*, avoiding the polarization trap which is threatening the evolution of the food industry. Thus, offering *brand experiences*, *greater product innovation* to the extent that private label do not have the necessary sources to copy them, forming *collaboration alliances* with suppliers, retailers and consumers to better succeed in the challenging innovation paradigm, finally entering more directly into distribution channels, all will favour manufacturers to increase value creation in the food industry. Multinationals' consolidation strategies are seeking to increase their value by expanding into *emerging markets* particularly Russia, China and India (Massey, 2006). *Strategic alliances* are considered the best alternatives to decrease uncertainties and risks related to new market entry. Furthermore a variety of strategic benefits apart from international expansion, may arise from alliances between major food producer i.e. new product development and research centres, widened distribution and licensing of brands, cost-effective production (Massey, 2006; Euromonitor International, 2006). Furthermore forming partnership with external sources can be an additional and faster way to increase product innovation. *External networks* represent a strategic choice to enhance the way to gather knowledge, increasing technological and market expertise. Procter and Gamble's "Connect & Develop" model is the best representation of this logic, reaching innovation efficiency though external sources (Meziane, 2007). Nestlè represents another example of successful innovator in the food industry thanks to the reach of external partnerships which the company has managed as part of its innovation process (ibid). *Co-branding* is the following step to strengthen the value of a partnership wherein two brand names are marketed together for mutual benefit. Nowadays manufacturers are increasingly seeking the advantage of co-branding to add exclusivity and additional meaning and feature to their products. Co-branding enhances product recognition and provides several new product opportunities according to the nature of the partner, i.e. supplier, manufacturer, different business sector. In such cases companies can gain great advantages from using the R&D resources of suppliers and especially ingredient companies (Meziane, 2007). A major example of co-branding was the agreement made between Kellogg's and Danone to offer coupons for free Dannon Light n' Fit yoghurts with packs of Special K (Euromonitor International, 2006). This agreement demonstrated Kellogg's efforts to promote the health aspect of its brands (Euromonitor International, 2006). Another example of co-branding is provided by the partnership between a coffee producer, Green Mountain Coffee Roasters, and an education focused media company, Pubic Broadcasting Services (Meziane, 2007). "The partnership led to the introduction in December 2006 of a new Fairtrade certified organic coffee under the variety name PBS Blend. The association has allowed Green Mountain to enter the highly profitable Fair Trade market with a partner already established in public services and community support" (Meziane, 2007). *Consumers* embody an additional valuable alternative to strengthen manufacturers' NPD abilities, marketing and communication strategies. "The most innovative companies are enhancing the way they gather consumer insights by using the global reach of the internet and empowering customers in picking their favorite product propositions"(Meziane, 2007). The new approach stresses the relevance that consumers play in the development of new products thus reducing manufacturers' reliance and expenditure on R&D output. Companies are studying increasingly different method to gather consumers' inputs, thus improving the way they understand consumers' insight and how these findings best relate to NPD processes. Better *marketing* and *communication strategies* are also crucial in order to successfully address new product categories to specific target groups. The rise of the "pink pound" for example represents an untapped market segment that is increasingly intensifying and requesting greater product differentiations. Companies must be able to interpret new market signal and promptly answer to the stimuli by means of efficient marketing and communication strategies. *Labeling* is finally an additional mean by which considerably lower the information gap between producers and consumers. Nowadays "smart labeling" has been considered particularly successful as companies' strategy to better communicate to consumers, providing easily colorful solution to inform them about products' nutritional content.

Preparation services are presenting an increasing request by consumers, given the hectic life style they are facing. Easier way to dine, although respecting principles of healthy and beneficial features present a potential new market segment where manufacturers invade the arena of the food service business (i.e. Restaurants etc.). Revised ready meal solutions are the easiest exemplification of this tendency where new consumer expectations are driving the convenience trend of ready meals into

new areas, such as freshness and homemade. However, health is the strongest trend driving ready meal innovation as concerns about obesity and diseases are increasing (Mescam, 2006).
Changes in *distribution channels* show another opportunity for manufacturers to escape increasing retailers' power in the food industry. *Direct-to-store distribution* has lately as multiple grocery chains accounted for increasingly large shares of packaged food sales. Acquisitions of well-developed direct delivery channel have helped Nestlè in the German market for example and in the American one, establishing some of the most extensive direct delivery networks in the country (Euromonitor International, 2006). Nestlé has furthermore realized the importance of having strong relationships with retailers in order to maximise sales opportunities to end consumers. As a result, the company developed a programme called IC3, which stands for "Increasing Customer and Channel Contribution". The aim of the programme is to work more closely with retailers, in order to develop the most effective combination of promotions, point-of-sale displays and overall product offering (Euromonitor International, 2006). Opportunities concerning *distribution stores formats* have also arouse to provide manufacturers the possibility to extend distribution and increase transport efficiencies. In the growing premium price segment of the packaged food market, small outlets, such as convenience stores, independent grocers, garages, kiosks and food specialists, play a significant role. "In these segments, market leaders such as Unilever hold a considerable advantage in achieving widespread distribution through a range of incentive deals offered to small retailers" (Euromonitor International, 2006).

7.3 Conclusion

The European food industry has undergone continuous changes in the last years, contributing to increasing market complexity and asking for a strategic reconsideration of the sustainability of value creation over the long-run. As it appears today, constant growth is characterizing the sector; the purpose of this study analyzes the likely sustainability of current market strategies and their appropriateness to continue in the future. Innovation has been highlighted as the most important industry driver in the food sector, thus asking for continuous new offerings and potentially breakthrough innovations. However about 77% of innovations are incremental, where only 2, 2 % represents truly new offers (Meziane, 2007). Incremental innovations, i.e. line extensions, product repositioning, is provoking an increasing abundance of very similar offerings on the market, thus leading to an increased competition and complexity on the market. Brand value in this climate is continuously decreasing and consumption choices are becoming constantly harder to be comprehended from marketers' side. Consumers result unsatisfied and frustrated, not really noticing novelty in the sector, adverting NPD but not witnessing greater variety of food options (Appendix

D). A major mismatch thus arises between marketers' competences and consumers' knowledge, leading to a major threat in the market: market polarization. Under such circumstances consumption choice will be mainly based on price, where from one side discount store will increasingly acquire relevance among low income target group and premium products segment will develop from the other side attracting high income consumers. Consumers' knowledge will meanwhile generally decrease, less and less concern about food products will be experienced, thus further destroying brand values and companies efforts to create growth. A great potential for value destruction is thus likely to arise in the industry, where more and more people at the low end of the market will contribute to increase discount store and private labels, sacrificing mass brand products.

Companies need to overcome this challenge by increasingly being closer to consumers, augmenting their knowledge about food products, educating them, finally enhancing easily understandable communication and marketing strategies. How for example can this be achieved? By introducing education programs i.e. in collaboration with school, consumers need to receive greater and more consistent information. Furthermore companies need to go out-front with respect to retailers; they need to personally reach final consumers in order to properly communicate with them, i.e. IKEA catalogue may be a suggestion for big food manufacturers to do the same, thus introducing directly to consumers their product portfolios, focusing on product attributes, new launches and relevant info. This can represent a way to involve consumers with the company, helping those acknowledging new products offerings and better understand products characteristics, brands' value and company image. If companies reduce the knowledge gap that separates consumers' competence from companies' new product launches, the potential for new creation of value will arise. At the same time consumers' empowered with greater knowledge, as we have seen from the specific target group under scrutiny (Appendix D), can rationally decide what is best for them, basing their choice on brands, product attributes etc., shifting their focus on product differentiation rather than price. To increase consumers' knowledge companies should focus on better communication and marketing strategies (proper targeting strategies for different consumers segments). Brand value need also to be enhanced by providing brand experiences and introducing greater innovations, while decreasing incremental one only damaging the brand itself and increasing consumers' confusion and low understanding of the differences among the similar offerings (Sadler, 2006). By means of enhancing consumers' understanding of the food market, and developing strategies aiming at better communicate with them, companies can achieve a greater insight about their consumption processes, interpreting latent needs and further involving them in the creation process of NPD. A shift in logic need to be enacted in order to answer to those market requirements, where an individual logic based on positioning and competition is no longer sustainable to produce value given the increasing market complexity. The traditional Porter's view of strategic management must be replaced by a co-creation logic, where an eco-system business model highlights the interconnection and networking approach that will contribute to value creation (Davenport, 2006). External and internal network must thus be established, engaging in collaborations and alliances apt to provide a constant information flow. A focus both on the market, both on technology will deliver the best alternative to create a sustainable innovation model to cope with the turbulent market environment (Berthon, Hulberth and Pitt, 2002). Thus an *interact* innovation mode is suggested, guaranteeing innovation by utilizing internal and external sources, thus relying on a greater amount of information and ideas arising from the partners of the networks.

I believe that collaboration and co-creation capabilities, market related capabilities and appropriate communication strategies are the four fundamental pillars to be developed by companies to enhance this shift in strategic logic, where co-creation capabilities are crucial to manage and extract value from networks. Knowledge management represents the propeller to initiate and to sustain the overall eco-system co-creation logic. Knowledge plays a fundamental role in the new innovation economy, thus companies need first of all to establish information platform, knowledge sharing mechanism and capabilities to retain, manage and transfer knowledge within the system and among its components. A holistic strategy process stresses the benefits and potentials arising from the sum and interactions of its parts rather than from the efforts of the single one.

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APPENDIX A

DEMAND AND SUPPLY SIDE FACTORS

A1. Demand and Supply side factors impacting trend evolution

Demand Side			Rising Food Trend	Supply Side		
Changes		Factors		Strategies	Actors	Changes
Demographic changes	Population	Population increase	X	MNE' M&A	Manufacturers & Retailers	Business Strategies *
		Rising of ageing population	Health Premium	Premiumization		
		Population migration	Premium	Globalization		
		Population diseases Allergies, Diabetes etc	Health	Diversification Innovation		
	Lifestyle	Single household Rising of women working Increased hours worked Meal time fragmentation	Convenience, Indulgence & Premium	Distribution channel Premiumization		
		Youth Rising of the "pink pound"	Innovation	NPD & Innovation		
		Home entertainment	Premium	Premiumization		
Income growth		Consumers' sophistication GDP increase	Premium & Services			
		Increased mobility	Ethnic food Exotic ingredients			
Eating habits		Sensory Experience	Gourmet	Media	TV Magazine	Media & IT
		Group segmentation	Segmented products Personalized nutrition	Information Technology		
		Health-conscious	Fresh & Natural	Food standard	Government & Institutions	Regulations & Food Standards
		Dieting	Increase in protein consumption			
Consumers' attitudes		Obesity	Dieting Weight management Functional Food Natural and fresh Low-fat	Health campaign Diversification*		
		Food security	Organic Homemade/Local Authenticity	Trading policy Ethic * Food security		
		Ethics	Ethics Fair trade	Social concern Ethic *		

Table 1A. Demand and Supply side factors impacting trend evolution, Own source

A2. Demand side factors

Although Demand and supply side factors are the drivers of the emerging food trends, during the research process they have been considered after having identified the major food trends. Thus, once the relevance of the 5 mega-trends and their relative sub-trends arouse, a major question was: *"Why and how have this trend emerged? What factors drove the trend to become so relevant?"* Answering this question would provide me with three results:

1- identifying demand and supply side factors acting on the market
2- understand the relevance of such factors with respect to the trends, thus reaching final consideration of the evolution of the food industry
3- spotting additional trends, helping me to envisage the likely evolution of the trends

Exemplification of reasoning behind the choice of the factors:

EX.1 Demand side.

Health has been regarded as the major trend affecting the food market, driving the majority of NPD and interesting a wide number of consumers of different age and target group.

"Why and how has the health emerged? What factors drove the health trend to become so relevant in the market?"

Demographic changes, income growth, consumers' attitude and eating habits have evolved in the last years. Considering demographic changes for example, everyone know about the astonishing percentage of ageing population likely to reach the near future. By 2020 Western Europe will see an increase of 35% of people over 60 (Euromonitor International, 2006). A greater number of ageing population drive to a greater awareness towards health issues. This is a very crucial data in the development of the food industry, because offers marketers a wide untapped market segment: developing products with enhanced healthy benefit that increasingly interests this particular group segment (i.e. product enriched by Omega 3, Probiotics, low cholesterol, etc…).

Furthermore a correlation has been found between trend relevance and factor relevance. The importance of health as a trend lead to consequently relevant reasons for which its determinants are also very significant in the food industry development. When assessing future development of the food industry, such correspondence has been taken into account, as revelatory to understand greater value potential for the industry.

EX. 2 Demand side.

Organic is another trend that similarly to health has received a great interest on the food market. *"Why has this happened and how? What factors drove the organic trend to become so relevant in the market?"*

Consumers' attitudes towards food have drastically changed. Consumers are nowadays increasingly interested about food provenience, about food processing and food authenticity. Consumers are scared because of the increased amount of chemicals and pesticides adopted during food

production, thus food scare and food security represent two major factors in consumers' life driving the choice for organic. Organic represent from this point of view a secure alternative to answer the need of food security.
Thus, once analyzed the various trends, the subsequent factors driving them and the changes occurring in the market, a categorization has been developed, suggested by a worldwide report of food consumption: "*The Future of Food. Long-term Prospects for the Agro-food Sector*" presented by the OECD (1998). In this report they divided demand side factors into four main categories of changes: demographic, income, eating habits and consumers' attitudes. According to this division the report explains in general the consequences of such factors on the food industry (OECD, 1998). Thanks to this first reading I found the inspiration to structure my whole data analysis regarding demand side factors affecting food industry transformations, as I saw that several issues causing the emergence of food trends were easily fitting into those four main categories. A great amount of articles have been analyzed and then the data have been re-arranged in the way presented above to grant my research more structure and coherence.

A3. Demand side factors described

a. Demographics changes

Population

Trends in demand for packaged food are typically shaped by demographic changes and evolving consumer lifestyles. Major changes occurring in the population have seen a steady increase of demographic expansion. If comparing it to the population amount in 1950 counting about 2.5 bn of people on the planet, in 2000 there has been a peak up to 6 bn (Southgate, Graham, Tweeten, 2007). This increase was primarily driven by developing countries which were experiencing a strong and continuous growth, both in population and income, demanding for higher level of food (OECD, 1998). On the other side, a declining birth rate has characterized the developed countries facing the challenge of a constantly ageing population.

Ageing Population

Due to longer life expectancy across the world, a growing proportion of consumers fall into the 60+ age bracket. By 2020 Western Europe will see a rise of 35% of those over the age of 60 (Roberts, 2004). The older population benefits on its side from a higher level of income favouring an increased consumption in superior food products (Euromonitor International, 2006). Products that address bone health, vitamin deficiencies, diabetes and other complaints common to the elderly should experience a boost in the market, due to a gradual swelling of the potential consumer base (ibid). Although products targeted at the elderly will be a niche area, there is considerable potential for well-marketed products which target the ageing population (Mescam, 2008).

Population Migration

Population migration has helped to introduce new food cultures across the globe and develop people's palates for non-indigenous foodstuffs creating demand for authentic ethnic food ingredients and products. A growing ethnic influence has also stimulated the diffusion and need of differentiated food coming from a wide variety of countries, to satisfy the minorities meanwhile attracting the locals (Euromonitor International, 2006). Cross-cultural influences have contributed to increased consumers' interest and knowledge about foreign foods as well as previously unfamiliar ingredients (Schroeder, 2003). Furthermore this present a great opportunity for marketers to advertise and specifically address the needs of what they call the "brown pound" (Moore, 2006).

Household size

The biggest change has been in the proportion of households containing one adult aged 16 to 59, which tripled from 5% in 1971 to 17% in 1998 (Moore, 2006). Since then, there has been no statistically significant change in this proportion, which has ranged between 15% and 16% (Moore, 2006). Urbanization, smaller household sizes and faster paced lifestyles, has underpinned rising consumer demand for convenient, portable, smaller size and easy-to-prepare solutions (Euromonitor International, 2006). Living alone has also reduced the need for carefully planned household food provisioning, leading to the so called "24-h" impulse culture, where snacking throughout the day often substitutes formal meal at set times. However, the choice of pre-packed convenience food over the fresh, natural alternative has also raised a number of issues in consumers' behaviour, creating a sense of guilt and indulgence (Schroeder, 2003).

