

In focus

Horizon scanning
A tool to anticipate
regulatory change





Anticipating regulatory change is a critical capability for multinational food and beverage brands in the today's market. Not only does it provide the organisation with time to understand and quantify the opportunities or risks associated with any change, it creates opportunities to influence regulation such that it delivers greater operational efficiency and agility, for example, via enabling multinational product launches of a single product.

The ability to stay ahead of the ever-shifting regulatory landscape is becoming increasingly difficult as the conventional pathways for change are being disrupted by the increasing influence of the consumer and more spontaneous implementation of policy in niche markets.

The global landscape

The global regulatory landscape is poorly aligned and whilst regulation and policy between markets may share sentiment and/or intent, the implementation mechanisms, pace of these, and enforcement thereafter, will likely be very different depending on the market. Factors such as political climate, interaction with other trading bodies, transparency, and speed of transformation, all have a role to play.

Consider the sugar tax for example; Hungary opted to introduce a €0.02 per litre sugar tax on soft drinks in 2011 and the United Arab Emirates introduced a 50% tax on soft drinks and a 100% tax on energy drinks in 2017.



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The conventional mechanism for regulatory change

Typically, a change in regulation would be driven by a government reflex to a problematic issue, such as the emerging obesity crises which is impacting many nations around the world today. The emergence of such an issue is relatively slow (taking place over numerous years) and the increasing focus of press and attention from policy makers and influencers creates a relatively predictable and navigable change scenario.

Any change to regulation is considered over a consultation period with industry, again over a multi-year timeframe and in a very transparent way. Businesses likely to be impacted would be forewarned of the regulation's aim and changes are generally communicated formally through policy makers' websites and informally through industry working groups, trade associations, focused gatherings and vendor media services. The result of such a process can be seen in numerous markets that have adopted similar (but in their own rights very different) regulations targeted at contributing factors to obesity around the world. For example, requirements for sugar, salt and fat reduction, trans-fat elimination, the limitation of advertising to children, and stricter labelling rules.

Emerging mechanisms of regulatory change

Over the last few years we have seen many hard-to-predict changes occur in regulation and in the broader market/policy environments. Regional geographical influence is becoming less pronounced and, as a consequence, a more rapid, less predictable and harder to influence process of regulatory change has emerged.

Traditionally, smaller and less influential markets have mainly replicated western countries' regulations; a base largely curated through scientific evidence and a pattern which makes horizon scanning relatively simple.

However, we are currently witnessing these smaller markets internalising regulatory development and curating stricter rules over a shorter timeframe and with specific consideration to their individual market requirements. And rather than becoming an isolated player, these markets are being perceived as case studies for larger markets, with the potential to accelerate the adoption of stricter regulation around the globe. We have also seen a rise in policy initiated by consumer demand as opposed to science, again triggering faster changes in the market that may or may not be adopted into regulation or even evidenced in science.

Broadly these changes can be segmented into two key categories:

Self-adopted policy motivated by consumer perception, for example:

- Supermarkets not selling energy drinks to children under 16
- Removal of single-use plastic
- Removing 'artificial perceived ingredient'
- Replacing ingredients due to concerns over their origins
- Simplifying ingredients lists to make labels clearer for consumers

Rapid change in local markets setting a case-example globally, for example:

- Mexico's introduction of a sugar tax - now present in more than 35 countries
- Turkey's ban and restrictions on advertisements for foods where excessive consumption is not recommended. We are now seeing signs of this in Asia, Singapore and expect further roll-out globally

