



FOOD & BEVERAGE INDUSTRY TREND REPORT 2016



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INTRODUCTION

According to recent analysis by Frost & Sullivan, the global food & beverage industry is expected to reach \$20 to \$25 trillion by 2030.¹ Although it is the largest retail category in the U.S. by far, it is lagging behind in terms of developing e-commerce.² Less than 1% of sales in the food & beverage industry occur online. However, recent trends indicate that this is about to change.³

What are these trends and how do they affect the food & beverage industry? How will e-commerce change this industry? This report will discuss these themes and more.

1. <http://ww2.frost.com/news/press-releases/can-shifting-food-beverage-market-feed-world-2015-and-beyond/>
2. <https://www.loaddelivered.com/blog/why-food-and-beverage-retailers-can-no-longer-ignore-e-commerce/>
3. <http://uk.businessinsider.com/e-commerce-disrupting-huge-grocery-market-2014-12?r=US&IR=T>

1

GROWTH IN E-COMMERCE AND GROWTH IN THE FOOD & BEVERAGE INDUSTRY

In 2015, global B2B e-commerce was worth \$5.6 trillion (Statista, 2015). Frost & Sullivan projects that B2B e-commerce will reach \$6.7 trillion by 2020, more than double the size of B2C e-commerce (\$3.2 trillion).

The food & beverage industry, globally worth \$7.6 billion, can benefit from this growth. Large corporations such as Mondelez, PepsiCo, and General Mills have already noticed this trend and are focusing on their e-commerce business. For example, Mondelez intends to increase its e-commerce business, currently valued at \$100 million, to \$1 billion by 2020.⁴

Although food & beverage is one of the few industries that has not yet widely adopted e-commerce, this will soon change. Grocery stores have started to offer their products online, marketing to customers who are increasingly accustomed to the convenience of online shopping.⁵

Aware of this trend, major online retailers like Amazon and Walmart are expanding their online assortment to include groceries.⁶ As these large corporations adopt e-commerce, it will only be a matter of time before others jump onto the digital bandwagon.

**MAJOR ONLINE RETAILERS
ARE EXPANDING THEIR ONLINE
ASSORTMENT TO INCLUDE
GROCERIES.**

⁴. <http://www.fooddive.com/news/8-major-challenges-facing-the-food-and-beverage-industry-in-2016/411408/>

⁵. <http://www.mintel.com/press-centre/retail-press-centre/29-of-uk-online-grocery-shoppers-are-shopping-for-groceries-more-online-now-than-a-year-ago>

⁶. <http://www.investopedia.com/articles/investing/120915/why-are-retailers-expanding-online-grocery.asp#>

2

WHY ARE FOOD & BEVERAGE BUSINESSES SLOW TO ADOPT E-COMMERCE?

Although large food & beverage corporations are shifting towards e-commerce, the broader adoption rate of B2B e-commerce in this industry is low compared to industries like consumer electronics and household products. IN 2015, FOOD & BEVERAGE ACCOUNTED FOR ONLY 2.4% OF THE OVERALL E-COMMERCE MARKET THAT YEAR.⁷

2,4%

“Food & Beverage accounted for only 2.4% of the overall e-commerce market in 2015.”

Fooddive.com, 2015

A primary reason is the nature of the products. Unlike non-perishable items like electronics or apparel, food & beverage products have unique logistic and storage requirements. Each product has varying requirements regarding hygiene, temperature and packaging.

Moreover, buyers in the food & beverage industry deal with expiration dates. Products like dairy and fruit have a short shelf life. This means that for these items, quick processing within a company and fast delivery are of the utmost importance. Companies must also provide their clients with reliable and up-to-date information on expiration dates, in addition to expected inventory levels and delivery times.

Because of these factors, it is easy for companies in the food & beverage industry to focus upon the challenges of e-commerce, rather than the opportunities. However, e-commerce can resolve such issues instead of causing them.

