THE DIGITAL FUTURE OF THE FOOD AND BEVERAGE INDUSTRY

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Introduction

E-commerce isn't just a trend: it's our new business reality. As technology sparks further growth, it's a must-have for organization in the food and beverage industry.

Industry 4.0 is shaping the business landscape worldwide. There's no escaping it. Different sectors are entering the next stage of the digitization, and organizations that *aren't* continually developing risk having competitors outpace them.

The food and beverage industry is no exception. From packaging manufacturers and coffee roasters to bakeries and supermarkets, all businesses in the industry today are susceptible to the impact of e-commerce (and can benefits from its advantages).

E-commerce giant, Amazon, is tightening the competition even further. It entered the food and beverage industry and forced others to re-evaluate their customer experience, and their value proposition.

With this trend report, we offer an overview of the industry's top trends today in order to help you determine how you can use e-commerce to make the next step in your digital transformation process possible.

1. Food and Beverage's Digital Transformation:
   The Progress So Far

Shopping for food and beverages online has become the norm, thanks to the forward-thinking efforts of industry juggernauts like Amazon and Whole Foods. Today, according to 2019 data from eMarketer, grocery e-commerce will grow 18% this year in the U.S. alone — and will rank as the fastest-growing product category online. This will result in revenue surpassing $19 billion by the end of the year.[1]

Embracing Digitization: A Timeline

Amazon bought Whole Foods back in 2017, and almost immediately saw a surge in online grocery shopping, especially for basic staple items. (Food Engineering Magazine).[2] The most popular value brand products were all sold out in a matter of days. The market began to adjust to a younger demographic, especially a jump in millennial buyers.

In response and in order to compete, by 2018, many food and beverage businesses started embracing more innovative approaches to online sales, like click-and-collect. In turn, 34% of customers expected to buy 40% or more of their online groceries online that year.[3]

> "TODAY'S GROCERY RETAILERS ARE RAPIDLY ADOPTING ALTERNATIVE FULFILLMENT METHODS THAT SOLVE THE PROBLEMS ASSOCIATED WITH FOOD AND BEVERAGE E-COMMERCE."
>
> - One Space, 2018

Today, the food and beverage industry is looking at tremendous e-commerce growth. Revenue from online food and beverage sales is predicted to exceed $27 billion by 2023 in the U.S. alone.[4]

Globally, online sales will make up 15-20% of the sector's overall sales by 2025: 10x more than it did in 2016.[5]

To capitalize on this potential, food and beverage businesses are improving their e-commerce experiences and gearing up for major wins online.

The Challenge: Competition is High

Amazon is expected to corner the largest market share of U.S. food and beverage e-commerce sales in 2019: owning 32.7% of all online sales in the sector this year. Amazon is closely followed by fellow industry giants, Walmart, Target and Kroger.

The meal-kit business has also seen tremendous growth over the years. There are over 150 meal-kit companies operating in the U.S. alone, but these businesses struggle to retain customers, and see high degrees of churn from customers looking to try meal kits from competitors (Forbes, 2018).[6]

For beverage companies, regulatory challenges continue to create hurdles. Direct-to-consumer sales have driven tremendous growth so far, but competition among breweries, wineries and liquor businesses is also tough. Today, wineries make up 65% of online alcohol sales, followed by 21% for liquor sales and 13% for beer sales online.[7]

As early as 2017, 64% of successful companies within the food and beverage industry had developed an e-commerce strategy. [8]

And, not surprisingly, embracing digitization is still paying off today.

Growth of Online Supermarkets

While we don't expect a 100% digital food and beverage industry to materialize any time soon, it's not as far-fetched as you might think.

Supermarkets have long stopped investing exclusively their physical locations — and their customers are demanding more varied offerings and services as well. Plus, the demand for online delivery and subscription food services will continue to grow in 2019 as busy consumers show their preference for doorstep delivery (Forbes, 2018).[9]

Many large enterprises **are starting to** understand that you have to be where your clients are **to drive online sales**. And more and more clients are going (and staying) online. Research by FMI and Nielsen reveals that a massive 80% of respondents who have purchased groceries online plan to do this again (or have done so already).[10]

Why is this the case? Because customers are online now more than ever. With a quick search on their phone consumers can make informed and speedy decisions on products they'd like to consume. Successful food and beverage businesses will make use of digital and social platforms to connect, and provide robust product research, tips and stories to their information-hungry consumers.

The Digitization of B2B Food and Beverage Sales

Does this mean that all digital sales in the industry are reserved for the disruptive startups, e-commerce giants, and the online supermarkets of the future? Not at all.

