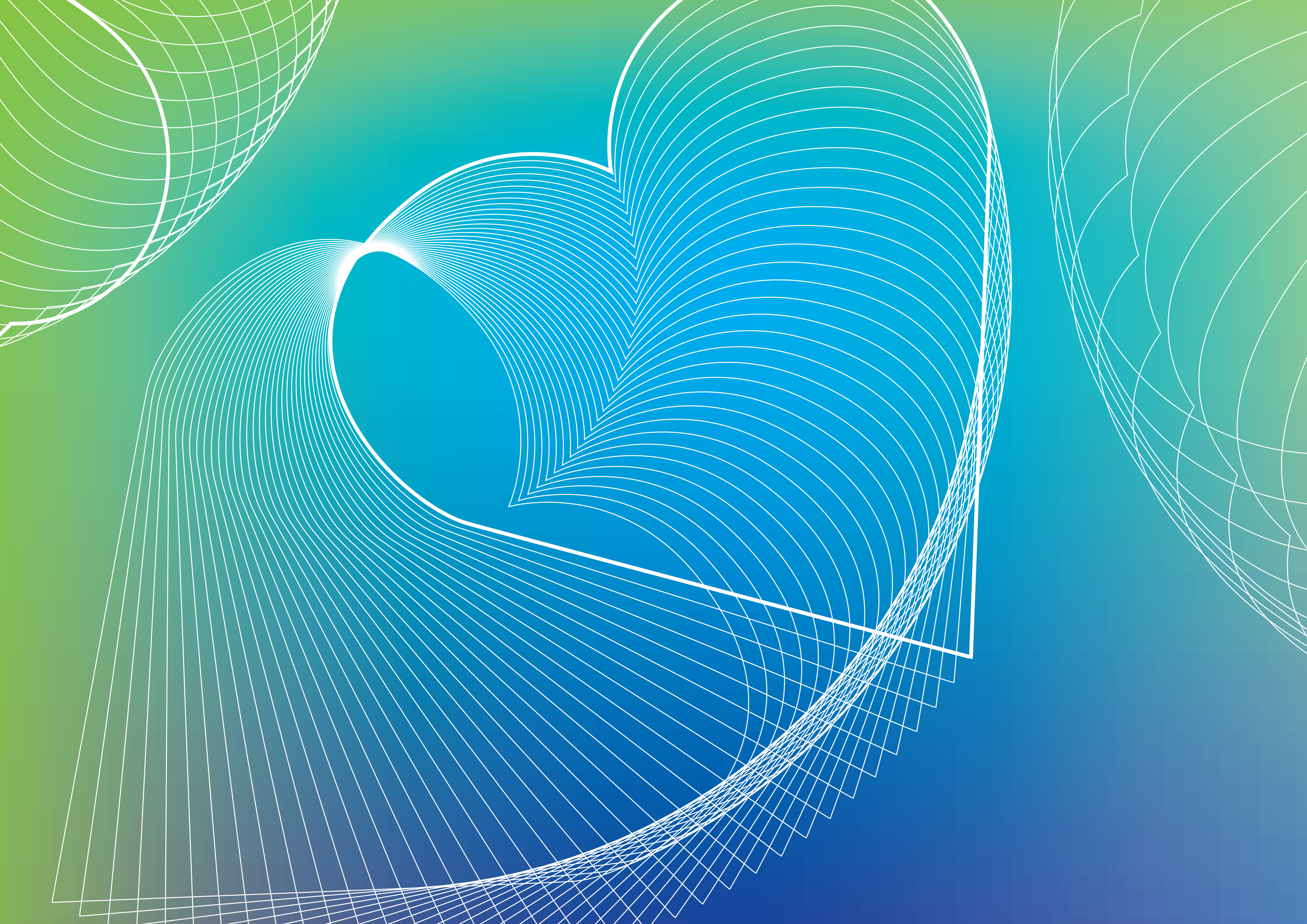
Bord Bia
Irish Food Board

Anticipating Tomorrow

Shaping the future of the Irish food and drink market towards 2020



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Foreword

By Aidan Cotter, Chief Executive, Bord Bia

We have commissioned this report as we believe that it is vital that the Irish food and drink industry looks proactively at its future environment. Bord Bia has a crucial role to play in helping organisations look to the long term, in order to help them plan strategically and to help them thrive.

Competing successfully in the domestic Irish market is a precondition for the industry's success in the international marketplace. The role of the domestic market has never been more critical. A decade of economic prosperity has transformed the environment in which the industry operates, as the market has grown, in terms of scale, complexity and sophistication. It now has the capacity to sustain an ever more thriving and dynamic industry while also becoming a powerful platform for companies with ambition to prepare for the challenges and opportunities of the global marketplace.

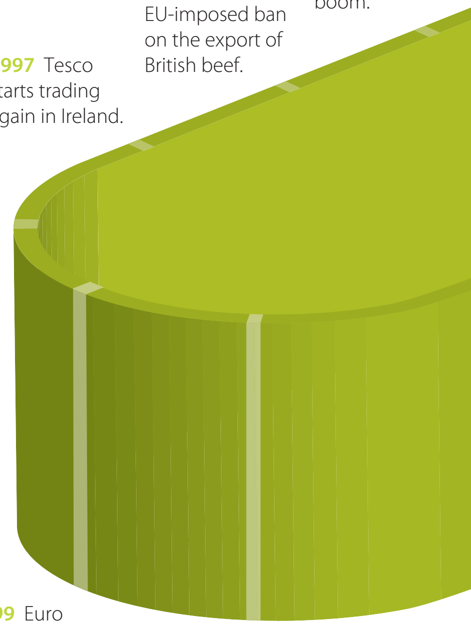
The dynamic nature of domestic demand offers a platform for trial and innovation, fostering an ever improved capability to compete in export markets. As Ireland's largest indigenous sector, success domestically and abroad is critical to the future prosperity of Ireland. The industry currently employs 158,000 people and represents some 8% of Ireland's economy.

If the Irish industry is to remain competitive in a world that is more and more impacted by the forces of globalisation – both positive and negative – it needs to be both forward and outward looking. This report will help us to do both.

Looking back 13 years from 2007 there have been significant changes in the food and drink market, some of which were anticipated, many which were not. This shows us the importance of looking out to the future – not just 2 or 3 years but more strategically toward the longer term. This is the purpose of Anticipating Tomorrow. The scenarios in this report are designed to enable the industry to understand and to manage the future more effectively and allow us all to explore different views of how the future might play out. We have used the scenarios to identify our preferred vision for the market in 2020. I believe it is aspirational, worthwhile and rewarding and that we must do all we can to achieve it. The strategic priorities that this report identifies are crucial in helping Irish food and drink companies to thrive in the future and we at Bord Bia are committed to making this happen.

This project helps us all to improve our understanding of the future. It identifies ways in which the market is likely to change, and clearly outlines how to mitigate the potential risks and also capitalise on the exciting opportunities that the future holds. Now we must act on this knowledge.

Looking back 13 years from 2007



1994 The term 'Celtic Tiger' is coined as a metaphor for the Irish economic boom.

1996 BSE crisis in Britain resulting in an EU-imposed ban on the export of British beef.

1997 Tesco starts trading again in Ireland.

1998 The start of discount store retail shopping as the first Aldi opens in Ireland. By 2006 there were 102 Aldi and Lidl stores nationwide.

1999 Euro introduced into Ireland in cashless form.

1999 Land dedicated to organic production is 25,475ha, an increase of over 80% since 1995. The number of certified organic producers increased for the same period by over 391%.

Wider trends

1996-2002 In 1996, Ireland reached its migration 'turning point,' becoming a country of net immigration. In each year between 1996 and 2002 on average there were 23,000 more immigrants than emigrants in Ireland.

2002 Irish population increases by 8% since 1996 to 3.9 million people.

2002-2006 on average 46,000 per year more immigrants than emigrants in Ireland.

2004 Ireland's mean annual temperature has increased by 0.7°C since 1890, at an average rate of 0.06°C per decade, and is set to continue to rise.

2005-2006 Dublin house prices grow by 16% in a year. The average house price in Ireland has risen to more than € 350,000 since 1996.

2007 Broadband subscriptions reach 602,000 in Ireland which accounts for 60% of all internet subscriptions. In 2005, broadband only accounted for 19% of subscriptions.

2007 – Irish population reaches 4.3 million, its highest level since 1871, an 8% increase since 2002.

1999-2002 A focus on food safety and traceability is reflected in the establishment of a number of regulatory bodies: the FSAI (Food Safety Authority of Ireland) in 1999, the FSA (Food Standards Agency) in the UK (set up in 2000), and the EFSA (European Food Safety Authority) in 2002.

