

The Trends and Challenges Defining Food, Beverage and Agribusiness in 2023



For the food and beverage landscape, the pandemic introduced a wave of changes in consumer behavior. The industry is now experiencing an evolution, increasingly driven by younger generations who are gaining critical buying power as they age.

As consumers gravitate to healthier choices and budding trends, the food and beverage space is experiencing yet another major shift in the post-pandemic era. A few once-hot categories, like hard seltzers and plant-based burgers, have become crowded, making way for expanding consumer preferences. These changes have prompted companies to create new product lines, collaborate with other companies and scale back on trends that are now tapering off.

The good news is that 2023 has opened up several exciting paths for food and beverage companies to invest in changing consumer interests. As new trends emerge this year, it's critical for companies to satisfy consumer demand and position themselves as first choices in the market.

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5 MAJOR FBA TRENDS DRIVING THE PRESENT AND FUTURE

Between 2022 and 2023, the factors driving FBA did not change dramatically. This is good news for the many companies who have already invested in and allocated capital toward these trends. However, there are some evolving consumer attitudes and emphases that are important for companies in this space to know about.

These considerations are vital in scaling thriving businesses and making critical financial decisions for the future.

Health, Wellness and Nutrition

Generally, consumers are increasingly focused on purchasing and selecting products that are good for their health.¹

This is especially a priority for the youngest groups of consumers, who are increasingly cognizant of how their choices impact their overall well-being. These preferences can manifest in a few ways — for instance, opting for low-calorie beverage options or seeking out foods supercharged with health benefits. As the market works to appeal to consumers who pay closer attention to what goes into their bodies, this has led to an increased variety of low-carb and weight-management products for health-conscious consumers, as well as those with health conditions, such as Type 1 and Type 2 diabetes.

Nonalcoholic Beverages

On the heels of the health and wellness focus, a specific trend within this category is the rise of no- and low-alcohol beverages. Driven by a surge in consumer demand, this category — which includes no- and low-alcohol beer, wine, liquor, and ready-to-drink (RTD) cocktails — surpassed \$11 billion market value in 2022.² Nonalcoholic beverages, specifically, account for 90% of that growth, signaling that consumers are not only looking to drink less alcohol, but many are eliminating it completely.

One factor may be the rising “sober curiosity” of Gen Z, who are increasingly likely to exclude alcohol from their social gatherings and even their lifestyles on the whole.³ And as new research confirms the harmful effects alcohol can have on one’s health, younger generations want to curb the behaviors of their predecessors by making more informed beverage choices.⁴

Though not opting for alcohol, consumers still want to enjoy certain flavor profiles and the option to imbibe socially, prompting them to seek alternatives to traditional alcoholic beverages. As companies respond to this market demand, no- and low-alcohol beverages will continue expanding to new categories, including alcohol-free mixers, mocktails and liqueurs.

New Sources of Animal Protein

Consumers are still seeking out good sources of protein, as they have in past years.

One change, however, has been the focus on plant-based protein, which has declined. Although many manufacturers increased their capacity for plant-based alternatives in the past year and much Silicon Valley capital flowed into the innovation, the long-term interest from consumers has not panned out as expected. Rather, it’s plateaued and even declined in some cases, despite some predictions of its sticking power.

Instead, consumers are showing an increased interest in alternatives to more “traditional” meat sources, such as beef, chicken and pork. Particularly rising is the demand for proteins such as elk and bison — what consumers see as “exotic” proteins. This trend looks poised to continue into the next year. Some companies are already ahead of the curve, having integrated these new protein sources into their offerings, but an increasing number of manufacturers may benefit from doing so, too.

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Sustainability Focus

In the past few years, sustainability has been a hot topic — but signals point to an increased consumer priority on planet-friendly products.

On a global level, consumers are looking for more environmentally conscious food and beverage products, with lower carbon footprints and more planet-friendly manufacturing processes — particularly Gen Z, who are driving an overall move toward more holistically sustainable lifestyles.⁵

This is not surprising, as sustainability has been top of mind for consumers in recent years — good news for companies that have already invested in pivoting toward more environmentally conscious processes. For companies who have not yet audited and adjusted their sustainability practices, it may be time to do so. Strategies around sustainability should remain a priority for companies overall, especially as they hold strong from past years and even show signs of increasing.

Packaging Innovation

As companies spark new planet-friendly initiatives, innovation in packaging is an important mission.

Driven by consumer preference, many manufacturers are increasingly evolving their packaging materials to be more sustainable. This includes more innovative CPG solutions, such as compostable or biodegradable plastic alternatives, recyclable materials with a lower carbon footprint, and even an overall reduction in packaging.