Digitization is crucial for every organization in the industry that doesn't want to fall behind. There is simply no excuse *not* to embrace digital transformation. But the B2B landscape for industry brands is different than it is for those selling B2C. There are additional complexities to take into account when your customer base is fundamentally different, and it comes with a variety of B2B-specific demands and expectations.

Let's dive into what that means.

2. Professional Buyers and Consumers:

What is the Challenge in B2B Food and Beverage Sales?

Consumers and professional buyers alike are increasingly choosing to order online. B2B clients aren't the same as B2C customers, of course, but it we are seeing developments demonstrating that professional buyers bring their consumer expectations to business interactions and purchases.

This consumerization of online B2B sales is pushing B2B buyer needs more toward those of consumers. Professional buyers want a web store that's attractive, user-friendly and easy to use, for instance. Companies (both B2B and B2C) are also realizing that they don't need to limit themselves to a single target audience. New business models like B2B2C and D2C are growing in popularity, especially in the food and beverage industry.

Food and Beverage Industry: Consumers' Key Considerations

There are a handful of factors that are essential for food and beverage consumers. When buying food, consumers focus on quality, freshness, nutritional value, price, delivery speed, and delivery costs. Many consumers also choose to purchase from stores that make use of sustainable packaging. Consumer-brand trust is also a key factor.

However, these demands are not always easy to translate to a digital world. This means that they can create considerable obstacles for e-commerce.

1. Quality and Freshness

Quality (or taste) and freshness are two vital words in the food and beverage industry. They're what it all boils down to, and they're potentially the most complex challenges you'll face when you make your move into online sales.

Most clients base their assessment of taste and freshness on how your products *look*. So it's little wonder that they prefer to judge products in person — an experience that's not exactly easy to offer in a web store. With the industry's stringent requirements, this sets the digital threshold high for many companies.

Therefore, organizations need to find a suitable solution before they can achieve online sales success.

2. Nutrition and Price

Another major development affecting multiple industries, including food and beverage, is customers' growing need for information. The average buyer is doing more research before making a purchase and giving more thought to the potential consequences of their choice. Access to the right information is a key part of this process.
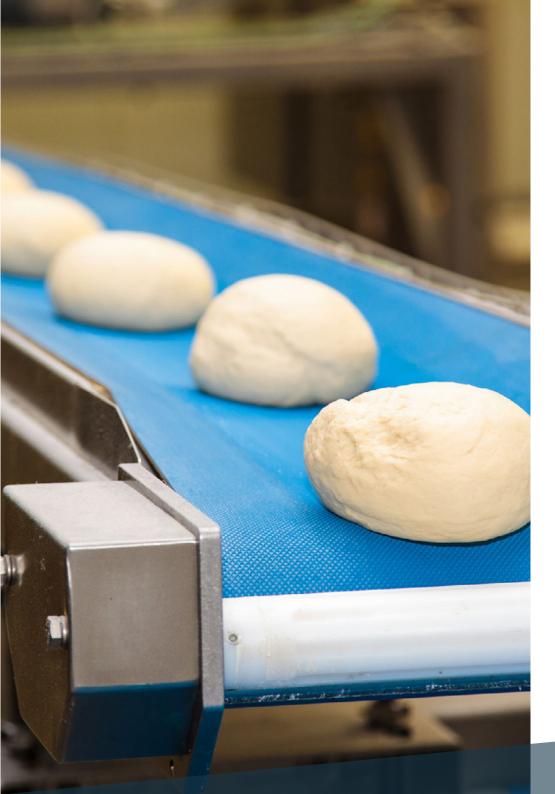
Research reveals that more people are reading what's on the package. (FNLI, 2017). They ask: "Is this the healthiest choice? Am I getting the right deal?" Customers want to be able to answer these questions and be confident in their choice. Professional buyers also need this information, as they need to pass it on to the end-consumer. Offering this insight online is mission-critical when it comes to strong e-commerce experiences.

3. Trust and Complexity

Securing the trust of your clients is essential, regardless of your industry or target audience. In today's market, it's a lack of trust that's holding potential customers back from buying online — particularly when it comes to uncertainty about the ordering process.

This uncertainty is one of the main aspects of online grocery shopping that potential customers worry about. This, combined with the complexity of ordering and other company processes, can pose a major problem to a variety of businesses in the food and beverage industry.