2000 Central distribution technology transforms the retail landscape. Musgrave develop the first central distribution network for chilled, fresh and frozen goods in Ireland. This allows produce to be delivered fresh to stores within 24 hours. Other retailers follow suit.

2001 BSE crisis on continental Europe. Beef consumption falls by 27% in the EU.

2001 Foot and Mouth disease outbreak in the UK.

2002 Levy introduced on plastic bags in Ireland. Plastic bag consumption drops by 95%.

2002 Launch of Euro notes and coins.

2004 Smoking ban is imposed in Ireland.

2004 The Irish functional foods market is valued at €100 million a year and is growing by 10% per annum.

2005 PERIscope 2005 reveals that Irish consumers are eating 'out of home' regularly with 1 in 4 eating out on a weekly basis.

2005 The National Taskforce on Obesity report is issued, reflecting growing health concerns. The report reveals that there were 2000 premature deaths in Ireland due to obesity in 2005 and that obesity in Ireland is increasing by at least 1% per year.

2006 Exports of Irish food and drink exceed €8 billion for the first time.

2007 The first all-Ireland farmers market takes place in Athlone. From only a handful a few years ago, 126 farmer's markets are now established across the country.

2007 The market share of international food retailers in Ireland reaches 35%.

Executive Summary

Objective

This report explores the future of the Irish domestic food and drink market in 2020, and subsequent or resulting implications and opportunities for the industry. The report is intended to enable all Irish food and drinks companies, large or small, to plan for future success and for other stakeholders, including Bord Bia, to understand their role in helping all companies achieve this goal.

Four scenarios have been developed which help to explore the future, and allow the identification of a vision for the market in 2020. Key strategic priorities for the industry have also been identified, in order that all companies and stakeholders can effectively manage future threats and leverage future opportunities.

Context

A combination of wider external and more internal factors have shaped the changing consumption landscape in Ireland. The strength of the Irish economy and the emergence of the 'Celtic Tiger' in the early 1990s is a key factor. Forecasts indicate that the economy will continue to grow but that the rate of growth per head is expected to slow to about 2% per year to 2015. Other important considerations for the future of the domestic market in Ireland include an ageing population, smaller household size and an increased focus on tackling obesity. Global factors such as climate and resource shortage are also affecting the wider operating environment of the food and drink industry and need to be factored in to any organisational planning.

The dynamics of the Irish food and drink market itself have also changed significantly and are being shaped by both supply and demand. Consumers are spending more money than ever on eating and drinking, and their tastes are changing. Familiar notions such as 'convenience' are becoming more sophisticated as consumers are less prepared to make trade-offs and seek several benefits from one product. Health and wellbeing is also evolving, as people become more aware of the link between health and nutrition and attempt to balance out their indulgent moments with healthier options.

Process

This report is grounded in a robust and rigorous assessment of existing statistical data and evidence, which has formed the backdrop for the development of the scenarios and the preferred vision. This has been supplemented with a series of interviews with industry stakeholders as well as those from outside. The report also draws on existing desk analysis and Henley Centre HeadlightVision’s proprietary knowledge base. In addition, a series of highly interactive workshops with industry stakeholders and those from other sectors were held during Spring-Summer 2007 in order to listen to a diverse range of viewpoints and ensure co-creation of the final output.

A wide array of perspectives have been gathered to shape the views presented by this report. Both large and small businesses have been consulted to ensure that the challenges faced by each are considered equally. Wider stakeholders have been drawn in to the process to provide balance. Notably we have consulted with young students to understand their concerns for the future and then test the realities of the vision defined through the process. After all, the young are often the vanguard for change in society.

The scenarios

A helpful way to think about the future is to remember that while it is uncertain, and much of it is beyond our control, individuals and organisations can influence some aspects of it and prepare for possible outcomes. Scenarios focus on the key uncertainties and therefore help organisations to rehearse the future.

The four scenarios that emerged were developed through the crossing of two identified axes of uncertainty – 'Motivations for Eating' and 'Attitudes towards Consumption' (see page 21) – which are likely to play a large role in the future of the Irish food and drink market.

'Motivations for Eating' explores what motivates consumption of food and drink by consumers. At one extreme, 'Food as Ritual' captures the sense that food is about togetherness and enjoyment and is part of the social fabric of society. At the other extreme, 'Food as Performance', food is viewed by consumers as a means to an end rather than an end in itself. Food is consumed for its functional benefits at this end of the spectrum.

'Attitudes towards Consumption' explores consumers' broad attitude towards consumption. At one extreme, 'Our Planet' encapsulates the sense that consumers' consumption patterns are significantly impacted by their concerns about environmental sustainability and the future of the planet. Individuals take proactive measures to limit their own environmental impact at this end of the spectrum. The other extreme – 'My Life' – reflects people's determination to live their lives on their own terms. Consumers resent attempts to constrain their behaviour and sometimes go to extreme lengths to continue consuming goods and services.

The scenarios do not represent the policy position of Bord Bia or of the Irish food and drink industry; rather, each scenario represents an extreme view of the future and is designed to provoke and challenge existing views of what the future might hold. The scenarios depict key social, economic, political, environmental and organisational drivers of change that interact in different ways in each of the four worlds. **The most likely scenario for the domestic food and drink market in 2020 probably involves a combination of all four worlds outlined below.**

- **Round the Table;** Local & Ethical – Spurred by environmental shocks, this is a community-minded world where consumers are highly concerned about the environment. Most food is grown locally and supply chains are short as consumers buy direct from the producers where possible. Big brands struggle unless they are able to feel credibly 'local' and ethical. Priority goes to growing high yield and multi-purpose crops which can be used for both food and fuel. As a result, food choice is more limited but consumers still find ways to enjoy eating. Group mealtimes are the basis for social gathering and there is a strong sense of community. People are both physically and mentally healthy in this world.

- **From the Greenhouse;** Natural & Nutritious – In this world, consumers are focused on improving their health through functional foods, without hurting the environment. High-tech sustainable greenhouses flourish as families and farmers find ways to grow specialist functional foods. Many people have a personal nutrition and environment advisor, meaning that knowledge about the link between health, food, and the environment is widespread. Taste and enjoyment of food is still important but the emphasis is on the natural and nutritional value of foods. Food is often fresh or preserved using techniques that lock-in or enhance the food's function. More natural food means a reduction in food yields which means that food and drink can be expensive in this world. As such, those who can't afford a sufficient supply of 'superfoods' may not be so healthy.

- **Off the Menu;** Indulgent & Experimental – This is a highly experiential world in which consumers continue to indulge in new, exotic and indulgent eating experiences, despite government attempts to discourage such behaviour. Eating out is the norm, meaning that restaurants have more power than retailers. Restaurant brands begin to be more trusted than retail brands. Some products with high-energy footprint, or poor ethical production standards are banned, but this only fuels a growing band of 'rebel' consumers who find 'underground' ways to enjoy the food they want. Consumers have lots of fun in this world but suffer from health problems related to over-indulgence.

- **In the Lab;** Performance & Achievement – A strong individual desire for self-improvement and achievement in all aspects of life fuels this world. Food and drink are viewed as tools to improve health in order to maximise performance, rather than sources of pleasure. Consumers eat on-the-go, often consuming multi-functional nutrients and vitamins to enhance their diet. Advanced technology means that food is virtually indistinguishable from medicine. The persistent sense of 'survival of the fittest' creates high stress levels. Therefore, whilst physical health improves for most consumers, mental health is a significant problem.

There are a number of critical challenges and opportunities which result for the industry from the scenarios; these – and a set of strategic dimensions across the scenarios – are explored in the full body of the report.

The Vision for 2020

This report identifies a vision for the Irish domestic food and drink market in 2020 which is aspirational, yet achievable. It should motivate the industry to work towards creating a better future for itself and for consumers.

While recognising that thirteen years is not far off, the vision also reflects that the world will have changed in significant ways between now and then. In order for the food and drink industry to flourish, the vision for the market needs to take into account the social, economic and environmental forces that are changing the day-to-day lives of Irish citizens.

To help articulate what the domestic Irish food and drink market would look and feel like if the preferred vision was achieved, a narrative has been developed which acts as a 'fifth scenario', capturing key elements of the desired future for the market in 2020.

Vision narrative (abbreviated)

In this world, great importance is placed on the health-enhancing, functional and natural benefits of food and drink. Consumers have high levels of concern for the environment and, where possible, buy fresh products sourced either locally or within Ireland. This environmentally responsible, healthy behaviour prevails about 80% of the time, with more indulgent forays at the weekends or on special occasions.

