



**TRADE  
INTERCHANGE**  
Smarter Supplier Management

**ARCUS**<sup>®</sup>  
Supplier Management Software



# TIME TO RESPOND

The innovative  
supply chain

**‘Consumers are driving new product development and change – it’s vitally important that food and drink companies continue to innovate to meet customer demands or risk being left behind.’**

Mike Edmunds, Managing Director, Trade Interchange

# Consumer driven trends

The food and drink industry is undergoing rapid change as consumer demand continues to drive innovation and new products to the market, aided by social media and a digital marketplace. This offers new opportunities for businesses to generate sales growth and maintain profitability in a volatile marketplace, while providing new challenges for supply chains to overcome.

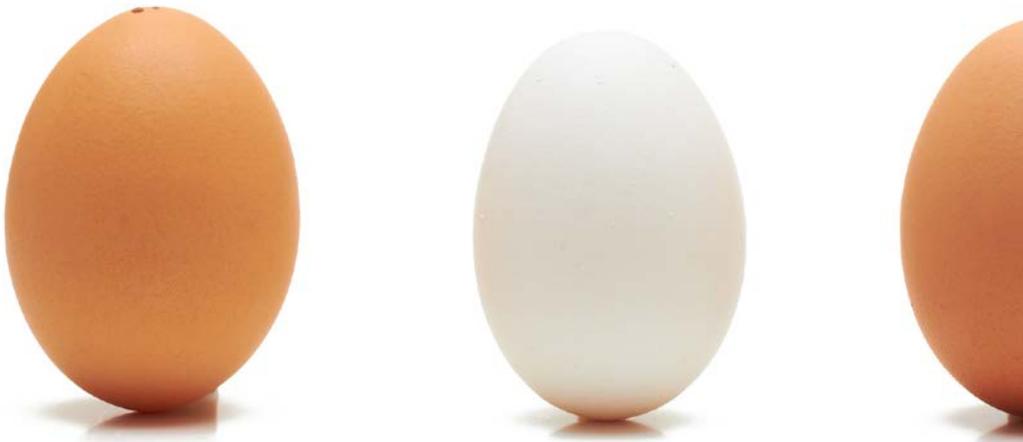
## The rise of wellness

Health and wellness brands continue to drive innovation in foods with perceived health benefits, as more evidence points to the link between diet and health. This 'self-care' movement includes plant-based food, (particularly popular amongst millennials; last year, the UK launched more vegan products<sup>i</sup> than any other nation), free-from foods, organic, and probiotic and gut-friendly food such as kimchi, miso, kefir and kombucha. As more research into the health properties of food is published, consumer perception shifts and the demand changes, meaning that new product lines must be created. Food and beverage companies who want to succeed must listen to their customers and continue to respond.

As social media drives new food and drink trends, consumers have become better educated and more interested in what they consume than ever before. Consumers are looking for more than simple hydration from their drinks and fuel from their food – they are looking for foods that will sustain their demanding lifestyles and provide optimal health benefits. The food and drink industry must keep abreast of consumer desire and react to this quickly changing and competitive industry with innovative new products.



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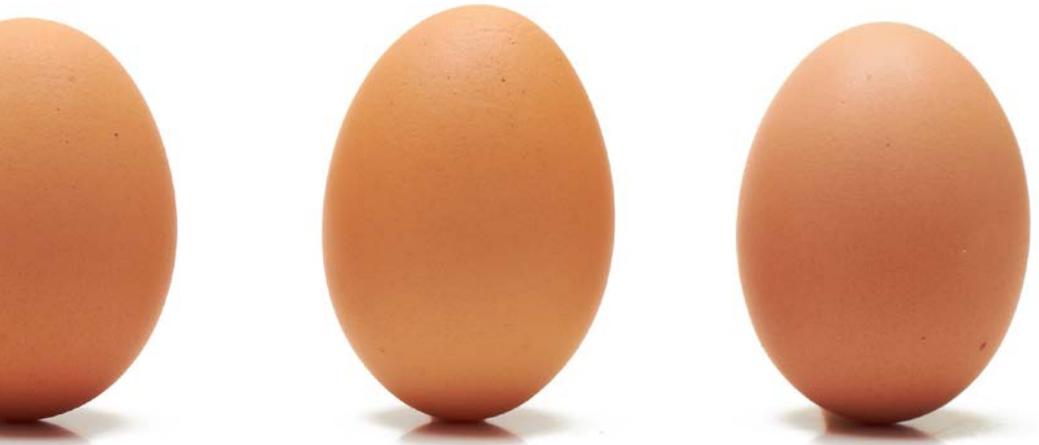
## Case study: How McDonald's USA revolutionised its egg supply chain

When McDonald's USA announced in 2015 that it would source 100% cage-free eggs by 2025, the initiative was a direct result of consumer demand for better quality and cruelty-free ingredients.