3. Optimization Through Automation: Reshaping Obstacles into Opportunities

Opportunity #1: An Automated Supply Chain

You will run into more than just obstacles on your path to digital transformation; you'll also face (and embrace) key opportunities. In fact, the elements of food and beverage e-commerce that might seem like obstacles at first glance can prove to be unique opportunities for growth.

In the U.K., online grocery purchases have more than doubled in less than 10 years. With such explosive growth within the industry, finding the right solutions to new challenges is paramount for any company that wants to avoid falling behind.

The first step? Digitization. An automated and optimized supply chain can remedy your primary logistical pains. This opens up the digital playing field and provides space for more growth and returns.

Opportunity #2: Speed and Efficiency

The margins in the food and beverage industry are low enough as it is. A supply chain that's not optimized and streamlined using automation will soon lead to significant losses, and likely be slow and inefficient.

Delaying optimization poses a significant risk for the freshness of your product. Automated supply chains get products in your customers' hands faster, making it easier to safeguard the freshness of products. With the focus on freshness, a shorter delivery time is a differentiating factor that could draw in a lot of customers, particularly B2C consumers.

Opportunity #3: Minimal Error Margins and Lower Prices

Many food and beverage businesses still use paper documentation. Not only does this impact speed, but it also means an increased risk of mistakes. In other words, more costs — costs that are eventually passed on to the end user.

An incorrectly entered order can also wreak havoc on buyers' trust in your brand or company. Automation minimizes error margins, and ERP systems are an excellent way to avoid order errors (as long as your ERP is integrated with your web store). ERP-integrated web stores ensure all company processes are brought together in one place, and that your entire organization (and your customers) have access to real-time data at all times.

An e-commerce system integrated with your ERP enhances this efficiency even further by using the ERP as the engine that powers the web store. Moreover, a fully integrated solution offers a myriad of possibilities when it comes to cross-selling, up-selling, and even improving e-commerce personalization.

The cloud will play an important role in this in the future. Cloud-based ERPs, for instance, let you synchronize and automate even the most complex and diverse processes. This goes beyond internal optimization. A cloud ERP-integrated e-commerce solution gives your clients access to a comprehensive and powerful online portal, while providing you with a 360-degree view of your customer base.

Opportunity #4: Information and Transparency

There's more to winning clients' trust than just minimizing mistakes. Information and transparency are essential.

We touched upon clients' need for in-depth information before, but when you have a labyrinth of systems and structures, it can be hard to use to use this data in the right way. Your ERP helps you clear this hurdle by saving your most important information in a single system. An ERP-driven web store leverages this power by making it easy for your customers to access clear overviews of all essential product information — no matter how complex.

This is particularly pertinent when you consider how much clients value transparency around where their purchases come from. If your company can offer customers clarity about the origin of their food, you're one step ahead of competitors who don't have the right tools. Technology (such as smart packaging, sensors, the cloud and IoT) offers many possibilities for success today and in the future.

4. Smart Solutions for Complex Problems

Largely, the food and beverage industry has a traditional sales mindset, which means there are plenty of organizations that aren't making automation and digitization a priority. Contributing factors to this slow adoption include the complexity of logistical processes, but also strict (quality) requirements that organizations must meet and adhere to.

That being said, there are also many organizations that *do* harness the immense power of automation and digitization. Startups and various other companies using digital developments to their advantage are disrupting the industry. This group of manufacturers, distributors and other businesses promises to only grow — and grow faster than competitors with less-digitized organizations.

Ignore this competitive pressure at your own risk. With the irrepressible advancement of technology, your playing field is anything but traditional. It's
a dynamic environment with demanding clients. These clients are online, and demanding that you sell online too, regardless of whether they're consumers or professional buyers.

Automation and digitization should be the driving force for companies, with smart solutions to answer complex challenges. At the heart of these future-facing approaches is your ERP; it's just a question of leveraging a ready-made investment to take e-commerce to new heights.

Resources

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ABOUT SANA

Sana helps businesses all over the world reach their full potential. We offer the shortcut to e-commerce. How? Through 100% seamless integration with SAP and Microsoft Dynamics. Our e-commerce solution leverages existing business logic and data in powerful and user-friendly web stores. This lets our clients focus on improving customer experience, streamlining sales processes, and increasing sales volume and frequency.

Sana Commerce is a certified partner of Microsoft Dynamics and SAP. Our innovative approach and strong partner network make Sana the driving force behind over 1,500 web stores worldwide. Because of our experience and expertise, we can go all the way, offering not only a product but also supporting services such as online marketing, Search Engine Optimization (SEO) advice, hosting, design and online payment providers

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