Consumers demand transparency of health claims, ingredient sourcing and production methods. Clear consumer expectations exist which are defined by guidelines; market forces ensure the compliance of producers and manufacturers. There is limited need for legislative intervention.

The food and drink industry has found solutions to improving food yields using natural and environmentally friendly techniques and ways of preserving foods that lock-in or enhance their nutritional value. Food processing has been redefined in this world – it no longer has connotations with artificial additives and ready meals but is all about finding the best possible combinations of fresh, natural foods to create 'super products' packed with health boosters that meet the needs of an increasingly on-the-go society.

Room for indulgence still exists! Consumers still seek variety and new experiences in food and drink and revel in the delight of great tasting produce well made.

The health of the nation is vastly improved. Obesity has declined rapidly amongst children. Unfortunately, some will still have to live with the legacy of poor diet in their formative years. Obesity still prevails for a proportion of consumers in their 20s and 30s who missed out on the nutrition education of their younger peers and who struggle to change their existing unhealthy eating habits.

The focus on growing locally is good for Irish branded food and drinks but the high demands of ensuring both traceability and functionality means that some foods are more limited in supply and consequently, more expensive: a price that society is generally more than prepared to pay for the preservation of the environment and better health.

Strategic priorities

Two sets of strategic issues informed the development of these priorities. Firstly, a number of challenges for the industry that are common to all the scenarios have been identified ('Imperatives'). Secondly, those additional actions required to achieve the vision were identified ('Preferences'). A synthesis of these two sets of challenges has determined the critical strategic priorities which the industry should address going forward.

It is important to emphasise that whether the priorities emerged primarily from the Imperatives or the Preferences, they have been identified through the workshops and subsequent analysis as critical elements of a successful strategy if the industry is to shape the realisation of its preferred vision.

The priorities are not designed or intended to incorporate every future action which the industry (and/or other key players) will need to take going forward. They are those that have been identified as requiring specific strategic action in order that the preferred vision can be achieved in the future. The priorities are as follows:

- **Strong consumer connections**
- **Flexibility, creativity and innovation**
- **Visionary leadership**
- **Improving efficiency**
- **Effective routes to market**

The priorities are discussed in the Strategic Priorities chapter of the report.

From scenarios to strategy

This report aims to assist the industry in taking ownership for shaping its own future both individually and collectively. The purpose of undertaking futures work is to impact the present, and the vision and strategic priorities identified here provide a valuable starting point for this endeavour.

Bord Bia's commitment

Bord Bia is committed to integrating the report findings into its plans and programmes for the industry. It will also give companies the opportunity to engage further as it develops these plans and invites contributions, reflections and suggestions from those in the industry and more widely to ensure the right priorities are defined and programmes are delivered effectively.

We envisage that these key initiatives will include:

- Developing closer relationships with schools to increase awareness about where food comes from, nutrition, cooking skills;
- Participating in the university job fairs and 'milk round' as a coherent industry group in order to reach those with low awareness of the industry and what it can offer to graduates;
- Developing a skills training scheme across the industry which raises standards and encourages more talented people to enter it;
- Focusing more specifically on 'celebrating winners' to encourage innovation and maintain industry morale;

- Providing guidance and industry benchmarks to companies that wish to understand and reduce their environmental footprint and improve transparency;

- Identifying best practice in the industry in other countries, as well as from other sectors e.g. pharmaceuticals, retailing, logistics, and how we can learn from it;

- Increasing financial support for consumer research, thereby helping industry to track evolving consumer trends and the resultant implications for the market in a cost-effective and timely manner.

Bord Bia welcomes further discussion and consideration of these initiatives.

Reading this report

- Chapter one provides the wider context for this report by analysing the important internal and external factors that are influencing food and drink consumption both today and going forward.

- Chapter two focuses on the four detailed scenarios which have been developed - Round the Table, From the Greenhouse, Off the Menu and In the Lab. This chapter also provides 'glimpses into the future' by highlighting existing products or services which are likely to be much more common place in each of the scenarios. In addition this chapter explores the qualitative and quantitative dimensions of the scenarios in order that they can be assessed and explored relative to each other.

- Chapter three describes the vision for 2020, as well as a quantitative assessment of this aspiration.

- Chapter four focuses on the strategic priorities and discusses the importance of each of these in anticipating and preparing for the future.

- Chapter five offers a guide to using the report and suggests ways in which organisations can use the report to improve their strategic responses.

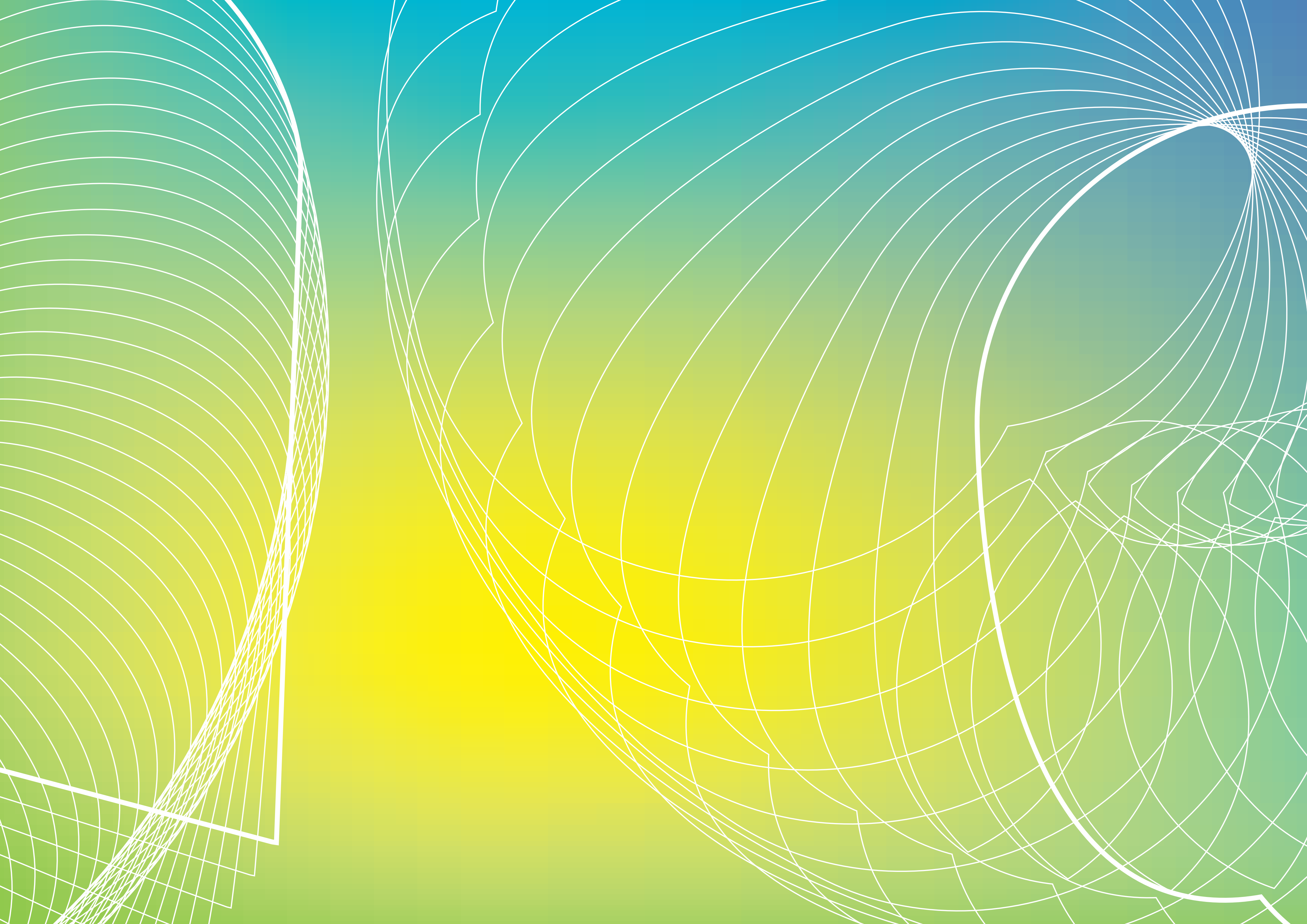
- Finally the report has three appendices. The first outlines the project methodology, while the second details the eighteen prioritised drivers which formed the basis for the axis and scenario development. Appendix three provides brief details of Henley Centre HeadlightVision, the strategic marketing consultancy which developed the report.

