leatherhead food research

Driving progress in an age of uncertainty

2021 Annual trends report

Contents

Foreword

NAVIGATING THROUGH UNCERTAIN TIMES

COVID-19 and Brexit created a perfect storm of uncertainty and upheaval for the food and beverage industry. We've seen extensive disruption to supply, demand and workforce availability as well as wider trends such as heightened consumer interest in 'eating for health' and the ongoing emphasis on sustainability.

Understanding these dynamics and their repercussions is vital, especially for food and beverage companies exploring new markets or different product categories. The global regulatory landscape is in constant flux and change can happen at any time, in any market. Food business operators need to anticipate and plan for changes – potentially taking steps to influence them – to protect their existing portfolio and enable future growth.

From speaking to our global members at the back end of 2021 there remains a lot of uncertainty in the food and beverage industry, with rising raw material costs, transport issues causing supply problems, and many businesses restructuring to save costs.

The current environment brings opportunities and threats which need to be navigated with care. Companies acting with foresight and agility are best placed to de-risk business strategy, driving success in these uncertain times.

Our 2021 Annual trends report is an exclusive resource for Leatherhead Food Research Members, offering insights to set our Members up for the years ahead. In this report we consider the impact of COVID-19 on individual markets and global regulations. We also unveil new consumer research which sheds light on consumer values and attitudes in key markets.

Section 1: The changing global regulatory landscape

MARKET EXPANSION AND REGULATORY DIVERGENCE

Diversification is the watchword for food and beverage companies at present. Whether this relates to new geographical markets, different product categories or alternative sub-sectors of the industry, strategic regulatory compliance is key. Figure 1 shows how we differentiate between immediate and anticipated regulatory needs to achieve a balanced focus.

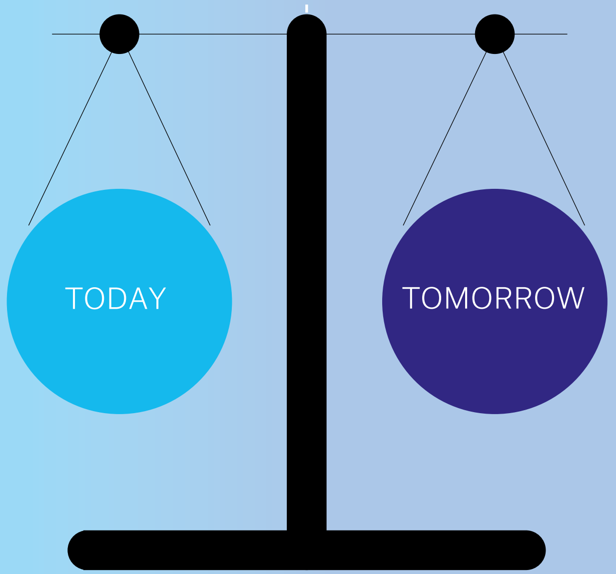
Considering regulatory matters alongside longer-term R&D strategic planning protects the business and future-proofs innovation. This is especially true when designing new concepts and technologies, or devising a single market entry plan for countries with regulatory differences.

Understanding current and future regulatory requirements is critical for front-end innovation for new ingredients, new technologies and new conceptual products

Compliance today

TACTICAL MINDSET

- **Short term:** ensures current compliance
- **Advisory:** reacts to external regulatory landscape and business need
- **Task orientated:** solve and move on



Balancing your regulatory requirements

Compliance tomorrow

STRATEGIC MINDSET

- **Long term:** anticipates future compliance
- **Consultative:** shapes external regulatory landscape and business strategy
- **Solution orientated:** proactively manages regulatory change to protect business

Fundamental behaviours

- **Trusted:** unbiased, independent, accurate
- **Enabling:** seeks 'how' rather than 'why not'
- **Consulted:** at all stages

Figure 1: Balancing tatical and strategic demands in regulatory affairs

BREXIT AFTER-EFFECTS

Fears over transport delays for ingredients and products after Brexit may have been overstated, but bureaucratic procedures at border control points have been disruptive. The Northern Ireland Protocol has proved problematic on both sides, causing disruption to imports into Northern Ireland. Determining whether products need an Export Health Certificate has also proved problematic for many businesses, as has a lack of clarity over VAT requirements. For the UK fisheries industry, catch certification had a momentous impact, as has the licensing of French fishing boats. Labelling issues have also been a particular area of complexity and confusion for many of our Members.

Membership information and insight

WHITE PAPER

GB import/export regulations

Our post-Brexit white paper outlines changes to labelling and import /export regulations.

▸ Download white paper

WEBINAR

GB food and beverage regulations

One of our Regulatory Day presentations looked in detail at GB food and beverage regulations and the EU-UK Trade and Co-operation agreement.

▸ View the presentation and slides

THE VALUE OF HORIZON SCANNING

Predicting future regulatory requirements is a strategic priority for many companies, in relation to existing products as well as new developments. Horizon scanning reveals emerging trends and likely changes so product strategies can be adapted accordingly. It's a valuable tool which underpins purposeful decisions for R&D innovation pipelines.

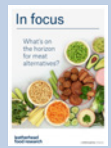
CASE STUDY

Mitigating future ingredient restrictions

Our client was facing aggressive global regulatory changes for a key ingredient. The company needed to understand the landscape so steps could be taken to mitigate risk. Our regulatory specialists analysed 20 markets to identify potential future restrictions and outright bans as well as suggesting alternatives to replace the ingredient. Categorising markets according to level of concern allowed the client to plan an effective, well-informed strategy.

Membership information and insight

WHITE PAPER



What's on the horizon for meat alternatives?

▸ Download white paper

WEBINAR

Plant-based and solar protein: is it really a new era of alternative diets?

▸ View the webinar

Stay up to date by signing up to our Daily Food News and Global Legal Highlights

Section 2: The global regulatory response to COVID-19

Our team of regulatory experts analysed key developments as a result of COVID-19 across eight markets; Australia, France, India, Japan, Saudi Arabia, Turkey, the UK and US, revealing three common themes.

1. Increased flexibility

Throughout the pandemic there has been evidence of greater leniency from the regulatory authorities in some areas, such as labelling compliance. This may be a tactical decision to streamline logistics in the face of supply chain disruption. For instance, Japan and France demonstrated a more flexible approach to labelling requirements (with the exception of allergens). However, Japan put stricter measures in place for health foods claiming to have a preventative effect against Coronavirus. In the US, the FDA said it did not intend to object if nutrition labelling of standard menu items temporarily did not meet requirements due to necessary substitutions because of the pandemic.

Greater flexibility has also been noted in product formulations. In France some products may be formulated slightly differently due to ingredient supply chain inconsistency. Similarly, minor formulation changes for vending machine products have been allowed by the FDA due to difficulties obtaining ingredients.

These approaches were echoed in Australia. Companies may cite supply chain disruption in relation to labelling, compositional and packaging requirements of the Australia New Zealand Food Standards Code.

2. Regulatory changes

In several markets, planned changes to food and beverage regulation have been delayed or suspended, whereas COVID-19 related guidance has been abundant.

Precautionary requirements and policies have been implemented to contain COVID-19 in Japan and the Middle East. Similarly, in the UK, France and India new guidance documents outlined additional measures for safe production and handling of food as well as the safety of food industry workers.

