

leatherhead
food research

A year like no other

2020 member report

Please wait
here until the
person in front has
moved forward



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Foreword

A SINCERE THANK YOU

We'd like to start this year's member report by offering a sincere thank you to all of you who have helped keep the food and beverage supply chain running this year.

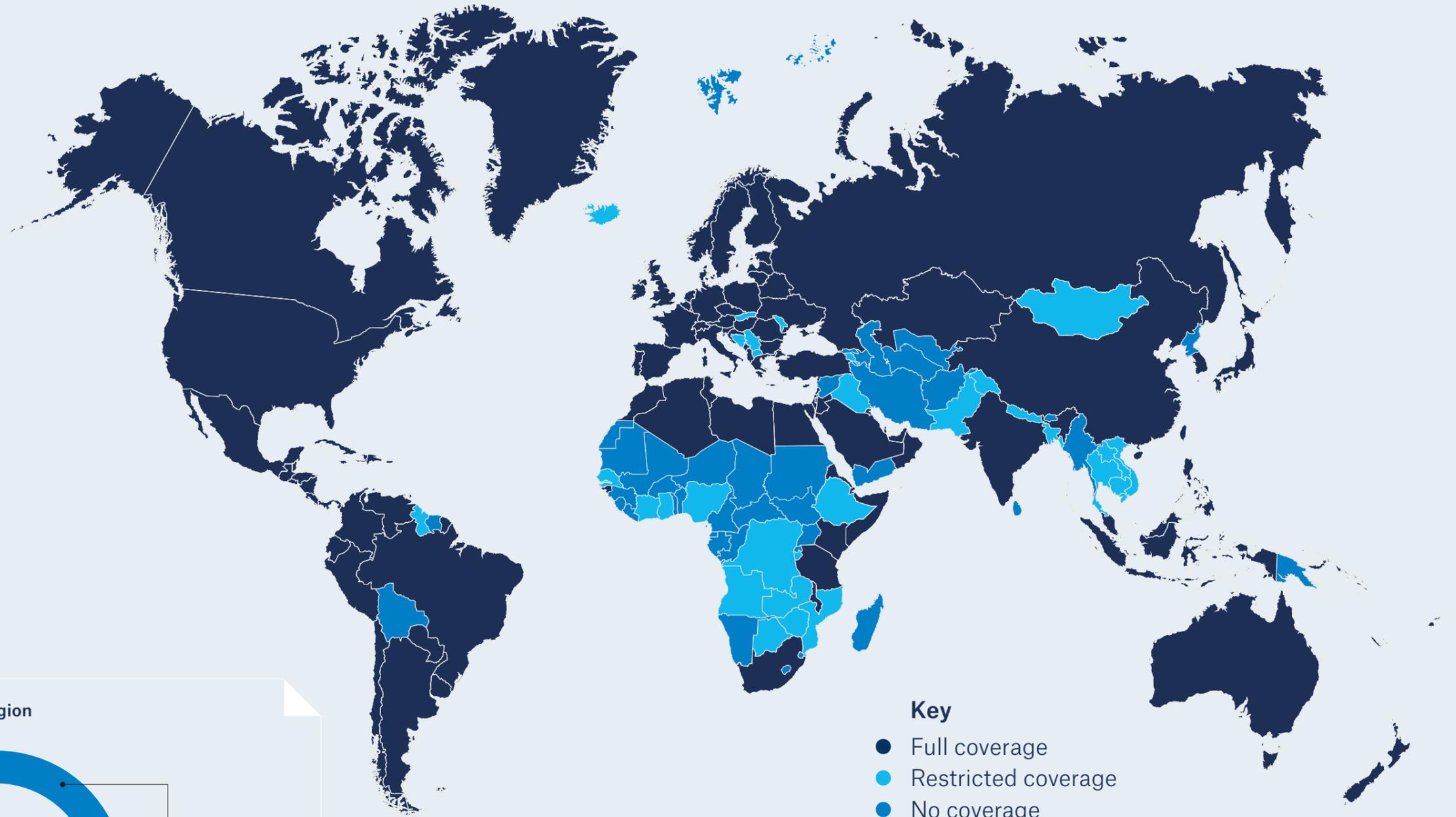
2020 has been a turbulent year. When the COVID-19 pandemic evolved into a truly global crisis towards the start of the second quarter, uncertainty prevailed. Despite this, the food and beverage sector quickly rallied to sure-up supply chains, rapidly enabled home-deliveries and re-opened stores where possible. Many of you continue to work from home, helping to ensure the safety of colleagues who must return to the office, factory or store-front and this looks set to continue deep into 2021; potentially further.