Women working

The rising numbers of women working drove to a decrease in time devolved to food preparation, showing a greater interest toward convenience food. Food showing healthy attributes were also preferred and chosen over alternatives, despite their premium price (Euromonitor International, 2006). The absence of women at home also led to an accentuated 'meal time fragmentation', seeing a strong decrease of families dining together. Indeed, with both parents working longer hours and children also being busy with their activities outside school, finding a time for everyone to sit around the same table, eating the same food and listening to one another, became difficult. As a consequence, ready meals and snacks present the easiest option to favour everyone eating alone whenever they want (Mescam, 2008).

Home Entertainment

In this context, home entertainment also received a greater emphasis. Stressful rhythm of work, busy lifestyle, contributed to a major focus on home entertaining, asking for relaxing time at home to recuperate. Focus on home improvement, cooking and entertaining has then emerged (Jones, 2000). In this case the choice of superior food and natural and fresh alternatives results the preferred option in such occasions.

Youth Market

Contrary to common believes arguing that young people between the ages of 15 and 25 are thought to be the easiest to influence of all consumers, as they grow more discerning they are also the most difficult to target (Moore, 2006). They continually reinvent the meaning of "cool" and reject brands, people and things that fail to meet their aspirations and expectations. Similarly, communicating with this age group has become an art form, as they refuse to be seduced by most traditional forms of advertising and marketing. The fragmented nature of the media does little to help the innovator looking to communicate the benefits of his/her new product (Moore, 2006). Continuous innovation and new alternatives are thus requested, challenging marketers to meet their suddenly changing expectations and desires.

b. Income growth and consumption rate

GDP Increase

Gross Domestic Product can be considered as an indicator of the aggregated income level. It is not proven that income growth positively relates to food expenditure. However it has been studied that higher income lead to the consumption of more expensive products (Nordic Food Market, 2005). Where the demand for basic foods is not likely to increase, services provided within the food industry, e.g. processing and packaging are certainly arising (OECD, 1998). GDP figures show that year-on-year growth per head of population in most leading European countries and in the US is above 3% (Page, 2006).

Increased mobility

Increased income availability will also favour travelling, leading to an increased demand for authentic foreign and ethnic foods. A propensity towards travelling drove to a greater acceptance of foreign food habits and an increased curiosity for foreign products (Nordic Food Market, 2005). As a result consumers are keen to replicate meals they have experienced abroad. Furthermore ethnic or exotic foods are often composed of more expensive ingredients and therefore are priced at a premium, steadily increasing international food expenditure (Jones, 2006).

c. Contemporary eating habits shaped by necessity and choice

Sensory experience

Consumers are becoming more demanding. Food in their eyes is becoming a sensory experience, for which they are prepared to pay more. Food services and ready eating solutions will gain increasingly acceptance and higher quality standards.

Group Segmentation

The increasing demand of products and specific product attributes is leading to a shift in the market from standardized goods to customized one. Companies are trying to better address individual target group, delivering an always more precise offer to satisfy their specific requirements. Thus an increase of product segmentation, fitting consumers' categories e.g. children, women, pregnant women etc, leading to a strong boost in product varieties and related advertising and marketing campaigns (Blake, 2006).

Health Conscious

Contrasting the increase in convenience food, the demand for freshness has also risen. Natural and fresh products are highly sought on the market from a heath-conscious group of consumers who, even if constrained by high-paced lifestyle, recognize the relevance of eating good food.

Dieting

Dieting styles have been changing, shifting from high-protein products on the back of popular low-carbohydrate diets (a survey by AC Nielson, revealed that global spending on meat, fish and eggs rose by 6% in 2004, more than any other food category) (The Economist Intelligence Unit, 2005). The corporate impact of diets and dietetic foods cannot be underestimated. The success of the indications now are that, like Slim-Fast before it, the Atkins diet and other low-carbohydrate diets are increasingly on the wane in favour of other trends. Underlying individual dietetic trends, however, is an overall trend towards healthier eating in the face of increasing issues of obesity and unbalanced diets (The Economist Intelligence Unit, 2005).

d. Changes in consumer attitudes

Obesity

Of considerable note in the latter half of the review period, health and safety have become key issues for both consumers and manufacturers following rising concerns over global obesity and continuing food contamination scares. Globally, obesity is becoming a huge health problem. The World Health Organization (WHO) refers to "an escalating global epidemic of overweight and obesity –"globesity" – that is taking over many parts of the world." With obesity comes increased risk of ill-health and disease, including: respiratory difficulties, chronic musculoskeletal problems, skin problems and infertility (Blake, 2006). Demand for "all natural" products has mirrored the development of foodstuffs offering "functional" benefits and "better-for-you" attributes, as manufacturers respond to consumer desire to improve their diets and combat growing levels of obesity (Euromonitor International, 2006). Sedentary lifestyle have played some part increasing the prevalence for obesity, but there is a strong evidence that people are being more healthy, looking for low-fat alternative in different segments of food (Schroeder, 2003).

Ethics

Access to information about ethical values through appropriate labelling has also gained importance among the public. This sense of self also ties in with consumers increasingly wanting brands to share their values with. Lynch says there is a definite desire amongst consumers to "engage" with companies with a "green" philosophy (Moore, 2006). "This runs much deeper than merely wanting recyclable packaging, but brings into play a host of corporate values that companies must be mindful of because consumers are increasingly questioning corporate values and corporate responsibility while selecting their food products" (Moore, 2006).

Food Security

Genetically modified products, concerns how food is made and the impact that food production techniques have on the environment and on animal welfare (Nordic Food Market, 2005). Industrialized countries are the most sensitive to this issue applying several measures and regulations to higher safety standards in food product. Particular relevance is given to organic food and more in general to food containing low level of pesticides and chemicals. Homemade products are also gaining a wider acceptance in the market due to their genuine characteristics.

A4. Supply side strategies

When considering the reasons behind the emergence of trends, demand side factors have been found to be a limitative source of explanations. Trends sometimes were not fully explicated by those factors and a greater level of investigation led to the conclusion that supply side factors are equally relevant to determine the emergence of various trends on the market. An obvious example is provided by <u>EX. 2 Demand side</u>, above mentioned. Attributing the rise of *organic* to changes in consumers' attitudes is limitative. Although the reasoning is correct and the factors arising from demand side are found to be true and relevant, they describe the problem only from a consumers' perspective. A greater picture of the rising of such trend is provided when analyzing also the supply side factors. A need of a better understanding was underpinned by the fact that "*changes in consumers' attitude"* itself drive to the question: "why is there a change in consumers' attitude? What's the cause of it?" In the example of organic, this change in consumers' attitude has been driven by governments and authorities for example. Regulations protecting the sales of locally produced (organic) products have been defended by governments' action and by institutions.

Furthermore manufacturers and retailers have also addressed the problem by offering a wider range of organic product, responding to the issue of ethic, sustainability, food security etc..
Thus, more in general, when starting to consider supply side factor as concurrent causes to the emergence of food trends, major player have been firstly identified as imputable to dictate changes on the market. Such players were grouped into three main categories: Government and Institution, Manufacturers and Retailers, Media and Information channels. Furthermore, major reasons for changes had to be pointed out, to develop a coherent table structure (Table 1). Thus I considered changes in business strategies the major factor provoking the rise of food trends from a supply side perspective, following I have considered the change in media and IT system to influence TV and magazine standards, finally changes in regulations to affect government and institutional food policies. The major question to be answered in this case to assess the relevance of the input retrieved was: *"What specific strategy for manufacturers / retailers (or Government and institution / Media and Information) is able to influence the rise of new trends?"* Due to business strategies transformation led by changes in the market (demand side factors), new approaches and new logic have been adopted to answer the fast and dynamic food market environment. Thus six major strategies have been adopted by manufacturers and retailers to address the new market paradigms. I have selected these six strategies among many others because showing a clear link and correlation with the emergence of food trends.

Exemplification of reasoning behind the choice of the strategies:

<u>EX. 3 Supply side.</u>

The *health* trend, as already considered from a demand side perspective, it has an extreme importance from a supply side viewpoint. This has emerged by answering the above mentioned question: *"What specific strategy for manufacturers / retailers (or Government and institution / Media and Information) is able to influence the rise of new trends?"*

Answers:

1- changes in manufacturers and retailers business strategies, for example through *diversification strategies*, led to the emergence of a great number of product categories, among which the greatest focus is addressed to health related issues (i.e. functional food, nutraceutical, etc…)
2- changes in *regulations* implemented by government and institutions, as for example *health campaigns* and *trading policies* have contributed to stress the relevance of the *health* trend.

A5. Supply side strategies explained

a. Health regulations and food standards

Food security

Government and institutions are increasingly more involved in the development of the packaged food industry, given the increasing relevance and growth of the sector, and its continuous globalization. Food security has become a concern of primary importance, regarding both food provenience and traceability, both the level of chemicals and pesticides used to assist food production. Increasing amount of regulations and norms has been introduced to guarantee high level of food quality, and provide consumers with easily understandable information addressing their concerns. Several European countries have already implemented legislation that will curb the use of chemicals fertilizers and pesticides (OECD, 1998). Bans on products exports also constitute an additional matter regarding food safety. A clear example is provided by the "BSE scare" and the following restrictions implemented by develop countries towards the export of meat coming from South-east Asian countries (Industry forecast, Europe unit 2005). Norms controlling the diffusion of OGM food have furthermore shifted the focus towards natural and organic food, rising consumers' interest in food provenience and production processes. Given these premises, organic food production has seen a strong increase on the market, requiring new regulation from the European Commission concerning production standard and labelling (Sadler, 2006). "The EU has proposed that all organic food products sold in EU member states must display the EU organic logo or use wording to confirm its traceability". The aim is to make it easier for consumers to identify organic products (Sadler, 2006).

Trading policies

Changes in agricultural and trade protections have also reshaped the packaged food environment, in response to domestic and European policy changes. Changes in funding and support occurred given the EU expansion, and the increasing size of the agricultural sector provided by East European countries (The Economist Intelligence Unit, 2005). New trade tariffs have been dictated to regulate EU commerce and also its relation with developing countries.

Social concern

Interest towards public and social concern has also spread by government and institutions, increasing consumers' awareness towards sustainability and corporate responsibility regarding both human and animal rights, both environmental problems.

Health campaign

Governments and public association also regulate and dictate laws to safeguard consumers' public interest, especially with respect to health and societal problems deriving from food consumption.

The alarming rise in obesity rates pushed both authorities and consumers in most industrialized countries to develop a greater awareness towards food intake, increasingly demanding higher quality and healthy attributes related to both food and drinks (Boye, Hansen, Thomsen 2008).
Regulatory actions have been undertaken by government in several countries, in order to constrain the increased level of overweight and food behaviour. Restrictions are expected in limiting or banning the advertising of unhealthy foods to both kids and adults, as well potentially more stringent regulation on labelling. “Food labelling is on-packaging nutrition information that provides vital information for consumers and helps them improve their health and comply with dietary recommendations promulgated by health authorities” (Boye, Hansen, Thomsen 2008). Although Europe has been slower to follow on similar proposals, and while there are still no such labelling rules in the EU, national governments are pushing for change. For example, Denmark became the first country in the world to introduce restrictions on the use of trans fats, with oils and fats now forbidden on the Danish market if their trans fat content exceeds 2% (Sadler, 2006). Furthermore, greater actions are taken at a global level, as in 2004, the World Health Organization called on governments, industry, and civil society to act to reduce unhealthy marketing messages addressed to young people (Hawkes, 2007).

b. Business Strategy

Five major business strategies have been spotted as frequently characterizing producers and retailers evolution in the fast paced food market environment. Appendix A.2 shows the rationale adopted when choosing the selected strategies. Those strategies are clearly linked to consumers’ market trends, showing the close relation between demand and supply side factors and their relative influence on each other. New product development (NPD) and innovation in developed markets are considered as the leading growth strategy for manufacturers; following, market expansion is also well accredited (Massey, 2006). More strategies are presented to provide a complete picture of the actions major players are undertaking in the food environment and how those strategies influence the development and acceptance of food trends.

1. NPD and innovation

“NPD was selected as the most important investment area for building competitive advantage by a global panel of food and drink executives surveyed by Business Insights in December 2006” (Meziane, 2006). An extremely demanding and sophisticated consumer is continuously requesting a greater variety of products launched on the market (Euromonitor International, 2006). If previously was expensive for suppliers to discern individual consumer’s preferences, nowadays information technology allow easier communication between consumers and producers, facilitating consumers’ understanding. Furthermore manufacturers are keen to re-invigorate declining categories by adding interest and novelty, to create new categories, new eating occasions and to reposition existing products and brands (Jones, 2006).

2. Manufacturers consolidation

Multinationals playing in the sector are continuously increasing the size of their business, incorporating new business departments and consolidating their global presence acquiring local partners (The Economist Intelligence Unit, 2005). Globalization is the key source of growth in the sector especially in mature markets where non-organic growth in consumption is difficult to achieve without diversification of brand portfolios (The Economist Intelligence Unit, 2005). A great focus has been placed on developing countries with the aim of developing a strong brand distribution network. Great opportunities of business expansion are especially in Asia and South America, where a strong rising population and increase in income are reshaping the economic environment (ibid). Acquisition was also used by major manufacturers to enter growth sectors in the packaged food industry through horizontal integration, in order to achieve cost savings and synergies (Euromonitor International, 2006).

Cross-category expansion opportunities and the integration of non-food related businesses are also showing an increasing trend, as for instance the acquisition of Gilette performed by Proctor & Gamble. The example highlights an emphasis on diversifying brand and product portfolios within each sector to exploit faster-growing sub-sectors. This dynamism also shows the rising issue of product and market diversification underpinning the development of food companies. "Some companies have responded by continuing to branch out into further sub-sectors within or external to the packaged food industry; conversely, others have responded by focusing on areas where expertise is strongest, opting to offload non-core business units to fund growth in key areas" (The Economist Intelligence Unit, 2005). Restructuring and focusing on core brands has led several manufacturers to reconsider their overall brand portfolio, investing in "power brands", focusing on uniting brand families and achieving economies of scale in their operations (Euromonitor International, 2006). Divestment has been considered by several MNE's in order to be stronger in their winning products offer, thus better communicating their message and their effort to consumers, developing involvement and loyalty, finally avoiding brand and image confusion.

3. Premiumization

The premium market is steadily growing and by 2010 the specialty food and drinks market is expected to reach a value of $44.5bn in Europe (Sadler, 2006). Premiumization strategies have been undertaken by manufacturers and retailers, offerings both extra-quality products, both top shopping and eating experiences. Supermarkets have pioneered growth in many premium food categories notably in meal solutions such as chilled ready meals (Jones, 2006). Furthermore delivering of specialty products, food services and preparation services is increasingly requested and sought for by consumers (Southgate, Graham, Tweeten, 2007). Niche players have also entered the market, offering exclusivity and sophistication in the high quality and extra value food arena.

Various private label ranges have evolved to adapt to this trend, becoming higher in quality while maintaining their value-for-money proposition, leading to a strong competition with national brands. The development of higher quality private labels is part of a strategy for retailers to obtain higher value consumers, as a key route to growth in price competitive markets (Sadler, 2006). According to industry executives, premium private labels will experience the biggest increase in sales over the next 5 years (ibid). Healthy private labels will increase the most in sales, as consumers are becoming increasingly aware of the levels of fats, salt and sugar in the food they consume (Sadler, 2006). Premiumization strategy offers a great alternative for manufacturers and retailers to increase profit margins, improving at the same time corporate brand image.

4. Ethics

Nutritional labelling, Fair Trade and locally sourced / organic products, have been the three main areas on which manufacturers and retailers have been focusing to respond the augmented consumers' need to act ethically to satisfy their consumption choices.

Nutritional labelling

Nutritional labelling is considered extremely important to guarantee consumers' trust, consolidate loyalty and deliver a greater understanding of product offerings. Manufacturers and retailers have also been innovative in their approach to nutritional labelling, as for instance Tesco has put all the essential nutrition facts, i.e. calories, salt, fat, saturated fat and sugar on the front of private label packaging (Sadler, 2006). Supporting the labelling initiative with health orientated campaigns in store will lead consumers to associate healthy eating with the retailer / manufacturer and its brand, as well as develop their core brand identity. All of this will place the company in a much stronger position to compete with other healthy brands.

Locally sourced / organic products

As yet in Europe there is minimal regulation covering local product sourcing. Largely, the use of local products stems from a strategic initiative to emulate some of the features of local market. However, regulations to increase the presence of locally sourced products do exist in some market. In Italy for example, draft Legislative Decree No 182/2005, will obligate large-scale retail outlets and supermarkets to allocate at least 20% of the area dedicated for the sale of agri-food products to *regional* agri-food products (Sadler, 2006). Organics will also continue to be a vital segment of the locally produced market over the next five years due to the fact that consumers concerned with traceability are generally more trusting of organically produced food and drinks. "Many leading retailers and brand manufacturers have developed organic private label ranges to show support of food safety, non-GMO use in private labels, traceability, to enhance their reputation as a commercially responsible company, and also make sure their brand appeals to the growing number of organic consumers" (Sadler, 2006).