India's response to the pandemic included promotional activity to help people support their immune system, with informative posters highlighting foods with nutritional and health benefits.

3. Expansion of online systems

Some in-person processes such as registrations and audits were also replaced with online systems. For example, FDA's Onsite Audit Requirements could be postponed under certain circumstances and an alternative verification method selected. Japan is moving processes for food business licenses online as well as food safety training courses, meetings and conferences. However, Turkey continued in-person audits with adaptations to meet new pandemic related safety guidance.

WILL COVID-DRIVEN CHANGES BE PERMANENT?

We do not anticipate any long-term changes to the way markets regulate food and beverage products. However, some COVID-19-related safety and hygiene measures could remain, as could online systems. The map below summarises the current situation across several key markets.

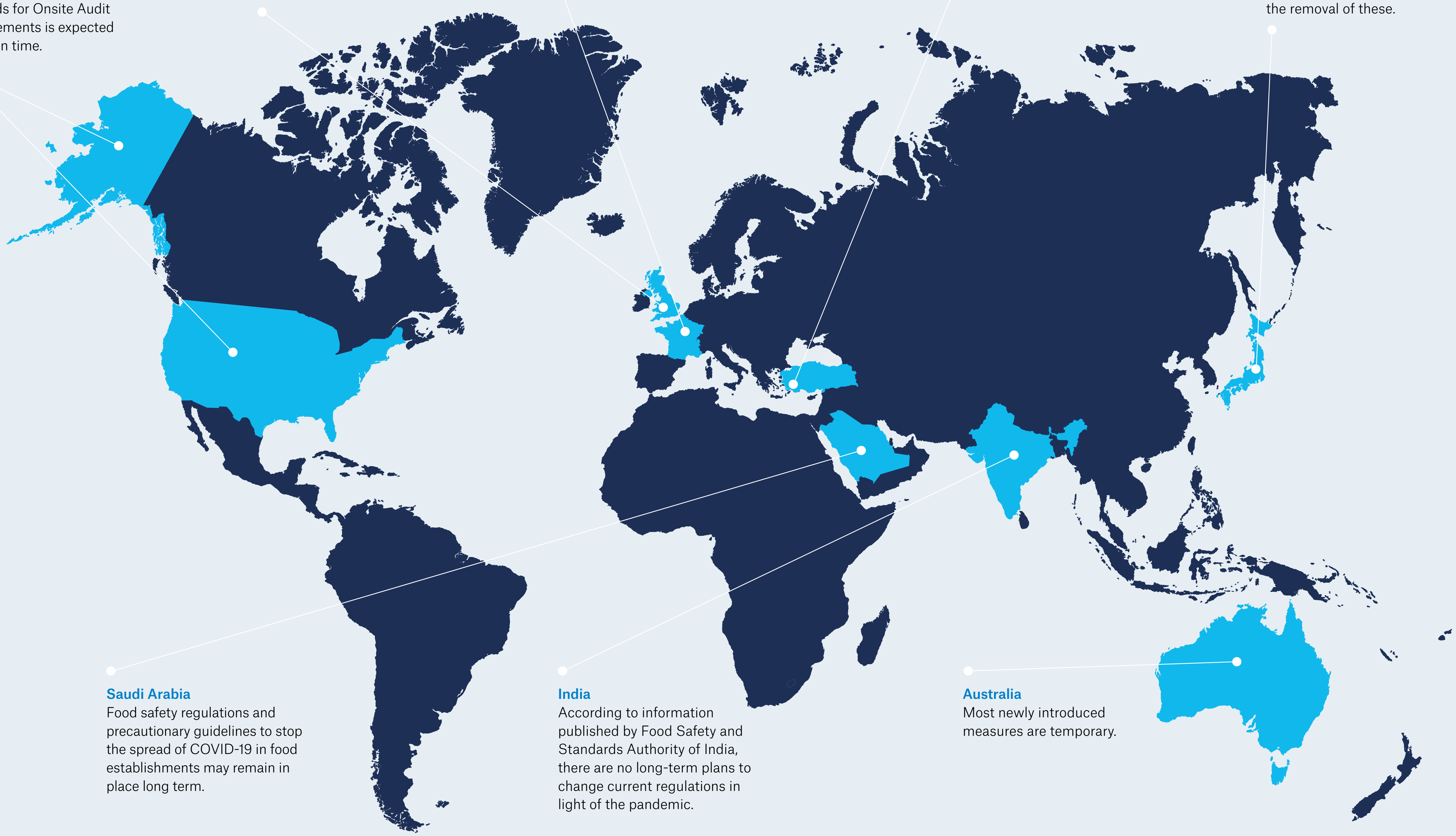
United States
Actions appear to be temporary and generally involve discretion (e.g. in labelling requirements). The use of alternative verification methods for Onsite Audit Requirements is expected to end in time.

United Kingdom
There are no indications that COVID-19 will affect how food is legislated in the UK at present.

France
Relaxations on labelling are temporary and not expected to last after the pandemic.

Turkey
In-person audits continued.

Japan
More flexible approach to labelling requirements and moving some procedures on-line, no timescales on the removal of these.



Saudi Arabia
Food safety regulations and precautionary guidelines to stop the spread of COVID-19 in food establishments may remain in place long term.

India
According to information published by Food Safety and Standards Authority of India, there are no long-term plans to change current regulations in light of the pandemic.

Australia
Most newly introduced measures are temporary.

What does the future regulatory landscape look like in key markets?

Noteworthy developments we're monitoring include:

- UK – Sustainability and clean labels; Brexit-related changes
- France – Recycling and sustainability
- Australia – Consultations by Food Standards Australia New Zealand for various proposals were postponed due to COVID-19. For example the updated definition of genetically modified food
- US – The National Bioengineered Food Disclosure Standard, for which mandatory compliance begins on 31 December 2021
- Global regulatory divergence remains significant, bringing continued complexity to food and beverage organisations that operate in multiple markets

Section 3: The global impact of COVID-19 on the consumer

It's widely acknowledged that two major drivers of food and beverage innovation at present are '**health and wellbeing**' and '**sustainability**'. Understanding and anticipating what consumers want is critical to ensure product development strategies are focused, relevant and effective. For multinational brands, this often means walking a fine line to satisfy consumers in different markets while meeting regulatory obligations.

In July 2021, we commissioned research to gauge how COVID-19 has shifted consumer expectations in Australia, Brazil, China, France, Japan, Mexico, the UK and the US. We also surveyed consumer attitudes to sustainability issues associated with food and beverage products. The results of which can be found in Section 4 of this report.

The chart (Figure 3) opposite illustrates the relationship between the fiscal stimulus applied in countries to mitigate the economic/social effects of the pandemic and the death rates. The top left quadrant shows countries that had high death rates (as of May 2021) and relatively low fiscal stimulus, and so on around the quadrants. Overall, findings indicate that countries in the top left quadrant, Mexico and Brazil, have experienced a more profound shift in consumer attitudes. For instance, in Brazil and Mexico, 74% and 66% of the adult populations respectively now place more importance on products that make health benefit claims (e.g. immunity) than they did previously (see Figure 2). The same factor has become more important to just 18% and 16% of adults in the UK and France. Although death rates were high in these European countries, their governments injected a greater level of COVID-19-related fiscal stimulus and economic recovery has been relatively quick. This may have influenced consumers, either preventing the attitudinal shift seen in the South American countries, or quickly bringing any changes back to the pre-pandemic state.