The only problem was the fact that there weren't enough cage-free suppliers to meet the demand, as McDonald's USA uses more than 2.2 billion eggs a year.

Suppliers were asked to change to a cage-free system, supported by training and a vet providing education for the farmers and care for the birds. 'McDonald's works hard to know its supply chain well and understand the challenges producers face,' says Kristin Tupa of egg supplier Cargill in a McDonald's media release. 'This is important because together we are literally creating the supply of cage-free eggs.'

McDonald's close partnering with its supply chain has inspired industry change (over 200 companies followed suit) as the initiative has garnered positive press. McDonald's would not have been able to achieve this without a close relationship with its suppliers, and a transparent and easily verifiable supply chain.



# Traceability

In a world and industry dominated by long supply chains, consumers are also requesting ingredients that are traceable to their origin, while placing a higher demand on provenance. Possible solutions may include clean labelling, creating a product made using as few ingredients as possible in which all ingredients are recognisable and healthy, hyper-local supply chains in which ingredients are sourced in the same country or area, travelling very few air miles; to technological solutions that track every ingredient as it passes through the supply chain.

# Consumers are king

For this report, Trade Interchange conducted independent research which surveyed 200 managers and executives working within supply chain, procurement, technical, quality, legal and finance departments in the UK food and drink industry. All of the businesses that were involved in the survey have an annual turnover of at least £20 million, and 65% have an annual turnover of over £30 million.

A majority of those surveyed agree consumers drive the market and determine the course of new product development (NPD). Of those asked, 77% say that consumers were 'very' or 'quite' important in informing new product development. Only 2% of respondents consider consumers 'not important at all'.

The report is supported by Green Hasson and Janks 2018 research<sup>ii</sup>, which found 50% of food industry executives are innovating products based directly on consumer requests. Innovation requirements include supply chain and ingredient sourcing, production and technology, packaging, and marketing amongst other factors. Product changes requested by customers include clean labels, variety, sustainable products and detailed sourcing information.



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## Pressing concerns

When asked 'What do you think is the most pressing consumer concern in the foodservice/ food manufacturing sector right now?', over a third of respondents (34%) to the Trade Interchange report cite sustainability and ethical or cruelty-free sourcing. Of the remainder:

- 22% say allergens are the most pressing consumer concern
- 19% claim health and safety, such as food hygiene, is the top consumer priority
- 13% argue modern slavery is of most concern to consumers

When asked about the biggest issue within their organisation or business, 32% of respondents to Trade Interchange's survey similarly reported that sustainability and ethical or cruelty-free sourcing was of high importance. However:

- 17% think that veganism, dairy-free, gluten-free or other dietary and lifestyle preferences should be examined and addressed within their business
- 17% believe health and safety is important to their organisation
- 14% argue allergens are the top concern
- 11% suggest antibiotics are a key issue
- 10% think their business needs to address modern slavery

## Results

- Customer demands are the main driver for innovation within the industry
- Sourcing of ingredients and products is the biggest concern in the UK food and drink industry
- Food and drink manufacturers say that responding to lifestyle or dietary preferences such as veganism and free-from is of pressing importance