Please note that

- If you are interested primarily in the scenarios and the emerging vision, please turn directly to chapters three and four.

- If you would like to explore the strategic issues for industry which the report identifies, please turn to chapter five. Chapter six provides guidance on how to use these priorities to inform strategy development within your own organisation.

- In addition to the full report, Bord Bia has produced a scenarios booklet which has been designed to be a concise and actionable document that contains suggestions on how to use the scenarios.



1. From the past to the future; exploring the changing landscape

1. From the past to the future; exploring the changing landscape

A combination of both wider external and more specific local factors are responsible for shaping the changing consumption landscape we are witnessing. Both sets of factors have been taken into account throughout the scenario process, and are explored in detail here.

Internal factors

One of the most important factors forming the backdrop to this changing landscape is the strength of the Irish economy (Figure 1). Since the emergence of the 'Celtic Tiger' in the early 1990s, Ireland has continued to experience a period of economic growth and success – GDP per capita is almost 40% above the EU average[1].

However, while forecasts indicate that disposable income and the economy as a whole will continue to grow, the rate of growth per head is expected to slow to about 2% per year to 2015[2].

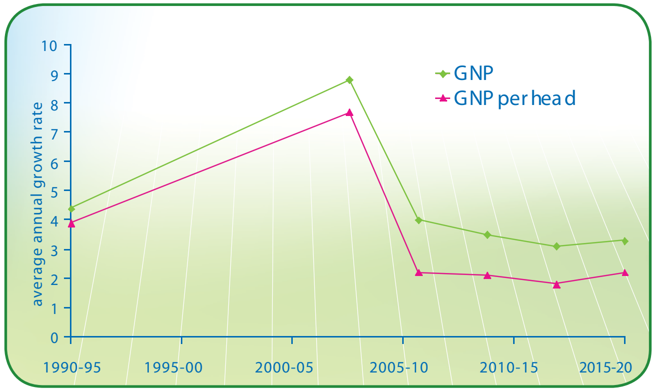
Higher growth rates in recent years have been underpinned by the property boom; with this slowing, economic growth is likely to slow too. The question mark over how growth rates and the economy will play out in the next decade led to the driver 'Uncertain future of Irish economic growth' being prioritised in the scenarios process. As an important yet uncertain driver, it is central to the development of the scenarios.

The size and productivity of Ireland's workforce is a key factor in determining economic growth. Productivity in Ireland is now the second highest in the European Union and from 1997 to 2006, the employment rate rose from 56.1% to 68.1%. Rising demand for labour has created a skills shortage and labour costs have increased accordingly. Indeed wages across all sectors increased on average by 5.7% between 2006 and 2007, above the rate of inflation and over twice the European average, which is 2.6%. Looking to 2020, employment and the size of the labour force are predicted to continue to grow but at a slower rate than previous years (Figure 2).

"In spite of the dangers that exist, the Irish economy is basically robust and can look forward to an average growth rate in GNP per head of around 2% per year out to the end of the next decade."

ESRI Medium-Term review 2007

Figure 1: Ireland's Economic Growth Forecast to 2020



Source: ESRI Medium-Term Review 2007

Figure 2: Ireland's employment and labour force growth rate to 2020

Source: ESRI Medium-Term Review 2007

Figure 3: Projected population growth to 2020

Source: NCB Report 2020

For many people in Ireland, the past decade has meant a rise in wealth and prosperity. However, there is evidence of a significant minority who are vulnerable and at risk. The proportion of the population at risk of poverty (according to the CSO categorisation) was 20% in 2005, the latest year for which figures are available. This is one of the highest ratings across the EU and is a reflection that the strong growth, which has benefited most of the population, has also left a section of society increasingly isolated. The scenarios seek to represent how this dichotomy plays out in the future – for example, Off the Menu is a desirable scenario for some sections of society but leaves others vulnerable and excluded. Indeed all four scenarios reflect both 'good' and 'bad' as they seek to represent plausible views of how the future may play out.

The rising demand for labour has been met with reduced unemployment and a growth in migration. We have seen net migration into the country every year since 1996. This has and will continue to fuel population growth. The population is forecast to grow by 25% between 2005 and 2020 (Figure 3).

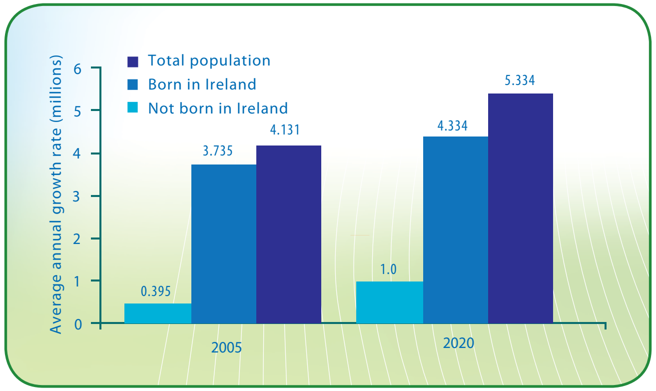
New migrants are expected to continue to come primarily from within the EU but are also expected to arrive from Asia (Figures 4 & 5). In the 1990s, people who had formerly emigrated from Ireland constituted half of the migrant inflow. Subsequently the flow reflected a rising number of migrants from outside the EU. Most recently there has been a surge in immigration from the new EU member states[3]. Ireland's population is set to become more culturally diverse as can be seen in the importance of ethnic foods in the vision narrative.

Ireland has also experienced many of the demographic changes witnessed in other developed economies of the world. The average household size has fallen to 2.85, in contrast to a figure of 4.0 in 1966. The average age at which women give birth is rising, and fewer couples are having children than ever before. Women enjoy a life expectancy of almost 82 and men just over 77[4]. We have seen significant growth in the number of apartments built, particularly in the larger cities in order to accommodate the rise in people who choose to live on their own. This plays out in different ways in the four scenarios. For example, more communal living emerges in Round the Table as house prices force individuals to consider new ways to live their lives. In the Lab is a more individualistic world, where living on one's own remains popular for those who can afford it.

Ireland also faces the challenge of an increasingly ageing population – as does most of Western Europe (Figure 6). While rates are slower in Ireland in the shorter term, over the medium

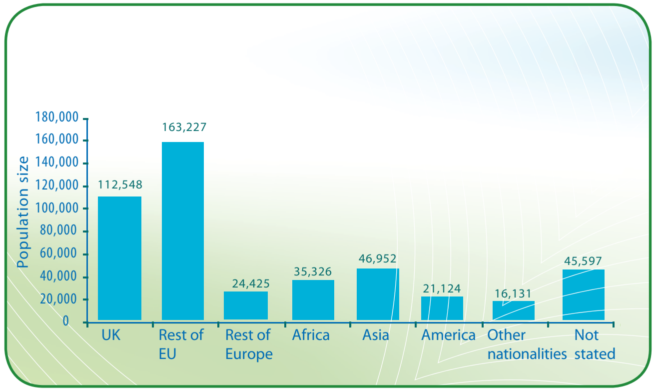
[1] Quarterly Economic Review 2007
[2] ESRI 2007
[3] NCB Report 2020
[4] Department of Health, Ireland

Figure 4: Current and projected migrant population in Ireland



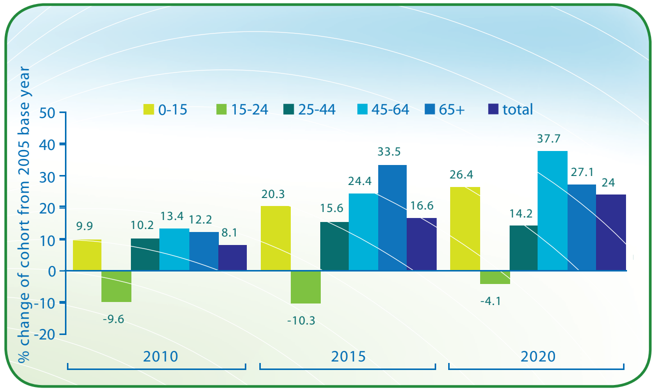
Source: NCB report 2020

Figure 5: The nationalities of the current non-Irish population in Ireland in 2006



Source: CSO

Figure 6: Population growth forecasts for each age cohort in Ireland



Source: CSO

term, the country will face real challenges in terms of caring for the elderly, providing adequate pensions and maintaining a viable dependency ratio.

With the proportion of the population aged over 60 forecast to increase to 20% by 2020, while at the same time those aged under 25 are decreasing in size, the population will have different food and drink desires to today. Equally, the desire to maintain good health and wellness will be a driving factor in consumption and lifestyle choices. This is illustrated in all four scenarios (although in different ways) and most significantly in the vision.