Our findings indicate that COVID-19 had a greater impact on younger adults' attitudes to food and beverage products, as shown in Table 1. If this trend lasts beyond the pandemic it will have an enormous impact, incentivising companies to create functional ingredients and products with substantiated claims.

Health benefit claims have become more important to consumers around the world

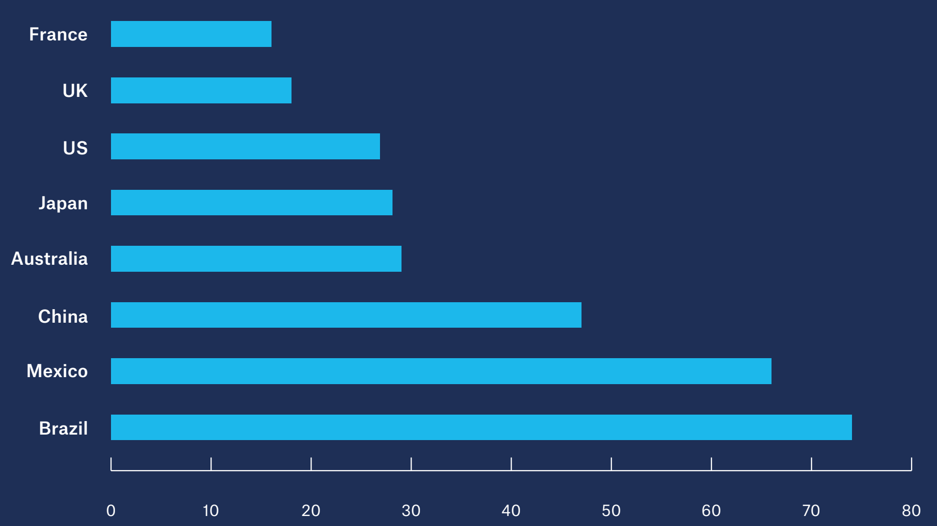


Figure 2: Percentage of adults who agree health benefit claims (e.g. immunity) have become more important due to COVID-19 (Nationally representative sample, N=9679 across 8 markets, YouGov 2021)

The impact of COVID-19 on countries around the world

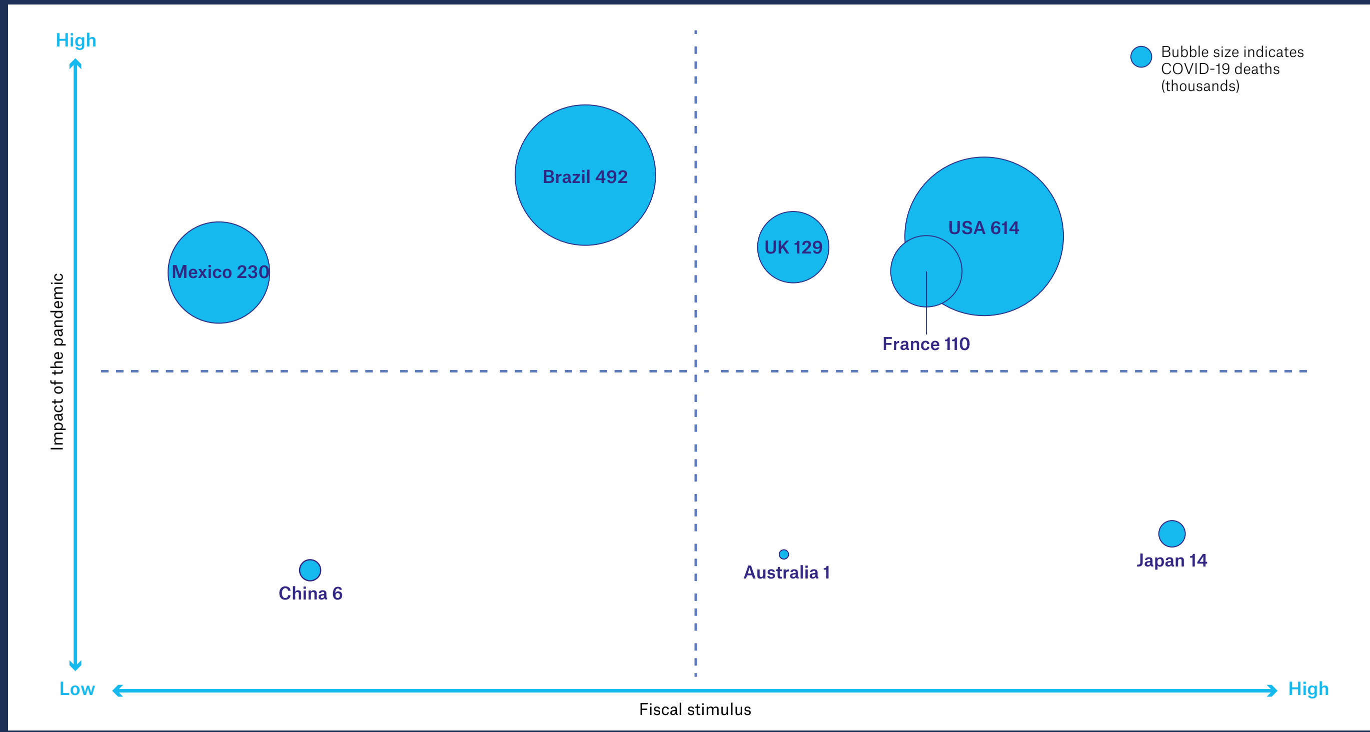


Figure 3: Fiscal stimulus and COVID-19 deaths of eight key markets
Source: IMF May 2021

Q: When purchasing food and beverage products, have each of the following become more or less important to you due to COVID-19, or has it remained the same?	All ages all countries	18-24 year olds all countries	25-34 year olds all countries	35-44 year olds all countries	45-54 year olds all countries	55+ all countries
Nutrition claims (e.g. 'high in protein' or 'source of Vitamin D' etc.) have become more important	29%	32%	34%	30%	28%	24%
Health benefit claims (e.g. immunity) have become more important	35%	41%	39%	37%	34%	31%
Ingredients or products to support my physical wellbeing have become more important	37%	44%	45%	39%	35%	30%
Ingredients or products to support my mental wellbeing have become more important	33%	39%	39%	37%	33%	25%

Table 1: Younger demographics experienced a greater shift in their attitudes to key health factors due to COVID-19.

About the research

We commissioned consumer research in Australia, Brazil, China, France, Japan, Mexico, the UK and the US to ascertain attitudinal shifts in relation to food and beverage products since the start of COVID-19. We also asked respondents to indicate which (if any) food and beverage sustainability issues were important to them.

The total sample size was 9,679 adults (ages 18+). Figures have been weighted and are nationally representative for adults in each of the eight countries. Fieldwork was conducted online between 12-26 July 2021. The figures have been given an even weighting for each country to produce an 'average' value.

HEALTH AND WELLBEING

The four trends dominating health and wellbeing activity in the food and beverage sector are **functional ingredients, preventative nutrition, mental/emotional wellbeing** and **sustainable nutrition**. Our findings offer notable insights across each of these areas.