# Product development and new technology

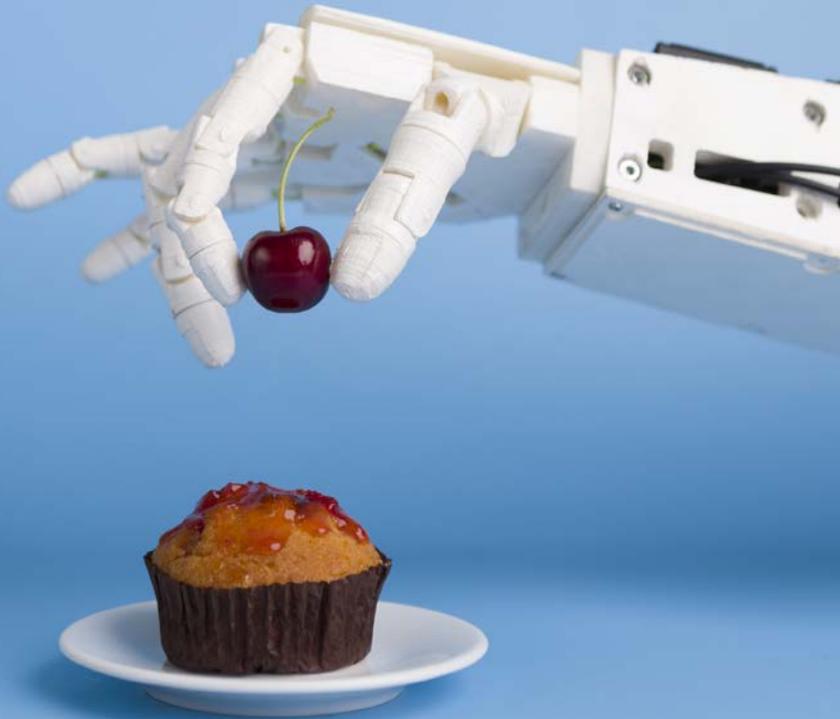
From spotting a trend to the conceptualisation, design, development and marketing of the final product, there are many stages involved in new product development. Information technology is useful in this process to ensure each stage of data collection and adherence to regulation is easy and convenient, while also speeding up the product journey.

Collecting information and sharing this data across the business is imperative to achieving productivity while driving innovation, yet Trade Interchange's report found that over half (52%) of managers and above in the food and drink industry believe that product development 'could be more open to change than it is'. The survey also reported:

- 59% of food and drink managers believe that product development isn't keeping up with new technologies

## Results

- The supply chain is a main innovation driver and technology plays a part
- Over half of food and drink managers and executives believe that NPD would benefit from greater technological input



## Innovate for growth and brand loyalty

As the biggest industry in the UK<sup>iii</sup> the food and drink manufacturing sector is a force for growth, jobs and revenue, yet the sector is also a saturated and highly competitive market. New product development, or NPD, is an effective area in which businesses can nurture innovation and opportunity. Innovative companies will attract loyal customers and ensure protection of their brand.

The BDO Food and Drink Survey 2018<sup>iv</sup> reported that over half of businesses surveyed identified NPD as the primary growth area (down from 92% in 2017) and found over a third of businesses planned to refresh current products and services. 'With 52% of our survey expecting future growth to come through new product development, there can be little doubt over the importance of innovation to our industry,' says the report. 'The level is far ahead of any other strategy that food and drink companies are looking at to grow their businesses.'

Employing the latest technology in new product innovation can provide seamless integration between current systems, and new ingredients and sourcing required for the new products. Trade Interchange's new ARCUS<sup>®</sup> NPD module provides efficient data collection, an automated approval process and allows numerous products to be developed simultaneously.

**Collecting the right kind of data to market the product is essential to its success.**



# NPD and supply chain management

In an industry in which products may have short life cycles, and a compressed time span from concept to launch, a smooth-running NPD process is key. NPD within a food and drink company must incorporate supply chain requirements, which relies on finely tuned technological processes within the company.

A food and drink business with ineffective data management can result in delays within the supply chain, and a spoiled or insufficiently regulated product. This in turn can reduce sales, growth, profit margins, and damage the brand's reputation and customer loyalty.

## Ineffective processes

NPD may be a growth driver in the food and drink industry, however growth is difficult within a sector in which the fail rate for new products is 70 to 80%, according to the University of Toronto<sup>v</sup>. A minimum of £30.4 million is wasted by Britain's food and drink retail sector on failed product launches each year, reports analytics platform E Fundamentals<sup>vi</sup>. Over £2.1 million of that is wasted by online grocery platforms alone, through the inaccurate information and listings of new products online. Meanwhile, 63% of the products from major online food and drink retailers which were analysed featured erroneous listings, which included missing ingredients and shortened product names, making items much harder for shoppers to locate and buy.

