

When life gives you lemons

How are food and drinks brands responding to a year of change? Experts give their views.



What happens next?

How the industry emerges on the other side remains unknown. But it looks likely that smaller, more creative and nimble brands will play an increasingly important role.

Unlike the real world, there has been plenty of good news to be excited about in food and drink over the past year. The industry has been hit particularly hard by the global pandemic, of course, but it's also led the way in terms of creativity and resilience. Consumers doubled down on home cooking and delivery; brands responded with high-quality, transparently sourced products. Restaurants transformed into movie theatres, drive-throughs, grocers... And the list goes on. Here, we bring together a panel of food and drinks experts to look ahead and see what might await in the great unknown.



THE PANEL



AH/LH
Alexandra Hayes and Lisa Harris, from food-and-drink consultancy Harris and Hayes. With more than 20 years' experience in food and drink between them, they support their industry clients through bespoke consumer insights, food-trend reports, packaging and branding, recipe conception, new product development initiatives and more.



AK
Alicia Kennedy is a food-and-drink writer based in San Juan, Puerto Rico. Her weekly email newsletter, From the Desk of Alicia Kennedy, covers food culture, politics and media. Recent topics she's covered include sustainable alcohol and all things peanut butter. She is currently working on a book about the history of veganism, due out in 2022.



AT
Alex Trude is the founder of the London-based independent grocery store Trude's, which opened during the pandemic, offering zero-waste, seasonal produce. The store is dedicated to selling independent brands and suppliers sourced from around the UK. Its pricing structure is unusual, too, in that it tries to disincentivise bulk buying.



ES
Emily Schildt is the founder of Pop Up Grocer, a US-based travelling grocery store showcasing emerging food, drink and homeware brands. As a former marketing consultant, Emily wanted to bring a better customer-service experience to grocery shopping. Pop Up Grocer also hosts its own events and sells niche grocery merch.



MJ
Mariam Jimoh is the founder of Oja, a digital supermarket specialising in world foods. Launched in 2019, the platform partners with black- and minority ethnic-owned stores, at an often hyperlocal level, in order to help them sell their stock and imported produce to a wider global audience looking for a more inclusive way to shop.



TA
Theadora Alexander is the co-founder of Young Foodies, a community of 1,500 challenger brands in the food-and-drink industry. Alongside co-founder Chris Green, Thea provides industry knowledge and experience. The pair also run Mighty Small, an online supermarket for small brands.



NEW FACES

What's behind the rapid increase in the number of new independent food brands in the past few years?

AT: 'The market has evolved rapidly to focus on health and provenance. But the big brands have been slow to adapt to that. They can offer unlimited choice but, above all, consumers are craving knowledge and information. And smaller brands can offer that.'

AK: 'A lot of venture capitalists are turning their attention to food. With consumers looking for greener and healthier products, there is plenty of opportunity. It's part of a whole trend of brands selling people small indulgences as coping mechanisms in a time when they've had little control over their circumstances.'

TA: 'For me, it's a shift that we started seeing around 10 years ago, in the UK at least, with the rise of entrepreneur-led brands such as Innocent, Propercorn and Ella's Kitchen. We've also seen the rise of discount stores such as Aldi and Lidl, which are competing with traditional supermarkets on price. In turn, the traditional supermarkets have responded by expanding their range and bringing in more innovative products.'

AH/LH: 'Consumers are after the authenticity and purpose that challenger brands can offer, as an antidote to the disconnection and loneliness that has come with pandemic restrictions. We're also much more conscious of how we spend our money now in

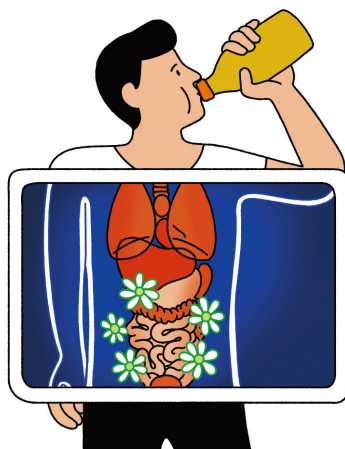
comparison to before the onset of Covid-19, and would rather support brands that communicate values that are aligned with our own. People also have much greater access to challenger brands than ever before.'

