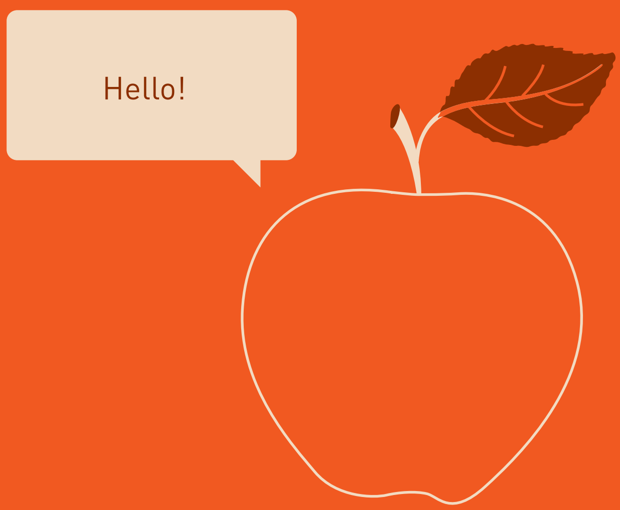
GDI GOTTLIEB DUTTWEILER INSTITUTE
ECONOMIC AND SOCIAL STUDIES

FRUIT TRADE 2025

Ideas – Impulses – Insights

By Marta Kwiatkowski and Christine Schäfer

25 YEARS
FRUIT LOGISTICA


Hello!

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Content

Preface

Dear Members of the Fresh Produce Trade,

We would like to thank all participants for their contribution to “Ideas – Impulses – Insights”, the trend study on the future of the fresh produce sector.

In the preparation of this trend report, international experts from the entire value chain were interviewed. On this basis, we were able to determine the developments considered to be most disruptive from the perspective of the sector. Together with the expertise of the renowned Swiss think-tank, Gottlieb Duttweiler Institute, the most relevant areas of action were thus defined.

This trend report will allow you to anticipate the key issues affecting the trade and sensitise both stakeholders and decision-makers to them. It will help you to answer questions relating to your business proactively:

What major changes do international experts expect in the fresh produce sector? Which issues will we be dealing with in ten years’ time? Which innovations will our customers expect?

The findings of the survey will be presented on the 25th anniversary of FRUIT LOGISTICA (8-10 February 2017) and continuously discussed in our media activities throughout the year. The “Ideas, Impulses and Insights” from this trend study are a heartfelt thank you to all customers and partners in the fresh produce sector. They have guided FRUIT LOGISTICA throughout the past 25 years, and have made it the most important platform of the fresh fruit sector.

As FRUIT LOGISTICA, we continually strive to conduct an intensive exchange on the future prospects of the sector with you – growers, traders, technicians, logistic specialists, retailers and service providers.

We are looking forward to hearing your views on this work, and remain with kind regards,

Your FRUIT LOGISTICA Team

Introduction

While food production is increasingly geared towards efficiency and cost effectiveness, and becoming a highly technical area, consumers long for authenticity and transparency in their food consumption. However, the value chain has become increasingly complex and obscure in recent years. From the consumers' perspective, the food industry resembles a black box. In addition, frequent scandals have undermined their confidence. Consumers have become more critical, and expect more simplicity and authenticity. Food is still expected to taste good and act as a feel-good factor. After all, consumers seek an intuitive, pleasurable and sensual experience when it comes to food. Local traditions and rituals are more popular than ever, and stand for food that people are familiar with.

In recent years, "unfair" food production conditions and unsustainable production methods have increasingly garnered criticism. As a result, regional foodstuffs and products from fair and organic production have been gaining popularity for some time – representing a counter-trend to globalisation in food production. And consumers are prepared to put their hands in their pockets if these criteria are satisfied.

At the same time, drastic changes can be observed on a global scale; Asia for instance is becoming an increasingly interesting export market. China's middle class is emerging, and urbanisation is progressing fast. The longstanding one-child policy coupled with increasing affluence have resulted in a high level of preparedness to pay for the best quality products for the next generation. Stronger demand coupled with higher price acceptance means that many producers now sell to Asia rather than to Europe. As a result, trading channels for fresh fruit are also changing direction, away from Europe – with its trend towards declining consumption – and towards Asian growth markets.