## Effective data management

Collecting the right kind of data to market the product is essential to its success. Also important in the food and drink industry is collecting and verifying supplier documents and information; as is ensuring the product meets all industry regulations and standards. Data management and increased productivity go hand-in-hand; if data is shared effectively across the business this creates a smooth-running operation.

# How does new product development work?

Forward-thinking companies can grow their market share by responding to, and satisfying consumer demand through NPD. This year has already seen Marmite Crunchy Peanut Butter from Unilever, a Coca-Cola Energy drink with caffeine, guarana extract and vitamins B3 and B6, a Lemon, Gin & Tonic Sauce from M&S, and even a Rose Gin from Young in Spirit with the addition of skin-boosting collagen. Typical steps in driving a food or drink product from idea to launch are:

- Identifying a target market through quantitative market research
- Brainstorming ideas for a prospective product
- Evaluating product concept to determine feasibility
- Prototyping
- Sourcing ingredients
- Ensuring the product meets food safety standards and regulations
- Establishing the supply chain
- Packaging design and branding
- Test marketing
- Market entry

As an example, the US restaurant chain Taco Bell reviews 4,500 new product ideas each year, typically testing 80 variants of one product, test marketing 350 to 500 ideas, which results in eight to 10 products usually ending up on its nationwide menu.



# How does ARCUS® NPD work?

ARCUS® NPD's integrated, customisable and automated workflow allows multiple departments to approve the products without the need to chase essential information or re-key data. All departments within a business including food development, procurement, supply chain, marketing, commercial, technical and quality can approve the product at predetermined stages, which can be anywhere from conception to launch. The module has the useful ability to separate products, so if one is not approved it can be sent back for review without delaying the progress of other products.

ARCUS® NPD integrates seamlessly with existing third-party recipe management systems, such as Fourth, while ARCUS® Product Information Management (PIM) module can be used collect product specific details, such as the ingredients or products used while providing a shared view across departments. In addition, NPD can be used with the ARCUS® Supplier Information Management (SIM) module to collect information about suppliers, ensuring compliance.



## Benefits of the New Product Development module

- Save valuable time by managing approval criteria across departments
- Reduce the risk of non-compliance by ensuring a unified company approach to data
- Streamline approved products and flag non-viable products
- Reduce the risk and cost of a new product's development by streamlining processes and associated data
- Increase flexibility – from keeping up with allergen risks on seasonal menu changes to product innovation, NPD's data collection will allow efficient and effective supply chain management



**Managing Director Mike Edmunds explains how Trade Interchange has developed the new ARCUS® NPD module which can provide unrivalled data support when bringing a new product to market**

ARCUS® New Product Development (NPD) is a new module that sits within the ARCUS® platform, offering seamless and easy collection and verification of documents and data necessary when launching a new product. The ARCUS® NPD module also allows simultaneous development of numerous new products. It records all product specifications and can be used across departments so the correct number of ingredients can be easily ordered, sent to the right places and marketed in time for launch.

Trade Interchange's ARCUS® supplier management software delivers confidence in a range of supplier management activities: from initial tenders and auctions through to supplier and product information management, supplier contract and performance management, and initial product concept and development.

### **How ARCUS® NPD is used**

ARCUS® NPD is used by our current customers to create a more streamlined and consistent process for developing new dishes and recipes. Bi-directional workflows tailored to each customer's requirements allow aspects of potential new products to be approved by the relevant professional.

Information is automatically sent between marketing departments and development chefs; in addition to food safety, supply chain and procurement teams. This creates a more efficient, detailed and accurate approval process.

- i Marketing Week, *Veganism on the Rise*, 2 April 2019.
- ii Green, Hasson & Janks, *Food Innovation: The Push and Pull of Consumer Demand*, 2018.
- iii Department for International Trade. <https://www.great.gov.uk/international/content/industries/food-and-drink/>
- iv BDO Global. *BDO Food & Drink Report 2018*.
- v Professor Inez Blackburn, University of Toronto.
- vi e.fundamentals. *Failed product launches cost grocery brands over £30.4m per year*, 3 November 2017.



# TRADE INTERCHANGE

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