Amongst the wider population there have been changes in people's lifestyles. The growing service sector has fuelled the growth of more sedentary and less structured living. Between 1995 and 2004, employment in the service sector in Ireland increased by 58%, compared with an increase of 6% in the manufacturing sector[5]. With modern living has come the rise of modern ailments, and society has continued to get increasingly obese[6] and levels of reported stress are significant[7]. Obesity levels are unlikely to have dissipated substantially over the next thirteen years and this forms a backdrop to each of the scenarios; the legacy of today is deep rooted and will leave a major challenge for future generations. It is projected that by 2015, approximately 2.3 billion adults in the world will be overweight and more than 700 million will be obese[8]. Obesity undoubtedly represents a significant challenge in the world today.

External factors

Global issues such as climate change and resource shortage are affecting the wider operating environment of the food and drink industry. The scenarios and the vision recognise that by 2020 environmental stresses and associated legislation will play a prominent role in the world at large. (However, the response to such pressures evolves differently in each of the four scenarios.) The growing demand on world markets for oil and geo-political stress is resulting in shortages in supply. Crude oil prices were three times higher in 2006 than they were three years earlier[9] and such pressures have informed the development of the scenario narratives, for example, forcing individuals to travel less and rely on local service providers in Round the Table.

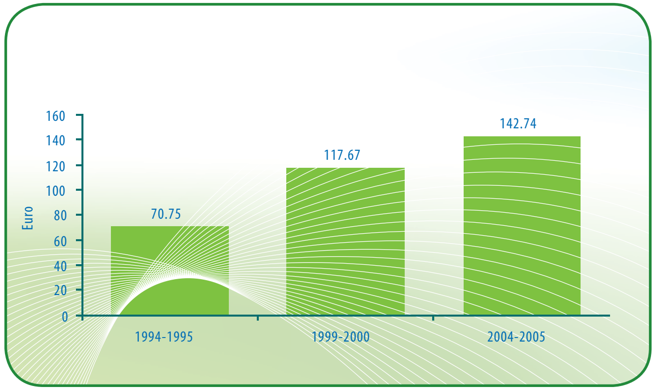
Biofuels (fuels made from crops such as wheat, rapeseed, corn and sugar) are increasingly being seen as plausible alternatives to petrochemicals. A growing proportion of agricultural land,

Table1: Potential impacts and vulnerabilities for Ireland resulting from climate change (temperature increase)

Up to 1°C change	Up to 2°C change	More than 2°C change
Longer growing season	Reduced soil moisture	Sea level rise and flooding
Potential for new crops e.g. soybean	Water shortages in summer	Loss of coastal habitats
Increased production of existing cereal and grass crops	Fish stocks may suffer due to change in water temperature	Increase in intense/extreme weather events
Heat stress leads to poor animal health	Increased demand for irrigation	

Source: NCB report 2020

Figure 7: Average weekly household expenditure on food 1994-2005



Source: Household Budget Survey 2004/2005 (preliminary figures)

Figure 8: Foodservice market size in Ireland 2000-2006

Source: Mintel 2006

Figure 9: Deli market size in Ireland to 2012

Source: Mintel

particularly in developing countries such as Brazil and Mexico, is being devoted to crops for biofuels rather than for food[10]. With powerful world leaders such as President Bush determined to rely more on biofuels[11], this situation looks set to continue.

Looking forward to 2020, the impact of climate change cannot be ignored on both a global and local level. Like many parts of the world, Ireland is witnessing higher temperatures. Ireland's mean annual temperature has increased by 0.7°C since 1890 and is set to continue to rise[12]. This may not seem like a significant increase but differences in temperature of just one or two degrees Celsius could significantly affect agricultural productivity and the nature of the crops that will thrive in Ireland (see Table 1 on previous page). The impacts of bio-fuel and climate change are uncertainties for which preparation is needed. Both could significantly influence the cost of food and drink manufacturing and production.

The food and drink market

The dynamics of the Irish domestic food and drink market have changed significantly in recent years and are being shaped by supply and demand with the scenarios process identifying drivers from both sides.

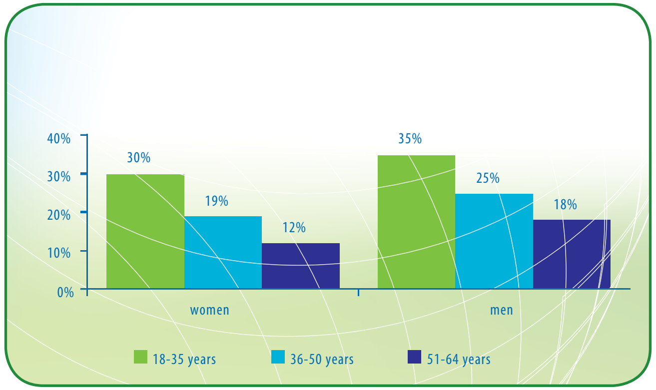
On the demand side, consumers are spending more money than ever on eating and drinking; average weekly spend of food has doubled between 1994/1995 and 2004/2005 from €70 to €142 (Figure 7). In addition to this, tastes and consumer needs have evolved and this is reflected in the kind of items on which people now spend money. Some of the key changes in consumer spend are captured through 'Rise of the connoisseur consumer' and 'Growth of ethical consumption' which were identified as two highly significant drivers during the scenario process.

One such change in consumer tastes is demonstrated by the growing popularity of eating out which has risen significantly since 2000. This is illustrated by the value of the foodservice market which in 2000 was worth €4.2billion. By 2006 the value of this market was €6.8billion (Figure 8). This trend comes to the fore in the Off the Menu scenario.

There is strong evidence of consumers' increasing desire for higher quality in the food that they eat as shown in the prominence of

[5] OECD 2006 Annual Labour Force Statistics
[6] Irish Health Promotion Unit
[7] 36% of the Irish population say they feel 'regularly stressed' according to the World Health Organisation (This is below the EU average of 39%)
[8] The World Health Organisation Mediacentre
[9] Reuters
[10] The knock-on effects on food supply have already been seen in parts of the world. In Mexico mass protest resulted as the cost of the staple maize was priced out of the diet of the everyday Mexican. This year alone, world market maize prices have increased from 2.4 to 3.5 dollars per bushel (35 litres). Reuters 2007
[11] Mr Bush announced new targets of producing 7.5b gallons of ethanol by 2012 which would consume 40% of US maize (Irish Independent, 1st February 2007)
[12] IPCC

Figure 10: Percentage of energy from food and drink eaten 'out'



Source: North/South Ireland Food Consumption Survey 2001

the drivers 'Consumer desire for perceived fresh' and 'Increasing desire for balance and wellbeing' as consumers recognise the link between good food and good health. The deli market has therefore witnessed a high level of growth as consumers show an increased willingness to purchase fresh and specialised produce rising to an estimated €1,039million in 2007 from €763million in 2003 (Figure 9). Another indication of the increased popularity of fresh produce can be seen in the relatively small growth in the frozen food sector which has risen only 6% between 2000 and 2005 (from €298million to €316million).

Another growth area is the ready meals sector which has also risen with €112.4million spent in 2005 compared with only €67million in 2000, highlighting the increased importance placed on convenience by busy consumers when making grocery choices.

Consumers are shopping for food differently as they become increasingly savvy in their dealings with brands ('Rise of the savvy consumer' and 'Growth of own label products' were identified as important drivers). While branded goods are still important, fewer consumers associate own label products with inferior quality. In fact a recent MORI survey found that 45% of respondents want retailers to offer a wider variety of own-label lines than they currently do[13]. Consumers are also very willing to take a mix and match approach to their purchases, buying a combination of branded and own-label or even items from the discounter brands.

Looking to the supply-side of the market, the rise of the big players in the retail sector show no signs of abating and this was a key consideration when analysing drivers and assessing scenario development. The growth of Tesco worldwide is continuing at a great pace supported by new retail formats – Tesco in Ireland showed growth of 16.6% in 2006. By 2007, Tesco had 93 stores in Ireland, bringing in over 1 million customers a week[14]. Although there has been some consumer backlash over 'Tescopoly'[15] and a growth in the popularity of local produce, this looks unlikely to significantly affect the retailer's success going forward. Further consolidation can also be expected.

