

WHERE NEXT IN THE NEW NORMAL?



The economic ground has shifted profoundly over the past few months. Sebastian Emig considers what the 'new normal' might look like for our industry

OVER the past few months our world has experienced profound changes in so many areas of life that we are still learning to cope with whatever the aftermath might be. Economically, the world is heading for a recession that looks like lasting for many years and still there is no vaccine or cure in sight. Worse, some countries that apparently managed to contain the virus are seeing local spikes, any one of which has the potential to be the beginning of a second wave.

Turning to the savoury snacks sector, what I hear from suppliers and manufacturers alike is that our industry has proved to be quite resilient. Supply chain issues, workers' interrupted mobility owing to border closures or ensuring safe work environments were tackled quickly. Successful lobbying initiatives from ESA and other trade associations helped to raise the understanding among policy makers that the food industry is essential and should be protected.

What started as a healthcare crisis has triggered a global economic recession with severe ramifications for many sectors. The WTO secretariat estimated in May that 2020 will see the global economy shrink by anywhere between 13% and 32%, depending on assumptions about the length and severity of the COVID-19 crisis.

EU27 exports are expected to fall by between 12% and 33%, while imports will decrease by between 10%

and 25%. Besides this huge drop in international trade, the most pertinent question for our sector is how will the crisis change eating habits in the short and long term? While post-lockdown behaviour remains a relative unknown, there is strong agreement that we will not see a sprint back to normality. What will this 'adjusted normality' look like? How will consumer and shopper behaviour differ post-lockdown, through the inevitable recessionary impact and into market recovery?

TUMBLING INTO THE FUTURE

The coronavirus crisis and associated global lockdowns is causing people to re-evaluate their diets, because it has underlined the link between food and health. It is having a profound impact on consumer behaviour and purchasing decisions, which is creating significant challenges for savoury snacks companies seeking to allocate their resources appropriately and effectively meet consumer demand.

According to a survey of 23,000 people in May, 72% of European shoppers said they will make greater efforts to eat and drink healthily in the future as a result of their COVID-19 experience. It seems that consumers will look to re-evaluate their diets and everyday lifestyles. This is something that will result in consumers taking a more proactive approach to their diets and lifestyles to maximise their health.

More people will look to step back from the pressures of everyday life and re-evaluate what is important to them, with a greater focus on non-material wellbeing. They will also see time as an increasingly precious commodity, especially when it comes to their health and the quality of life.

A visible trend for this is that consumers are attempting to exercise more and seek out products with health boosting ingredients to stay healthier until as late in life as possible. Becoming more proactive about health and adopting a 'prevention over cure' approach to disease and illness will drive demand for functional food, drinks and supplements that contain ingredients with health-boosting benefits.

Whenever there is a food or health scare, consumers look at disease prevention and improving their nutrition. We can therefore expect a sales boost for organic foods (which are perceived to be healthier and safer than conventional foods) and, while trends such as plant-based proteins and a bigger focus on gut health will continue to grow, non-GMO, gluten-free, organic and other sustainable claims will remain in big demand.

Another intriguing question for our members is: how can brands ensure they are doing the right things now to secure customer loyalty once we come out on the other side of this? In times of uncertainty, consumers turn to brands that they trust. They

want to experiment less. Reliability and availability are extremely important in this environment. While brands provide this stable level of comfort and familiarity in moments of uncertainty, it will be essential that they can transfer this feeling into the new normal.

What are the most relevant changes in day-to-day life likely to be? I see a few that are likely to impact on our sector.

Owing to the lockdown and social distancing measures, consumers made fewer trips to the store, which made them switch channels, finding their treats in the digital world. If companies want to remain relevant, they need to invest in higher digital engagement.

Socialising face-to-face will remain a rarity until more effective treatments or a vaccine are found. That means consumers will eat more meals at home and work more from home. Kids will eat more breakfasts and lunches at home, rather than at school or on the go. In other words, out-of-home will be far less relevant as consumers will be 'nesting'. Companies will therefore be most successful when they find the sweet spot of providing excitement and permissible indulgence at home.

During the great recession of the last decade, much attention was given to consumers turning to small moments of affordable indulgence for an escape. However, this pandemic means that many consumers will be even more hard-pressed, at least in the short term, so they will be prioritising essentials. Ultimately, consumer spending habits will be more considered, whilst brand loyalty will decline as consumers shop around for the best deal in terms of price.

Despite all the uncertainty around returning to 'normal' life, snacking is likely to keep growing. The pandemic does not seem to have slowed the

evolving 'snackification' trend, which is more prevalent than ever. One reason might be that eating behaviour is something that has been ingrained over several years, so existing habits are hard to change.

CONSCIOUS CONSUMPTION

Even before the pandemic, consumers were concerned about the damage being done to the environment by our food production and distribution systems. This crisis is going to make those concerns even more relevant, since food systems play a crucial role in environmental sustainability. Health and food safety commissioner Stella Kyriakides noted that "there is no way around the fact that current production and consumption patterns cannot continue. In the EU, agriculture alone is responsible for 10.3% of greenhouse gas emissions. And by 2050, our planet will be home to nearly 10 billion people - almost 30% more than today."

The Commission's ambitious farm to fork (F2F) strategy has its sights firmly trained on this issue, seeking to redesign our European food system and hoping to trigger a cascade that will encourage other continents to follow. In rebuilding the European economy, I believe the EU has an opportunity to help Europe become the sustainable, resource-efficient and competitive continent that we have long striven to be. As companies take their first steps along the road to recovery it is important that policymakers take time to assess the collective impact of any proposed actions to avoid putting European sectors at a disadvantage to their global competitors. The right framework must be created to support industry in achieving its goals.

Before the summer break the ESA team worked very closely together with our members to identify the key

initiatives within the Commission's proposal that would be the most challenging and rewarding for our sector.

On 1 July the ESA Board approved the battle plan and now we are determined to tackle all the key priorities for our sector in the years to come. I am not saying that it will be easy, nor will it be without bruises (especially when I look at the idea of including the setting of maximum levels for certain nutrients) but I am convinced that the Secretariat, with the invaluable help of our members, has a unique opportunity to contribute to sensible, science-based and transparent policymaking that will make our members' businesses grow smartly and sustainably.

CHANGING FACES AT THE ESA SECRETARIAT

After six years, we said goodbye in May to Marta de la Cera, who was managing ESA's regulatory and nut processors working groups. We thank Marta very much for her great work and commitment and we wish her all the best for her future.

As of mid-July, we are happy to welcome Silvia Tombesi who will take over the lead for both groups. Silvia has long experience in the food sector as well as in the business of Brussels. Please join me in welcoming her onto our team.



Director General Sebastian Emig*
*in his capacity as permanent representative of PrimeConsulting BXLBCN SL

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