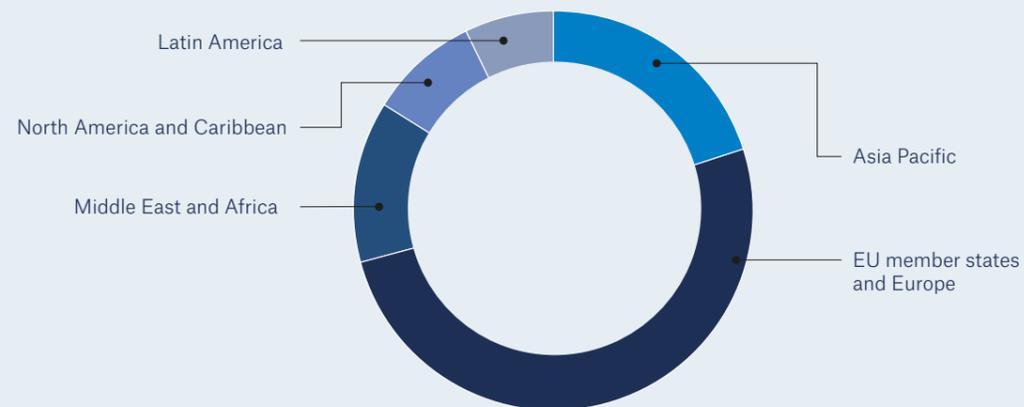
Looking back on 2020

YOUR MEMBERSHIP THIS YEAR

-  3000+ helpline enquiries answered
-  1000+ member locations
-  150+ territories covered
-  £100k+ discount provided to our members
-  85% client repeat business
-  37 new members in 2019/2020
-  10 white papers in 2020
-  4 Regulatory month including 4 webinars
-  4 member webinars
-  Daily Food News distributed to over 2500 members
-  Global Legal Highlights distributed to over 2000 members



Member Helpline requests answered by region



Key

-  Full coverage
-  Restricted coverage
-  No coverage



COVID-19 and the food industry

A MIXED BAG

The impact that the COVID-19 pandemic has had on our industry has not been borne equally. Businesses with high exposure to the out-of-home sector have suffered the most, whilst those with high e-commerce or in-home exposure have tended to benefit, even though this sector classically offers a lower margin.

In the first half of the year, businesses across the board adapted to devise new, safe ways of working before looking to control cost aggressively to manage uncertainty.

In the second half of the year, with increasing visibility and understanding of the COVID-19 impact, the more financially resilient businesses initiated programmes to catch up on lost revenue and/or innovation.

Contrary to the concerns of last year, your feedback suggests a reversal of the embracing of challenger brands and big-brand distrust. This year we have seen consumers seek out assured, trusted heritage brands during these uncertain times.

COVID-19 and the food industry

"We've had to be far more agile and reactive but our long-term purchasing agreements have protected us against price increases"

Global Ingredient Supplier

"The majority of our business is retail...it's felt like Christmas all year"

International Food Manufacturer

"Closing the hospitality sector had a big impact on our business. We've slowed innovation and pushed all non-essential spend to next year"

International Beverage Manufacturer

"We've reached capacity on our usual supply chain and have had to focus R&D on introducing new ingredients into our core range"

Global Food Manufacturer

"2021 planning is centred on resilience"

International Food Manufacturer

"Customers have tended to avoid buying ingredients from China"

European Ingredient Manufacturer

"Consumers appear to be going back to big brands"

International Beverage Manufacturer

"We had 3 priorities:
1 – Keep everyone safe;
2 – Make enough product;
3 – Plan next year"

International Food Manufacturer

Innovation trends

INNOVATION INEVITABILITIES REMAIN CONSTANT DESPITE COVID-19

The consumer desire for **health** and **sustainability** coupled with continued **divergence** of global regulation continue to drive the need to innovate. COVID-19 has undoubtedly affected how or when businesses respond to these trends, but it has not changed the fact that they must. For many, COVID-19 has accelerated this need but through a cruel twist of fate it has done so at the same time as limiting resources for some and creating abundance for others.