Consumers are also positively responding to brand refreshes and new packaging — a move that traditionally spikes sales. Along with adjusting their language and visuals, rethinking how and where they merchandise their products can be a benefit, as well.

Companies that are more creative are poised to stand out above competitors that are not focusing on evolving their visual strategies.

CHALLENGES AND OPPORTUNITIES

Of course, as companies embrace trends, they will always run into hurdles and subsequently need to formulate strategies to overcome them. Along with long-enduring challenges, the changed environment of the pandemic era has introduced additional considerations for food and beverage businesses.

Pricing and Cost of Goods

Economic considerations are a top-of-mind challenge for food and beverage businesses.

First, economic uncertainty and inflation are driving a change in consumer behavior; some consumers are reducing spending overall, prioritizing different goods, selecting alternatives or forgoing “nice-to-have” items to reduce their household spending.⁶

For instance, consumer price sensitivity means consumers who may have been loyal to a certain brand may seek out and ultimately purchase an alternative that is more price-competitive.

However, as inflation cools and energy prices drop, pricing may stabilize and return to pre-pandemic levels — the pricing issue abating or even coming down. One reason for this is that manufacturing may increase as prices level out, which can temper the scarcity problem, thus driving prices up in some categories.

Availability of Data

The more data a company has to drive its decision-making, the more well positioned it can be to develop an effective strategy. However, there is a significant gap between who has access to data, as well as how much data is available.

For instance, large corporations have more access to information due to resources. They often have dedicated research teams focused on consumer and trend analysis as well as specific information on what’s selling in grocery stores or wholesale operations — something that is simply not available to smaller businesses, especially those that are trying to break in and establish market share. This access to data can often improve logistics processes and go-to-market strategies to make businesses more efficient, which can distance themselves from smaller competitors.

However, all is not lost for smaller food and beverage businesses that do not have access to in-depth data. Some tried-and-true methods are still very valuable, such as directly connecting to consumers and vendors on questions, and analyzing their responses. Attending trade shows and speaking directly to attendees can also provide valuable insights. Although a more ground-level approach, small companies should not ignore these resources, as many multigenerational businesses have found success by starting here.

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Food Safety

A major consideration is also food safety. This concern isn't new to 2023, but it's important for food and beverage companies to continue to pay attention and emphasize their commitment to it.

When companies encounter food safety issues — and subsequently must do recalls — it can be devastating for their brand image, particularly if the recall is widespread. Not only can a recall be a huge financial hit, but consumer trust and loyalty often become a casualty, as well. Companies must have robust processes in place to monitor their food safety, especially businesses with a focus on fresh produce or protein.

There are many logistics to consider when putting together a food safety strategy, including manufacturing and speed to retailers or wholesalers, distribution to the end customer, and refrigeration, if applicable. On the upside, the pieces to this puzzle are always improving, particularly in the U.S., but regardless, businesses need to stay on their toes with food safety.

PLANNING FOR THE FUTURE

For food and beverage companies, it's more important than ever to listen to consumers. As global health and economic conditions remain ever-evolving, they leave plenty of uncharted territories — and new product opportunities. This will affect the way businesses invest — whether their focus is manufacturing capacity, a brand refresh or a product rethink.

For some companies, it may just be a matter of getting through current times as they consider their financial situations — in an environment of enduring economic uncertainty, some may not be as willing to invest before conditions stabilize more. However, others may be poised to invest as they see an opportunity on the horizon.

Keeping a pulse on consumer preferences and demand as well as economic conditions can help businesses make critical decisions around financing and capital commitment.

Regardless of where a business is in its lifecycle, or its size, food and beverage companies that develop strategies based on current conditions and future predictions are poised to stay competitive and survive.



¹ <https://www.mckinsey.com/industries/consumer-packaged-goods/ourinsights/still-feeling-good-the-us-wellness-market-continues-to-boom>

² <https://www.theiwsr.com/no-and-low-alcohol-category-valuesurpasses-11bn-in-2022/>

³ <https://www.bbc.com/worklife/article/20220920-why-gen-zers-are-growing-up-sober-curious>

⁴ <https://www.nytimes.com/2023/01/13/well/mind/alcohol-health-effects.html>

⁵ <https://www.weforum.org/agenda/2022/03/generation-z-sustainability-lifestyle-buying-decisions/>

⁶ <https://morningconsult.com/2022/08/04/how-inflation-concerns-are-impacting-consumer-spending/>

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