MJ: 'In the context of world foods, while they've existed for a long time to serve minority communities, more people are coming to them now. The average consumer's knowledge of travel and culture has increased, and the huge uptake in home cooking has only helped people bring more food to their table in a creative and innovative way.'

OPPORTUNITIES

Which categories and sub-sectors are seeing the most innovation?

AK: 'Snacks have become a much bigger sector. Look at Slow Up, a brand from New York that is basically a whole meal in snack form. Lots of food products are emphasising being able to eat well but quickly. They're



targeting people who are openly exhausted or stressed, affording them the opportunity to have a healthy meal wherever they can.'

ES: 'I'm seeing a lot of development in the immunity space, from vitamins and wellness shots to immunity-enhancing ingredients.'

AH/LH: 'Waste reduction is key as consumers turn to UHT as a longer-life, better-value option, as well as freezer-friendly loaves,

and tinned fish in easily recyclable cans. Brand differentiation in these areas might cut through the competition but, ultimately, price point is going to remain a core deciding factor. In addition, as a backlash to mainstream food and drinks brands with dated representations of diasporic cultures and cuisines, we're seeing a real surge in entrepreneurs developing more credible, authentic versions of their food culture. They're taking back ownership of the world food aisle.'

TA: 'It's not so much specific categories as it is values. Products need to be better for us and have a function. That's led to the rise of gut-health and high-protein products. And then there is the obvious David Attenborough and Blue Planet effect, which has pushed food brands to do more than just sell. Beyond plastic-free packaging, we're now seeing more brands partner with charities and apply to be B Corporations. This is now becoming an expectation from retailers and consumers rather than a nice-to-have add-on.'

IMMUNITY

The global immune health supplements market was valued at \$16.3 billion in 2019; by 2027, it is expected to rise 80% to \$29.4 billion, according to Fortune Business Insights. Here are the brands to watch.

- **ujji.** With an entirely plant-based, responsibly sourced ingredients list, ujji wellness tonics have been proven to reduce consumers' stress and anxiety levels. @drinkujji
- **The Nue Co.** Take a personalised consultation with The Nue Co and you'll be presented with a range of products to improve your gut health, energy levels, sleep and immunity. They even have an anti-stress fragrance in the range, called Forest Lungs. @thenue_co
- **Care/of.** Speciality products from this New-York based brand include powdered collagen, along with consumable health supplements made with garlic and hand-picked elderberry extracts. @careof

DIFFERENTIATION

Amid so much competition, how can new brands stand out and get noticed?

TA: 'It's easy – do something different. "Unique selling points" might sound like MBA-speak, but it's important to come back to that. If a consumer only has a pound in their pocket, why should they spend it with you? Frankly, the consumer doesn't care about how much time and effort you've put into your product development, so you have to remove your ego from it as well.'

ES: 'New food brands have a super-low rate of success. From a product perspective, they need to think about nutritious ingredients, thoughtful sourcing and attractive packaging. But now from a branding angle, they also need to think about what they're bringing to the table that is novel, whether they're eliciting an emotional response from the consumer and whether they're contributing positively to the sustainability discussion.'

AH/LH: 'Without a unique selling point, brands blend into the sea of competition. We encourage them to be bold: from a disruptive concept to pursuing innovative flavours. 'Authenticity' is a tired buzzword in the new product development space, but it really does make a difference. The most successful brands forge strong connections by sharing their purpose, values and commitment as a force for good.'

MJ: 'If you're trying to speak to everyone, you're essentially speaking to no one. Focus on a particular customer. It's all about how you communicate and build a community. HungryPanda, for instance, raised a huge sum recently to provide takeaway options for Chinese communities outside of China. The power of community is a huge multiplier.'