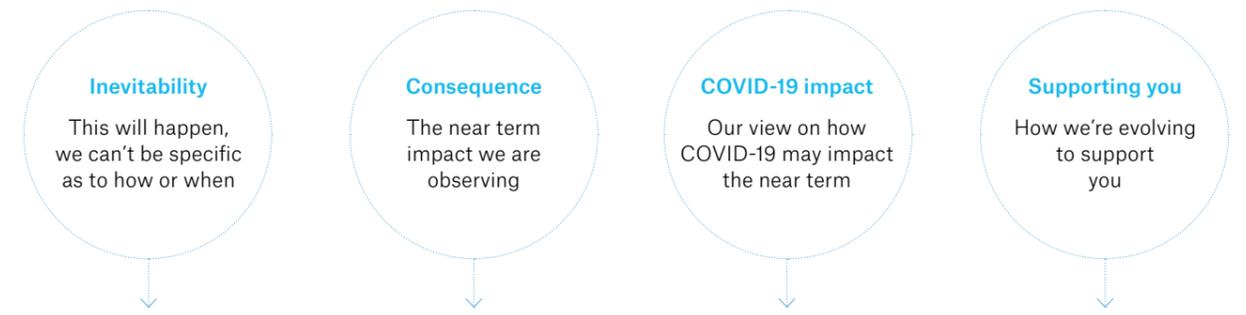
The trends of health and sustainability remain the primary drivers of innovation. COVID-19 has (on the whole) accelerated the pace at which these trends must be responded to by both the industry and its regulators. This has not only continued to fuel both the divergence of international regulation, but it has also expanded the gaps between product innovation (the embodiment of consumer demand) and regulatory guidance. Examples of this include carbon footprint labelling and health claims. The combination of these factors continues to make access to high quality scientific and regulatory advice critical to all food businesses.

Whilst we anticipate some of the regulatory gaps to close in due course, we also recognise that it is unlikely that this will be consistently achieved on a global scale. The role of regulatory affairs professionals to enable the success of these new wave of products cannot be underestimated, and reiterates the messages highlighted in last year's member report i.e. the transition of regulatory affairs from a reactive, compliance review centre to an enabling function that encourages 'compliance by design'.

New Leatherhead services



As a consequence, we continue to expand our services to support you. New services include: dossiers (UK, EU, US); concept review, horizon scanning and food contact materials as well as continued growth of our market coverage.



	Inevitability	Consequence	COVID-19 impact	Supporting you
HEALTH	<p>Increasing consumer consciousness of the health impact that their diet can have. Manifesting itself as micro-trends related to nutrient density, positive nutrition, immune system support, lower processing and functional ingredients.</p>	<p>Increased demand for new ingredients and processing technologies. Progressive phasing out of synthetic ingredients or less healthy products (consumer or regulatory driven).</p>	<p>Potential increase in demand for products with perceived health benefits e.g. immunity.</p> <p>Younger people are increasingly looking for products with health benefits as they become more interested in preventative nutrition.</p>	<ul style="list-style-type: none"> Horizon scanning looking at potential new ingredients, products and technologies Worldwide health claims Dossier services now offered for UK, EU and US Toxicologists recruited to complement F&B regulatory capability
SUSTAINABILITY	<p>Meeting the needs of today without compromising the ability of future generations to meet their own needs. Manifesting itself as a desire to reduce carbon footprint, food waste packaging (particularly plastics), extending to farming practice and chemical management.</p>	<p>Progressive phasing out of chemicals with a damaging environmental impact; reduction in plastic usage, a desire to 'buy-local' and avoid packaging waste. Increasing expectation of transparency further through the supply chain e.g. country of origin and welfare standards.</p>	<p>Short-term relief in consumer desire to reduce packaging but longer-term increase in environmental consciousness possible.</p>	<ul style="list-style-type: none"> Expanding service into food contact materials New horizon scanning capabilities to monitor developments in this area
DIVERGENCE	<p>Increasing divergence of regulation around the world as policy makers create the local solutions needed to resolve the global issues of health and sustainability.</p>	<p>Harmonisation becomes more challenging and the role of regulatory affairs as a strategic enabler becomes more significant. Connections between R&D and regulatory strengthen.</p>	<p>Accelerated consumer trends are widening the gap between innovation and regulation. Increased short-term compliance burden on regulatory departments to manage this greater interpretive requirement and the added complexity of supply chain disruption. As the business and regulatory ecosystem adapts, momentum will recover.</p>	<ul style="list-style-type: none"> Continuing to increase market coverage (150+ markets covered; Iran and Thailand added this year) Working closely with Regulatory, R&D and marketing teams on review of concepts

Brexit

A DYNAMIC SITUATION REMAINS ALTHOUGH CLARITY IS EMERGING

At the start of 2020, the end of the transition period for the UK to leave the EU was seemingly a key news item for many of us (how wrong we were). Yet in spite of the COVID-19 pandemic, the deadline of 31 December remains and at the time of writing, some uncertainty still prevails across many factors of the negotiation.