The influence of legislation is difficult to predict but a restructuring of the Common Agricultural Policy (CAP) and changes to the World Trade Organisation (WTO) will no doubt affect the competitiveness of the Irish food and drink industry[16]. For example, further trade liberalisation through WTO reforms will lead to reductions in agricultural supports and subsidies, and greater competition from imports. The main beneficiaries of such reforms would be large scale corporations operating in low-cost environments such as Brazil, India and China. It is projected that with WTO reform, the total value of agricultural output produced in Ireland by 2015 would be 8% lower than it would be otherwise[17].

The strictness of legislation regarding issues such as food labelling, food safety standards and food marketing will place growing demands on producers. Whilst these factors will present challenges to all businesses, it is likely to be the small business sector that will struggle the most to adapt to the changes new legislation will demand.

"3 in 10 people in Ireland claim to have changed their eating habits to be healthier in the last 12 months."

PERIscope 4, 2007

From a consumer demand perspective, the food and drink market of today can be characterised as one in which the majority of consumers are struggling to improve their health and wellbeing whilst seeking easy and convenient ways to buy and consume food. Three quarters (77%) of Irish consumers claim they try to eat foods that are low or lower in fat and 83% try to buy foods that are natural[18]. However, while consumers are aware of the need to stay healthy, their actions do not always match their good intentions. Pressures such as lack of time and energy mean that consumers may have to compromise their healthy eating ideals, finding themselves grabbing convenience foods on-the-go rather than spending time making healthy meals[19]. Consumers are also eating out more and cooking in the home less frequently. This behaviour is much more common amongst the younger age cohorts and thus this behaviour pattern is likely to continue in the future, assuming their eating habits remain the same. An acknowledgement of the duality of even the most well-intentioned consumers can be found in the vision itself, where consumers make healthy choices most of the time yet indulge at weekends and on special occasions.

Many consumers adopt a 'credit-debit' approach to consumption by balancing out their indulgent moments with healthier food or drink. Smart shoppers are seeking out the best value, often mixing and matching high end, premium products with those from discount chains. Some also seek out more artisan produce at farmer's markets and local outlets.

Traceability and quality assurance remain important to consumers who want to be reassured about the origins of their food[20]. Linked to this concern is the growing popularity of organic food. Although still small at 0.5% of the total Irish food market, the market for organic food in Ireland is growing.
Average spend on organics per month has grown from €29 to €40 between 2003 and 2007.

"72% of grocery shoppers in Ireland, always or sometimes check the labels for country of origin."

PERIscope 4, 2007

"56% of consumers across Ireland agree 'I am more conscious of environmental issues in my choice of products today.'"

PERIscope 4, 2007

Increasingly, consumers are considering the wider environmental impact of their shopping and eating habits; environmental sustainability is rising up the consumer agenda even though it remains a rare – or sometimes modal – consideration for some.

[13] IPSOS MORI 2007
[14] Tesco.com
[15] This is a term invented by anti-Tesco consumers in the UK· referring to Tesco's seeming monopoly over the food retail market
[16] Bord Bia Annual Report, Chairman's statement
[17] Teagasc Annual Report 2005
[18] PERIscope 4, 2007
[19] HCHLV Henley World 2006 – 30% of EU consumers say that they 'eat on the go much more than I used to' and over 25% of EU consumers say that they 'don't have enough time to spend cooking and preparing food'; 23% of people eat in their car at least once a week, PERIscope 4, 2007
[20] HCHLV Henley World 2006
[21] In a number of interviews with those in Irish industry· the rising costs of doing business were cited as a critical challenge both currently and going forward. Costs include the significant regulatory burden, wage levels, insurance costs, waste management costs and high utility bills. Retailers interviewed expressed similar concerns about their cost burden.
[22] For further background on scenario development as a futures methodology, please see 'Scenarios: The Art of Strategic Conversation' by Kees Van Der Heijden, Wiley & Sons 2004, and 'The Art of the Long View: Planning for the Future in an Uncertain World' by Peter Schwartz, Wiley & Sons 1997

The importance of looking to the future

It is all too easy for organisations – and sometimes whole industries – to get caught up by short-term planning cycles – preparing for the next 6-12 months with budgetary and cost pressures top of mind. At a time when the Irish food and drink industry is under significant pressure, with rising costs of doing business[21] and increasing global competition, it is more important than ever that the industry takes a proactive approach to the future.

Effective futures work links back from the future to today, informing decisions and driving strategy at the individual company and overall industry level. There are no future facts; it is critical to look to the present to provide clues about the food and drink market of the future. Scenario development helps to determine what are 'real leads' which point towards specific futures and distinguishes these from 'false trails' that will lead nowhere.

A scenario development methodology was adopted to explore the future as it is robust (grounded in existing evidence) and uses current data as the starting point for the analysis[22].

2. Scenarios for the future of the Irish food and drink market

2. Scenarios for the future of the Irish food and drink market

Scenario development is a type of futures work which focuses on critical uncertainties. A helpful way to think about the future is to remember that while it is uncertain, and much of it is beyond our control, we can influence some aspects of it and prepare ourselves for possible outcomes. Futures work is not about predicting or forecasting the future, but rehearsing for it: creating and exploring multiple possible futures, with the purpose of taking responsibility for what the future holds.

Good futures work improves organisational agility because it increases the speed at which organisations – from public sector to business to third sector – are able to identify and respond to change in their environment. It helps organisations identify future strategy that will be robust against a range of future responsibilities.

The research and thinking that went into this report identified two axes of uncertainty which are likely to influence the future of the Irish domestic food and drink market: consumer **Motivations for Eating** and **Attitudes towards Consumption.** The four scenarios emerged from the crossing of the two axes.

Each of the scenarios depicts key social, economic, political, environmental and organisational drivers of change. These include rising obesity, experience society, changing household and family structure and an increasing focus on reducing waste. The drivers interact in different ways in the scenarios. They move in different directions, depending upon how the axes of uncertainty push and pull to create four plausible and internally coherent – but extremely divergent – worlds.

Whatever future it is that an organisation or individual might prefer or fear most, it is important to remember that these four worlds will probably co-exist, and that **the most likely scenario for the domestic food and drink market for 2020 involves a combination of all of them.** While the descriptions and the associated illustrations represent extremes, elements of all four are happening right now – at home and around the world – therefore included in the scenarios are cutting-edge, global examples of where the future might lie.

The horizontal axis: Motivations for Eating

At the 'Food as Ritual' end of the axis, food is about togetherness, enjoyment and is very ritualised. Food is the 'glue' of society regardless of whether people live in a city or the countryside. At the 'Food as Performance' end of the axis, food is seen as a means to an end rather than an end within itself. Food is consumed for functional benefits rather than broader, social and/or emotional reasons.