We asked respondents to consider nine factors that may influence food and beverage purchase decisions, then indicate whether they had become more important, less important or remained the same since the start of the pandemic. Figure 4 shows the top five 'more important' factors for all adults surveyed.

Ingredients to support physical wellbeing is the most popular factor that has become more important to consumers due to COVID-19

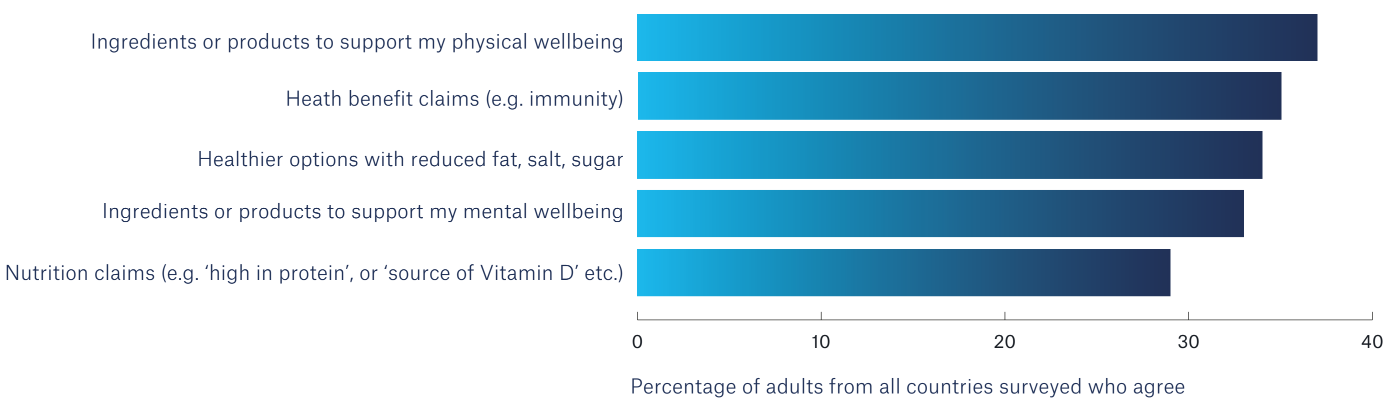


Figure 4: Top five factors that have become more important since COVID-19 when purchasing food and beverage products (Nationally representative sample, N=9679 across 8 markets, YouGov, 2021)

Functional ingredients and preventative nutrition

Consumer interest in food and beverage products to support immunity, mood, energy, digestive health and weight management amongst other things is growing.

This is in parallel with demand for 'natural', non-artificial ingredients. However, the extent to which attitudes have changed due to COVID-19 varies greatly between markets.

In our survey we asked the respondents to rank whether certain factors have become more important to them, less important or not changed due to the COVID-19 pandemic. Of the statements included, 'products making health benefit claims such as immunity' is a top five ranking factor of increased importance for adults in each country. This is far more pronounced in Brazil (74%) and Mexico (66%) than the other markets we looked at. 'Products which make nutrition claims (e.g. 'source of protein' or 'high in vitamin D')' also ranks in the top five factors of increased importance for every country surveyed except China (31%) and France (14%). Again, significantly more adults in Brazil and Mexico indicated that they now place greater importance on this factor.

While there are great variations between countries, it's important to note that in every country we surveyed at least a fifth of all adults (except France with 14%) now place greater importance on at least one factor. This underlines the need for multifunctional ingredients which are nutrient dense but also impart desirable sensory qualities.

Top factors of increased importance

Products which support physical wellbeing and products which make health benefit claims such as immunity were the top factor of increased importance for all but one country. France was the outlier here; the top factor of increased importance was 'products with no artificial ingredients', mentioned by 25% of respondents. 'Physical wellbeing' and 'health benefit claims' have become more important to just 19% and 18% of adults respectively, but 23% are placing greater importance on healthier options (see Figure 5).

Products which support physical wellbeing

- UK (22%)
- US (33%)
- Australia (36%)
- China (58%)

Products which make health benefit claims such as immunity

- Japan (28%)
- Mexico (66%)
- Brazil (74%)

Making healthier choices – such as choosing products with reduced salt, fat or sugar – has also become more important for a fifth to a quarter of adults in the UK (21%), Japan (22%) and the US (27%). It's closer to a third of adults in Australia (32%) and 45% of adults in China. In Brazil and Mexico, the figure is 56% and 60% respectively. This could reflect the impact of global obesity strategies as well as the tendency for overweight people to experience more severe COVID-19 symptoms.

France places more importance on healthier options over claims and ingredients

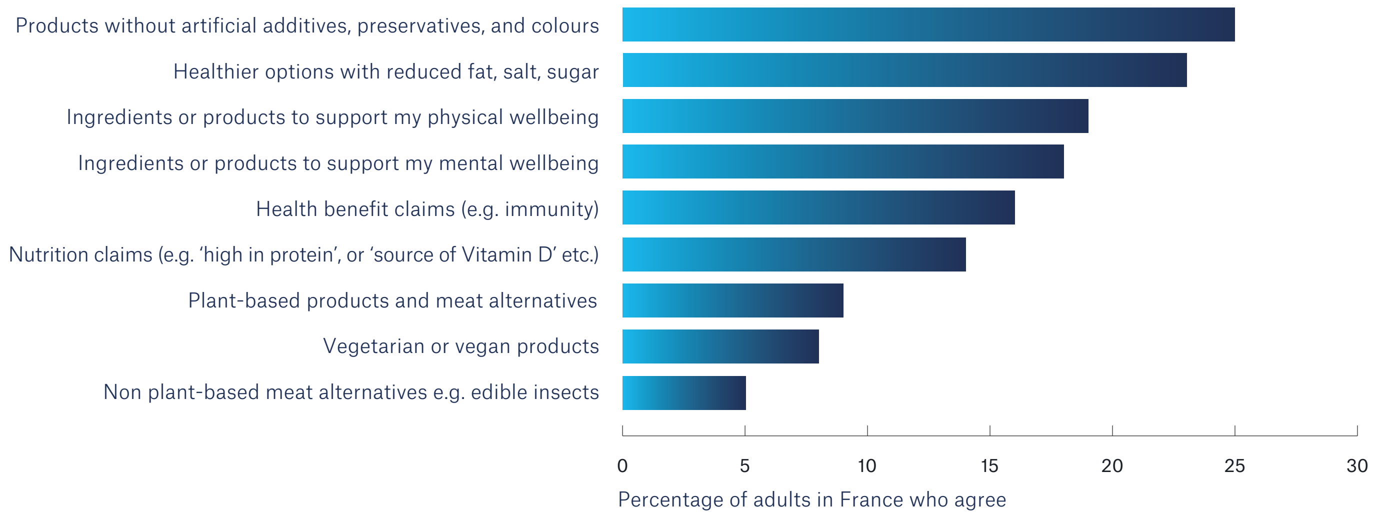


Figure 5: Factors that have become more important to adults in France due to COVID-19 (Nationally representative sample, N=1004, YouGov, 2021).

