



Retail Transformation Landscape

Whitepaper

TRACEONE
EXEC CLUB

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17 The retail transformation landscape

In this whitepaper, Trace One reviews how the retail landscape is transforming, focusing on three areas that are set to change the industry: FoodTech, the Amazon enterprise and E-commerce. The pages that follow, explain each area and how they might have an impact on Private Labels. In-depth interviews from Matthieu Vincent, an expert in FoodTech and Nikolai Reynolds from research giant, Ipsos, provide exclusive comment into these emerging areas, offering Private Label Executives a fantastic overview of the landscape and how it is expected to evolve in the future.





A new food future: The FoodTech Ecosystem

As the nature of food continues to evolve and the number of people on the planet increases exponentially, there are fundamental questions that retailers, producers and manufacturers have to ask themselves about the future of food. Luckily for them, over the last five years, an entire Ecosystem has grown to address these large-scale issues, dedicated to changing the way we produce, deliver

and understand what we eat. This is known as the FoodTech Ecosystem. Food Tech entrepreneurs' objective is to challenge the current food industry by offering better, higher quality food through more sustainable and transparent production methods in both the highly developed and less developed countries across the world.

The FoodTech Ecosystem explained

The Ecosystem can be broadly broken down into six overarching categories; AgTech, Food Science, Food Service, Coaching, Media and Delivery.

Each part of the FoodTech Ecosystem addresses a broad area of innovation surrounding the future of food. For example, AgTech is bringing about a wave of change in the way food is produced. In collaboration with PitchBook, Finistere reported that more than \$1.5 billion was invested in the sector in 2017 alone¹. In 2018, technologies such as artificial intelligence and drones will see a move from precision to predictive agriculture, while automation will aid harvesting, weeding and crop protection in a time when labor costs may soar.

Other areas such as Food Science are responding to the desire for new food products that are more transparent, healthier and better for the environment². This might be exploring new ingredients such as insects and microalgae, or new household appliances that will transform food preparation and preservation at home. In San Francisco, Memphis Meats³ is using stem cells that develop into animal tissue. The company aims to make sustainable cultured meat, grown in a lab, to reduce the impact on the meat industry.



The coaching area of the FoodTech Ecosystem is gaining significant momentum. Companies are creating apps and websites which enable consumers to follow personalized nutrition programs and manage diet according to individual goals, lifestyle, and even genome. DNA testing company Habit⁴, is grabbing headlines by offering kits that test DNA and blood, resulting in personalized nutrition advice.

An area of the Ecosystem which Private Label may begin exploring first is Media. It's here that the traditional recipe is being reinvented online in the form of interactive games, videos, and live broadcasts on social media. French company Koam⁵, has created an app that gamifies eating healthy. Through games, quizzes and challenges, the whole family can better understand what should be on their plate and how to balance diet.

1. Source: <https://techcrunch.com/2018/03/08/major-trends-in-agtech-for-2018/>
2. Source: <https://www.digitalfoodlab.com/foodtech/#FoodScience>
3. Source: <http://www.memphismeats.com/>

4. Source: <https://habit.com/>
5. Source: <http://www.koam.fr/>

The delivery area of the Ecosystem is probably the most visible. It is also the area where retailers may find the most disruption. E-commerce and online shopping are becoming more widely trusted and giving customers less reason to visit traditional stores; innovation leaps in refrigeration, drones and robotics are transforming food transportation; and meal-kit companies such as Hello Fresh and Gousto are providing fresh ingredients to the door complete with recipes. Vincent comments, 'When researching the French marketplace, we see that 70 to 90 percent of FoodTech funding is funneled into the delivery sector.'

The diversity of the Ecosystem is incredible and according to data from Agfunder, \$4.4bn⁶ was invested in the sector during H1 2017 globally. This is a six percent year-over-year increase. There are also corporations lining up to buy or invest. For example in 2017 Kellogg purchased RxBar, a healthy snack bar startup which prides itself in ingredient transparency, for \$600 million, despite a projected turnover of only \$100 million.

Vincent estimates, 'In 2017, we saw about nine-billion dollars invested in FoodTech startups globally. Big corporations are willing to pay a lot of money for these startups. There are three reasons to buy a FoodTech startup; firstly, it's protecting the technology from competitors; secondly, it's about sparking internal innovations within large corporations and thirdly, it's about increasing sales.'

6. Source: <https://www.thegrocer.co.uk/people/entrepreneurs/how-to-make-sense-of-the-fast-moving-foodtech-scene/563792.article>



Why should Private Label care about the emerging FoodTech Ecosystem?

Entrepreneurs and brands all over the world are working tirelessly to create new ways to improve how food is produced, distributed and stored. Vincent believes FoodTech has the potential to transform the retail shopping experience.

'I think personalized nutrition will change the way the consumer shops. Consumers will go to a supermarket knowing exactly which products they need based on their food profile. The consumer will want a lot of transparency, a lot of data security and retailers will have to modify the way they communicate with the consumer.'

The future of the food system is being shaped and the agile and nimble nature of Private Label means that they may have the chance to be at the forefront. Vincent notes,

'Private Labels are looking to tap into food science and new products, such as plant-based products, milk substitutes and insects to try and be innovative in what they can offer to customers. It's a way to differentiate themselves from large manufacturers and other retailers. There is a war about who is seen as the most innovative and who can bring new products to market sooner.'

The Amazon grocery enterprise

In 1995 an online bookstore was launched. Today the 'everything store' is one of the biggest retail platforms in the world.

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