Fair Trade

For many European ethical consumers, the consequences of unfair trading practices between developed and developing countries are a great concern (Sadler, 2006). Consumers are increasingly seeking to derive not only functional benefits but also 'feel good' emotional benefits from the products they consume and Fair Trade products emulate such a feeling. Still, what was initially a niche market that appealed to consumers prepared to make an effort to adhere to their principles, has now entered into the mainstream. As a result, leading manufacturers and retailers have developed their own Fair Trade products ranges. Nestlé in October 2005 launched in the UK market the first Fair Trade coffee accredited by the Fair Trade Foundation (Sadler, 2006).

5. Distribution channels

Changes in distribution channel have realigned the world packaged food. Retailers during the last 10-20 years have undergone a deep transformation, fiercely expanding on the market while integrating both horizontally and vertically (The Economist Intelligence Unit, 2005). In terms of supply, consolidation in the manufacturer and retail environments led to significant changes in the production and distribution of packaged food over the review period. Changes in retailing strategy were responsive to the emergence of key trends in consumer lifestyles. The most significant of these trends was the demand for shopping convenience, due to longer working hours and more women in the global labour force. One aspect of this trend was demand for one-stop shopping for families and households, leading to the development of large-scale retail formats, such as supermarkets, hypermarkets and discounters. (Euromonitor International, 2006). On the other hand growing urbanisation and the trend towards "on-the-go" lifestyles have prompted retailers to look to formats that offer fast, convenient environments for time-strapped consumers (Euromonitor International, 2006). Petrol/gas/service station food retailing is also increasing to satisfy consumers' "convenience" needs (Euromonitor International, 2006). These stores allow drivers to fill their cars with petrol at the same time as buying fresh food and drinks and further provided with internet access. "Such convenient service stations are set to expand in North America and Western Europe, driven by consumer demand for the convenience of buying fuel, and having access to a 24-hour shop and Internet café all under one roof" (Euromonitor International, 2006).

A final major development in retailing is the ongoing incorporation of Internet technology into traditional methods of retailing. Variously dubbed "clicks and mortar" or "clicks and bricks", the rise of “e-tailing” by supermarkets of food items has led to the establishment of a large number of Internet retailing programmes, in addition to the growth of B2B retailer exchanges for the purpose of reducing supply costs.

Contrasting the increasing trend of convenience store and online shopping, a polarization effect in the packaged food market also drove to an increase of discount stores (Boye, 2008, Appendix C; Vej, 2008, Appendix C). European discounters, struggling to communicate their message of high quality at extremely low prices, are gaining greater relevance through their attempt to reinvent their image (Sadler, 2006). To appeal to a wider audience, discounters are expanding their product offerings by introducing fresh product and by increasing the number of branded products in store (Sadler, 2006). The majority of discounters, including Aldi, Lidl, Dia and Netto, are becoming more innovative and as a result, are competing more directly with supermarkets (ibid). “The fact that a discounter is rated so highly by executives indicates the changing shape of the future European food and drinks retail market” (Sadler, 2006).

c. Information & Media

The celebrity chef is by no means a new phenomenon, since cookery programmes have proved a cheap and popular format since the advent of television. While the cooking spot certainly provides valuable ‘filler’ for the vast expanse of day-time television, its wider significance has been in contributing to the increased sophistication of the TV audience for food. Television chefs such as Subijana and Acquinano in Spain for example not only have their own restaurants and television programs but also have spinoff books and magazines (Jones, 2006). This has contributed to the raising of consumer expectations and general consumer education regarding the quality and range of food items bought and subsequent meals consumed at home, especially in countries such as the UK which lack the home culinary tradition of Spain and Italy (Jones, 2006). In addition to television programmes, print media have a growing influence. Newspapers come with a range of lifestyle supplements including food sections. Supermarkets also have in-store magazines promoting new products and portraying food as a lifestyle, associating recipes with travel. Finally websites, magazines and restaurants, are contributing to spread the diffusion of new trends around the globe, increasing consumers’ interest and knowledge in the food market (Søndergaardh, 2008, Appendix C). The development of IT System is further contributing to enhance the variety of product offerings spotting distinct consumers’ requests and related new market launches. The advanced technology applied facilitates marketers to better understand consumers’ requirements, identifying their specific target group requests, thus enhancing greater product personalization.

APPENDIX B

FOOD TRENDS SELECTION

B1. Trends analysis

In order to make a selection of major food trends underpinning the evolution of the food market sector, a number of sources have been analyzed. A careful analysis and comparison of such results has been hereby reported, showing the major trends highlighted in each single article consulted. This analysis wants to deliver extreme accurateness and precision to present a comprehensive and truthful picture of the European food market, providing a sound starting point to predict its future evolution.

Database	Source	Trends	Sub-trends	Specifications
EBSCO	Fancy Food, (Bridget, 2008)	Health		
		Ethnic experience	Tea time	
		Natural & Organic		
		Affordable Quality		
		Private label increase		
www.PreparedFoods.com	Chef Spotlight (Mc Evoy, 2005)	Ethic	Food security	
		Indulgence	Authenticity Exotica	
EBSCO	What' s hot now in F&D, (Shock, 2007)		Tasting	
		Convenience	Miniature portion	
			Edible centrepieces	
			Presentation	
		Premium	Fusion	
GMID	Industry Forecast Europe, (2005)	Convenience	Single serve packaging	
		Convenient retailing	Portability	
		Health	Image Organic Functional	
		Indulgence food		
		Ethnic and novel food		
		Segmentation		
		Food safety		
EBSCO	The way forward, 2006	Segmentation		
		Health	Wellness	
		Premiumization		
		Convenience		
www.PreparedFoods.com	Global trends, 2005	Fruit & Veggie	Packaging Innovation	
www.PreparedFoods.com	The trend times, (Roberts, 2004)	Convenience		
		Health	Wellness	
		Authenticity		
		Confidence & Safety		
		Sustainability		
		Customization		
		Trading up		
		Design		
Business Insight	Future innovation in food and drinks to	Health	Wellness and wellbeing	
			Weight management	Product with appetite

	2012 (Meziane, 2007)			suppressant Product helping burning calories
			Nutraceutical Energy and vitality Targeted nutrition	
		Premium / Indulgence	Guiltless gourmet Super premium Authenticity Ethnic food	
		Convenience	On the go Freshly prepared	
			Innovative packaging	Flavour preservation Portion control Customization
		Ethic	Organic Fair Trade Local - Homemade	
Business Insight	Future food and drinks flavour (Lewis, 2006)	Ethnic food & fusion flavours Fresh, natural & authentic flavour A taste for health: fruit Flavours & ingredient with health benefit	Quantity and quality	
			Sweet and savoury flavour	
			Unique new ingredients with familiar one	
			Authentic ingredients	
			Personalizing product "personal touch" homemade	
			Wild, natural, whole and fresh	
			Mix and match flavour combination	
Kraft	Company presentation (Kraft, 2008)	Health and wellness		
		Snacking		
		Sustainability		
		Premium		
Business Insight	Innovation in healthy on-the-go food and drinks (Blake, 2006)	Health	Personalized nutrition	
			Daily dosing	Food as medicine
			Natural and organic Sports products Weight management	
		Convenience	On the go	
			Customization	Targeted nutrition
			Kids' convenience	
Business Insight	Growth strategies in premium food and drinks (Jones, 2000)	Premium	Universal appeal	
			Guiltless gourmet	
Business Insight	Future product opportunities in cosmeceuticals (Lewis, 2007)	Cosmeceuticals	Antifatigue Hair care Skincare Anti-aging Tanning	
Business Insight	Next generation nutraceuticals (Barton, 2006)	Nutraceuticals	Nutrigenomics	
			Personalized nutrition	
Business Insight	Growth strategies in organic food and drink (Business Insight, 2002)	Health awareness and personal wellbeing		
		BSE crises and food scares		
		Environmental and		

		animal welfare concern		
		Concern for GMO food		
Business Insight	Innovation in gourmet and specialty food and drink (Page, 2006)	Premium	Unusual and exotic ingredients	Super premium
			Functional ingredients	
			Lifestyle products	Fashion accessory packaging Urban lifestyle products
			Co-branding	
Business Insight	The future of ethical food and drinks (Dodds, 2007)	Retailers interest		
		Fair Trade		
		MNE's CSR programmes		

Table 2A. Trends Analysis

B2. Mega-Trends and sub-trends

Thanks to this first trends analysis a number of major trends have been identified. Following, by studying the data retrieved, a categorization of the most recurrent trends has been made, also gaining a greater knowledge about each of them. Thus five mega trends have been spotted, and a number of sub-trends have been discovered. By reading several sources no particular coherence has been found regarding trends and sub-trends belongingness. A need of clarification and simplification was needed to find consistency among a great number of sources and to have a solid ground on which to start basing assumptions from. Thus, being helped by some articles and already existing categorization, and by gaining a greater knowledge about the topic, a series of minor trends have been linked to mega-trends as their sub-trends. Hereby is shown a first categorization's attempt. Not all the trends identified have been included, only the highly recurrent ones and the ones logically deriving from mega-trends. Finally sub-trends were passing the "selection" if useful to address the main research purpose: value creation. The following question was kept in mind when assessing the relevance of each sub-trend: *"Does the given sub-trend show acceptance and market opportunities from a consumer point of view? Does it contribute to deliver additional and sustainable value to the industry or is likely to be only a short term fashion?"* Food experts' and consumers' interviews have been strongly consulted and adopted to provide coherent answer to such questions, furthermore food reports and food articles have been consulted to provide greater reliability to the analysis.

Mega-Trends	Sub-trends
Health	whole fresh
	low fat/low cal
	fruit & veggie
	organic
	nutraceutical
	weight management
	personalized nutrition
	targeted nutrition
	food as a medicine
	daily dosing
	natural
	wellness and wellbeing
	cosmeceutical
	energy & Vitality
	sport products
Premium	gourmet
	super premium
	guiltless gourmet
	indulgence
	authenticity
	exotica
	novel food
	fusion
	design
	exclusive packaging
	universal appeal
	lifestyle product
	personalized product
Convenience	freshly prepared
	single serving
	portability
	ready to eat
Ethic	fair trade
	organic
	local / homemade
	food security
	concern for GMO food
	CSR
Segmentation	niche group
	targeted nutrition
	personalized nutrition

Table 3A. Mega-Trends and sub-trends

Note: Shaded areas indicate the duality of the sub-trends, which belongingness may pertain to more than one mega-trend. This is caused by the greater trends convergence characterizing the market, thus creating multi-attribute products.

B3. Trends evolution

An evolution timeline has been added in correspondence to the trends in order to better understand market dynamics and evolution. Thus an explanation of the first three mega trends emerging in the industry (health, convenience and premium – pg. X) is firstly provided, followed by the rising of two subsequent trends, namely ethics and targeted nutrition. The sub-trends described and firstly taken into consideration coincide with the relevance and the level of awareness of such sub-trends in the market. The table below (Table 4A) shows an exemplification of such categorization, followed by a detailed description of each of them (Appendix B3). Primary data collected from food experts and consumers and secondary data concerning the European food market have been consulted to provide this first understanding of mega-trends and sub-trends (Appendix C, Appendix D).

Mega-Trend	Sub-trends	Specification
Health	Low fat/low cal	
	Functional food	
	Wellbeing	
	Natural & fresh	
	Organic	
Premium Food	New alternatives	
	Ethnic food	
	Food origin	
	Gourmet and specialty food	
	Indulgence & Guiltless Gourmet	
Convenience	Portability –On the go-	Packaging innovation
	Ready to eat	Snack
		Ready-meals

Table 4A. Major trends and sub-trends, Own source

Health sub-trends

Low fat/ Low cal products

“Light” product version of already existing offerings, have been one of the first health concern in the food market. Manufacturers, in order to address the problem of obesity and overweight, several years ago already started to launch the light version of main products within their portfolio. This alternative presents an attractive option with a reduced level of fat, calories or sugar, still maintaining a very similar taste with the original one. Nowadays a deep penetration of the “light” trend has seen an expansion towards all products portfolio, offering a wide variety of choice to health-conscious consumers.

Functional Food

Functional food has been considered one of the major revolutions in the food-health sector. It is defined as food enriched by particular ingredients which improve wellbeing, claiming to help reducing the risk for diseases. The ingredients usually adopted are among other probiotics, prebiotics, antioxidants, minerals, folic acid, and plant sterols (Barton, 2006). Companies are especially integrating those ingredients in dairy products, as well as fruit juice and water. Commonly those products enhance digestion and a harmonic body functioning, presenting probiotics as their main ingredient. Omega-3 has been instead successfully promoted to prevent cardiovascular problems and lower blood pressure (ibid).

Major food manufacturers such as Nestlé, Unilever and Danone and ingredients companies such as BASF, DSM and Hansen have committed to improving consumer's health and wellbeing through nutrition. These companies have functional food product portfolios covering a wide range of health areas, spanning from products for heart and digestive health to a great variety of functional ingredients tackling different health-related needs. From an industry perspective, major food producers are exploiting great benefits arising from this health concern. Value-added products, such as functional foods have been providing great benefit eventually increasing manufacturers' profit margin.

Wellbeing

"Wellbeing" is a growing lifestyle trend affecting a wide range of consumer products and services. Its impact on the global food and drink market is increasing due to growing concern about consumers' food consumption in relation to personal feeling (Meziane, 2006). Wellbeing refers to the idea depending on food intake, and consumers´ impact on their physical and mental health. Seen from this perspective, wellbeing refers both to health and lifestyle: by improving health consumers can also improve their quality of life. The wellbeing trend has been driven by the increase of health diseases, such as an increase in obesity, deficit disorders, stress and skin diseases. However, wellbeing does not exclusively address health problems. It rather claims to convey healthy and mental harmony thus, targeting a larger audience with respect to functional product merely addressing healthy issue (Meziane, 2006). Wellbeing consists of "new age" products, food and drinks associated with spiritual and intangible benefits, generally good for body, mind and soul. (Meziane, 2006).

Consumers thus are increasingly willing to change eating styles to foster a more balanced and healthy nutrition. The holistic idea of health and the believe in "you are what you eat", also strengthened consumers concern and motivation pursuing healthier eating habits (Sadler, 2005). "Better for you" product have been introduced and advertised in virtually every category, be they low-mercury tuna fish, fat-free pretzels, or even vitamin- and mineral-enhanced brownies.

Natural & fresh

"From farm to fork" is the motto highlighting consumers' great interest in acknowledging their food provenance and processes. At the same time, the desire to eat fresh, healthy, natural and perhaps environmentally friendly products. 'All-natural' is now a buzzword in the global food and drink industry. Manufacturers identify new products as 'all-natural' because they contain ingredients such as fruits, herbs and nuts (Lewis, 2006).

Several natural products have been re-launched and re-positioned in the food-health market promoting their curative and beneficial attributes. Soy, pomegranate, raspberry is a major examples of a great marketing and branding pressure from managers to emphasize their healthy benefit, thus turning in functional legumes and fruit (Lewis, 2006).

Soy has been marketed often in relation to its positive role in heart health. Furthermore it is considered the leading flavour at the moment in terms of the share of food and drinks launched containing flavours with functional benefits (Lewis, 2006).

Pomegranate was promoted as the 'new cranberry', becoming now a regular and well-known feature in new healthy product launches, finally boosting its sales and acceptance as beneficial new flavour and ingredients in the drink market (ibid). Super fruits will continue to be successful and the list will grow from the current favourites – pomegranate, blueberries and cranberries – to include more exotic fruits.

Re-packaging and re-positioning have also played a major role in the "natural and fresh" trend , in order to appeal to untapped target audiences: smaller strawberries for kids, strawmatos (tomato shaped as a strawberry), canned avocados, square melons and red bananas are all examples of how traditional fruits have been re-packaged and repositioned to become eye-catching and to stand out on the shelves. The ultimate fruit-related branding example is the Disney licensing of fruit in European and US stores. Goofy peaches, Mickey Mouse grapes and Winnie the Pooh apples are starting to make regular appearances in children's lunchboxes (Lewis, 2006).

Organic

"The word organic has been used to describe food grown without the use of synthetic chemicals in a farming system that avoids the use of artificial fertilisers, pesticides, growth regulators and livestock feed additives" (Business Insight, 2002).