Membership information and insight

WHITE PAPERS

We have published several white papers this year which focus on tackling obesity and helping consumers make healthier choices:

- **NOVA and ultra-processed foods**
- **Advertising food and drinks to children**
- **Regulatory requirements for pharmafoods**
- **COVID-19's influence on European obesity strategies**

WEBINAR

New and emerging ingredients

- **You can also access a recording of our webinar about new and emerging ingredients here**

Varied ramifications of COVID-19 continue to unfold around the world. Our research shows that consumer attitudes in Brazil and Mexico, which feature in the 'low fiscal stimulus, high pandemic impact' quadrant of Figure 3, have been profoundly impacted. Consumers from countries in the two 'high fiscal stimulus' quadrants - the UK, US, France, Japan and Australia - exhibited a significantly lower level of change. These changes in consumer attitudes can be seen in the significantly different responses to the importance of products and claims for health and wellbeing. Responses from consumers in China, which sits in the 'low fiscal stimulus, low pandemic impact' quadrant tend to fall between the two ends of the spectrum.

This insight can be used to shape food and beverage strategies for 2022 and beyond. However, it's important to note finer discrepancies between individual markets.

For instance, while consumers in Brazil and Mexico share a more pronounced shift in attitude, the percentage of adults placing more importance on health benefit claims such as immunity is higher in Brazil at 74% versus 66% in Mexico.

Various clusters of similarity and some significant differences are apparent across the UK, US, France, Japan and Australia too. When it came to placing more importance on physical wellbeing (Figure 6), consumer responses in the US and Australia were closely aligned at 33% and 36%, as were those of the UK and Japan (22% and 20%). However, for health benefit claims such as immunity, a similar percentage of consumers in the UK and France said they were more important (18% and 16%), with the US, Japan and Australia forming a separate cluster (27%, 28% and 29%).

Importance of products for physical wellbeing

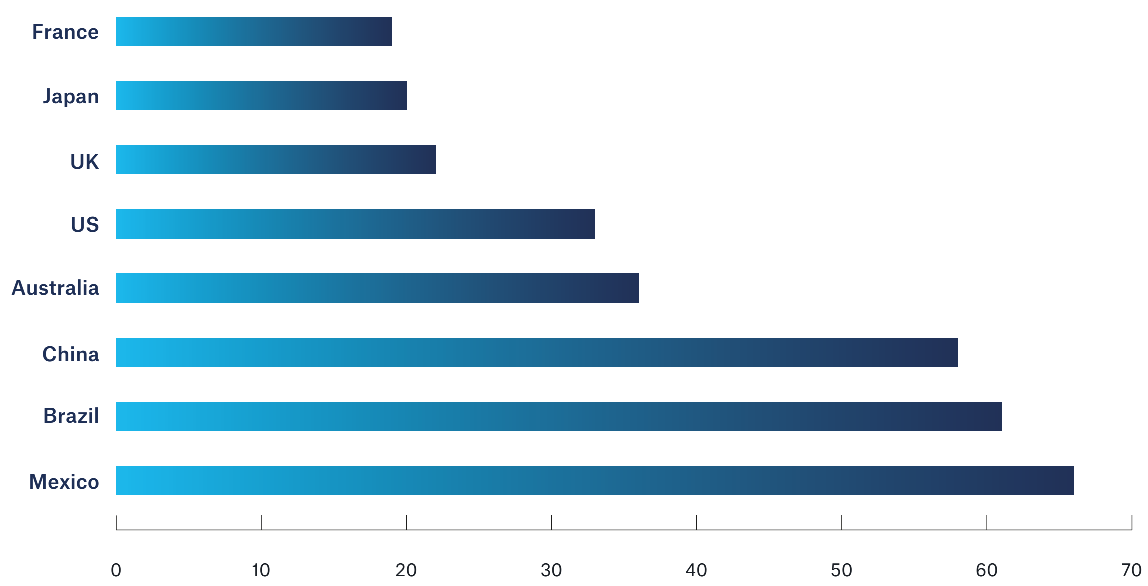


Figure 6: Percentage of adults who agreed that ingredients or products to support physical wellbeing have become more important due to COVID-19 (Nationally representative sample, N=9679 across 8 markets, YouGov 2021)

Mental and emotional wellbeing

Our findings support the view that consumers have become more interested in how dietary choices affect mental wellbeing during the pandemic.

In every country we surveyed, 'ingredients or products to support my mental wellbeing' made the top five factors that have become more important. Again, more respondents in Brazil and Mexico indicated that this had taken on increased importance, at 57% and 60% respectively (see Figure 7). Half of the respondents in China (50%), a third of respondents in Australia (34%) and a quarter in the US (26%) said the same. In the UK, France and Japan, just under a fifth of adults (19%, 18% and 18% respectively) now place greater importance on this factor.

This dovetails with the functional ingredients trend, but also relates to dietary habits, routines and a shift towards more mindful eating.

Ingredients to support mental wellbeing have become more important to consumers especially in Brazil and Mexico

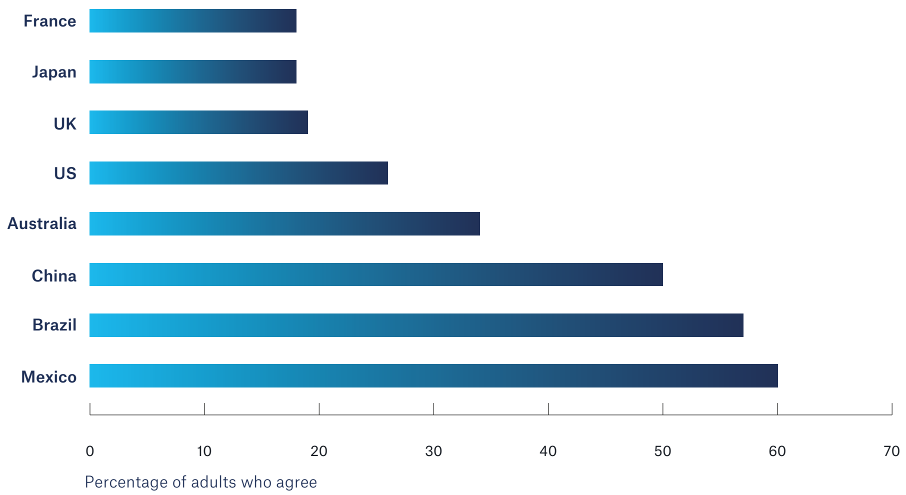


Figure 7: Adults who agree that ingredients or products to support mental wellbeing have become more important due to COVID-19 (Nationally representative sample, N=9679 across 8 markets, YouGov 2021)

Sustainable nutrition

Many food business operators are developing products that are good for health and good for the planet. Plant-based products are becoming more mainstream, and consumers are looking for easy ways to incorporate more fruit, vegetables, wholegrains and fibre into their diets.

According to our research, COVID-19 has not had a marked impact on the importance consumers place on plant-based products and meat alternatives overall. However, younger people are the exception; across all eight markets almost a quarter of 18-24 and 25-34 year olds now place more importance on these products (23% and 24% respectively, compared to an all-age average of 17%).

SPOTLIGHT ON DOSSIERS

Before using a functional ingredient that may impart health benefits, companies must ensure its permissibility for use and for the intended health claim. This essential step enhances safety and protects consumers from misleading information.

Securing pre-market approval for ingredient health claims involves submitting a dossier of evidence (safety, toxicological, clinical, etc.) to the authorities. The conditions and requirements vary between markets and require expert facilitation.