The vertical axis: Attitudes towards Consumption

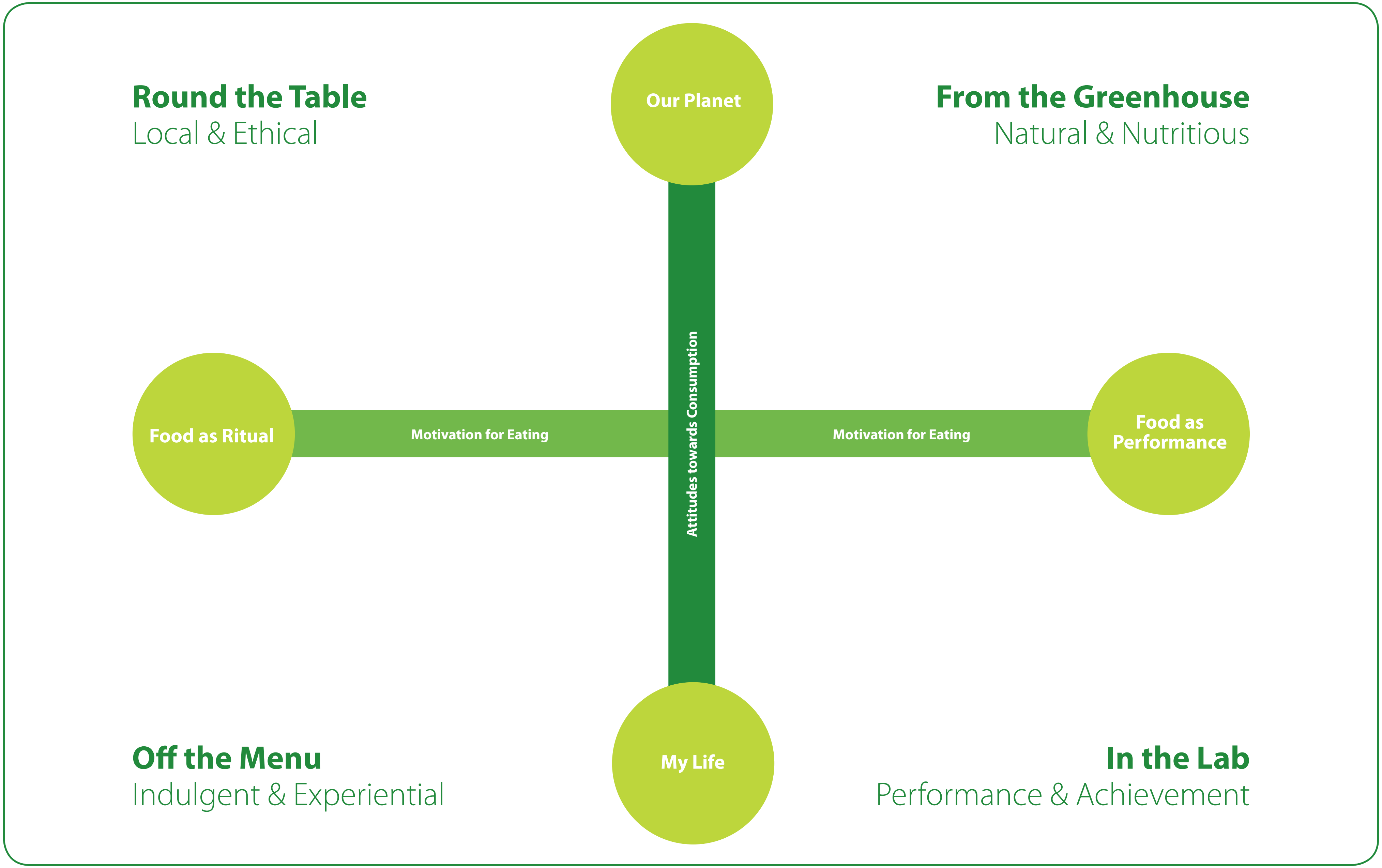
At the 'Our Planet' end of the axis, all consumption is viewed with sustainability, environmental and ethical concerns in mind. People are aware that unbridled consumption cannot continue and are taking proactive, assertive measures to limit their own consumption footprint.

At the 'My Life' end of the axis, despite the constraints of increasingly strict regulations around all types of consumption, people are determined to live their lives on their own terms; they resent their behaviour being constrained and go to extreme lengths to pursue continued consumption.

The scenario names help to embed them as a strategic tool within organisations and allow them to be easily referenced.

Note that the scenarios do not represent the policy position of Bord Bia or of the Irish food and drink industry; they are intended to provide provocative stimuli about how the future might play out when we consider the extremes of possibility.

Figure 11: Scenarios



Source: Bord Bia

Round the Table

Spurred by increasingly serious flash flooding and extreme weather conditions, a more community minded world has developed. The challenging weather conditions have led many individuals to believe that they must consider the wider environmental consequences of their actions in order to avoid a worsening situation for the generations that follow. Communities seek to reduce their consumption of natural resources and the impacts of their lifestyles by sourcing locally and trading essential supplies.

In order to save on resource consumption, priority goes to growing high yield and multi-purpose crops that can be used for both food and fuel, such as rapeseed oil. As a result, food choice is more limited and dependent on local environmental conditions. Periodic scarcity may be experienced in bad crop years, meaning that some people suffer from nutritional deficiencies such as scurvy. However, generally people are both physically and mentally happy in this world. Health problems such as obesity and heart disease are virtually eliminated as a result of eating healthy, simple food.

The pleasures of large group eating and community life boost mental health. At the same time, the ritual of group eating is both fun and more energy-efficient, replacing pub culture as the main form of social gathering. While great recipes and ideas are always available on the internet, few people have the skills required to make the dishes, as their parents were too busy to teach them when they were young. As a result, many communities rely on 'nannies' – who are renowned for finding ingenious ways to make tasty meals from limited ingredients – to cook for them on special occasions. Cooking skills are highly revered and growing numbers of people actively pursue the skills to improve their social standing.

Big brands and corporations struggle here unless they can prove their local credentials and are ethically and environmentally responsible throughout their supply chain. However, their economies of scale and knowledge base may allow them to lead the way in terms of environmentally friendly advances around reducing packaging and using multi-purpose crops to increase energy efficiency.

Opportunities and challenges for the industry

The main opportunities for the industry in this world centre on local and regional manufacturers. They could lead the way in finding innovative ways to use a more limited set of ingredients or look into new techniques for growing a wider range of foods locally. The opportunities for larger manufacturers are more limited given the challenges of being a big brand in this localised world.

In terms of challenges, new skills will be required to increase the efficiency and indeed viability of increased local food production. Mass market production would be undermined in this world due to its high energy and resource usage but questions surround what model of production could feasibly act as a replacement.

Round the Table in 2020; Local & Ethical

The premise of the Slow Food movement is to protect the pleasure of the eating experience from the homogenisation and fast pace of modern life. Through a variety of initiatives, it promotes gastronomic culture, develops taste education, conserves agricultural biodiversity and protects traditional foods at risk of extinction. It now boasts over 80,000 members in over 100 countries.

Glimpses of the future today

The 'Edible Estate' in Southwark, London, worked with families and volunteers from the nearby estate to convert the public lawn into a productive landscape of vegetables, fruits, herbs and grains for local people to eat and enjoy.

Entrepreneurs across the US have started their own dinner assembly stores, and the field's leader, Dream Dinners, has expanded from 49 locations in April 2005 to 163 in 2007. The dinner assembly companies offer essentially the same service: customers schedule a session online, picking meals from a monthly menu. The store, a large commercial-grade kitchen, organises freshly chopped local ingredients and prepared ingredients in practical stations. Customers move around the store, assembling a meal at each station getting guidance from trained cooks. Meals are easily customised to accommodate personal tastes or diets. Food is produced in bulk at around $3 per serving. No time is spent shopping for food, planning meals, prepping beforehand, cleaning up afterwards and the whole experience offers a chance to meet and spend time with other people.

From the Greenhouse

In this world, consumers are focused on improving their health without hurting the environment. They look to achieve this through eating tasty but natural foods, known for their functional benefits. Climate change allows new crops to be grown specifically for their particular health boosters and consumers embrace crop seasonality, enjoying the different benefits offered by various foods throughout the year. Technologies have emerged that lock-in or enhance the nutritional value of food and extend seasonality; there is a resurgence of frozen food for this reason.

High-tech sustainable greenhouses abound in the farming industry as they allow efficient growing of crops throughout the year. Many families also use the same technology to grow these specialist functional foods for themselves. These greenhouses are made from recycled materials and use 'smart' technology to create micro-climates for crops in a highly energy efficient way.

As personal environmental responsibility is taken very seriously by most people, many have personal nutrition and environment advisors and there are compulsory nutrition education classes in primary school. As a result, consumer knowledge of the link between food and health is very high. Growing numbers of people are also aware of their individual genetic health risks, and this motivates them to eat healthy foods in order to prevent illness. As such, there are good levels of physical health in this world.

Taste and enjoyment of food is still important but the emphasis is on natural and fresh. Artificial additives and processing which are perceived as 'adulterating' food have been largely eliminated. Instead, consumers find natural ways of fusing and mixing different foods to create delicious and healthy menus. As a treat, foods such as dark chocolate are popular due to their antioxidant properties. Brands that can do well in this world are those which are credible in terms of traceability and transparency. Those that corner the market in superfoods also thrive. With health one of their primary concerns, consumers want guarantees of freshness and purity when it comes to their food and so provenance is highly regarded. Products need to offer consumers innovative and interesting new ways to gain the most health benefits from food if they are to sell.

The consumer desire for freshness and high quality ingredients means that food and drink can be expensive in this world as supply is more restricted. Those who cannot afford a sufficient supply of superfoods may not be quite so healthy. Some consumers simply feel restricted and bored with the constant strive for health and the societal pressure to 'do their bit' and so they deliberately indulge in unhealthy foods from time to time. The majority, however, manage to find ways to make eating fun as well as functional.

Opportunities and challenges for the industry

Opportunities for the industry in this world are based around branding Irish superfoods and taking advantage of global warming which allows new foods to be grown in Ireland. The desire for more environmentally friendly food is also an opportunity for innovation and differentiation both in terms of new products and also processing techniques. For example, frozen foods may increase in popularity here as they produce less waste, lock in nutritional benefits and allow for eating foods out of season.

Potential challenges for the industry are mainly around the issue of reducing resource usage and finding ways to make packaging biodegradable or even edible. R&D investment will be required to help make healthy food taste better. Meeting high transparency requirements from consumers is likely to prove expensive and may result in consolidation in the industry.