From its origins, as a small, relatively underdeveloped local niche, the organic food market has developed into a dynamic and innovative market, growing at a pace that has surprised both reluctant and ardent supporters of the trend. A development that began primarily between the farmers and the local communities has then escalated to capture consumer attention throughout Europe and the US, maturing from niche to mainstream status in just ten years (Business Insight, 2002). The trend has been supported by an increased consumers' concern about food provenance, showing a strong preference towards organic and pesticide-free products (Lewis, 2006). The key advantages that the organic market has over its non-organic competitors is its ability to appeal on a variety of different levels ranging from improved taste and health to environmental and animal welfare issues. Rather than focusing on one core benefit, the industry has chosen to exploit the full spectrum, in order to appeal to a much wider audience.

The organic trend started from being a niche market particularly focused on consumers concerned with animal welfare and environmental issues. However, the health-related aspect of the organic market has gained considerably stronger raison d' être. This reflects a gradual market progression from an ideological based niche through to a more individual, benefit-led mainstream market. Main key consumers' group are represented by parents with babies/small children; young working females and middle-aged females. This target is particularly concerned with health related issues, concerning food safety and health, as showing a strong anxiety for BSE, GMO food, avoiding artificial additives, and favouring instead higher level of natural nutrients. Given this shifted market focus, potential drawbacks may arise for its sustainability and long term profit. In fact, if product traceability and quality can be proved and certified without the product being organic, then it is likely that the demand for organic food will slowdown and its attractiveness will decline.

Finally, government support has also played a crucial role in the development of the organic food industry. In countries where governments have not actively promoted the production and consumption of organic food, the conversion to organic farming has not been introduced by farmers (Business Insight, 2002).

Premium sub-trends

New alternatives

Premium food stands also for increasing variety and offerings available on the market. Greater number of products have lately been commercialized and imported from exotic countries. When fruits such as coconut and pineapple previously categorized as 'exotic' are becoming mainstream nowadays, they have been overcame by new, more interesting and appealing exotic fruits such as guava, lychee, pomelo, yuzu, and tamarind (Lewis, 2006). New and unique ingredients have also been introduced in the market, and provenance certificate have been provided to certify their original authenticity, to satisfy increasingly sophisticated taste buds (ibid).

Ethnic Food

Ethnic food is one of the major trend in the premium food sector, thanks to globalization and increased exposure to new food cultures. The introduction of foreign influences all over the world allowed an increasing variety of products and recipes once only country specific.
The restaurant industry has exploded in the past few years both in terms of the number of people dining out and consumers' increasing desire for something different. In particular Mongolian and Cuban food is increasingly appealing to consumers alongside the now more mainstream Italian and French cuisine (Lewis, 2006). Asian flavour furthermore are increasingly gaining relevance over the long-time favourite Southern European, showing once again a shift in interest from consumers' side and a strong desire to experiment novel and different tastes.
Fusion cooking represents one of the latest trends in the food service industry, combining ingredients and techniques from different cuisines. It can be described as the combination of two or more ethnic food traditions or flavours. Consumers are expected to experiment to a greater extent different flavours and ethnic cuisines over the next five years. More and more cuisines will start to blur, as the taste profile dictates new product developments rather than whether it is "good practice" to mix various ethnic flavours. Industry respondents confirm the future potential of fusion foods within the ethnic food and drinks market. 63.2% of respondents believe fusion foods will have a greater impact over the next five years compared to today (Lewis, 2006). This new interest offers also a great potential to manufacturers, and a great space for product development in the given category.

Food origin

Contrary to what it has been argued above, an increased desire for authenticity, local and homemade has also emerged. One of the backlashes associated with globalization and its impact on food and drinks international standardization, is indeed the search for authenticity. This is supported by consumers' willingness to support local/national businesses but also of a belief that products with authentic features use better and more exclusive ingredients and processes, thus delivering a more enjoyable experience (Meziane, 2006).

Gourmet and specialty food

Gourmet and specialty foods are premium products characterized by an exceptional standard of quality, and requesting a price premium well above the mass-market norm (Page, 2006). Gourmet and specialty foods can be single ingredients such as vinegar or wine; prepared foods such as biscuits and snacks and complete meal solutions. Food and drink can be gourmet or specialty for a series of reasons: regional authenticity, scarcity, classic and special breeds and/or varieties, special cuts, best of the harvest, specialist agricultural/ production or culinary skill, and food technologies (Page, 2006). This last option refers to the process by which the product has been prepared.

Specialty foods may have been developed on the basis of new scientific technologies and functional ingredients, for example products which lower cholesterol levels when eaten. Finally, all of these factors point to provenance as a key characteristic in gourmet and specialty food and drink.

Indulgence & Guiltless Gourmet

Premium food is one of the key growing area for manufacturers and retail multiples, as consumers are increasingly willing to pay a premium for products they believe will deliver incremental benefits, such as superior taste and "exclusive" benefits (Meziane, 2006). However, this is changing as premium is benefiting from the increasing convergence with other trends, such as health and ethics. The concept of premium linked to indulgence, is no longer applicable. Indulgence refers to the trade-off in consumers' behaviour between taste and benefit linked to a specific product, thus the remorse and regret for having eaten it afterwards. This is no longer imputable to premium products, given the convergence of the premium trend with other trends, such as health. It has finally resulted in the emergence "better for you" product lines, which trade at a premium and are typically healthier alternatives to mainstream products. This has led to the development of what is referred to as "guiltless gourmet", which is a trend in products that offer health benefits, without compromising on taste (Meziane, 2006). This is expected to not only boost sales, as consumers are more likely to buy indulgence products if that takes the "guilt" away, but it also allows companies to charge a premium for the benefits provided, boosting their margins and return on investment (Meziane, 2006).

Convenience sub-trends

Portability –On the go-

Portability has been a key component of the convenience trend for some time and is set to continue to drive NPD activity across most product groups as consumers continue to be time poor. Portability refers both to the product small size and to the pre-portionability of its format. The future of the trend lies in products that can easily be consumed at home or out of home, without affecting taste or texture. The duality of this characteristic poses new packaging challenges, continuously evolving to better suit new product definitions, and allowing the convergence of convenience with other major trends, such as health and premium (Meziane, 2006).

Packaging innovation

Innovative packaging is needed to supply the need for flavour/nutrition preservation of new on-the-go products. Given the increasing relevance of functional food and health related ingredients, proper packaging format must be created to allow the transportability and preservation of such ingredients. An example is provided by the OMU yogurt drink example. The drink uses a microencapsulation technology that is claimed to protect the MEG-3 fish oil from oxidation. Considering the importance of Nutraceutical food and drinks, as well as freshness, for the future of innovation, such packaging is likely to play a key role in delivering the health benefits claimed by the products (Meziane, 2006).

Ready to eat –Snacks-

Snacks are the major category of food belonging to the convenience trend. Snack's acceptance and attractiveness has been steadily increasing, new opportunities and greater choices have been introduced by manufacturers to tap the attractive market segments. Kraft food as first food company has spotted, understood and answered consumers´ need for control. Studies have shown that consumers would extremely appreciate to buy small size portion in order to have a direct and precise control of their nutritional intake, finally avoiding the feeling of guilt. Kraft was the first manufacturer to understand this need, thus launching its Nabisco 100-calorie packs. "People seem to be willing to pay to have calorie and portion control" thanks to such understanding, now PepsiCo's Frito unit is readying an estimated $20 million media effort to tout its own 100-calorie Mini Bites as "The right snacks for sensible munching" (Thompson, 2006). In this way companies are getting consumers to pay more for less, having a holy grail in the tight-margined food business. Control appears to be a key motivation of the 100-calorie trend. According to Kellogg spokeswoman Kris Charles, the feeling of control has helped bringing new or lapsed users back to the cookie category thank to the packaging which "makes it more acceptable to eat cookies" (Thompson, 2006). The number of products touting pre-portioned 100-calories per serving packaging experienced since then a strong increase and an affirmed market presence, expanding constantly into new product categories (Thompson, 2006).

Ready to eat –Ready meals-

A ready meal is a type of convenience food that consists of a pre-packaged meal that needs little preparation (Mescam, 2008). The combined European and US ready meals market is expected to show 14.4% value growth between 2006 and 2010. Ready meal categories are seen in different packages and formats, spanning from frozen to canned, to freshly prepared. The main trend in the ready meals market is convenience, as the concept of ready meals entails its easiness and quickness to be prepared. The most common tags on products launched are "microwaveable", "quick" and "single serving", which suggests a meal eaten alone and quickly. However, other criteria today are becoming important, such as freshness of the food and nutritional value of the meal. Convergence of other trends has although favoured a greater differentiation in ready meals offerings, thus focusing primarily on healthy and beneficial solution of a fast and ready to eat single meal.

APPENDIX C

FACE TO FACE INTERVIEWS WITH FOOD EXPERTS
INTERVIEWS GUIDELINES -APRIL 2008-

Part 1. Semi-structured questions

Food Trends

1. Major trends in the food industry
2. How did they emerge? Drivers?
3. Meaning of the trends
4. Are they opposite or related to each other?
5. Are those trends driven by consumers or producers?
7. Are those global trends or local? In general, in the food industry, is the market evolving globally or locally?
8. Do these trends come from particular social group? From major cities or area?
9. Potential of these trends
10. Rank trends

Consumers Focus

11. How do consumers react on new trends?
12. Consumers' perspectives/meaning/attitudes toward the trend
13. Barriers and drivers to adopt these trends from a consumers' point of view

Producers and Retailer

14. From a company's perspective: How strong are those trends?
15. How do producers react on new trends?
16. And retailers?
17. Barriers and drivers to adopt new trends from producers and retailers point of view
18. How is *Innovation* affected, given the new trends? Role of consumers, and consumers' knowledge retention: producers Vs retailers, who is winning consumers?

Food Industry

19. Where is the food industry going?

20. Is there any red threat in the market guiding the overall development of the sector?
21. Is it the food market increasing/decreasing? Expansion of FMCG companies in different businesses rather than food sector?
22. How do you see the relationship between producers and retailers evolving in the future? Overlapping roles? Changing in power of the 2 parties?

Part 2. Rankings

Rank these trends in order of importance

_ ETHICS

_ PREMIUM

_ HEALTH

_ SEGMENTATION

_ CONVENIENCE

Circle 5 of the sub- trends which you believe will reshape the food industry

Wellness	Energy & Vitality	Cosmeceutical	CSR concern
Indulgence	Universal appeal	Super Premium	Exotica
Freshly prepared	Organic	Portability	Lifestyle product
Fusion food	Food security	Functional food	Personalized nutrition
Fair trade	Local/home made	Whole fresh	Gourmet
Low fat/Low cal	Fruit and veggie	Single serving	Food as medicine
Design packaging	Nutraceutical	Targeted nutrition	Sport products
Authenticity	Natural food	Niche group	Weight management

INTERVIEWS RESPONSE

Part 1. Semi-structured questions

1. HELLE ALSTED SØNDERGAARD – food researcher – MAPP institute

1. Premium is the major trend in the industry: increase in income and greater interest for luxury products. Trend that started in USA.
2. Convenience: applies to all other trends, new requirement in every product to satisfy the societal needs.
3. Segmentation: related to premium, taken into consideration only by certain segments, others do not care about it. Week VS Week-end shopping!!! Develop marketing and advertising to sustain segmented food sectors.
4. Ethnic food: instead of ethnic, is now going back to its origin! Trend started in restaurant! Nordic kitchen, row veggie. Fusion btw different kitchen. No ethnic but investigating more on its own root! LOCAL! Food growth in own country, own tradition

GLOBAL TRENDS: health, convenience and segmentation

LOCAL TRENDS: premium, ethnic & local

Trends origin and adoption

Food trends come from America, from mid/up- class. Early adopters: interested people, outgoing, travelling, highly educated, reading magazines. Majority: they try just for trying something new. Old people: very sceptical.

The trends selected by consumers depend a lot on daily basis situation and on cooking occasion!

- Week-end: trying new things, occasion for premium! And thinking about ethics.
- Week: people are focusing more on price, low price! They look for convenience, health and segmented product maybe.

Trend diffusion

Food related life-style. Role that food plays in everyone life? Media are diffusing trends and TV cooking programs, restaurants etc.. very quickly adopted by consumers and then by the industry. Industry is not extremely proactive, nor market-driven.

Food industry consideration

Denmark is spending a considerable amount of money on food. It is a very important industry! Food is very important in the culture. Increase in competition and globalization. Major challenge: Quality Vs Price (discount store).

At the moment QUALITY seems considered more important: particular emphasis on Organic, Good quality, Healthy, Fair trade. But if the economy stops booming, then we have a totally different picture! Discount store will take the lead in the market.

Consumers

Lack of rationality! If consumers would have rationality and unlimited time, then they would choose the best to serve their interest. But the food industry is a dynamic and complex environment -> They have limited knowledge. They don't know what behaviour to serve their interest in the best way.

Manufacturers and retailers

Need of collaboration -> network approach. Collaborating with each other. Retailers should thing in the long term. Manufacturers think exclusively about money.

2. KRAFT- Company presentation and mixed interviews

MNE: international company but very focused on local market needs and taste.

Focus on consumers: understanding target consumers, defining it, understanding its value, and develop communication strategy in a focuses way. Necessary criteria to follow in order to achieve innovation and new product launches.

Concern of being good partners with retailers!!! Understand retailers needs and condition: increasing bargaining power of those!

Consumers

More and more interested in ORIGIN, SUSTAINABILITY and AROMA (taste)

Consumers' testing to approve and launch new product.

Major trends

Premium, Health and wellness, snacking (convenience), sustainability. Also important is AFFORDABILITY.

3. HEIDE BOYE – Phd Student marketing specialized in the food sector-

Consumers' perspective

Complex market environment. Consumers have limited amount of time and resources. They need to find rationality behind their choice. Reason of rationality are: health, environmental issues, ecological issues, organic, etc.

They want to be disciplined and find what is BEST for them. Usually:

-Good/ healthy

-Hedonism/ pleasure

Companies are driving and increasing the complexity of the market, launching constantly new products and innovations. Products used to be on the market for quite long time before. Nowadays the product life cycle has shortened dramatically. Consumers try new products, but are also very loyal to the traditional ones.

Trend origin

Trends start globally, in big cities and big center. Then they diffuse to the countryside, where however people are more traditional.

Consumer perspective

Health is considered the major issue for most of the people. It is regarded by 87% of women and 57% of men. But consumers in Denmark are quite scared of *functional* food. They are sceptical towards addition in vitamins etc.

Minerva lifestyle segmentation: 4 boxes to divide consumers lifestyle and preferences in life. Nowadays much broader defragmentation.

Government and institution they set rules and standards on how people should eat to be good citizens: pressure! Message of balance and legalization.

Consumer research companies want to hear what consumers say. Consumers make innovation happening. Nielsen: companies should be more consumers' focused and engaged.

Consumers do not trust products. Distance between consumers and marketers. Ecological. Brands become mental market: legalization of what you are buying.

Retailer and manufacturers

Retailers have the power and they want to keep it in the future. Coop/ Danske supermarket -> major bargaining power in the food industry. Not healthy for market development.

Food industry

Mac Donald: sponsoring sport team in Denmark, focus on social responsibility but still selling crap. Promotion of HEALTHY LEAVING though.

Consumer knowledge is increasing: they become critical and skeptical. Shift in products: critical thinking -> on the other side consumers which do not care at all. Polarization effect.

4. MARCUS SCHMIDT –Academic professor and researcher-

GFK -> Panel research: 1000 consumers selected precisely, heterogeneous sample to best represent the overall Danish population.

Companies like Coop and Unilever e.g., use GFK to scan the movement of their products. GFK offers panels reporting everything on consumers. Retail studies: in-home scanner recording all purchases. GFK can exactly check any company's products movement to see exactly what is going on in all retailers.

Nielsen: access to bar code into stores. Data fusioning, otherwise privacy issue.

Data mining techniques to see product purchased together: e.g. toilet paper and dog biscuit. People tend to buy them together, then place them close by on the shelves. And also on the same flyers! Huge business of fliers in Denmark because small country, high population density.

Retailers and producers

Private label issues and production performed by producers for retailers! Paradox!!!

No potential for producers (MNE) to distribute themselves.

Consumers' shopping habit

Frequent shopping trip: no many cars in DK! No major shopping. Continuous going for groceries according to what is needed!