Case study

Throughout 2019 and 2020 we have supported a European manufacturer to understand the implications of various Brexit scenarios on their supply chain and manufacturing operations. We have provided weekly support focussed on specific topics that feed into a series of broader, corporate planning initiatives.



IN YOUR MEMBERSHIP



Brexit newsletter for Gold and above Members



Helpline usage on Brexit questions for Gold and above Members



3 Brexit webinars available at Leatherheadfood.com, in the Members section



Brexit update white paper available in the Members section of the website



Daily Food News

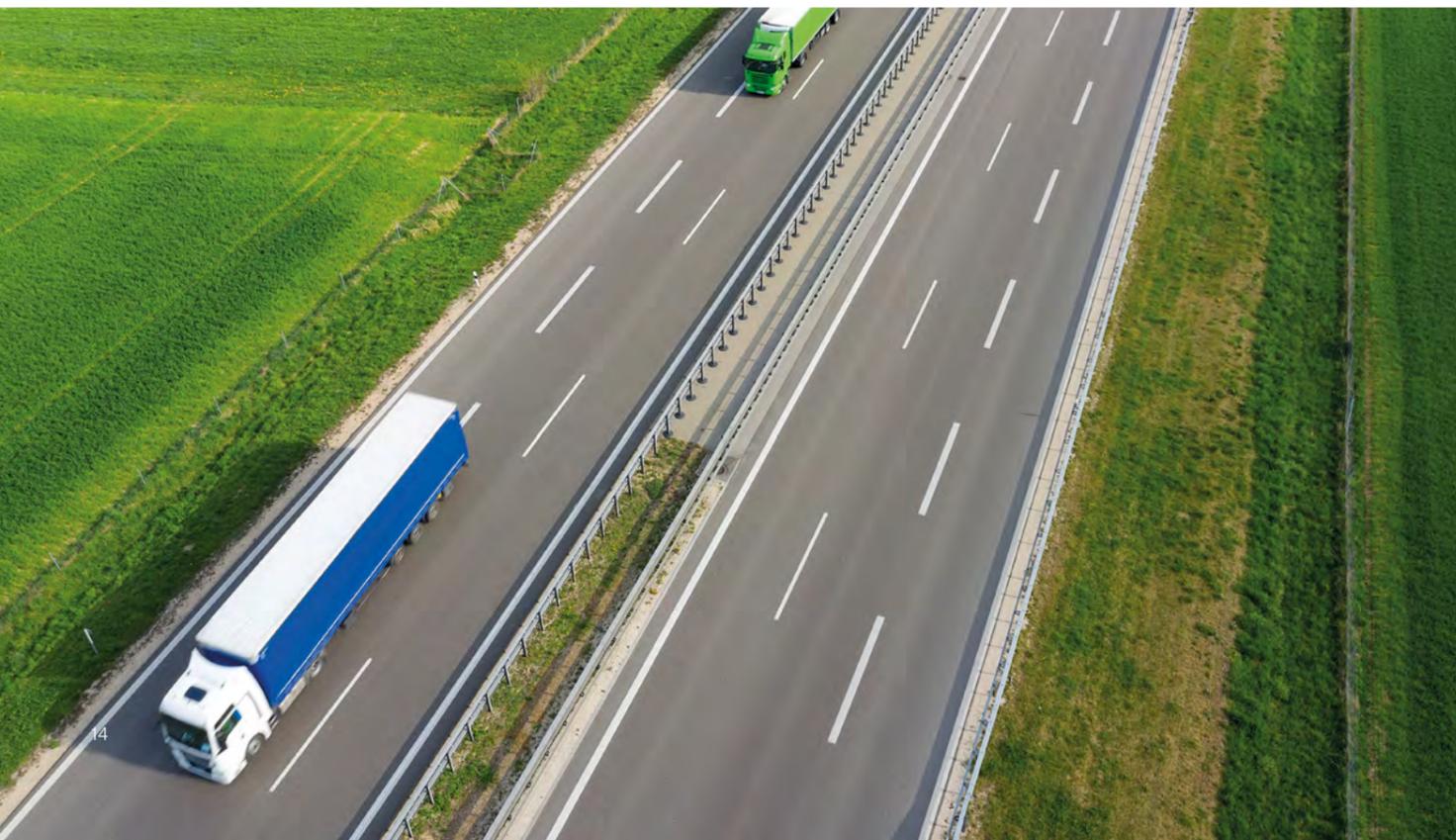


Monthly Member Digest

We'd recommend looking on the EU and UK Government websites to find a list of changes that will be incorporated from 1 January 2021.