⁷ <http://www.fooddive.com/news/general-mills-exec-e-commerce-to-be-mission-critical-for-industry/409126/>

3

SELLING ONLINE: SUPERMARKETS VS. DISTRIBUTORS

A recent survey by Nielsen found that one-quarter of the global respondents stated that they already order groceries online for home delivery, and 55% are willing to purchase groceries online in the future.⁸ Research in the Netherlands indicates that in the first quarter of 2016, online consumer expenditures on food and near-food products booked the highest growth of all industries: 57% in total. This is a clear indication that consumers are getting used to ordering their products online. Just as online shopping has been enthusiastically embraced for home use, surely in the future the practical benefits will be utilized in our professional lives as well.

The initial stages of this are already evident. Whereas businesses traditionally placed weekly orders with food & beverage wholesalers, an increasing number are now placing orders through online grocery stores. This shift is mainly caused by the user-friendly interface, lower costs and, most importantly, daily delivery from these online grocery stores. All of this makes it significantly more convenient for businesses to order their groceries online, just as they do at home. Many organizations like daycares, schools and offices will likely start ordering their food products from online supermarket portals instead of placing a weekly order via a wholesaler. To avoid losing such valuable customers, it will be essential for wholesalers to adopt e-commerce.

⁸. [http://www.nielsen.com/content/dam/nielsen-global/vn/docs/Reports/2015/Nielsen%20Global%20E-Commerce%20and%20The%20New%20Retail%20Report%20APRIL%202015%20\(Digital\).pdf](http://www.nielsen.com/content/dam/nielsen-global/vn/docs/Reports/2015/Nielsen%20Global%20E-Commerce%20and%20The%20New%20Retail%20Report%20APRIL%202015%20(Digital).pdf)



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THE SAVINGS AND BENEFITS OF E-COMMERCE

Some might think that e-commerce is only for the large food & beverage corporations. However, small or niche companies can also benefit from e-commerce to scale up their business.

In addition to offering convenience to clients, an e-commerce platform provides huge benefits for the companies themselves. As noted above, the perishability of goods is often cited as a primary issue. However, e-commerce actually improves the flow of products through the company by automating many tedious and error-sensitive processes that were traditionally done manually, like order placement and processing. As a result, the different processes within the company are better aligned. This saves time and hassle, and significantly accelerates the process, allowing goods to be shipped out faster than ever before.

The benefits are not limited to efficiency, though: e-commerce also allows companies to expand their business into other markets. For example, businesses improve search engine rankings, becoming more visible online. Since potential clients can find them more easily, even local wholesalers can now easily reach customers across the country – and even beyond. Moreover, companies can start selling to new types of clients: a distributor or wholesaler can enter the consumer market, for instance. In short, e-commerce provides many opportunities to scale up businesses in the food & beverage industry.

“This is also a lot more effective for us as a company. The online shop reduced the number of man-hours because we no longer have to enter all the information by hand.”

Carl van Goethem, Director of Bierhandel de Wilde, beer wholesaler

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CONCLUSION INVESTING IN FUTURE GROWTH

Whereas other industries dived enthusiastically into the e-commerce pool over a decade ago, the food & beverage industry has just gotten its feet wet. Nevertheless, the **PREDICTIONS ARE FAVORABLE** that this will be **THE NEXT GREAT E-COMMERCE SUCCESS STORY**. Naturally there are challenges involved – no major upgrade in services can be made without adjustment and fine-tuning – but most have been successfully mastered on other fronts. Once these obstacles have been overcome, **THE OPPORTUNITIES ARE LIMITLESS**.



ABOUT US

Sana delivers fully integrated e-commerce solutions for Microsoft Dynamics and SAP that help manufacturers, wholesalers and retailers grow online, including mobile support for sales agents.

With more than 20 years of e-commerce experience and a worldwide network of partners, Sana offers a complete set of additional services e.g. advice on Search Engine Optimization (SEO), online marketing, hosting, online payment providers and graphic design that are essential to successfully run your online business.

Sana Commerce is a Gold Microsoft Partner, SAP Partner, Certified for Microsoft Dynamics NAV & AX and Certified for SAP Integration.

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