5. THYRA UTH THOMSEN –Academic professor and researcher specialized in the food sector-

Consumers thinking

Hedonism Vs Rationality (health)

Hedonism: health, economic, hedonic (obese society). Paradox: people think more on what they eat, but then they also want to like what they are eating! Challenge! Health rationale VS Hedonism

Hedonic rationale is winning: too many constraint in life! That is why consumers seek some "own" decision! "I eat what I want". Indulging into high end products, premium food products, more money, BUT I want something good for myself! Also growing importance towards FAIR TRADE -> Altruistic behaviour.

Changes happening also in media communication: not focused on health too much anymore, BUT on FRESHNESS, ORIGIN, QUALITY, TASTE, PURENESS. Not much space for functional food. Skeptical, industrial products.

Complexity of the food market

People are getting annoyed by the overload of information, reading and checking on ingredients etc.. Make it simpler!!

a. Behaviourist (animal) VS b. Congnitive (criteria for buying –quality, price, cost-benefit, etc..) approach.
b. Products are so different and complex that consumers cannot process the whole information, can not understand cost-benefit! Market complexity is steadily increasing! Need for more

short cuts, more simple arguments. E.g. I pick what looks better. The cheapest one! -> discount store: netto/aldi

Trend diffusion

Marketers pick up trends and support them and evolve with them.

GLOCAL trends: Denmark is resistant to international food . Not really following on the Premium trend. Obesity problem. However in DK many people buy ready-meal and follow South-Beach diet. Ready-meal where although a need for cooking a bit should be needed. Danish like to feel as they are cooking, they are making it. Kitchen sales strongly increased, but the time spent for dinner, not really…

Food industry

Increasingly more important. Food is crucial; ***with food you show who you are.*** Symbolic value of food products. You are what you eat. However there is a strong difference between segments: depending on age mostly. Old people have more money than young ones. Young are more apt for trying new products.

There is no major trends, nor a red threat in the market guiding the industry. There is a bunch of different stimuli, inputs and trade-off. Global general problem, but local situation.

6. JASPER VEJ – Consultant and external professor-

Trends

Health is the most important trend. Then CSR: driven by companies and consumer that increasingly want that. Sometimes is hard for consumers to understand CSR issues. But they value producer which are active in the local environment -> "Homemade relevance".

Dream society (book), explain the tendency among companies, they are telling a story to consumers to be understood and accepted: issue on branding!! *Creative man* -> Prosumer: consumer playing an active part in product creation, e.g. consumer as chef.

Driving the market

Companies are driving development of the industry: way of increasing profit differentiation -> new product. To innovate companies look at competitors, at trends, market analysis (Nielson).

Big focus on environment: CSR issues, ethics, Scandinavian in particular!

Trends origin and diffusion

Trend in Denmark are more local. Companies are investing in LOCAL characteristic of the market! Win-win situation.

Consumers

TRENDS POLARIZATION: health freaks, Mc Donald freaks, no in between!! Problem!!

-Foreign products on international market

-Local breweries-> gourmet -> speciality food

a. very concerned people or not concerned at all.
b. sometimes they care, sometimes they do not.

Discount stores: very important reality! VS Irma!! VS fotex. Irma is very strong: one way communication, they can always find other supplier.

Manufacturer and Retailer

Problem of power and negotiation!!! In the future there will be a greater differentiation for product distribution: hitting new form of channels and distribution efforts! E.g. gas station, more opening hours in groceries. Manufacturers alternative solution: niche shops, high-end boutiques. In general Danes are quite conservative, they would not ask for innovation in this respect.

7. THORBEN HANSEN – academic professor and researcher specialized in the food sector-

Consumers struggle

Market complexity -> difficulties for consumers to transform info. Need of knowledge. Opposite in the market: Fakta-Netto -> food is the cheapest option! Irma-Fotex: differentiation and more offers, otherwise they would just compete on price.

Consumers need to justify their action: if it is not because of the brand or because of the attributes of the products, they need to look for something else, e.g. ecology, organic. Consumers increasingly are dealing less with attributes due to product complexity. Products are difficult to be understood.

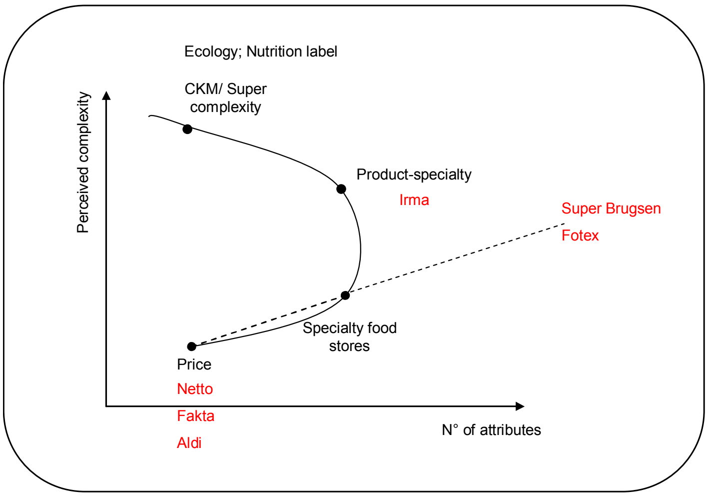
Justification for products e.g. organic, healthy products, low fat, etc. For consumers is hard to understand why they are doing what they are doing. Product competition is constantly increasing, consumers competence is instead decreasing! Big gap.

Specialty stores and differentiated store -> higher number of specific products and also greater consumer competence (thanks to shop assistance!). TRUST -> people are forced to develop and establish trust.

Market complexity is driven both by consumers (differentiation), and by suppliers (competencies).

This is happening all over the places: global trend.

Graph 1
Thorben's graphical explanation of products' attributes and consumers' perception



Consumer stereotype

Price concerned VS luxury consumer.

10-15% of consumers are considering value for money, 80% consumers do not have a clue what they are buying: too much complexity.

Retailers and producers

Retailers detain great market power: 70% of market place between retailers.

<u>Part 2. Ranking result</u>

Exercise 1. Rank in order of importance the following trends:

Ethics, premium, health, segmented products, convenience

		1	**2**	**3**	**4**	**5**	**6**	***Ranking***
		6	5	4	3	2	1	*Value*
Food trends	**Ethics**		**xx**	**xx**	**x**	**xx**		**25**
	Premium	**x**	**x**	**xxx**	**x**		**x**	**27**
	Health	**xxxxxx**	**x**					**41**
	Targeted nutrition			**x**	**xx**	**xxxx**		**18**
	Convenience		**xxx**		**xxxx**			**27**

Evaluation method

Ranking 1 to 6 stands for the most relevant (1) to the least relevant (6) trend.

Value 6 to 1 stands for the value assigned to the most important (6) to the least important (1)

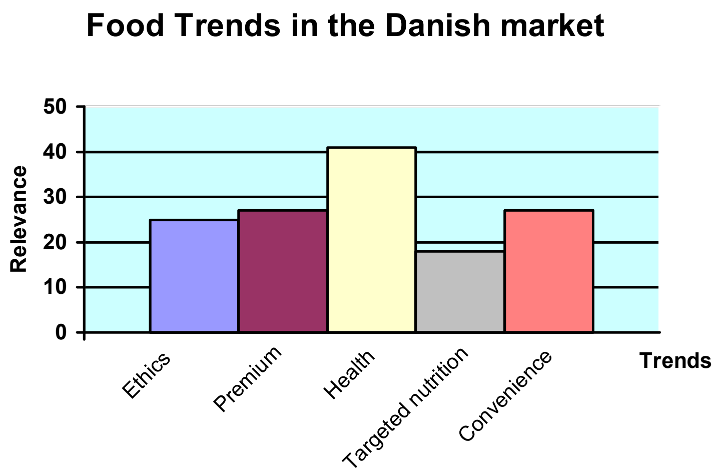
Results:

N°1 Health

N°2 Premium; Convenience

N°3 Ethics

N°4 Segmented products



Exercise 2. Circle the sub-trends which you believe will reshape the food industry

Results: ***Most popular trends -3votes-***

SUB-TRENDS	TRENDS
CSR	Ethics
Natural food	Health
Super premium	Premium

Results: ***Popular trends -2votes-***

Functional food	Health
Weight management	Health
Authenticity	Premium
Wellness	Health
Organic	Health- Ethics
Energy & Vitality	Health
Fair trade	Ethics
Single serving	Convenience

Results: ***Quite popular trends -1 vote-***

Sport products	Health
Food as medicine	Health
Food security	Health- Ethics
Freshly prepared products	Health
Gourmet	Premium
Low fat/low cal	Health

Design packaging	Premium
Local products	Premium- Ethics
Fruit & Veggie	Health

Results: ***Least popular trends –no votes-***

Indulgence	Premium
Fusion food	Premium
Nutraceutical	Health
Cosmeceutical	Health
Whole fresh	Health
Targeted nutrition	Targeted nutrition
Niche group	Targeted nutrition
Exotica	Premium
Lifestyle products	Premium
Personalized nutrition	Health

Results:

Trends popularity related to sub-trends analysis

Food trends	**Votes**
Ethics	**9**
Premium	**8**
Health	**19**
Targeted nutrition	**0**
Convenience	**2**

APPENDIX D

FACE TO FACE INTERVIEWS WITH SCANDINAVIAN CONSUMERS
INTERVIEWS GUIDELINES -JUNE 2008-

a. Imagine that you are to present yourself as a grocery shopper – what key attributes (relating to your shopping behaviour and overall values and criteria when doing grocery shopping) would you emphasise!

1. Describe your shopping trip to the grocery store (frequency, location, etc,)
2. Describe your experience there
   -Do you go there with a shopping list?
   -Do you easily look for new products to try?
   -Do you look rather for offers?
   -How do you feel when you are there?
3. What is driving your decision toward the purchase of a product?

b. Would you say that food is a "big issue" or a "small issue" for you?

c. Would the label "the involved food consumer" alt. "the uninvolved food consumer", sum up the key characteristics of you as a food buyer?

d. There exist a number of food trends –as for example *safe food*- could you name/describe another food trend? Which trends of those do you follow or not follow?

e. Why do you follow a given trend? **OR**: Why not?

f. Are you aware of your interest in that trend? Or rather because you got influenced by friend/family/society?

g. Do you cultivate your involvement and interest with respect to food?

h. How do you understand the meaning of the 5 mega trends: health, convenience, premium, ethic, targeted nutrition?

i. How do you act upon these trends?

j. Do you notice marketers' effort to increase product differentiation to meet different trends?

k. Do you feel pressured by market complexity?

INTERVIEWS RESPONSE

Consumers details

Laura

Danish Girl, 25 years old, student at RUC university, leaving with flatmate.

Catherine

Norwegian girl, 27 years old, student at CBS, leaving alone.

Katrine

Norwegian girl, 26 years old, student at CBS, leaving with her boyfriend.

Margret

Icelandic girl, 28 years old, student at CBS, leaving with flatmate.

Ady

Danish girl, 25 years old, student at CBS, leaving with boyfriend.

Sandra

Danish girl, 29 years old, student at CBS, leaving alone.

Pernille

Danish girl, 26 years old, student at CBS, leaving alone.

Jasper

Danish boy, 27 years old, student at CBS, leaving alone.

Cecilie

Danish girl, 25 years old, student at CBS, leaving alone.

Malin

Swedish girl, 28 years old, student at CBS, leaving with boyfriend and working.

Esben

Danish guy, 26 years old, student at CBS, leaving alone.

Stine

Danish girl, 24 years old, student at CBS, leaving with flatmate.

a. Imagine that you are to present yourself as a grocery shopper – what key attributes (relating to your shopping behaviour and overall values and criteria when doing grocery shopping) would you emphasise!

Laura: small basket and too many things! I always look for healthy products!

Catherine: single household, buying stuff only for myself, I go grocery shopping everyday, I never plan what to buy, I get inspired there. Never look at flyers, nor brochures, but once in the store I look at promotion! I never decide in advance where to go, and what to buy. Usually I go to Netto, if event or special occasion I go to Irma or Fotex.

Katrine: I am usually looking for specialties, offers, balance between price and what you get from the product, I check out the queue before start buying! And if the store is too busy I leave and go somewhere else.

Margret: I am very dependent on money, however I do look at variety and quality. I do my groceries at Netto to get my basic stuff (milk, etc), then I go to Fotex or Super Best to find more stuff, and for fruits and veggie -more varieties-

Ady: when I go for groceries I start by looking at fruits and veggie, I try to avoid sweets. I am hardly attracted by food if I go to discount store because low variety and not appealing displacement and disposition of food products. I do not particularly look at offers, but instead I am concerned understanding products key attributes, expiry dates etc.

Sandra: I look for healthy food, I look at price, I want to be a consumer that buy fair-trade products, but it depends also on price. Usually they are more expensive than normal products, and I can not afford it all the time.

Pernille: being a student, I look for cheap offerings. However I am very political conscious, quality oriented and health conscious.

Jasper: I look for quality, biological products, but of course since I am a student I am also concerned about price! Bio food sometimes can be quite expensive.. then I won't buy it!

Usually I like bio food because I am aware of how companies treat products. They use a lot of chemicals and additives, which are very bad for your body. I also have an ideological approach that push me to have an interest into bio.

Cecilie: I look for quality, "clean" products and wide selection. I look for organic, I am careful with price and I try to get food with not many additives nor preservatives.

Malin: I am very open minded, I always look for inspiration. It also depends where I am shopping. If I am in Netto,or Fakta, I look for offers! That is the first thing I look at!! I am also very impulsive.. I always have an idea of what I want but I am very spontaneous, I like walking around and take my time!

Esben: I am a student, thus price matters, but sometimes I get quite expensive stuff because it appears more healthy. You need a good balance of things to have a good diet.

Stine: I am price conscious, very aware of calories and fat in products. I am curious by nature and attracted to new products, searching for different and new things to try and to compare, However I am also very repetitive and traditional regarding certain products.

If the person do not take up anything of what you mention below (1-3) you can go into that!

1. Describe your shopping trip to the grocery store (frequency, location, etc,)

Laura: 2/3 times per week, usually I go to Netto and to the small fruit and veggy stores on the street.

Catherine: Everyday, I go usually to Netto! I get my basic stuff there and I get my groceries done pretty fast..

Katrine: Several time, on average 4 times per week. I go to Netto, Fotex, Facta. I go to fotex to find nice meat and prepare nice dinners. Daily shopping I do it in Facta if Netto has a queue. But Netto is cheaper and has funny things and offers.

Margret: 2/3 times per week, I go to Netto, Fotex and Super Best usually.

Ady: I go shopping 3-4 times a week. Usually Netto, Facta and Lidl.

Sandra: twice a week. I usually go to Netto, because is very close to home, and is cheap and to buy basic stuff is perfect. If I need something more I go to Super Brugsen.

Pernille: Minimum 1-2 a week. I usually go to Fotex, Fakta, Netto and Irma. For quality food and nice things I go to Fotex and Irma, as for example to get nice wine and cheese. For basic food I go instead to discount stores, and I go there more often!

Jasper: 3-4 times a week. I go to Netto.

Cecilie: 2-3 times a week. I go to Irma. It is next to school and I get things that I need. I have an allergy to milk, thus Irma offers a good choice for alternative products. Very good quality also.

Malin: 4 times a week. I go to the one close to home: Netto, Fakta and Super Best. Sometimes also to Irma and Fotex for special things! I also go to the Turkish guy on the corner here, for fruits and veggies and olives! He is open longer and is very convenient sometimes to just pop by. I like to support him and sometimes is even cheaper!

Esben: I go every 2nd day, I am not going with my car, only by bike, thus I have to go quite often! I eat really a lot! And I usually go to medium size store like Fakta, Fotex and Super Brugsen.

Stine: 2 times per week, I go to Netto or Fotex depending on what I need.

2. Describe your experience there

-Do you go there with a shopping list?

Laura: No shopping list, I just decide there!

Catherine: no shopping list! Nor brochures!

Katrine: Depends! If it is planned to go there, then list! If I have a list, I follow it but end up getting always more! I also look for flyers and brochures once I am in the store.

Margret: No, never use shopping list.

Ady: I sometimes go with a shopping list if I have many things to buy for the house, as basic food to have in a bigger stock!

Sandra: not usually! I buy food only for myself, thus I know what I need. If I am cooking for friends, then I make a list to not forget anything.

Pernille: No, for basic stuff I always get the same, thus I know what I need. I do sometimes look at flyers and brochures to check out some offers!

Jasper: no list, I just buy what I need. I do not look at brochures or catalogues in advance, but sometimes when I am there I look at them!

Cecilie: No shopping list and not looking at brochures.

Malin: Yes and no. If I have guests then I have a shopping list! Or also if I have to buy important things that I should not forget. Otherwise I am very spontaneous. I love flyers and brochures, I always look at them and study them! Inspiration and awareness of seasonality.