As things stand, key items you should be aware of are:

- The UK's transition period to exit the EU ends on **31 December 2020**
- The **border** between Ireland and Northern Ireland is a key point of contention. This border divides the EU and UK but due to recent historical events, the implementation of controls along this border would breach international law. Both the EU and US opposed border controls between Ireland (EU) and Northern Ireland (UK) at this point
- **Trade in goods:** customs formalities for third countries required under Union law will apply to all goods entering the customs territory of the Union from the UK, or vice versa
- **Importing/exporting:** Separate Economic Operators Registration and Identification (EORI) numbers will be required for importing and exporting to/from the UK/EU. A registered company or import agent will be required in the destination market to import goods into the UK or the EU
- **Products** lawfully placed on the market in the EU or UK prior to this deadline may continue to freely circulate without further modification, subject to continued oversight by the market surveillance authorities
- The UK's transition period to exit the EU ends on **31 December 2020**
- **Products and claims** subject to legislative control in place prior to this date will remain in both the EU and UK. Thereafter products and claims must be registered separately in their intended markets (EU and/or UK)
- **Transport** between and within the UK and EU will be restricted
- **Hygiene** requirements: no immediate changes but new border checks
- **Labelling:** country of origin must be labelled as UK or EU; the address label must be that of the brand owner or if they are not based in the sales market that of the importer into that market. Health/identification marks must revert to UK, GB or EU
- **Protected Designation of Origin, Protected Geographical Indication and Traditional Specialities Guaranteed** regulations will diverge
- **VAT and Company registration** requirements will change as the UK becomes a third country. Subsidiaries of EU companies registered in the UK will be governed by UK legislation



New ingredients

As consumers become increasingly aware of the impact that products can have on their personal health and the health of the planet, the demand on the food and beverage sector to provide transparency and added-value in these spaces continues to build.

Additional complexity exists for the more established brands where consumer expectation for quality, convenience and overall experience is fixed on a product portfolio that has typically used a combination of 'natural' and synthetic ingredients alongside various degrees of processing technologies. Although, as we explored in this year's white paper and webinar on food waste, there is perhaps more room for manoeuvre than initially thought.

The combination of these pressures is driving innovation in new ingredients and technologies, and (from a consumer perspective) is blurring traditional category boundaries, for example between supplements and food or beverage products.

Striking an appropriate balance between consumer readiness, perception, scientific fact, and commercial pragmatism is by no means straight forward; particularly when viewed through an international lens spanning varied cultures and market regulations. A great example of this is Genetically Modified Organisms (GMO), which was the subject of another one of this year's white papers, alongside botanicals and the continued growth of no/low variants into the beers, wines and spirits category.

IN YOUR MEMBERSHIP



Helpline



Webinar: [Food waste: The power of the consumer](#)



White papers:

- [Regulatory measures to tackle food waste across Europe](#)
- [Genetically modified organisms](#)
- [Botanicals: a consumer and regulatory dichotomy](#)