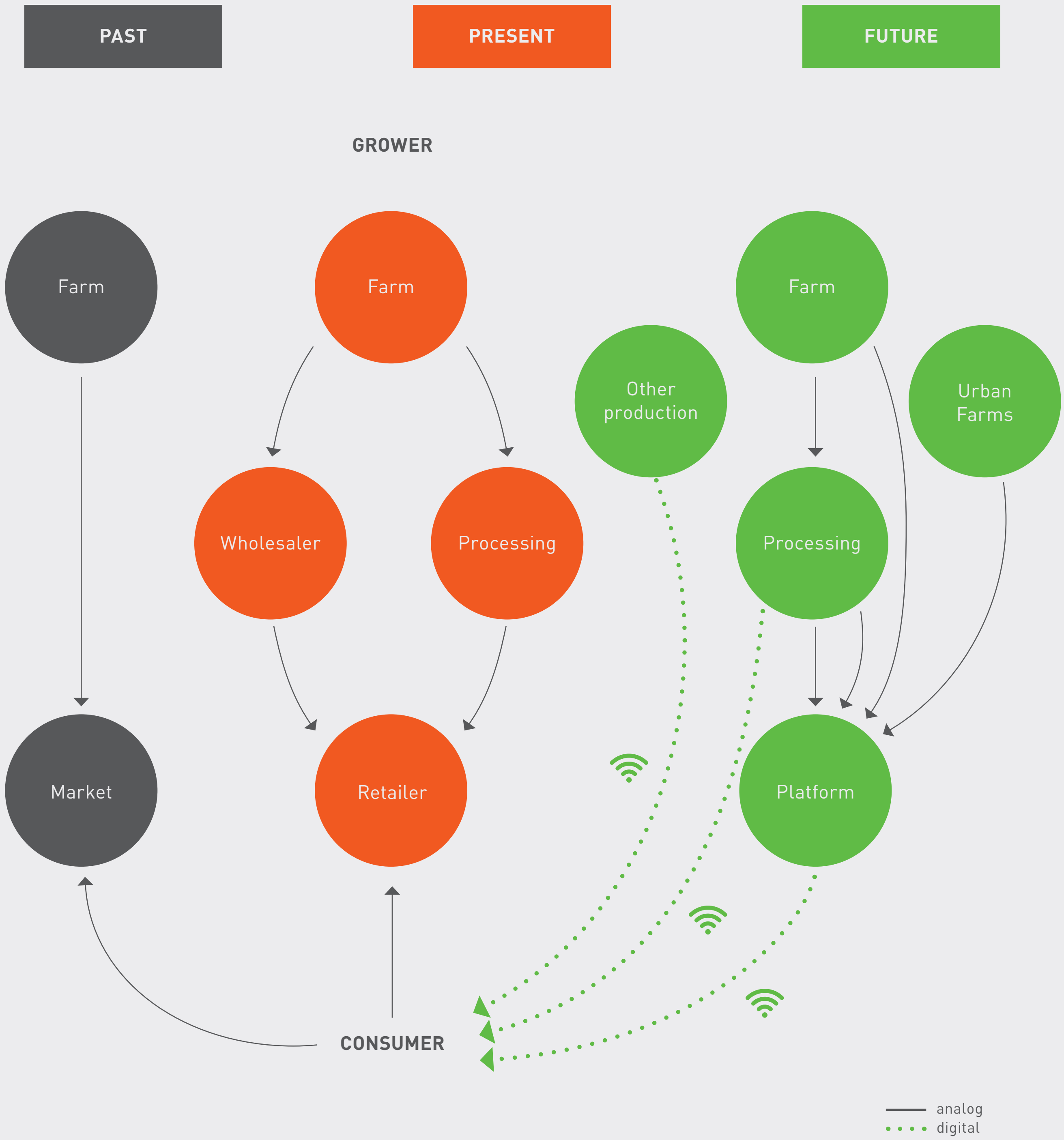
Moreover, consumers are no longer waiting for the larger distributors to react. They are beginning to prefer to create the desired transparency and sustainability in the value chain themselves as urban farmers or gardeners. Such niche phenomena exert pressure on the market, because they create new lifestyles for urban dwellers which are quickly taken up by conventional businesses. Urban farming and gardening are romantic niches which can be organised even better if they are supported by high-tech.