Esben: No shopping list but I have everything in mind what I need! I also get very inspired by looking at things when I am there. If I see nice cheese and ham, I buy it impulsively! I never look at brochures though.

Stine: I have a shopping list sometimes! When I need several things because I am running out of everything or because I need to prepare a big dinner with guests…

-Do you easily look for new products to try?

Laura: I like trying new things but I usually go for the same all the time. If I try something new is because is for a special occasion: dinner with friends/family etc.

Catherine: always look at new products! I really like trying new things! It is fun to try! Randomly then I would pick new products that attract me! No specific choice preference. However high interest in dairy products, thus higher involvement trying new offerings in those categories.

Katrine: not really looking for new products, just if it happens.

Margret: I usually buy my "core products", if I want to treat myself good, then I go for something new and different. I eat often the same! Sometimes I try new things, I go then for offers, or I get attracted by something new that is promoted at the grocery store.

Ady: Yes I am interested in unusual products, but usually not food related! I get easily attracted by these offers of dishes, clothes, BBQ grills for example. I always look for the level of preservatives in the product, however I almost always choose products I know already, not new ones.

Sandra: I usually buy routine products, but if I see something funny on the flyers/brochures, then I might buy it, depending also on the price! I usually first look for what I need and then I look at offers, and then at new products.

Pernille: Yes I look for new products, usually if it is similar to the product that I need to buy, but then it looks maybe better or slightly different!

Jasper: I usually buy routine stuff. I do not really look at new products, only sometimes. But if then they are pricy they do not interest me. If they are cheap then I will try them! price is quite relevant.

Cecilie: Not really. I usually go for my habitual stuff.. I buy what I already know, it makes it easier and faster.

Malin: Yes I always look at new products! I am a very easy target! I get easily interested in anything new!

Esben: I look at new products if they are in the range of the products I need or that I usually buy. If they are appealing then I buy them! usually I look for healthy products.

Stine: yes I always look at new products, to find what is new on the market, where marketers want to take their consumers, what trend they are pushing. And yes, I would always try a new product replacing and old one, and asses whether is worth it! Sometimes I just try new products because I am attracted to the product itself.

-Do you look rather for offers?

Laura: yes looking at offers at the store! But never looking at flyers to decide what to buy and where…

Catherine: yes I do look at offers when I m there!

Katrine: Yes, always looking for offers! And getting the brochure to check while I am entering the store!

Margret: Yes I also look at offers.

Ady: not really, I look for offers but not in food product categories! More for clothes, dishes etc…

Sandra: Yes, rather I look first at offers.

Pernille: Yes I also look for offers!

Jasper: no I do not really look for offers.

Cecilie: No I do not look for offers, only if the product that I need to buy is an offer, then of course I will buy it. Otherwise I do not care.

Malin: Yes I also look at offers all the time, starting at home on the catalogue!

Esben: to certain extent I look at offers, “if you buy 2 then xxxx…” but if the product is not appealing I would not buy it only because is cheap.

Stine: Yes I also look at offers, and I get them only if they are really convenient and is however what I need! I won’t buy it just because is on offer! But yes, I am pushed to look at it if it is on offer!

-How do you feel when you are there?

Laura: it's all right, not much choice nor variety, so buying really fast what I need. Buying necessary things in Netto! Don't like going around and look for other things. It is not exciting in Netto!!! Maybe in Fotex or Netto would be more interesting!

Catherine: Going to Netto is not such a great experience, thus I get the basic stuff that I need and I try to not waste time there! However if I have to prepare dinner for friends I take more time for looking at stuff, looking at different products. For everyday situation I prefer to be quick with it.

Katrine: When I am there I think what to make, what to cook, whether I need things to organize some events. I like to be in the grocery store when not too many people are there! And when I do not have to queue for long.. (now new electronic system at Netto!!!)

Margret: If I am in a low budget store, I just get the groceries done quickly. If I am in Super Best, I really enjoy it! I stay there long, I look for fresh meat and fish, more delicatessen! I like then spending time there!

Ady: If I am shopping at discount stores such as Netto, Fakta, Lidl, I always try to be quick.. however I always waste time in there, even though the store is really small!! Then I try to stick to the same place, so that I know where everything is placed!

Sandra: I just quickly go through it to get the things I need.

Pernille: it is all right! As I said it depends a lot whether I m in Netto or Fotex! I quite enjoy going for groceries also if I have time!

Jasper: when I am there I just basically buy what I need, but I feel there is little variety and not much stuff to choose from. Not enough competition.

Cecilie: It depends on the time I have. If I have time I like to look around, but usually is more routine, and I quickly get what I need and I go.

Malin: I walk around and I quite enjoy it! It relaxes me! Until I see the queue, which kills me all the time! Quite painful.. and also the money I spend there all the time… quite costly!!!

Esben: I like to flirt in the supermarket! I like going there and I quite enjoy it if there are not too many people and is not too hectic. If I have to take a break for example and is not during rush hours, then I really enjoy it and I get expired, I look for new things to cook.

Stine: it depends in which kind of supermarket I am! When I try a new supermarket I always feel a bit confused because I do not really know where to look for things… in general however I really like going for groceries and I always take my time when I go there. It takes me a while (40 min at least) to do my groceries, thus I make sure I have this time! I like looking around, comparing products, price, calories, I look at different things…

3. What is driving your decision toward the purchase of a product?

Laura: Healthy, not expensive, made under good circumstances, ethical attributes if I can choose and I can afford it.

Catherine: trying to be healthy, but price constraint also.

Katrine: Price and value for money.

Margret: Price does not matter too much, I mostly look at quality and specifications.

Ady: Expiring date, colours, packaging, size of the product. I prefer fresh over frozen, but I also buy frozen for emergency occasion.

Sandra: Price really matters for me and then I just go for what I need.

Pernille: My decision is driven by quality and price. Then the product should be inviting and it should be clear and easy to understand what I am buying!

Jasper: Price and bio- reasons!

Cecilie: I always buy the same! Routines!! Mostly I look for quality and organic, I do not care too much about price. I mean, I care, but quality is more important. I look also for natural product. They are good for your stomach.

Malin: Things I need, and inspiration and impulsive shopping. Not strong rationale behind buying behaviour.

Esben: I look for healthy options, I get influenced by friends and sometimes a little by advertising. Due to advertising a I look at new products and I am then aware of them and then maybe I buy them.

Stine: Light products, low fat, low cal, extremely appealing and exclusive products.

b. Would you say that food is a 'big issue' /depending on the presentation above/ or a 'small issue' for you?

How come?

In terms of what? (the money or time you spend on it, overall consideration, interest….)

Laura: Big issue. Why? I care about being healthy and eat as much healthy as I can. For diet and well being, body balance. Money wise, if I would have an higher income, I would also buy more expensive things to get better quality.

Catherine: big issue, I am quite concerned with respect to food. It is important to be healthy, but at the same time healthy products can be very expensive! Price issue. Food is also a relevant aspect of social life, however I would not regard this aspect as everyday life, it should be for special occasion and then very enjoyable. Now I am very concerned about time, price, health. I like cooking but if possible with other is better!

Katrine: Big issue. "I love food", it is something you can not leave without, so many possibilities to make it, to improve it, to learn more.. Great for socializing. I really like cooking, I like trying new stuff! Quality should be also the main criteria for me regarding my interest for food. Quality for me does not depends on the brand, but by the product characteristics (i.e. fresh product).

Margret: Middle issue. I do not cook too much at the moment, but when I will have a family I imagine I will cook more, and I will also have more money and afford more and better products.

Ady: Big issue. I dedicate lot of time to it! For me food is a pleasure! And I like to know what I am eating. I also like a lot eating and cooking. I always try to avoid ready meals. And if I would have more money, I would spend more of it on food! Choosing healthy products and not packaged products, fresh products are better!

Sandra: Big issue. I like food, I want to eat healthy and the things I buy I try to buy them as healthy as possible, sometimes I wonder whether I should get more ecological food, but does it really taste better?!?!!? However it is expensive…

Pernille: Big issue. Because is something social! Plus there are so many different types of food! I do not really like cooking! But I do it! And I love eating!

Jasper: Big issue. I really like food, I do not eat only for the sake of eating, and I am careful deciding what to eat! I value also quality!

Cecilie: Big issue! I am allergic to milk, thus I have to be very careful. I like cooking but only if I have the time. Otherwise I do not cook…

Malin: Big issue. I love food, I love cooking and I love eating. I always think about it.

Esben: Big issue. I like food a lot and I eat a lot and burn everything very fast. I spend a lot of time for it. Stress makes me even more hungry!

Stine: Big issue. I like food, I like eating, I like cooking, I like going for groceries, I have a great interest for food! And I do spend a lot of time dealing with it!

c. Would the label: 'the involved food consumer' alt. 'the uninvolved food consumer' sum up the key characteristics of you as a food buyer?

How come/why?

In terms of what? (the brands, quality, cost etc.)

Laura: uninvolved food consumer. I do not really care about brands, quality.. I do care only about health, but product wise I am not really involved nor aware of the different offers.

Catherine: I am pretty involved because I used to work in the industry(P&G). I was then very loyal to P&G, but usually I am not a loyal consumer regarding food products.
Katrine: I am not really involved! Not too many effort to know more about food. Looking only at friends, what do they eat and buy and get tips about new products to try etc…
Margret: middle way! I do really care about food quality and food security. Since when I got this "hurt burn" sickness I also became more involved, and brands and companies do play a quite big role for me.
Ady: Involved consumer. I really care about quality and I prefer well known products. Branded products are for me indicator of quality and trust toward the producers! For me though ecological products are not synonymous of quality, because small producers usually and not linked to trust. Ingredients and price determine quality for me.
Sandra: Involved. I look what is in it! I try new things but money and time really influence the decision on try new products. When I have more time and I am more relaxed, I also like spending time in the supermarket and I like then trying new things, something that usually I would have never looked at. Brands furthermore are synonymous of quality.
Pernille: Involved food consumer. I look for bio food and brands!
Jasper: Mid-involved! I look at the packages, I read the information on products, I talk about food with friends and I like cooking.
Cecilie: Involved food consumer. I look for organic food, for price, for quality, for supermarket offering better quality. I have a quite good food knowledge also concerning food brands and companies.
Malin: involved food consumer. I do not really care about brands nor companies.. I care more about the taste. I am more or less aware about the brands but I do not think about it when I buy a product. I do not care about that, I do not care about brands concerning food.
Esben: sometimes involved. I look for recipes but I am not really proactive! I care about quality but I do not believe that because big brand then quality. Aldi for example does not have any brands, but still very good! Low price and high image! I look more for better taste rather than known brands!
Stine: Involved consumer. I look for new products, I read about new products launches, I look on internet sometimes! I read book about food…

7. There exist a number of food trends – as for example safe food- could you name/describe another food trend or trends? Which trend or trends do you follow (trends acceptance) – and not follow (trend awareness)?
Laura: Fair trade, ecological food, cheap food. Yes I do follow them sometimes.

Catherine: Ecological, health. I do follow them.

Katrine: Health, on the go, ecological, calories control, ready to eat (dinner for two and ready meals). I try to be a bit ecological and healthy.

Margret: Health, on the go trend, delicatessen food. I follow the first two trends I have mentioned.

Ady: Low calories, low lactose, low gluten, super fresh, frozen, private label. I follow the super fresh trend, I go for private label if I know and trust the producers, and I go for low calories product if I am on diet!

Sandra: Health, fair-trade, ecological, fruit drinks, whole natural and fresh products. I do follow such trends.

Pernille: Bio food, health, vegetarian (always new and more products! i.e. Quon = high level of fiber and protein), pre-packed stuff (i.e. freshly packed salad, freshly cut fruits) – but noticed more outside Denmark…

Jasper: Biological (no chemicals), Health (low calories, less fats), more veggie and fruits. I do follow those trends.

Cecilie: Organic, Healthy, homemade ready meals, already prepared food. I follow these trends.

Malin: Organic, ecological, health, Swedish food. I do buy sometimes organic products, do not care much about health, but I try to like this trend! And I buy Swedish products always!

Esben: Health, ready made meal (greater variety and rather unhealthy), increase of sweets and liquors, greater gap between healthy and unhealthy (fat kids and obesity).

In the industry furthermore we can see there has been a strong increase in discount stores, invading the market and selling better and better quality and pushing suppliers power down. Furthermore privately owned shops are quickly disappearing, as well as street market.. there are only big retailers chains.

Stine: Health, bio, on the go food, light and low fat calories control products. I follow this last trend, and sometimes I get on the go food as well, if I do not have the time to sit down and eat!

Trends acceptance

Trends acceptance		Votes	Mega-Trend
Fair Trade	xx	2	Ethics
Health	xxxxxxxxx	9	Health
Organic	xxxxxxxx	8	Ethics
Cheap food	x	1	Discount
On the go	xx	2	Convenience
Low calories / low fat	xx	2	Health
Super fresh	xx	2	Health
Whole natural	x	1	Health
Homemade ready meals	x	1	Ethics
Ready meals	xx	2	Convenience
Veggie & Fruit	x	1	Health
Swedish food	x	1	Premium

Mega-Trend	Votes
Health	15
Ethics	11
Convenience	4
Premium	1
Discount	1

Trends knowledge

Trends awareness		Votes	Mega-Trend
Health	x	1	Health
Organic	x	1	Ethics
On the go	x	1	Convenience
Calories control	x	1	Health
Ready to eat	x	1	Convenience
Delicatessen	x	1	Premium
Low lactose/gluten	x	1	Health
Frozen	x	1	Convenience
Vegetarian	x	1	Ethics
Super fresh	x	1	Health

Mega-Trend	Votes
Health	4
Convenience	3
Ethics	2
Premium	1

e. Why do you follow a given trend? OR: Why not?

Laura: I like healthy products and I associate ecological food with more healthy. Cheap food because I am a student and I often buy what is cheaper and I go to discount stores.

Catherine: i focus on both trends, but following the ecological trend is very expensive. If the price difference between ecological and non ecological is small, then for sure I will go for the eco option. Why? it is something "better" for me. Regarding health, I have been always concerned about it. I also do exercise a lot to keep fit. I try to follow an "healthy lifestyle". However I am not fanatic about it, but what you put in your mouth says a lot about your life: physically and mentally related issues.

Katrine: I trust the ecological label, not for the taste but for the quality: feeling that the product is "better for me".

Margret: I like to be more healthy, ingest less preservatives, less food containing EXX…

"Spelth instead of Wheat": more healthy digestion, I prefer soy milk to normal milk. The convenience trend help me during my fast moving life! I for example choose for small yogurth, handy and no preparation! Small pizzas, bars and healthy snacks, healthy stuff on the go!

Ady: I follow the super fresh trend because indicator of quality. I go for private label if I know and trust the private label producers! Sometimes synonymous of quality! Warranty and trust in the company. If I am on diet then I always go for low calories products, otherwise I pick them only if they are in offer (usually more expensive than normal products).

Sandra: I think that health is the most important trend on the market, and whole fresh and natural is also very important, catching the interest of several people. I follow this trend only on special occasion! They are not products that I would buy regularly, I prefer make these things myself.. Money issue again!

Pernille: I follow health and bio trend, and I also always consider price!

Jasper: I follow bio- trends, because of the low presence of chemicals in such food. I follow the Health trend meaning that I try to go for low calories and less fats, more veggie and fruits. For breakfast for example I have strongly decreased the quantity of toasts, cheese and butter.

Cecilie: I go for organic as said, and I try a lot this homemade ready meals and pre-prepared meals. They are very easy to eat, good and convenient!

Malin: I buy organic sometimes if the products look better, i.e. organic carrots usually taste better! Health.. I can not be very concerned about it, but I try! I know it is important! I like sweets and I like the good taste of a product!! I like veggies also! But ice cream, sweets.. etc.

Esben: I follow the health trend and sometimes I buy ready made pasta for example but then I add more ingredient to it!

Stine: Light, low fat, on the go sometimes, depending on the situation, but preferably I do not choose convenience products, I try to have my time for eating.

f. Are you aware of your interest in that trend? Or rather because you got influenced by friend/family/society?

Laura: Interest arouse a bit from the family but mostly by my interest for good and healthy products.

Catherine: My mum and dad have always been interested in food. They have always been aware of what they were eating. It has been something that has always been there, important, very focused on health concern.

Katrine: when I try to be healthy and I follow a healthy lifestyle, I feel better about myself and things around and I am more happy in general! The drivers that push me to pursue such a lifestyle are: the feels good sensation, being happy and having more energies. My boyfriend also strive for the same, and we care about health together! My boyfriend watches over me and send me training if I eat too much or junk food.