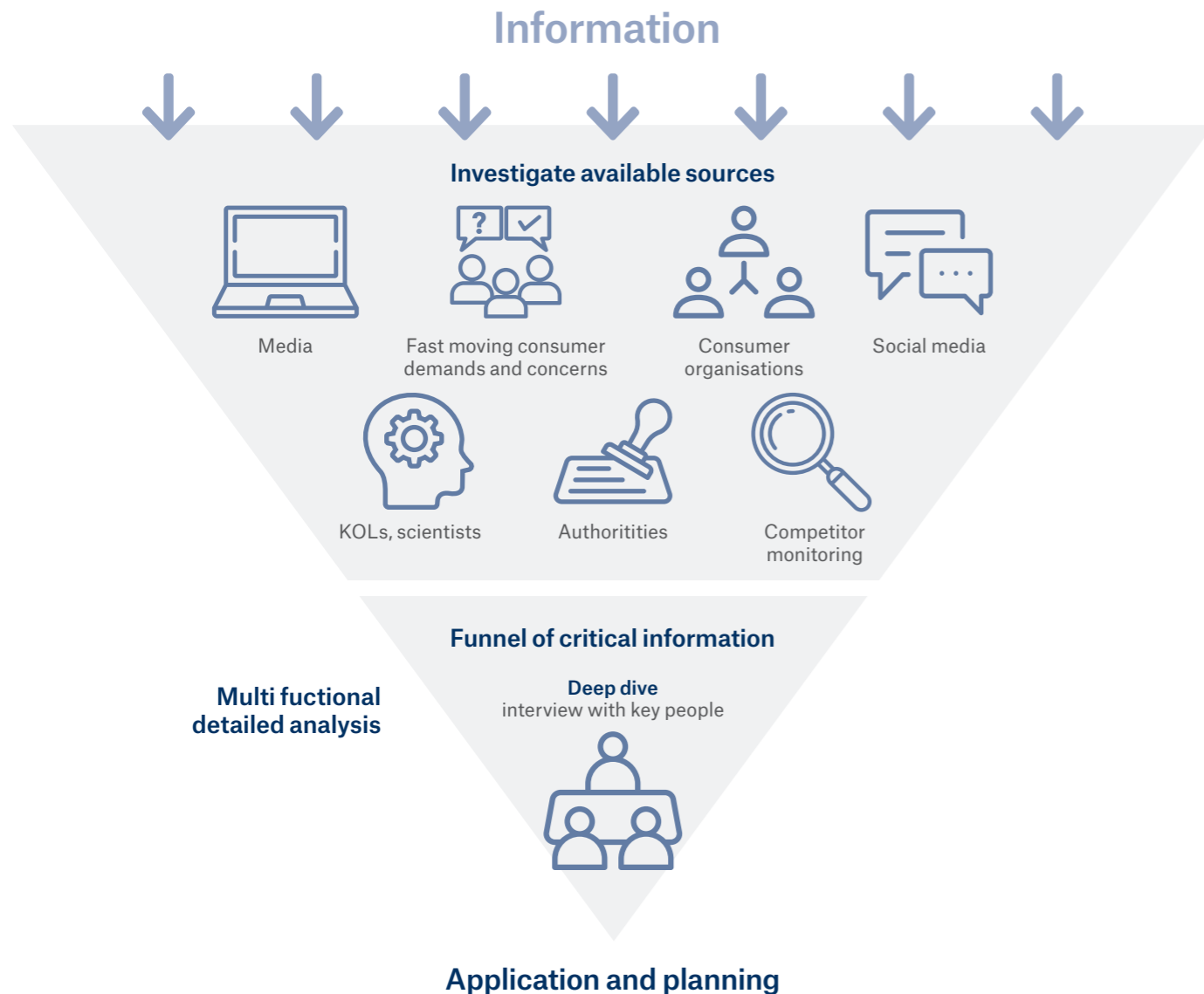
Why are these hard to spot?

- These changes often have a complex cause and effect matrix which is influenced by a dynamic relationship between scientific, consumer and regulatory perspectives.
- Trends rise and fade with time and therefore require qualifying to better gauge which will take hold globally and which will remain isolated to individual markets.
- They often happen quickly and may not be triggered by 'good science'. For example, we are seeing many informal developments occurring in response to ill-informed perceptions being applied to foods such as 'healthy', 'unhealthy' or 'artificial' and 'natural' and which are not defined in science or regulation.
- Changes can be triggered by changes in markets organisations may not currently operate in and can be geographically remote, making it difficult to keep your stay up to date whilst managing the day-to-day business.



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Figure 1 : Sources to investigate and funnelling process



Horizon scanning – a tool for anticipating regulatory change

Horizon scanning is a process that considers a combination of market, consumer, scientific and regulatory information inputs to provide an indicator of pending regulatory and/or policy change relevant to your organisation. It can be related to product compliance and brand or reputational issues, and relies on a strong external network of contributors covering a broad range of topics. Although this can be relatively challenging to set up, once established it can be maintained with relative ease and provide

more than enough value to justify the initial input and effort when compared against the cost of being slow to react.

It's essential to look beyond your organisation in order to perform horizon scanning effectively. An external macro view of the environment exposes you and the business to factors that may not be considered or viewed as a threat internally. Having a complete 360° view – internally and externally – of the 'bigger picture' will help you best respond to threats and opportunities. A simple example of this is the increasing severity of advertising restrictions

in Turkey – a regulation that if replicated more widely will likely have significant implications to many food and beverage companies, but one that would have gone unnoticed if you operate outside of the region.

In markets where regulation is not published online or the dynamic is rapidly evolving, we recommend establishing local networks that allow you to triangulate to a likely change scenario. This can be comprised of key opinion leaders, institutions and associations for example, but the ultimate make-up will depend on the topic.

Opinion leaders and universities

Opinion leaders are influential subject matter experts and are those typically chosen by the media or by governments when a credible and trusted voice is required.

Publications and websites focusing in industry

Sector publications and websites are a good source of focussed information; two provided in your membership are Global Legal Highlights and Daily Food News – both will be useful tools.

Trade associations

Trade associations provide a powerful influence and internal gauge on industry opinion. They are more sympathetic and tend to be approached by authorities ahead of any change and hence will more than likely feature in your network.

Authorities

Establishing strong communication links with authorities is an obvious way to establish a relationship to better share information and that may enable you to get an early steer on possible developments.

Competitors

Keeping a watching brief of the transformation of competitors is a useful indicator that something is changing and needs attention.

Consumers

The influence of the consumer should not be underestimated. Bespoke market research or social media listening tools (notwithstanding the potential bias/limitations of each) are common tools you can deploy.



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help@leatherheadfood.com

T. +44 1372 376761

www.leatherheadfood.com

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info@sciencegroup.com

www.sciencegroup.com