LIFESTYLE MARKETING

Food and drinks brands are certainly emphasising the functional qualities of their products more. But another, opposite trend is also happening: lifestyle is becoming a focus of food branding. Across their labelling and packaging, many brands such as **Minor Figures** are giving little insight into what it is their products actually do. Instead, they leave things relatively ambiguous. It means that their lines can be extended without constraint. Check out these other businesses taking a similar approach.

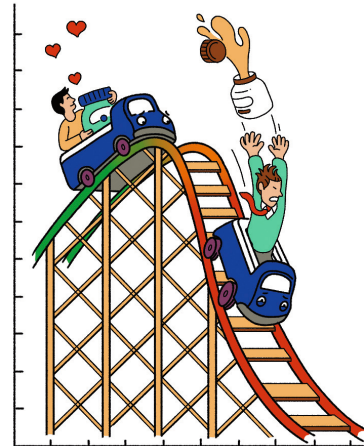
- **Jot.** Next-gen instant coffee. A coffee concentrate that produces more yield per bean of coffee. @jot
- **Wnder.** Bean-to-bar chocolate that highlights the value of adventure and curiosity. @wnder_chocolate
- **Cereal & Such.** This brand only sells one type of cereal: cinnamon squares. Most of its shop is filled with merch, like bowls, keychains and postcards. @cerealandsuch

AT: 'As an independent grocer, we want to believe and get behind the products we're selling. So quality is paramount. And the brand proposition has to be clear. **Minor Figures** is a great example of a brand that doesn't say much about the product itself, but sells a concept.'

HURDLES

Do many of these new brands fail? If so, why and what are the traps they are falling into?

ES: 'Eating is such an emotional and intimate behaviour, so founders will sometimes create a product that they have some romantic view of. But there won't be a sizable market for it.'



AT: 'Some founders will design products to "fill a gap" in the market. That is a dated business model – and consumers can see right through it.'

MJ: 'Many will fail to adjust and iterate. You might know what you want your business to be, but if the data is telling you otherwise, keeping on with your original idea is essentially signing your own death warrant.'

TA: 'Food brands will forget to focus on financials and profit, and not be responsive enough or nimble enough. You can get hung up on beautiful packaging, but the financials remind them to return their focus to the consumer.'

SUPERMARKETS

How are legacy brands responding?

ES: 'We've recently been seeing a lot of large brands acquiring indies, and they'll likely want to acquire them earlier on and incubate them. But large companies are now also setting up their own direct-to-consumer (DTC) channels. In 2020, for example, Pepsi set up snacks.com; the year before that, Kellogg's did similar, when it launched its own Kitchen Creations line of products.'

NEW SNACK FORMATS

Slow Up, with its fresh food bars, is part of a much larger snacking revolution. Snack brands are experimenting more with making their products available in new and exciting formats while emphasising their health benefits. Check these brands out, too.

01. Mood Food. Snack bars based on your mood, for more mindful snacking. Founded in Honduras by Andrea Hernández, Mood Food offers snacks with calming and energy-enhancing effects. @moodfoodsnacks

02. Balkan Bites. Burek is a flaky, stuffed filo pastry that is usually served fresh

out of the oven. Balkan Bites has put it into a format that can be frozen and quickly oven baked. @balkanbitesnyc

03. Plant Pops. These are made from a plant-based ingredient: the seeds of water lilies. Once they're dried and popped, they are seasoned in three different flavours. @plantpopsnacks

AH/LH: ‘Corporates have tried to steal a piece of the pie by launching lazy copycat versions of challenger-brand favourites, like own-brand oat milk and coconut-based yoghurt. Since challenger brands are more agile and deliver a more streamlined, ethical and personalised shopping experience, larger retailers have also been forced to up the ante and invest in the logistics to support DTC or subscription models.’