CASE STUDY

Pre-market approval dossier for a novel sugar replacer

Our specialist dossier services team recently supported a start-up looking to market a new sugar replacer as a novel ingredient for various products. This involved gap analysis of the client's dataset in relation to European Food Safety Authority (EFSA) guidance and providing next step recommendations. We then handled the compilation and submission of a dossier to the relevant authorities, meeting all EU requirements.

CASE STUDY

Particular Nutrition Purpose (PARNUT) dossier coordination

We've supported several clients in the preparation, submission and follow-up of PARNUT dossiers for pet food formulations. This involves demonstrating the function of certain ingredients in relation to specific health benefit claims using scientific evidence.

We can also help with:

- Pet food labelling
- Pet food and feed formulation compliance
- Hygiene and food safety advice
- Pet food and feed additives registrations
- Horizon scanning for future trends

HAS COVID-19 ALTERED CONSUMER TRUST?

It's no surprise that most respondents in most markets have become more concerned about the cleanliness of where food is made and sold. Many are also more interested in where food has come from and how it was made than they were previously.

One consequence of the pandemic for business-to-business and business-to-consumer segments of the industry alike is a tendency to use trusted, dependable brands. However, our research indicates that the type of brand most trusted by consumers – for instance bigger versus smaller, local brands – varies significantly in different markets. Overall, more respondents in the UK, France, US, Australia and Mexico now place greater trust in smaller brands. However, the reverse is true for Japan, China and Brazil. Figure 8 illustrates the extent of this variation.

Changing consumer trust in big and small brands due to COVID-19

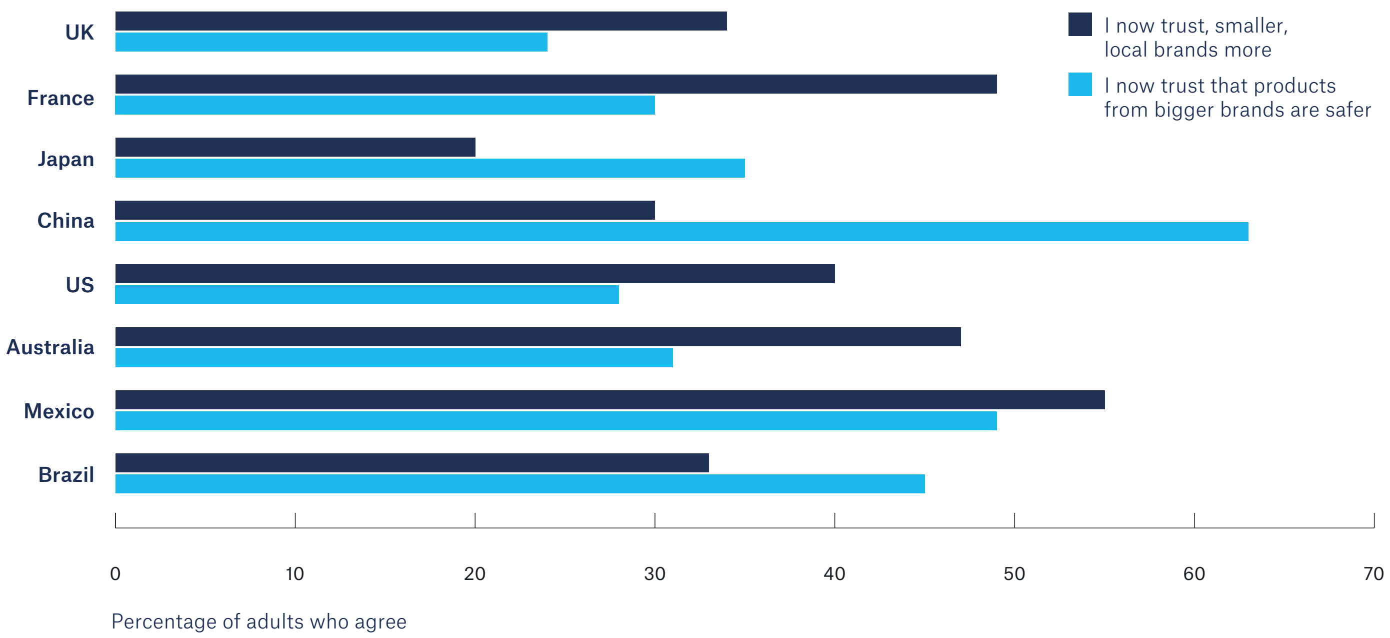


Figure 8: Changing consumer trust in big and small brands due to COVID-19 (Nationally representative sample, N=9679 across 8 markets, YouGov 2021)

CASE STUDY

Supporting food safety

Over the past 12 months we've been involved in various food safety projects for clients. These include a technical review and evidence-based recommendations to support a pathogen management policy. We also conducted gap analysis to help a US firm identify where it needed to make changes to comply with Current Good Manufacturing Practices when diversifying into supplement manufacture.

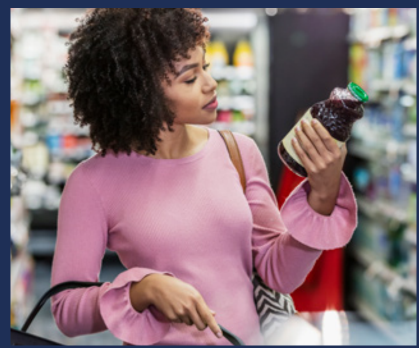
SPOTLIGHT ON CLAIMS AND CONCEPTS

COVID-19 has led many consumers to place greater importance on health and nutrition claims when selecting food and beverage products. This is a heavily regulated area and businesses need to apply due diligence to any overt claims on packaging or in product descriptions. We've noted a marked increase in enquiries related to 'soft claims' which don't directly reference a health benefit but make implications through use of imagery and colour. Many questions received this year relate to soft claims on social media, perhaps due to the increase in online shopping.

CASE STUDIES

Snack claim substantiation

We conducted a concept review for a global snack company wanting to use substantiated nutrition and health claims to foster competitive differentiation. Firstly, we assessed the recipes, checking permissibility of ingredients in target markets. From here we established boundaries for what could be claimed and assessed publicly available scientific evidence to substantiate this. We also identified alternative ingredients, and their bioavailabilities, to ensure close compliance with regulations surrounding nutrition and health claims. Our outputs enabled the client to evaluate new concepts more objectively as well as de-risking and enriching marketing activity.



Beverage claim validation

Another example of our work in this space relates to validation of on-pack marketing and nutrition claims for a new beverage. The claims had to be compliant with local regulations of various international markets and could not mislead consumers. Our initial assessment denoted risk levels for desired claims in each market with a traffic light system. Where necessary, we suggested alternative wording for certain countries. We also reviewed scientific literature and collated evidence dossiers to support claims in the event of challenges from competitors or authorities.

Section 4: Consumer attitudes to Sustainability

Within the broader movement towards sustainability, there's been an increased focus on claims related to product packaging. This is partly driven by emerging regulations to eradicate or minimise single use plastic, but it also anticipates new rules related to Extended Producer Responsibility (EPR) schemes.

In readiness for EPR schemes for food and beverage packaging, the industry is investing in sustainable, recyclable and recycled materials. Consequently, claims to this effect have soared.