Daily Food News



Global Legal Highlights



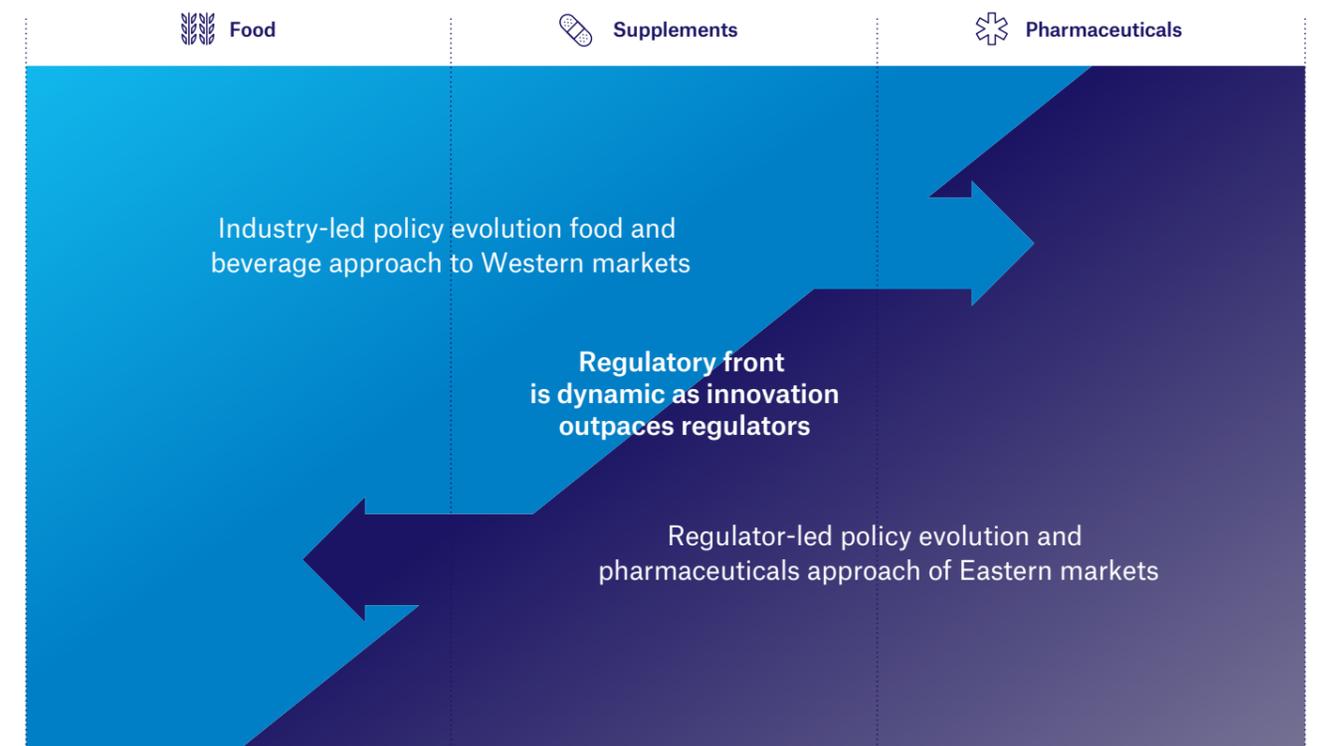
Monthly Member Digest

Case study



Throughout 2020 we have worked with a leading pet food manufacturer to create a pre-market approval dossier for a new technology. We combined the expertise of our food and beverage regulatory advisors with product development scientists and toxicologists to compile and submit the full dossier.

The blurring of regulatory boundaries between food and pharmaceuticals



Highlight on botanicals

One of the primary interest points of this year has been botanicals and their potential health benefits (and associated claims). Here are the key things you should know. For further detail please read our white paper on Botanicals: a consumer and regulatory dichotomy. The paper looks at striking a balance between consumer demand and regulatory challenges in the EU, USA and China.

- Botanical ingredients are derived from plants, herbs, spices and their oils or extracts. Different parts of plants can be used such as roots, bark, leaves, seeds or flowers
- They can contain active constituents that have a beneficial biological effect on humans or provide an alternative to synthetically produced substances (although this biological effect may be inhibited through e.g. processing or storage)
- Key trends driving interest: health and wellness, natural and plant-based
- The classification of these ingredients and claiming their health benefits are regulated under country-specific laws and as such the regulatory landscape is complex and inconsistent
- Furthermore, the regulatory status may vary depending on its use and therefore the same botanical may be approved in some cases but not others
- Typical classifications are: technological ingredient, nutritional ingredient, medicine or cosmetic
- They may require pre-market registration
- Health claims are defined and controlled under different regulatory regimes in the EU, USA and China. However, in all markets, claims that give any indication or implication that a food has the property of preventing, treating or curing a human disease are prohibited on foodstuffs

Internationalisation

INCREASING DIVERGENCE OF INTERNATIONAL REGULATION

The combined focus on efficiency and growth in many businesses has driven an agenda to seek 'lift and shift' opportunities where products sold in core markets are taken to a large number of other, non-core markets. This is sound commercial logic but when considering the patchwork of global regulation, it is not a simple task.

A growing affluent population in developing countries, coupled with the growing interplay between consumer perception, science and political agendas to shape regulatory and policy landscape (both of which we highlighted in last year's report) continues to cause divergence of the regulation around the world.