Margret: Awareness increased by family pressure. My brother has back problems and he has always been aware and concerned about what to eat. I do have some stomach problem lately, so I am more and more concern about health.

Ady: I am not such an attentive consumer. I always buy things I know. I often go for routine and I do not follow specific trends! However if I follow some trends is because I get influenced by friend of pushed by societal pressure (being thin!).

Sandra: my family thought me about healthy food. Then I think that ecologic and healthy food are quite recent. Media and commercials really affected me in fair-trade! Then talks with friends have also influenced my ideas and decisions.

Pernille: Awareness campaign have really influenced me, as the one “600 a day”, meaning 300 grams of fruits and 300 grams of veggie per day! Then I always try to buy what looks healthy.

Jasper: I got the interest into biological due to my family. I also value fair-trade! i.e. coffee.

Cecilie: I got the interest listening to the media, and talking to friends. I value organic because is good for the environment, good for your health and is not processed food, it has less chemicals.

Malin: I am not a trend follower, but yes I am aware of these trends due to the media, TV programme, “you are what you eat”, I read book teaching you what to eat…

Esben: till I was 10 years old, I never had veggie in my life! Always eating potatoes and meat, then starting doing lot of sports and learning that the body works better when eating healthier, I started to eat better and more balanced. Thus I have been very influenced by sports.

Stine: familiy: my mom. But I have always been very concerned about it (light/low fat trend). I was also influenced by friend and flatmates.

g. Do you cultivate your involvement and interest with respect to food?

Laura: nope.

Catherine: yes. For example I do try out new recipes, I go on the internet and look for new things, new ideas. I am engaged in this kind of way. But I do not look at promotion or flyers, nor I read labels very carefully or the packs. I know what to expect from a product. I am not health freaks nor diet freaks.

Katrine: Yes, I read book, I look up in internet for things like recipes. I was working as waiter, so I saw lots of food there, increasing my interest and curiosity towards it.

Margret: I lately got this "hurt burn" since 2 years, and I am now really looking into what I eat and drink. I am quite involved about food products and food related problems.

Ady: I do not really cultivate my interest in food. Sometimes I try new products but I am rather resistant to it! Sometimes I try ethic product, for quality reason. I know about this big health issue, but I do not believe a lot in it! I try to avoid Nestlè products (big multinational that take advantage of its position). However I cultivate interest towards brands and I know the provenience of each brand, and I also care where the products come from. If I buy a new product I carefully look at the pack for information. Often I get local products, as for example meat.

Sandra: Depending on the time I have, I look more or less into food. It is not a priority, however I really care about healthy/unhealthy, and what are the ingredients!

Pernille: Not really, but I am quite careful to notice what is new on the market.

Jasper: Not too much.

Cecilie: Not too much.

Malin: Yes, I try new recipes for example! But I am quite bad in fully understand the product sometimes, I do not like reading the labels.. I found it is easy to read, but quite hard to understand what is good and bad about it!!!

Esben: interest, but not crazy about food! If I stumble into new products in the supermarket ok, I look at packaging and label and ingredients, but I would not search for new things myself.

Stine: I do look for new and better thing but I also care about price.

h. How do you understand the meaning of the 5 mega trends: health, convenience, premium, ethic, targeted nutrition? Provide me with attribute and values related to each of these trends.

		Laura	Cathrine	Katrine	Margret	Ady	Sandra	Pernille	Jasper	Cecilie	Malin	Esben	Stine
Health	*Attributes*	▪ High protein ▪ Vitamins ▪ fruit&veggie	▪ Fresh taste ▪ Fresh products	▪ As close as possible to original products (oat meal) ▪ No additives & preservatives ▪ Natural ▪ Doesn't mean: more vitamins= healthy	▪ Organic ▪ Fresh	▪ Dietetic ▪ Non packaged food ▪ Not pre-pepared	▪ Low calories ▪ Veggies ▪ Fruit & dry fruit ▪ Muesli bars ▪ Crackers	▪ Unprocessed ▪ Low level of additives ▪ Low cal and low fat	▪ Veggie & fruit ▪ Low cal	▪ Organic ▪ Veggies	▪ Ecological ▪ Low fat ▪ Weight watchers	▪ Rather expensive ▪ "in fashion" ▪ Health and environmental friendly	▪ Good for you ▪ Omega 3/ activia ▪ Probiotics and vitamins
	Values	▪ Physical activities	▪ Healthy lifestyle ▪ Sporty ▪ Mental and physical wellbeing ▪ Importance in weight (obesity)	▪ Being in control of your life ▪ Conscious of what you do	▪ "you are what you eat" ▪ Feel better ▪ Better digestion	▪ Paranoid mechanism ▪ Diet	▪ Sporty ▪ Caring about appearance ▪ Young	▪ Long life expectancy ▪ Balanced lifestyle ▪ Preventing diseases ▪ Weight issues ▪ Feeling & looking good	▪ Biological ▪ Fair-trade ▪ Sporty	▪ High income people are aware of it ▪ Lifestyle based	▪ Mix between being more healthy and feeling good/proud about your decision ▪ Doing it because is a good thing to do ▪ Doing it because influenced by trend and society	▪ Something good for body and environment ▪ Sporty lifestyle ▪ Being attractive	▪ Sick people ▪ Dealing with diseases ▪ Concerned about life

Convenience	*Attributes*	▪ Fast food ▪ Burger/Kebab ▪ Small salad&soup	▪ Practical ▪ Efficient ▪ Easy ▪ In the moment	▪ Small pack size ▪ Quick to prepare ▪ Portionable ▪ Duration (fresh) ▪ If long duration =unhealthy	▪ Fast&quick ▪ Easy ▪ No preparation time	▪ Bad food ▪ To be avoided ▪ Not healthy ▪ Last minute thing	▪ On the move ▪ Fast ▪ Practical ▪ Convenient ▪ Disgusting ▪ Unhealthy	▪ Time saving ▪ Practical ▪ Getting more healthy ▪ More choice and variety than before because of people request of being more healthy	▪ Pre-cooked food ▪ Number of store where you can shop ▪ Chain store ▪ Fast food	▪ Fast ▪ Already prepared ▪ Fresh ▪ Easy to eat ▪ Easy to carry around ▪ Easily accessible	▪ Busy life ▪ Laziness ▪ Non knowledgeable	▪ Unhealthy ▪ Sugar ▪ Microwaves ▪ Stress ▪ Getting fat	▪ On the go ▪ Easy to carry with you and eat everywhere ▪ Not very good ▪ Conservatives
	Values	▪ Hurry, no time ▪ Unhealthy	▪ Unhealthy in general ▪ Not as good as home made food	▪ Time saving	▪ Hectic lifestyle	▪ Single household ▪ Busy people ▪ People who don’t like cooking	▪ People that do not care about health ▪ People that do not place importance on values	▪ Facilitation to have time for more and other things!	▪ Very low values ▪ Laughing at this food	▪ On the go ▪ Busy people ▪ Mc Donald VS freshly prepared food	▪ Food is not that important ▪ Food to survive and get over with ▪ Leaving time for other stuff	▪ Lazy attitude ▪ Rather unhealthy ▪ Not taking time for anything ▪ Just running and not talking ▪ Loosing values of what is connected to eating ▪ Lack of social aspect of food	▪ Busy life ▪ Always running ▪ No time

Premium	*Attributes*	▪ Quality ▪ Expensive ▪ More taste	▪ High quality ▪ Taste good ▪ Fresh ▪ Worth it if you can afford it	▪ Interesting ▪ Exotic ▪ Different ▪ Special	▪ Quality ▪ Good food	▪ Quality ▪ Attractive if it is a new product ▪ Usually from a known brands, otherwise difficult to spot that is premium	▪ Pricy ▪ High quality	▪ High quality ▪ Low level of additives and chemicals ▪ Scarcely processed food ▪ Expensive	▪ Richer in flavour ▪ Expensive ▪ Cohesion with values ▪ High quality	▪ More expensive ▪ Better quality ▪ More healthy	▪ Exclusivity ▪ Spoil yourself ▪ Feel special ▪ Quality and values	▪ Pricy ▪ Healthy ▪ Selected ▪ Special way of originating it ▪ Ecological ▪ Environmental friendly	▪ Exclusive ▪ Sophisticated ▪ Good quality ▪ Fancy and chic
	Values	▪ Exclusivity ▪ Rich people	▪ Lifestyle preposition ▪ Social aspect ▪ More classy ▪ Trendy	▪ Reward ▪ Deserving this celebration	▪ Treat yourself good ▪ Indulge yourself	▪ Feeling in a niche ▪ Sophistication	▪ Caring about food and quality ▪ People with money ▪ Older people ▪ Career people	▪ Nice lifestyle ▪ Life enjoyment ▪ People that want to spoil themselves ▪ Treat yourself good	▪ Natural ▪ Less in chemicals	▪ High income ▪ People care about what they eat	▪ Richer values ▪ Extra energy ▪ You want to do something more for yourself	▪ Good personal feeling ▪ Doing something good for your own ▪ Not to show off but for your own sake!	▪ People caring about good life, treating themselves in a “posh” way Desire of excellence

Ethic	*Attributes*	▪ Fairtrade ▪ Good product	▪ Healthy ▪ Expensive	▪ People and ethics towards those people	▪ Environmentally friendly ▪ Rain forest ▪ Increasing importance in the future	▪ Increased quality	▪ Healthy ▪ Expensive ▪ Sporty	▪ Health and bio ▪ Healthy ▪ High quality ▪ No better taste ▪ Lacking flavour	▪ Very expensive ▪ Better taste ▪ No chemicals	▪ Organic ▪ Danish local food ▪ More expensive	▪ Ecological ▪ Smaller ▪ Local Turkish guy	▪ May not taste better but better personal feeling ▪ Eco food: good feeling and maybe taste better ▪ Extra value of such food	▪ No preservatives nor additives or chemicals ▪ Ugly and not very appealing ▪ More expensive
	Values	▪ Research for quality ▪ Good for yourself	▪ Trendy ▪ Good for society ▪ Good to support the producers	▪ Consideration for others (Fairtrade) ▪ I feel a better person if I help	▪ Be aware of the environment	▪ Something correct to buy	▪ Hippy! ▪ Ecological issue ▪ "wanna be" ▪ Pregnant women ▪ Children	▪ Consciousness and lifestyle ▪ Fairtrade: helping others ▪ Make a choice	▪ You feel better when you eat them ▪ Leaves up to expectation ▪ Political value ▪ Environmentally concerned ▪ Fair-trade	▪ People that buy it are better educated ▪ They are also concerned about other people ▪ Not only eating but "contributing" ▪ Altruistic people not only focused on themselves	▪ Showing responsibility ▪ Role model for yourself and children ▪ Image! ▪ Trendy ▪ Consciousness of what you are buying ▪ Knowledgeable	▪ Very positive that people think about this ▪ Paradox: supporting farmers in Bolivia but not farmer next door! ▪ Getting attracted by far away places and things	▪ Health concern ▪ Food safety

T. N.	*Attributes*	▪ Healthy ▪ Fake and over-exaggerated by marketers	▪ Too buzzy ▪ Overlad ▪ Too much	▪ Substituting fresh food ▪ Easy ▪ Convenient ▪ Easy way out	▪ Quality	▪ Very useless	▪ Do not know and do not care	▪ Light product ▪ Soy product ▪ Ethically differentiated	▪ Clear label to be understood!	▪ Specifically targeted ▪ Not very well known ▪ Clean, no conservatives	▪ Do not know and do not understand the trend, its meaning	▪ Unhealthy stuff is more advertised (sweet and sugar pdt) respect to T.N. food	▪ Health specific ▪ Additional benefit with the product ▪ Not appealing as food but more as a need
	Values	▪Good for people that need them	▪ Lifestyle ▪ Need in life	▪ Giving more guidance ▪ Easier for people to choose	▪ Feeling good ▪ Good for your health	▪ Simplifies life ▪ Fake! Cheats on consumers	▪ It helps people with problems ▪ Good to have something that is good for you specifically	▪ People that eat according to what they have ▪ Body and food conscious people ▪ More choice and easier life for them!	▪ It helps people with problem ▪ Manipulating food! ▪ It screw up the concept of food itself, and how food normally is. ▪ Bad effect in the long run and how future generation will think about food.	▪ More thoughtful people are buying them ▪ Careful on labels ▪ People spending more time in supermarkets learn about them	▪ Necessary to stay healthy ▪ Choice you make to keep having a healthy life	▪ More and more on the market ▪ Meet its purpose ▪ People are getting interested ▪ Very high capacity to influence people within this food category	▪ Health problem and concern ▪ Sick people

i. How do you act upon these trends?

Laura: Interest in ethics, health and convenience. I like healthy products, and products that are produced in an ethical way. Convenience food is very practical and useful when I am on the run.

Catherine: To some extent I follow the premium and convenience trend (not often this last one, I would prefer healthy take away solutions). Premium trends usually products shared with friends, linked to special occasion.

Katrine: I am concerned about health and ethics usually. Not really about the others, but I am aware of those.

Margret: I follow the health trend as said already, and I would also go for the premium trend but I need more income! When I start work and I will have a family I will go for higher quality! I would also go for targeted nutrition and I will become more aware of ethics! I think is good for example separate the garbage! And doing something good for the environment.

Ady: I think those trends are pushed by marketers who are trying to push consumers in the direction they want to. You can especially see this in the convenience, premium and target nutrition trend. I do not really follow any of this trends…

Sandra: I follow only health and ethics trends. I do not believe in premium products, I do not care about convenience! I only buy frozen veggie for convenience, but I never buy ready meals to eat. They are disgusting for me, I would never buy them.

Pernille: I do not see myself following any of these trends specifically… a bit of everyone maybe. I look for convenience food! Sometimes looking for healthy food obsessively if I am on diet! And sometimes looking at fair trade. I see all of these trends, but I think they are getting more close to each other, mixing a lot!

Jasper: I do follow the bio- trend as said already, meaning ethic and fair-trade, and I look into premium/speciality products. But not enough money to develop a concrete interest into them.

Cecilie: I follow organic trend and targeted nutrition, sometimes also convenience trend. Organic sometimes is too price, but for me going for organic is the easiest choice to not encounter troubles with my allergy. About convenience, I do try this freshly prepared dishes sometimes!

Malin: I do not really follow any of them, some pieces of each! For example some of the premium trend, if I see something inspiring! And some of the Ecological trend, if products look nicer!

Esben: I follow the health trend, the ethic trend sometimes, i.e. I buy eco eggs, never the cheap one, eco tomatoes because they taste better.. I do not really follow the convenience trend, and sometimes the premium trend, i.e. Tropicana Juice and some other product! I would probably buy some fair-trade products but I do not really see them at the supermarket.. and targeted nutrition, no does not affect me!

Stine: Sometimes looking for premium, If I have the money or if the product really attracts me. Convenience if I need it and always looking more at light product, interest in calories!

Trends acceptance		Votes
Ethic	xxxxxxxxx	9
Health	xxxxxxx	7
Convenience	xxxxx	4
Premium	xxxxx	5
Targeted nutrition	x	1

j. Do you notice marketers' effort to increase product differentiation to meet different trends?

Laura: Yes, I see more products but I think there could be more.

Catherine: marketers are pushing a lot the market with innovation, line extension, etc.. This is becoming key for them to be compete. I like all these new products offerings, but I think that "routinely" people would probably feel annoyed by these all choices.

Katrine: Yes, I notice market effort to increase product differentiation. But I do not really notice innovation, I notice there are more products on the market and greater line extensions, but I do not feel that the new products are innovative at all (i.e. change in flavour, format! No big deal!). Then I notice that certain trends go across categories and values, as for example Fairtrade (health, ethics, premium).

Margret: yes, product differentiation is increasing a lot, a lot more variety now compared to before: new flavours, new products.

Ady: Yes, marketers are really pushing this trends! But I think that in the Danish market you can not see it too much, because the market is quite small and competition and product variety is really kept under control.

Sandra: yes, I see more and more offers and products, but I feel that I do not really need all this!

Pernille: yes I see marketers efforts! But I do not think is too much. I see more this convergence trend. i.e. Quong: ready to use product, for vegetarian and healthy. Trends in it: convenience, targeted nutrition and health. Then I see the number of cereal always increasing, changing in format and adding vitamins and beneficial additives to it!

Jasper: I do not see many new products actually, but maybe is also because I shop at Netto… there are not many things there. In Irma there are a lot of new luxury products, but too pricy.

