

Food labelling changes – A risk or an opportunity?

Overview

A survey completed by over 1,200 Grant Thornton employees has indicated that there may well be winners and losers in the food manufacturing community with the introduction of the new food labelling system.

New front of packet labels will be colour coded with a traffic-light system and, in addition, will optionally use the words 'high', 'medium' or 'low' to inform people about how much energy, fat, saturated fat, sugars and salt are inside. Currently, there are a variety of labelling systems and it is argued this has led to a confused and inconsistent nutrition labelling system which insufficiently supports the Government's health agenda.

Grant Thornton's survey shows that whilst taste, quality and price are currently the key drivers in consumer buying habits, clearer and more relevant nutrition information on the front of the packet will make nutrition a more important criterion in the consumers' decision making process.

Whilst a response to a survey will not always translate to a change in buying

habits, and not all product categories will see the same impact, we consider that consumers will react to the availability of clearer nutritional information. This is likely to have implications for food manufacturers, particularly those who face direct competition from a relatively healthier nutritional alternative.

Accordingly, some manufacturers may need to review ingredients, packaging and pricing as a consequence. Whilst Grant Thornton's respondents will not be entirely representative of the population as a whole, the survey represents the views of a well-diversified demographic whose views will be highly relevant to the food and beverage market.

What are the implications for manufacturers?

Reformulating, new packaging, reduced pricing or reduced sales will directly affect cash flow either through trading or the need to fund R&D or capital expenditure.

- Are sufficient funds available to adapt?
- What is being done to plan for the impact of the new labelling system?

- What could the impact on the value of the business be?
- Is there a strategic opportunity or risk which the business needs to consider?

Key findings from the Grant Thornton survey:

- Currently, as you would expect, it is primarily taste and an association with quality at the right price which drives purchasing decisions
- Respondents say that clearer information would influence them to make a change to their buying decisions
- With access to clear and consistent nutritional information, the perception of healthiness becomes more of a decisive factor in buying decisions; c.80% of respondents expressed clear views that they were at least 'somewhat likely' to switch their buying habits, with c.50% being 'very likely' to switch to more healthy alternatives. The exception was snack foods, where almost a quarter of respondents said they were unlikely to switch
- This message was heightened when respondents were asked how a clearer labelling system would affect their habits when buying food for their children; there was an overwhelming response of 'very likely to switch' from approximately three quarters of all respondents, across all food categories (see these results on the following page)



- Calorie count and saturated fat content appear to be the biggest focus for the consumer, implying that products faring poorly in these areas are likely to be most at risk of a negative impact

Conclusion

- A majority seek out nutritional information when buying food and drink
- A standard and clear format for nutritional information will influence buying decisions, especially when purchasing food for children
- Manufacturers and their funders need to consider if their products will be put at a competitive disadvantage or perhaps there may be a competitive advantage to exploit
- Mitigating actions may be needed to confront the financial implications of changes in demand

Grant Thornton works with a number of dynamic food and beverage organisations from across the supply chain, offering meaningful and forward-looking advice that can help to unlock their potential for growth. If you would like to discuss how we can help you sustain and grow value, please contact us using the details below:

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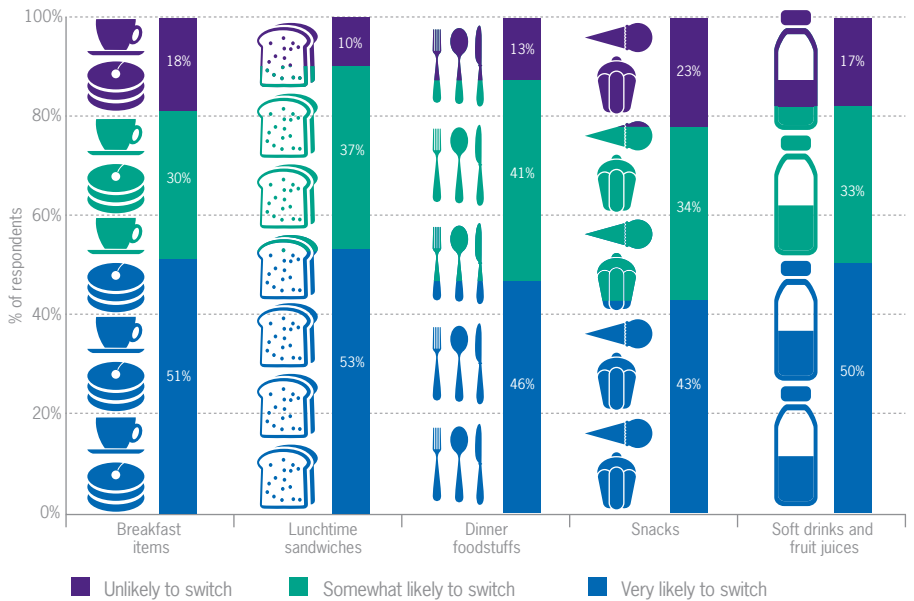
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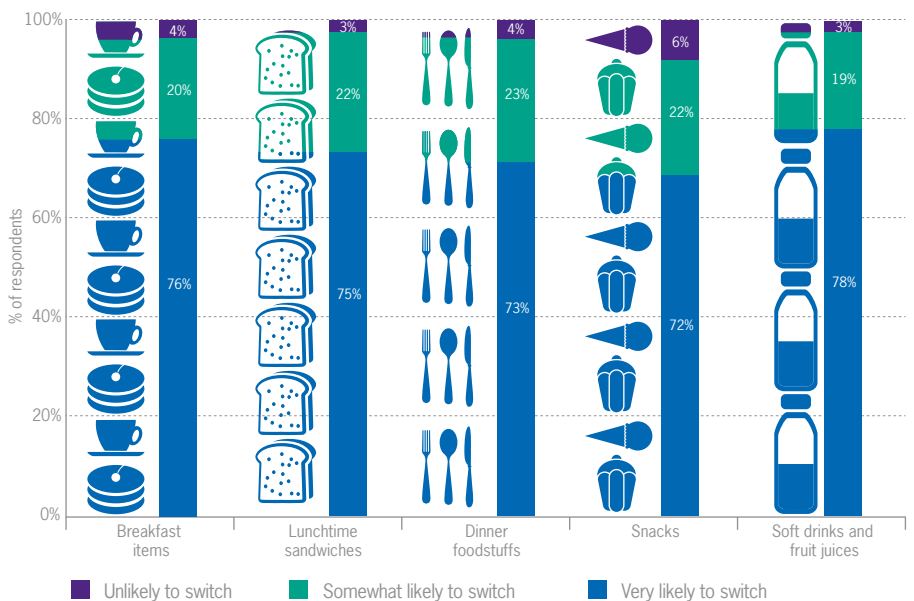
Question: If you had clear and consistent nutritional labels on the front of the packet which made the unhealthiness of a product very clear, how likely would you be to switch buying patterns towards food items which are more healthy in content?

Answers:

Buying for adults:



Buying for children:



“The front of packet food and beverage labelling changes will create both opportunities and threats for food manufacturers. Value may be eroded if manufacturers are unable to demonstrate the relative ‘healthiness’ of their products and credible ‘more healthy’ alternatives are available from competitors”

Scott Wilson
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