This adds complexity for food business operators with an international presence. Regardless of the extent of market coverage, this necessitates a global mindset to both manage the current compliance requirement and anticipate or influence future change.

The desire for growth and efficiency, coupled with the scale of opportunity in emerging markets has led us to focus one of our white papers this year on the APAC market, looking at trends and opportunities.

IN YOUR MEMBERSHIP



Helpline



Webinar: [Efficiencies in multi market launches: a focus on APAC and US](#)



White paper: [APAC food and beverage trends and opportunities](#)



Global Legal Highlights



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APAC was a source of nearly 20% of our member enquiries this year, and for good reason: it's a region of high growth and is both varied culturally and linguistically diverse

Between 2009 and 2019 exports of agri-food from EU to APAC doubled, reaching EUR 75,000 million. Further, the Asian food and beverage market is expected to increase by 11% per year between 2020 and 2024.

It is worth noting that growth in these markets may not come from the categories you would expect based on historic trends. In China for example, brands typically targeted the now-saturated cosmopolitan consumers in China's first- and second-tier cities. The tier three cities and countryside regions – the 'Xiachen markets' – may offer the next wave of growth. Consumers in these regions are high in number and have a higher disposable income due to a lower cost of living.

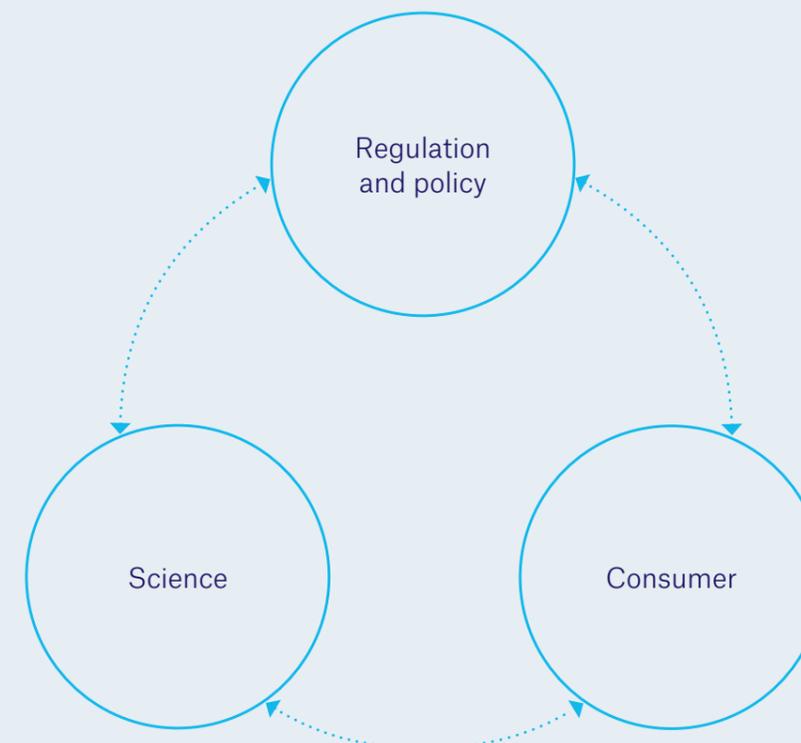
Regulatory transformation in APAC has recently focussed on allergen labelling. Changes have occurred in China, Taiwan, Australia and New Zealand, increasing the mandatory requirements to promote the safety of consumers.

Other changes in the region have centred on aligning with international standards to reduce trade barriers to Western markets. Examples include changes in Taiwanese contaminants and microbiological criteria as well as relaxing vertical legislation on alcoholic beverages in China. China has also introduced a new code of conduct for online live stream marketing that will impact the significant and growing e-commerce trade in the region.

In terms of global trends, we also anticipate China to emerge as a leader in health foods, as the nation moves forward with 'Health China 2030' – its ambitious plan to improve the well-being of Chinese citizens, within which includes the fostering of innovative nutritious and healthy foods e.g. nutrient enriched. Under a new framework, the Chinese authorities intend to streamline the pre-market authorisation process for health foods, making the process much simpler and faster.

Case study

This year we have worked with an international beverage manufacturer to deliver greater operational efficiencies by mapping and contrasting the regulatory landscape for a core target market, across a range of product categories that were less familiar to the organisation. The client's helpline allocation was used to provide a pilot on the market believed to be most restrictive (China) and we used this pilot to help frame the next phase of research across a further six markets. Leatherhead's experts clustered the markets into those of similar frameworks and used this information to triage opportunities for lift and shift.