Social demands to get the most out of life increases pressure on personal efficiency. Consequently this requires detailed planning, coordination and a high level of mobility. As everyday life becomes increasingly complex, consumers look for simplification and optimisation. With the support of new technologies, personal organisation is becoming easier. Digitalisation has already revolutionised entire industries, not only the music and tourism sector. It is now also becoming a significant factor in the food industry. Visits to a large retailer for the weekly shop can be substituted by the convenient option of home delivery. The aspiration towards efficiency coupled with the desire to maintain a healthy and balanced diet also involves fast and nutritious take-away meals and the ability to buy food in small quantities while on the move. While online shopping currently only accounts for a small share of food purchases, it is quickly gaining momentum. And this growth is sometimes driven by new players with purely digital business models – the digital platforms. From delivery services to organic farms, restaurant services or smart meal box providers – what all these concepts have in common is that they do not necessarily require their own distribution

An historical view of the value chain

	Past	Present	Future
Production	High level of self-sufficiency in own gardens Local agriculture First mechanisation	Low level of self-sufficiency Trend towards urban gardening Globalised agriculture Large-scale, partially automa-ted production	Production increasingly regio-nal/urban New concepts in urban/vertical farming Non-industry producers (Goog-le, Toshiba etc.) Fully-automated mixed cultiva-tion production
Distribution	First exotic fruit imports Weekly markets in towns Colonial goods Strong seasonality of production Key locations: Consumers come to the producers	Online trading Partial return to street markets Continuous availability of fresh produce, seasonality less important Primarily via retailers: Consu-mers come to the store	Autonomous Smaller urban delivery ser-vices On demand/instant delivery Crowd-sourced delivery Rise of the platforms: Producer comes to the consumers
Consumer behaviour	Housewives: Responsibility for the family's nutrition Primary requirement: Satisfy-ing hunger Limited knowledge about nutrition Food is primarily consumed at home	Marketing of food origins Health awareness Organic boom Fast Good: Fast, convenient and healthy Flexibility, eating anytime and anywhere Diets	Marketing of product charac-teristics Processed fresh produce/Rea-dy-made healthy recipes Transparency/Requirement to know ingredients and origin of products Controlled lifestyle Fast to-go supply that is healthy and aligned with individual nutritional values