TA: ‘The large conglomerates are aware of what’s going on; they are seeing their market share being taken bit by bit. Largely, they’re creating gateways to communicate with these challenger brands, whether by investing in them to futureproof their own business, or acquiring them early on. Unfortunately, when large companies buy challenger brands, they usually end up killing them – they haven’t quite cracked



the nut on how to work together yet. But what we’re also seeing more is large brands creating labels that look like they’re startups or artisan-led – which is quite scary in some ways and also pretty disingenuous.’

DIGITAL RETAIL

Online shopping has boomed over the past 12 months. Should brands ditch the idea of selling products in bricks-and-mortar stores?

TA: ‘We certainly won’t see the death of bricks-and-mortar, but they will have to adapt. We’ll likely start to see many more experiential stores, offering things like sushi counters and serve-yourself salad bars.’

AH/LH: ‘Click-and-collect will continue to be a great meet-in-the-middle pivot for stores like The Source,

a London-based bulk-buy store that offers delivery without costly charges and lengthy waiting times. But in line with the localism trend that we’re seeing, we predict more local grocery shops like Trude’s and the Supermarket of Dreams, which enable communities to shop for their favourite brands locally. These kinds of stores will become increasingly important to challenger brands.’

ES: ‘Frustration with large supermarkets has been building for some time now. They don’t have a distinct point of view, nor are they offering unique products. It’s an exhausting shopping experience, with little retail assistance. But... it’s definitely here to stay. For brand discovery, continue to head to the smaller stores for a long while yet.’

AK: ‘Think about how many things you have to run to the supermarket for. They’re a part of our lives and instincts. People still want the option to touch fruit and vegetables before they buy them. And independent grocers will continue to fill the gaps in the mainstream.’

AT: ‘Supermarkets, on the whole, still haven’t succeeded in grasping the business of online food shopping, but they’ll have to if they want to have any hope of staying competitive, because the independents – Riverford Organic, Mindful Chef and the like – will continue to grow in this space.’

WHAT SELLS BEST ONLINE?

New food and drinks brands are giving a lot of attention to how much money, time and energy they spend on online sales versus bricks-and-mortar sales. There is no one-size-fits-all strategy, but certain categories are better suited to one than the other. According to Statista, a survey of US consumers in 2019 showed that salty snacks, condiments, canned foods and coffees were most likely to be bought online. Online sales platform My Digital Shelf added categories like alcoholic beverages, baby food and frozen foods for the UK consumer, who prefers to buy these heavy items online. Offline purchases dominate in categories like fruit and veg, dairy and bakery items.

JOINING FORCES

When a business is taken under the wing of a large food conglomerate soon after launch, it has access to resources that allow larger-scale production. Here are some examples.

- **MOTH.** A ready-to-drink cocktail brand, MOTH is due to launch at Waitrose & Partners, a high-end British retail chain. @mothdrinks
- **Stryk.** Distributing exclusively at Tesco supermarkets, high-end brand Stryk offers natural alternatives to spirits. @stryk
- **Kosterina.** This US-based extra-virgin olive oil and balsamic vinegar brand launched exclusively with Whole Foods Market in September 2020. @kosterina

LOOKING AHEAD

Which categories will see the most change?

MJ: ‘Staple foods are ripe for innovation, as are artisanal and bespoke lines. Also, I think consumers will become more willing to pay higher prices for faster delivery.’

AK: ‘Sustainable alcohol that focuses on transparent sourcing and labelling is the future. Non-alcoholic spirits, wines and beers are still on the up, too. The question is whether bars are going to stock them. Also, now that everyone has spent so much time in their homes getting good at cooking, we’re probably going to see a resurgence of the dinner party. Takeouts, meal kits and deliveries will probably go the other way.’

TA: ‘Health and beauty will creep into food, in the context of products that help skin or general health.’

ES: ‘We’ve only dipped our toe in the meat-alternative pool – the brands are getting even more competitive on pricing. In the plant-milk space, we’re looking for the next oat, whether that is pistachio or flax. Indulgent snacks are also improving, with many going allergen-free or vegan. On the retail side, smaller grocers are going to use bricks and mortar to create a rich experience, as well as to build community and educate.’