The interplay of consumer perception, science and policy adds complexity to the regulatory landscape.

Perspectives may contradict each other and issues may arise when policy is not aligned with science and is too heavily influenced by consumer mood.

Horizon scanning

Whilst regulatory landscaping will identify the current and near-term changes of regulation in your target markets, the purpose of horizon scanning is to anticipate and change position of the business for this; selectively influencing changes where appropriate. In essence, it is a capability that enables the regulatory affairs function to be leveraged at a strategic level, maximising value to the organisation and for any shift in policy or regulatory approach.

The increasing connectivity of global markets has accelerated the pace of change and diversified the sources of this potential change over recent years. We therefore believe a sophisticated horizon-scanning process, tailored to your current or near-future portfolio, is an essential capability for a modern regulatory affairs function.

However, we also recognise that this task can be a daunting challenge. At Leatherhead we advocate a risk-based approach i.e. rather than seeking to anticipate all change that may impact your

business, we deploy a logic-based, auditable screening of risk factors to focus in on changes that may create the greatest opportunity or challenge.

Typically this focusses on the most volatile topics or markets, and those with greatest commercial significance. Once these are known, a detailed assessment of these can be carried out (see figure to the right), and assuming the Pareto principle holds true, 80% of the risk can be managed with 20% of the time and budget allocation.

IN YOUR MEMBERSHIP



Helpline



Webinar: [Efficiencies in multi market launches: a focus on APAC and US](#)



White paper: [APAC food and beverage trends and opportunities](#)



Global Legal Highlights



Daily Food News



Monthly Member Digest

Time allocation of nutrition and scientific regulatory affairs functions

Today



Behaviours

Reactive
Compliance
Stakeholder
"Says no"
Local

Tomorrow



Behaviours

Proactive
Advocates
Leads
Enables
Global

HORIZON SCANNING PROCESS

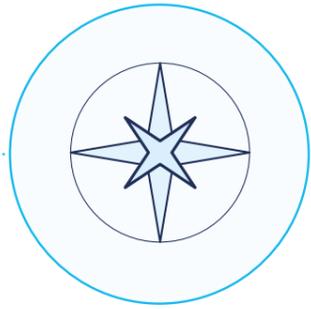


Case study

We supported a multinational, diversified food and beverage manufacturer to understand the regulatory landscape in a key LATAM market to support their global horizon scanning programme. Four topics of significant importance were identified and these became the focus of an interview programme with six key stakeholders from industry associations, academia and authorities. In-market tensions were uncovered that were motivating some of the changes and Leatherhead was able to recommend some immediate compliance requirements regarding labelling and declarations; and a series of specific ongoing monitoring recommendations within and outside of the market in question.



Final thoughts



When, not what:

The thematic innovation agenda remains unchanged: **health**, **sustainability** and the **divergence** of global regulation. Anchor your plans and thinking to these. It remains inevitable that you will have to respond to them. Through a cruel twist of fate, COVID-19 will have likely effected how or when you do this, creating resource abundance or scarcity and opportunity or crises to varying degrees, depending on the specific characteristics of your business.



Build resilience from agility:

COVID-19 has accelerated what was already a quickening pace of change. Gaps are widening between innovation and regulation. Uncertainty has become the norm. This has placed even greater emphasis on the need for corporate agility and well-informed risk-based decision-making. As businesses seek to embrace new ingredients, technologies and operating models, access to trusted partners that can help navigate 'grey' areas of regulation or uncharted territory has become even more critical to providing the commercial resilience that the near-future requires.



Global perspective:

The ability to strategically leverage a regulatory affairs capability is becoming increasingly important as local changes continue to impact the global landscape. R&D and regulatory leaders must allocate sufficient resource to migrate away from a pure compliance or market-based function, to one that enables the innovation agenda through compliance-by-design. This requires 'thinking globally'; positioning the business for change; and selectively advocating and influencing on behalf of the business through targeted, evidence-based rationales without compromising compliance today.

Being part of Leatherhead 2020

Leatherhead has continued to deliver the excellent services expected from us to support you during this challenging year



3000+ helpline enquiries answered



1000+ member locations



150+ territories covered and 20 native speakers



£100K + discount provided to our members



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innovate | access new markets | realise global opportunities

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