The value chain is becoming atomised and increasingly digital

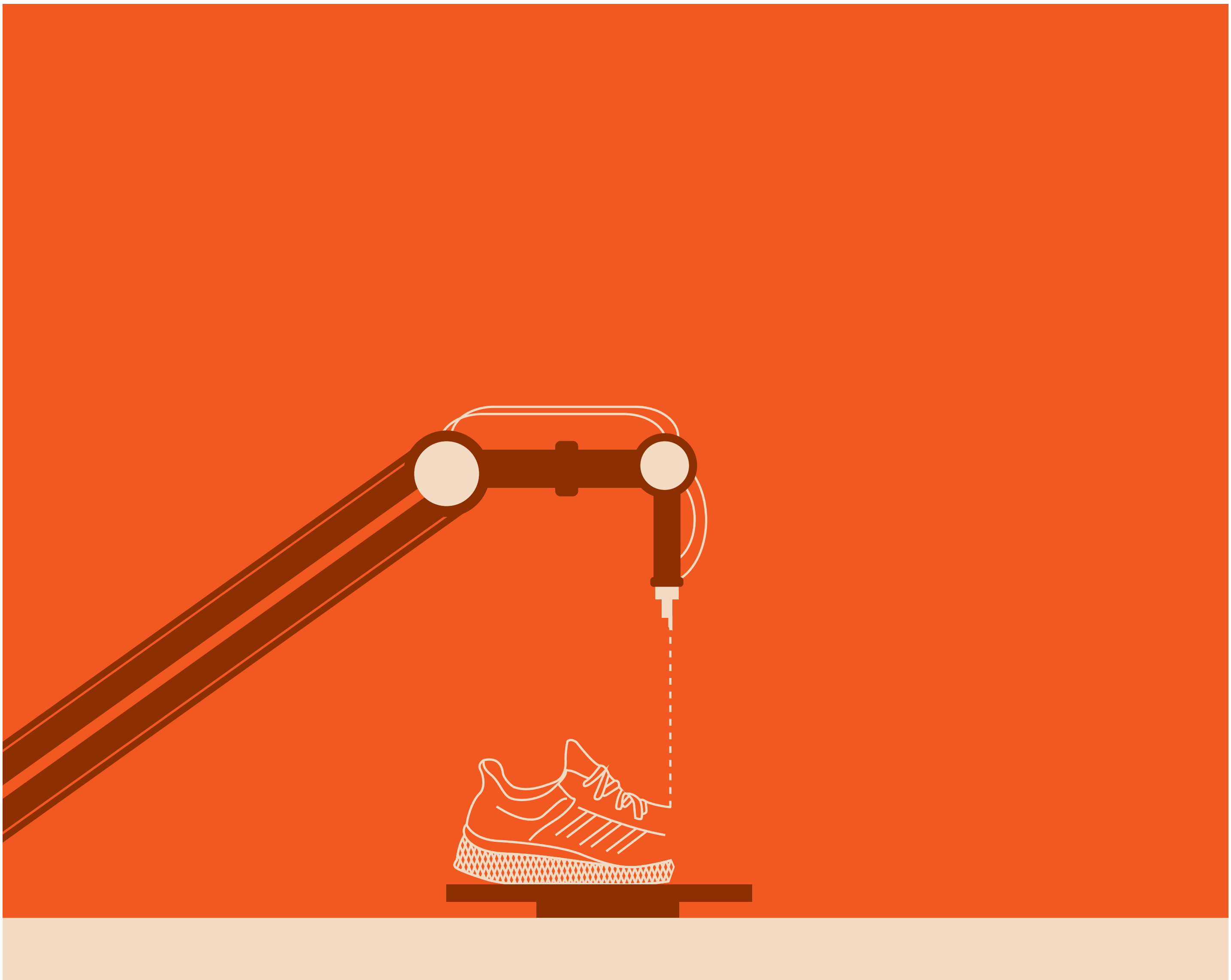


Quelle:GDI 2016

centre or ownership of the products. Their sole purpose is to bring a wide range of providers and suppliers together on a single shopping platform, and either carry out delivery to the consumer themselves or via a logistics partner. The product is going to the customer more and more, instead of the customer going to the retailer.

Consumer preferences today are already diverse and complex. In view of a food industry that is engineered to the very core, people long for simplicity, authenticity and sensuality when eating. They crave regionality, environmental protection, animal welfare, health and pleasure. They want good food for a good life. However, consumer demands are developing much faster than the reality can satisfy, and this becomes apparent in ever higher expectations – for instance in superfood products. A key factor here is that we still have only limited knowledge about nutrition. We react to marketing slogans rather than sound scientific data. "An apple a day keeps the doctor away" was a marketing slogan in the USA almost 100 years ago. In this respect, apples may even qualify as the first superfood product. Whenever a lifestyle icon such as Gwyneth Paltrow uses her blog to advocate the advantages of Goji berries, promotes avocadoes to power fruit status, or rolls out the red carpet for kale, the desired effect may come in the absence of any scientific evidence. The word of Ms. Paltrow and her colleagues alone suffices to catapult a fruit into sales orbit, and position it as a new item on the menu of millions of followers.

However, lifestyle individualisation and technical innovations in people's diets result in customised recipes and the careful analysis of ingredients. This is not limited to attributes such as healthy, organic and sustainable, but also involves products that are tailored to individual needs and a personal health style.



Key Trends and Drivers

Uniqueness for the masses: Individualism instead of individuality

The individual is the mainstay of society. Particularly in relation to digital natives, digitalisation has taught us that almost every product or service can be customised and personalised. Yet these unlimited options for self-fulfilment are also experienced as isolation and overload. As much as we strive and seek the product that is ideally tailored to our needs and wishes, we also follow the lead of the rest of society with tried and tested products. In terms of fresh fruit and vegetables, this means that traditional produce will continue to be popular. At the same time, however, diets that are optimally tailored to our requirements, and the origin of the products themselves will become more significant.

Health style: The society of longevity

The starting point for these trends is a positive one: we are becoming older and older. Globally, life-expectancy is increasing, especially in more highly developed countries. The society of longevity has long become a reality. Better food, better hygiene and better medicines provide us with longer life and better health. Sport and a balanced diet are part of our everyday routine. In the past, health only became an issue when people actually experienced (age-related) ailments. Today, even healthy people have become sensitised. With discipline and effort, we strive to optimise our body and soul. At the same time, however, this compulsion to lead a healthy lifestyle leads to a counter-reaction. The "good life" also means letting yourself go from time to time, ignoring the rules of good sense.

Consequences for the fresh produce trade 2025:
In this context, fresh natural products are continuously gaining popularity, almost taking on the role of preventative medicines. This is the reason why consumers are also increasingly interested in the composition of food products and their benefits. This trend manifests itself for instance in the fact that the new head of Nestlé, the biggest food corporation in the world, comes from the high-tech health sector rather than the traditional branded food industry, as his predecessors did. The health-science and skin health sectors which were established by Nestlé in 2011 report directly to the CEO. Compulsory innovation, margin pressure and future viability concerns can thus even transform more conservative companies which have enjoyed longstanding success.