Currently, the most popular sustainable packaging claims focus on paper, e.g. 'made from paper' or '100% paper'. Plastic-free and biodegradability claims are also increasing. Growth of sustainability claims looks set to continue with countries such as Germany and Spain establishing voluntary schemes to approve the recyclability of specific products.

So, what do consumers think about all of this? We presented our survey respondents with ten sustainability factors, asking them to indicate any that were important to them when buying food and beverage products. They were also given the option to say that no sustainability issues were important to them.

Packaging materials and recyclability are important factors when considering purchasing food and beverage products

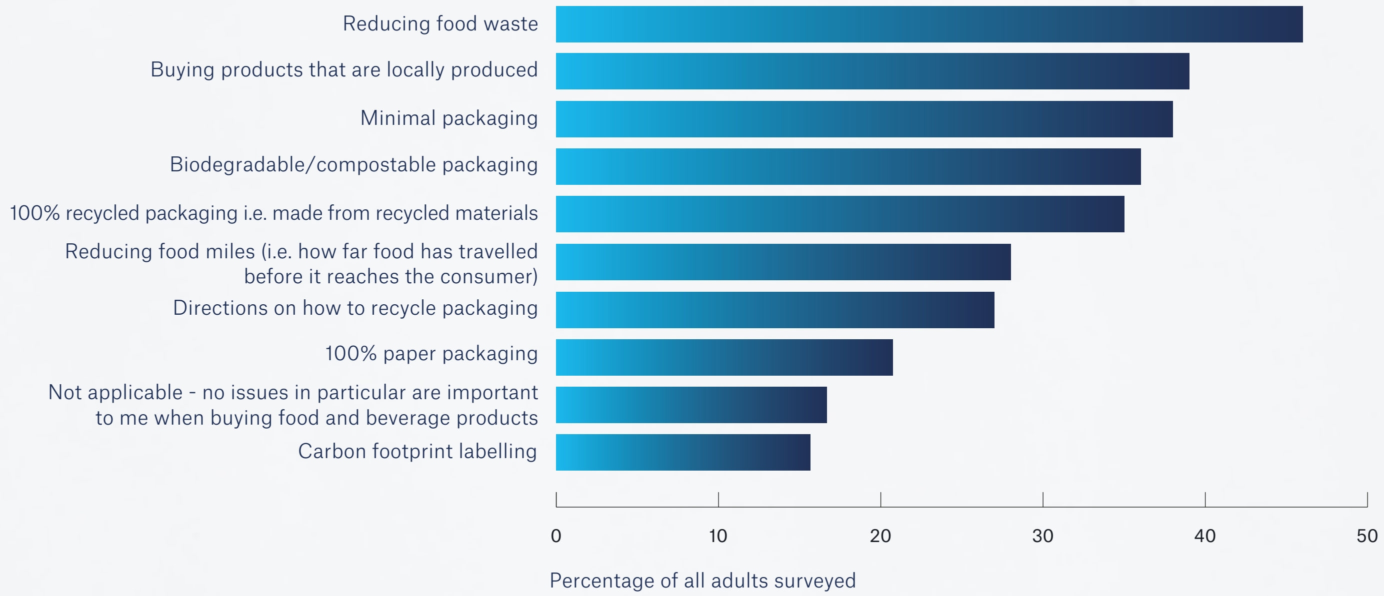


Figure 9: Environmental factors that are important to consumers when purchasing food and beverages (Nationally representative sample, N=9679 across 8 markets, 2021 YouGov)

Figure 9 shows the percentage of adults across all eight countries who consider certain packaging factors to be important from a sustainability perspective. According to our findings, they care most about minimal packaging (39%), biodegradable/compostable packaging (36%) or 100% recycled packaging (35%). The eight-country average of respondents who believe 100% paper packaging to be important is 21%.

It's worth noting that while 'minimal packaging' is important to adults in all eight countries, many also indicated that they now place greater importance on 'well packaged' food and beverage products. This highlights how the pandemic has led to some conflicting opinions for consumers, and it will be interesting to see how this evolves over time.

In Japan and the US the option 'no issues are particularly important to me when buying food and beverage products' was a top five response, at 31% and 26% respectively.

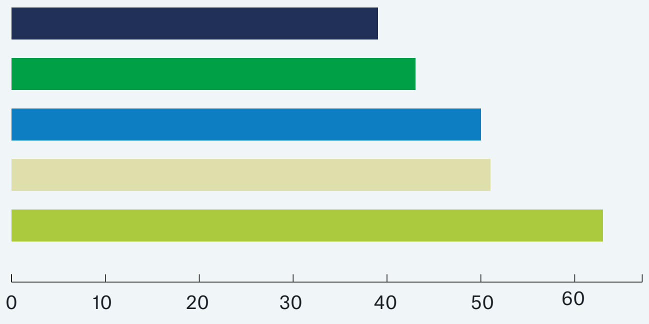
REDUCING FOOD WASTE IS A TOP THREE SUSTAINABILITY CONCERN FOR RESPONDENTS IN EACH OF THE EIGHT MARKETS.

For every market except Brazil and the US, buying products that are locally produced ranked as a top five sustainability factor. Buying local in general has gained greater attention during the pandemic, with people supporting local businesses. This aligns with our findings about safety and consumer trust, and could relate to buying in seasonto reduce air miles and maximise nutritional content.

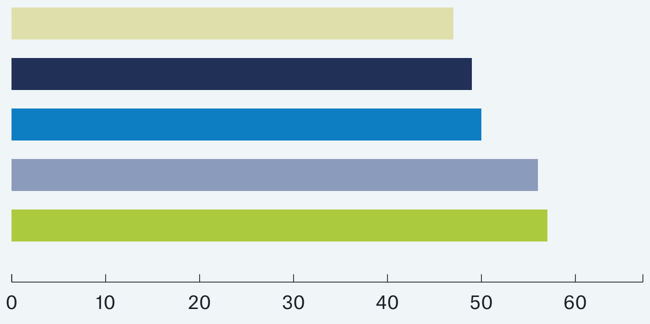
Top five environmental factors to consumers when purchasing food and beverage products **(Nationally representative sample, N=9679 across 8 markets, YouGov 2021)**

- Minimal packaging
- 100% recycled packaging (i.e. made from recycled materials)
- Biodegrable/compostable packaging
- Reducing food miles (i.e. how far food has travelled before it reaches the consumer)
- No plastic in packaging
- Buying products that are locally produced
- Reducing food waste
- Directions on how to recycle packaging
- Not applicable – no issues in particular are important to me when buying food and beverage products