Cecilie: I do not really notice many new products. I do not think there is even much variety. Lack of emphasis from producers to sponsor new products! If I would get a flyers about it, it would be much easier for me to visualize them. For a routine buyer like me, more efforts are needed from the producers.

Malin: Yes I see an increase of product differentiation and I see a variety of new companies emerging on the market, starting with healthy drinks and solutions for consumers.

Esben: Yes I notice them and people get more and more interested in new products!

Stine: Yes a lot! Brand extension and increase of differentiation to follow different needs.

k. Do you feel pressured by market complexity?

Laura: I do not feel very high market complexity, but due to the fact that she buys what she needs, sometimes she does not realize new offers and new product launches are often time not well advertised.

Catherine: I do not feel there is market complexity, I do not feel the over exposure of new products entry, in certain categories I clearly see it (i.e. cereals), but does not affect me. She also does not like marketers efforts to launch new products through contexts.

Katrine: market complexity drives an increase in competition. Due to the small size of the shops however, there is little shelves space! So when one new product is introduced, one old one is taken out! In Netto however there is little choice, I do not even notice new things! And when going to Fotex I do not really pay attention to new products either, because I know what I need and I usually focus on that. All in all I do not feel pressured by market complexity because I am not aware of it.

Margret: I do not feel threatened nor disturbed by market complexity. But it also depend by the category of the product. If I buy the product in an area not familiar to me, then is a bit harder to know what I am buying. But this does not happen for the product category that interests me.

Ady: No I do not feel market complexity, I actually would wish for more variety!

Sandra: No, I do not feel market complexity! I think is just worth to have more choice! I do understand the products, and if it is new I read on the pack and then I evaluate whether to buy it or not!

Pernille: yes I see market complexity and sometimes it becomes harder to find your usual products, just because the new one are occupying the place of your usual one! However I do not see a big differentiation among products, due to this fact that all trends I think are converging, thus you find a bit of everything in every product! In discount store there is a special place where they place new products, and is easier to notice them! What I usually miss, is seeing marketers efforts to promote new products! And lack of initiatives to sell new products.

Jasper: no I do not feel market complexity. I feel there is too little variety and not enough competition.

Cecilie: No, I do not feel pressured by market complexity!!!

Malin: No market complexity! But Netto and Fakta do not have much of it of course, maybe is different in Super Best. However I found that the problem is that even if there are new products, I do not really notice them that much.. I think companies should spend greater efforts to introduce them on the market. i.e. Fotex: there are a lot of products, but they need to be introduced, because consumers do not notice them!!

Esben: No! I feel better having more choice! I do not feel at all the market complexity. I like variety and choice!

Stine: I do not feel market complexity! For me it is very interesting to see new things and trying them! If I do not understand them, I read the label.

APPENDIX E

Food Matrix Analysis

APPENDIX E. Sub-trend Matrix

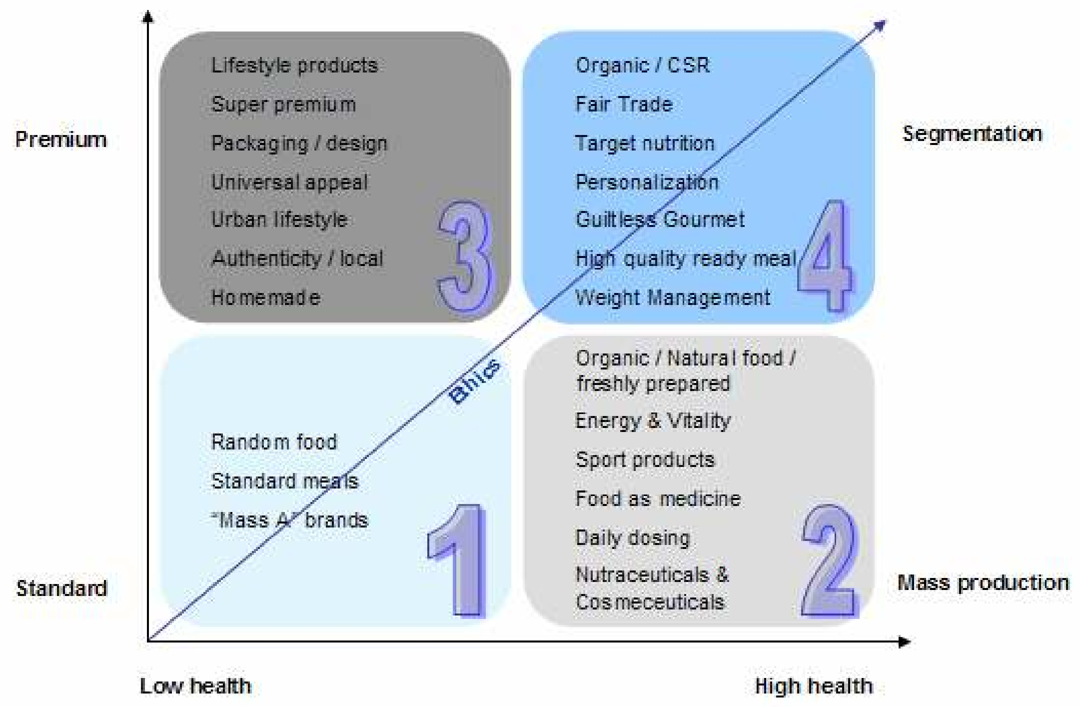


Fig. 1A. Evolution of sub-trends, Own source

Sub-trends description

Box 1

The first category of the food-trends matrix entails no specific features triggering the industry. Food arising from this box is perceived to satisfy only primary needs, thus widely spread on the market, entailed with no specific attributes. In this box any random goods poor in healthy-specific attributes, nor particular qualitative or unique, can be included. Furthermore ethics does not affect this category.

Box 2

The second box includes products highly characterized by healthy features. A stronger degree of ethical attributes also distinguishes them from the first product category. Hereby major sub-trends emerge, formulating new product categories of food segment; although quite standardized this food group aim at serving a varied number of people health- and ethic- aware.

Freshly prepared food is becoming increasingly important as it is associated with both health benefits and better taste. Within this trend the most important development for future NPD is the introduction of microwavable products that have a strong association with freshly prepared food. The trend is a compromise between freshness and convenience, offering a more compelling and differentiated product proposition to a consumer base increasingly focused on health and taste (Meziane, 2006). **Sport products** and **energy & vitality products** also show a new product category emerging within the health trend. A wide group of consumers adopts them to supplement their sport activities, or to cope with the demands of everyday life. The Antioxidant Energy Drink recently launched on the market provides an example of such category, claiming to be "a scientifically formulated healthy energy drink created to provide a sustained energy boost, improved mental focus and powerful antioxidant protection" (Meziane, 2007). Furthermore, advocacy for a healthy diet has taken the lead in most of consumers' nutrition, augmenting consumers' range of functional products adopted in their everyday meal. Heart health, diabetes, obesity, and allergies are four of the most popularly targeted conditions, with obesity being addressed by food and drinks companies not just in terms of formulation, but also in terms of packaging; i.e. portion-controlled. Most of these products are preventative in nature, as food and drinks claiming to be treatments for specific conditions are required to undergo the same regulatory controls as traditional medicines. However, the line between healthy convenience foods – especially **daily dosing products** – and **food as medicines** is blurring in some consumers' minds. Thus, an example of **food as medicine** product is a special Japanese tea, called Kobayashi Tochugen EX (Lewis). This functional tea claim that, "This drink contains tochucha saccharide; it is suitable for people with mild hypertension" (Lewis). The obligatory caution is, "This product is not intended to cure disease, but thanks to Tochucha saccharide it lowers blood pressure and improves blood flow" (Lewis). **Daily dosing** is rather a "massive market offering to consumer's convenience, prevention and maintenance" (Sadler, 2005). Daily dosing is defined as: "1. a use of pharmaceutical terminology for food and drinks whereby the consumer, takes the product once a day 2. the concept that the single dose will provide the consumer with a proven benefit, conveniently and quickly 3. a crossover area between nutraceutical supplements and medicines on the one side and food on the other" (Sadler, 2005). Daily dosing is typical of soft drinks products and dairy drinks. Furthermore **nutraceutical** represents the evolution of functional foods traditionally containing positive ingredients such as added calcium and vitamins. The word nutraceutical is an industry term that was derived from the combination of nutrition and pharmaceutical (Sadler, 2005). It refers to products which are developed essentially to cater for specific illnesses and/or health benefits, and it thrives on the increasing concern over key symptoms, such as cholesterol levels and digestive problems. Great market potential for this category of product is supported by the increased interest of consumer in managing their own health and preventing eventual diseases (Barton, 2006). As a result, food manufacturers are looking to capitalize on this opportunity, producing products claiming to help the prevention of diet or lifestyle related diseases such obesity, cardiovascular disease, diabetes and arthritis (Barton, 2006). **Cosmeceuticals** refers instead to food and drink products that include ingredients designed to enhance individuals' external appearance (Lewis, 2006). Preferred categories in which cosmeceuticals play a role are: haircare, skincare, anti-aging, anti-fatigue, tanning/bronzing. Cosmeceuticals make numerous claims such as making a positive physiological effect at a cellular level (for improved skin appearance), making long-term changes, and optimizing health of skin/hair. Growing numbers of consumers are seeking beauty through nutrition, and the market offers huge opportunities to tap into an increasing obsession with appearance.

Box 3

This third category refers to products showing very high standard of quality and exclusivity, where premium is their main characteristic, although showing a scarce relevance of healthy features. A strong growth in this respect is driven by the fact that consumers seem more and more to differentiate between healthy indulgence and non-healthy indulgent occasions, choosing to separate occasions for these products consumption (Page, 2008). Segmentation also plays a crucial role, delivering a uniquely targeted offer to sophisticated consumers' segments. The convergence with ethic finally offers higher quality standards through authenticity, homemade and local features. Positioning is key in gourmet and specialty products (Page, 2008). Consumers' concept of luxury is very individual and consequently the idea of a standard measure of "quality" is virtually nonexistent in terms of consumer perceptions. Capturing and maintaining a premium position for manufacturers of gourmet and specialty food is critical and increasingly difficult as the mass market follows quickly to emulate premium propositions. In order for manufacturers to not loose market share on their premium products, two strategies can be achieved: super-premium and focused innovation (Page, 2008). The **super-premium** trend has emerged due to the need of protecting itself from lower priced copycats by the use of more unusual, exotic and exclusive ingredients and by the deployment of processes not available to all manufacturers (Meziane, 2007). **Focused innovation** is instead focusing on products offering health and wellbeing benefits, and lifestyle products, mirroring the social and cultural experiences of premium seeking-consumers; features such as fashion accessory packaging and urban lifestyle products better describe the new preposition sought by consumers (Page, 2008).

Box 4

In this last category, finally high standard of quality and health are shown. A high segmentation level also applies, favouring an exclusive targeting of consumers. Differently than in box 3, here indulgence is combined with health, offering a new product category enriched by health and wellbeing benefit (Page, 2008). **Guiltless gourmet** is a natural progression from the "good for you" trend witnessed in the early 2000's, where the focus was essentially on low calories, salt, sugar or fat content. Going forward, manufacturers are increasingly looking to deliver an indulgent experience combined with the goodness of healthy ingredients in an effort to boost sales (Meziane, 2007). The future of health within gourmet will be about adding-value to sensory delivery, wellbeing benefits which mimic trends in the personal care and beauty product markets and targeting health and indulgence as separate occasions. Wellbeing has also been an emerging theme in new gourmet and specialty food and drink product launches, specifically targeting performance, energy, relaxation and skincare.

The great amount of choice that consumers today is empowered with led to the emergence of sub-trends enhancing segmentation features. A rising sub-trend is indeed **individualization**, whereby manufacturers tailor a product to suit individual consumer needs rather than a mass market target audience. A more apparent trend that is currently influencing NPD is the launch of products with a 'personal touch'. Particularly in markets such as Japan and the US, significant SKU proliferation and heavy marketing activity have put consumers firmly in the driver's seat, enabling them to pick and choose benefits, customizing their diet and, in theory, better maintaining their health (Blake, 2006). It is not just a question of option regarding their eating and drinking habit; consumers nowadays expect to be able to customize their preparation and eating experience. The great choice they are empowered with, it is delivering consumers higher control and at the same time also creating more complexity and confusion during their decision making process (Appendix C). The challenge for food companies is to provide consumers the right building blocks that consumers can combine themselves to achieve the customized, individualized and healthy result they want, in a way that is easily understandable and as convenient or involved as the consumer might desire (Blake, 2006). Products that allow consumers to **mix and match** their own flavour and ingredients combinations to create a personalized meal are expected to become the next big boom in the global food industry. The trend is already apparent in innovative restaurants, particularly in Asia and Latin America, where the focus on bespoke food tailor-made to personal taste preferences is growing in popularity (Lewis, 2006). Finally, just as personalized medicine is growing in popularity, so too is **personalized nutrition**. As consumers take greater control over and responsibility for their daily diet, they are demanding products that suit their specific perceived health needs (Blake, 2006). Companies are researching innovations that target specific groups of consumers in efforts to personalize their products. **Weight management** perfectly describes the increased relevance about health, premiumization and segmentation focusing on balanced nutrition. This is driven by the controversy surrounding certain diets, as with the Atkins case, on the one hand, and the increasing awareness among consumers that a balanced healthy lifestyle is more effective in the long run that binge dieting. As products that are low in fat and calories become increasingly widespread, 2 key trends emerge for the future of weight management: a. products containing appetite suppressants; b. products that claim to help burn calories (Meziane, 2007).

Appendix F

Market opportunity in the food industry

Demand Side			Rising Food Trend	Market Opportunity	Rising Food Trend	Supply Side		
Changes		**Factors**				**Strategies**	**Actors**	**Changes**
Demographic changes	Population	Population increase	X	Expansion into new markets Strategic alliances	X	MNE' M&A	Manufacturers & Retailers	Business Strategies *
		Rising of ageing population	Health	NPD -Health related- - low cholesterol/high calcium - Energy & Vitality - Nutraceuticals - Functional food	Health	Premiumization		
			Premium	NPD -Superior products-	Premium			
		Population migration	Ethnic food	Authentic Ethnic ingredients	Premium	Globalization		
			Exotic ingredients	Ethnic food products and specific marketing				
		Population diseases Allergies, Diabetes etc	Health	Phood Daily dosing Food as medicine Targeted nutrition	Health	Diversification / Innovation Health focus		
	Lifestyle	Single household	Convenience, Indulgence & Premium	Premium food NPD - Single Packaging - Snacks - Ready meals - Easy to prepare - Portability Changes in distribution stores Changes in distribution channels	Convenience, Indulgence & Premium	Distribution channel Premiumization		
		Rising of women working						
		Increased hours worked						
		Meal time fragmentation						
		Youth	Innovation	Product Innovation - Sport products - Energy & Vitality - Lifestyle products - Cosmeceutical Co-branding External networks Consumers' co-creation	Innovation	NPD & Innovation		
		Rising of the "pink pound"	X	Marketing Strategy				
		Home entertainment	Premium	NPD -Superior products- - Gourmet - Cooking tools/aid - Kitchen complementors Preparation services Food Service sector	Premium	Premiumization		
Income growth		Consumers' sophistication	Premium & Services	Superior products Request for services and premium products	Premium & Services			
		GDP increase						
		Increased mobility	Ethnic food Exotic ingredients	Ethnic food products Internationalization	Ethnic food Exotic ingredients			
Eating habits		Sensory Experience	Gourmet	Gourmet	Gourmet	Media	TV Magazine	Media & IT
		Group segmentation	Targeted nutrition Personalized nutrition	Product differentiation Personalisation Communication strategies Private labels Hard discount stores	Segmented products Personalized nutrition	Information Technology		
		Health-conscious	Fresh & Natural	Fresh & Natural products	Fresh & Natural	Food security	Governement & Institutions	Regulations & Food Standards
		Dieting	Increase in protein consumption	Health - Dieting products	Increase in protein consumption			
Consumers' attitudes		Obesity	Dieting	Health	Dieting	Health campaign / Health focus *		
			Weight management	Weight management	Weight management			
			Functional Food	Functional Food	Functional Food			
			Natural and fresh	Natural and fresh	Natural and fresh			
			Low-fat	Low-fat	Low-fat			
		Food security	Organic	Organic products	Organic	Trading policy		
			Homemade/Local	Homemade/Local	Homemade/Local	Corporate values *		
			Authenticity	Authenticity	Authenticity	Food security		
		Ethics	Ethics	CSR and labelling	Ethics	Social concern		
			Fair trade	Fair trade	Fair trade	Corporate values *		

Table 4A. Market opportunity in the food industry