Flexibilisation: The always-on society

Digitalisation gives us access to inspiration, information and shopping 24/7. This has been achieved particularly through the availability of smartphones and their high level of market saturation. Digital natives have grown up with digitalisation and naturally integrate their smart devices into their routines. People use their smartphones hundreds of times each day. They use them to bridge waiting times at train stations, amuse themselves in boring meetings, or research something on the internet. These opportunities completely transform the requirements and expectations of today's consumers. Waiting times are now rarely accepted. People want immediate availability and delivery of products. Besides, quality and price comparisons are also easier and faster online. While consumers take advantage of this transparency, it increasingly leads to another obligation – the ability to obtain information about everything online increases the pressure on conscious shopping activity. Not only are companies becoming more transparent, consumers are too. Data records which products have been purchased in the past, thus facilitating the use of incentives such as discounts on future purchases. Above all, this instant gratification is becoming a key theme for digital natives, since feedback and special offers are always immediate and customised. Whenever you pass a relevant store or product on the shelf, you receive an offer directly on your smartphone.

Consequences for the fresh produce trade 2025:
In future, fresh products will be bought online just as often as clothing, furniture or foreign travel. Moreover, fast delivery services which bring

the products to people's homes offer extra convenience. Larger retailers have long been operating their own online shops. Smaller ones are disappearing or serving a niche market with special sales concepts. Digital platforms from outside the sector are also establishing themselves as new players on the fresh produce market. Smaller start-ups, as well as global players such as Google or Amazon, have been offering such services for a while. They join forces and as a result the sale of fresh produce becomes consolidated. It is also obvious that those who control the data today can respond to consumer needs on a more individual level, and satisfy their demands better. Tech companies have a key advantage here.

Origin: Increasing transparency in the supply chain

Digitalisation has also sharpened our awareness. Access to information on all aspects of production promotes transparency. Many producers handle this offensively, encouraging consumers to trace the supply chain all the way back to the individual farmer online. Naturalness, sustainability, transparency and responsibility are now in great demand. In Western societies interest in material things is declining. Instead it is the unique and individual experience which is becoming more important. As part of this trend, food is practically elevated to the status of a new religion. Knowing about the production, origin, and history of a product constitutes a new form of luxury. As a result producers are becoming more important in terms of marketing strategies. They are used for storyline marketing purposes. Growers are becoming the new heroes.

Consequences for the fresh produce trade 2025: When comparing the fresh produce sector with other industries, we see that global branding is only loosely anchored in the fresh produce business. Can the 'Chiquita-effect' be transferred to other produce? Would it be possible to present an orange, berries, or a particular type of nut in a fashion similar to a wine label, so that it would be perceived as an independent brand, and be positioned as such? Consumers these days mostly consider fruit a commodity. One might hope that a brand promise would facilitate the achievement of better and more stable prices, as well as competitive advantages based on product differentiation. Nevertheless, based solely on their seasonal and perishable nature, subtle variations between harvests, and the complexities of storage and transport, it is obvious that it would require tremendous effort to elevate a mandarin or an avocado to the level of the next Mars bar or to gain the legendary perception achieved by brands like Nutella. On top of all this, considerable resources would be essential to ensure the success of a new brand on multiple communication channels. The idea of selecting particular sections of the value chain for specific branding might therefore appear more attractive. But this begs the question, to what extent are fruit producers actually able to set trends themselves? This links back to the subject of branded goods. It should be significantly cheaper and easier to market the producer and the origin as brands than it is to elevate individual products to branded item status. Thus producer branding at the start of the supply chain would be a more realistic option, as in the case when manufacturers try to communicate directly with the end consumer via the internet. In areas where the relationship with distributors and retailers is not negatively affected, the establishment of communities based on travel opportunities or Grand Cru deliveries could help to establish a closer bond with the end consumer. Life style carnivores from affluent countries might secure prime meat products as a dividend if they invest in Highland cattle. Or premium dairy products through 'cow leasing'. So what would stop life-style fruit and vegetable fans from adopting a banana plantation for example? Or track the movements of their personal share in a raspberry crop? If the grower sees this as a risk to his relationship with the retailer, it might be possible to get the latter on board as part of the concept. Every supermarket manager must have an interest in creating 'islands of superior quality' in their fresh produce segment. In view of the increasing efforts of the large retail chains to collect big data, it should be possible to develop such activities in a targeted way. The regional managers of the leading supermarket chains should already know which outlets would be suitable as special points of sale for such products.