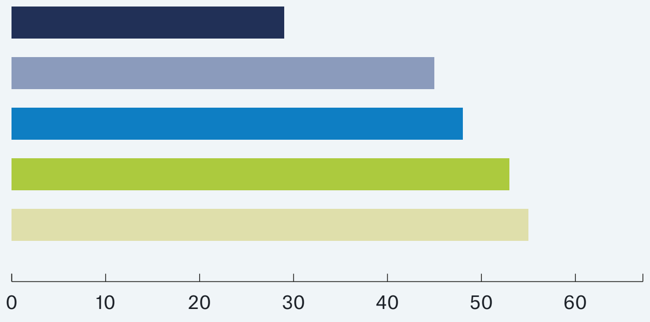
Brazil



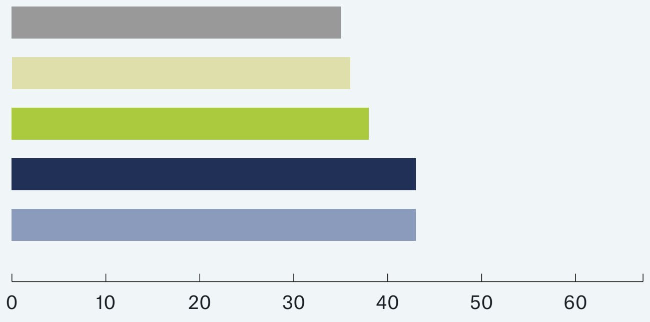
Australia



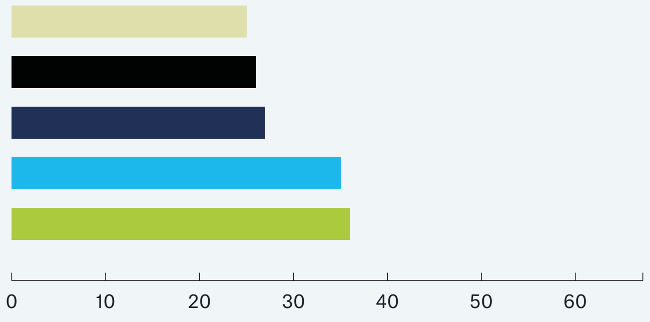
Mexico



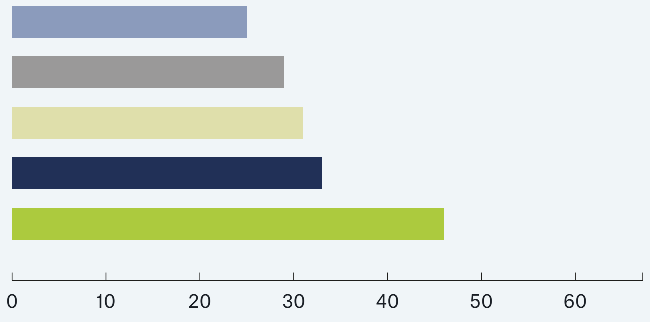
France



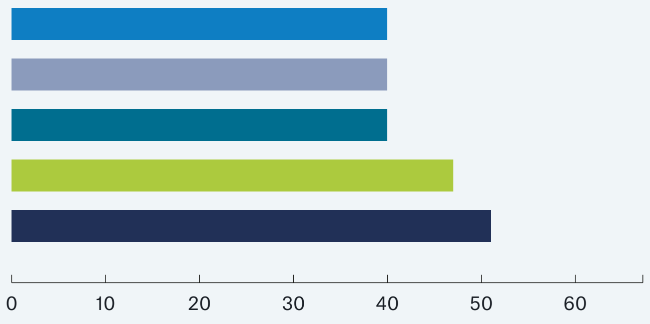
United States



China



UK



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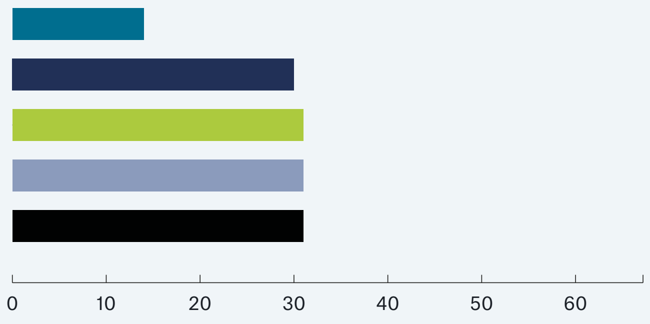

Conclusions: Moving towards greater divergence

With divergence rife across macroeconomic factors, consumer expectations and global regulations alike, companies need to consider macro trends and individual markets in parallel to navigate the road ahead. Based on the findings reported here, we can draw three overarching conclusions to shape strategic regulatory planning:

1. Regulatory divergence is set to escalate

Regulators supported the industry through the initial upheaval of COVID-19 by deferring implementation of regulations, moving systems online and being flexible on non-safety requirements. At present, regulators' long-term strategies have not changed and there is much ambiguity over when and how changes may happen.

Furthermore, we believe COVID-19 will have an indirect impact over time. For instance, regulators are sure to react if there is a surge in products which make health and nutrition claims or use functional ingredients to impart physical and mental health benefits. We also expect the rise in online shopping to accelerate development of regulations for distance selling, such as those under discussion with Codex. Enforcement measures are likely to place greater emphasis on products sold remotely as well, to ensure safety and quality standards are upheld.

2. COVID-19's legacy is a complex macroeconomic climate

At the time of writing, the pandemic is still ongoing. Each country's individual response and process of recovery from the pandemic will inevitably have a knock-on effect on consumer attitudes too. For example, the data from our survey suggests that Australia and New Zealand are exhibiting little change from pre-pandemic consumer behaviour. However, Brazil and Mexico's combination of low pandemic control and low fiscal stimulus significantly affected consumer attitudes, and recovery may be slower. Meanwhile, Japan's low pandemic impact and high fiscal stimulus appears to have boosted consumer confidence.

3. Consumer trends can be categorised according to age as well as by country

Our consumer research findings, show interesting nuances and clusters between different markets. For instance, in the UK, France and Japan similar percentages of adults now place more importance on food and beverage products which support mental wellbeing as well as healthier options in general. However, there are noteworthy differences too, such as those surrounding the importance placed on health benefit claims such as immunity outlined in the previous section (pages 14-19).

With market expansion a strategic business priority for many food and beverage companies, our findings for young adults (the 18-24 and 25-34 age groups) are significant. The pandemic led this demographic to place greater importance on products which play an active role in nurturing health. If this attitudinal shift lasts long-term, we can expect to see an acceleration of the movement from 'healthy eating' towards the more purposeful notion of 'eating for health'.

Recommendations

Take a global perspective - Looking ahead, we advise food and beverage businesses to identify critical areas of strategic focus based on their core portfolio. This allows global searches to be streamed for the most relevant and important regulatory changes on the horizon. Taking a global perspective is key, and while it is useful to understand where clusters lie, each target market needs to be considered individually. This can be achieved using Leatherhead's weekly roundup of Global Legal Highlights and further filtered with horizon scanning activity related to specific business objectives.

Understand market divergence - For companies focusing on advancements in the health and nutrition space, some markets are more ready than others. These include Brazil and Mexico where the importance consumers place on health and nutrition claims, functional ingredients, healthier products, and mental and emotional wellbeing has increased dramatically. Developments in this vein, including those related to the attitudes and expectations of younger adults, can be monitored via targeted nutrition and health horizon scanning.

Focus on sustainability - Companies planning to invest in sustainability initiatives should monitor Europe, in particular France, very closely. Regulatory developments are to be expected in this rapidly evolving area, especially in relation to recycling and sustainable packaging claims.

Monitor regulatory divergence - Changing consumer attitudes, innovation and emerging technologies, will drive or be driven by the evolving regulatory landscapes. Together, this trio of critical factors will shape a complex global picture. In these uncertain times, food and beverage companies must look ahead to stay ahead. Accounting for macroeconomic, regulatory and consumer divergence by global market is essential to de-risk investment and future proof business.

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