From the Greenhouse in 2020; Natural & Nutritious

Glimpses of the future today

Daylesford Organic Milk from the UK is packaged in unique, environmentally friendly containers made from calcium carbonate. After use, this breaks down into water, carbon dioxide and chalk.

For those consumers who'd rather not get their hands dirty, the AeroGarden is the world's first kitchen garden appliance about the size of a bread box. Plant roots are suspended in air within a 100% humidity, highly-oxygenated growing chamber. The roots are bathed in the optimum levels of nutrients, water and oxygen, making plants grow up to five times as fast as they would in soil. Fully automated, the AeroGarden reminds urban gardeners when they need to add water or nutrient tablets. To top it all off, plants in the AeroGarden don't even require natural sunlight, since the machine includes full daylight spectrum, grow lights.

Become a member of myFoodPhone Community in the US and share tips and get support from others who have the same desire for a healthy lifestyle. Members build an online picture food journal to become aware of what they eat and get feedback. A Nutrition Advisor provides personalised video advice and nutrition information

Off the Menu

This is a highly experiential world in which consumers continue to indulge in new and exotic eating experiences, despite government attempts to discourage such behaviour. Products with high energy footprints are banned but this only fuels a growing band of 'rebel' consumers who find novel ways to enjoy the food they want, such as in 'underground' eating clubs.

Eating out is the norm because it's such a pleasurable and sociable experience, with a proliferation of foodservices at both the premium and budget ends of the spectrum. Home kitchens become largely defunct, and consumers either convert the space into lounges, or preserve their kitchens solely for throwing the occasional lavish dinner party with food provided by expert chefs.

The focus on new experiences and exciting, exotic foods means that consumers spend large sums of money and many go into debt. The wealthiest consumers are the most able to find and indeed fund ways around government restrictions, for example shipping exotic meats from abroad.

Despite plenty of fun and enjoyment, consumers suffer from health problems relating to overeating. Many wealthier individuals who consume too much exotic food have cholesterol problems and some have liver disease from excessive alcohol consumption.

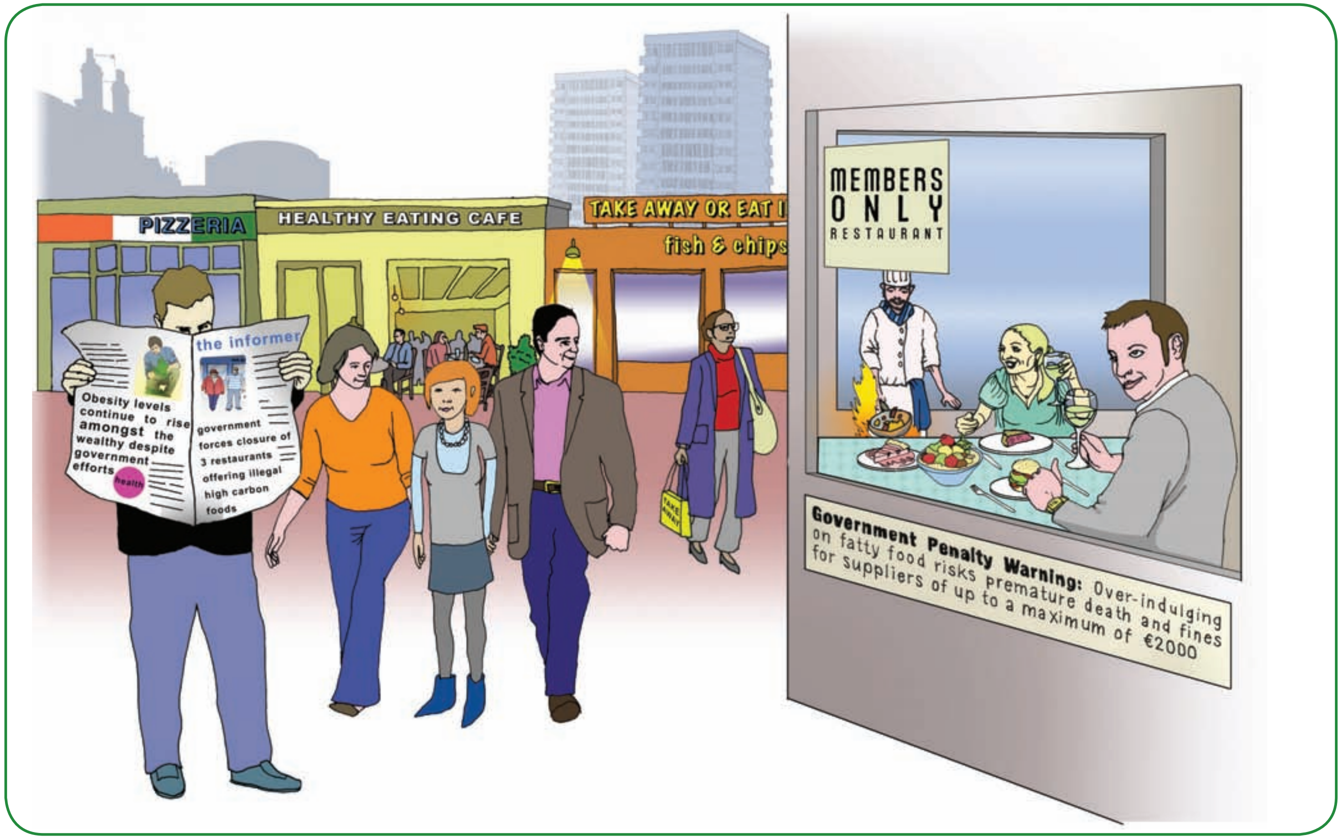
Those from lower income groups may suffer nutritional deficiencies (e.g. insufficient Iron and Vitamin C consumption) as they can only afford to eat in cheap, fast food style outlets.

With consumers eating out for most meals, their relationships with restaurant brands start to grow. Many restaurant brands are now more trusted than retail brands. Consumers look to foodservice providers to fuel their on-the-go snacking. Retailers are therefore forced to offer foodservice facilities to meet consumer demand, and some branch out into restaurants as a means of re-capturing consumer loyalty.

Opportunities and challenges for the industry

There are a plethora of opportunities for innovation in this world, as consumers constantly demand new experiences and products. Artisan producers are likely to see a growth in sales of their products, as are premium brands. Foodservice providers will see massive growth in this world and in particular, there will be a demand for affordable eating out experiences. There is a real opportunity for the foodservice industry to own the consumer relationship in place of retailers.

The constant demand for innovation could be as much a challenge as an opportunity, particularly as a result of competition with cheaper imports. While consumers are seeking ways around restrictive government legislation, the industry will have to tread a fine line between championing the needs and desires of consumers and acting responsibly in the eyes of government.



Off the Menu in 2020; Indulgent & Experimental

Dans le Noir, now in both Paris and London, is a restaurant with a difference. As you enter, you are led into a completely pitch black room by blind waiters. The experience aims to challenge your senses and show how much visual enjoyment plays a role in the eating process. You can choose to order the 'surprise' menu and guess what you are eating since you cannot see your plate at all. The restaurant encourages you to use your hands to eat with so you engage your 'touch' sensation as well.

Glimpses of the future today

Chef Allen Sternweiler, left, from "Allen's – New American Cafe" and Colleen McShane, president of the Illinois Restaurant Association, talk about steps the association is taking to overturn a Chicago ordinance banning the serving of foie gras in restaurants. On April 26, 2006 the City Council voted to make Chicago the first city in the country to outlaw the sale of foie gras. Since then a handful of chefs have continued to serve the duck and goose liver delicacy – it just does not appear on the bill or menu.

The pop-up restaurant started out as an experiment, in a basement apartment in Oakland, California. Two brothers, Joe the chef and Jeremy the poet, now organise regular get-togethers in a variety of surprise locations, from parking lots to art galleries and private homes. Ghetto Gourmet's customers sign up for email alerts of when and where the next dinner will be held. Patrons are expected to 'be cool' with sitting on floor cushions at low tables, and asked to bring their own beverages. Four course menus are around USD 40 per person, including live music, stand-up comedy, photography and other forms of art and entertainment.

In the Lab

A strong individual desire for self-improvement and achievement in all aspects of life fuels this world. Food and drink are viewed as tools to improve health in order to maximise performance. They are viewed purely as fuel; they are not about enjoyment and socialising, meaning that mealtimes are almost non-existent. Instead, consumers eat on-the-go, mostly consuming nutrient capsules or power juices which have been modified to fit their own genetic requirements.

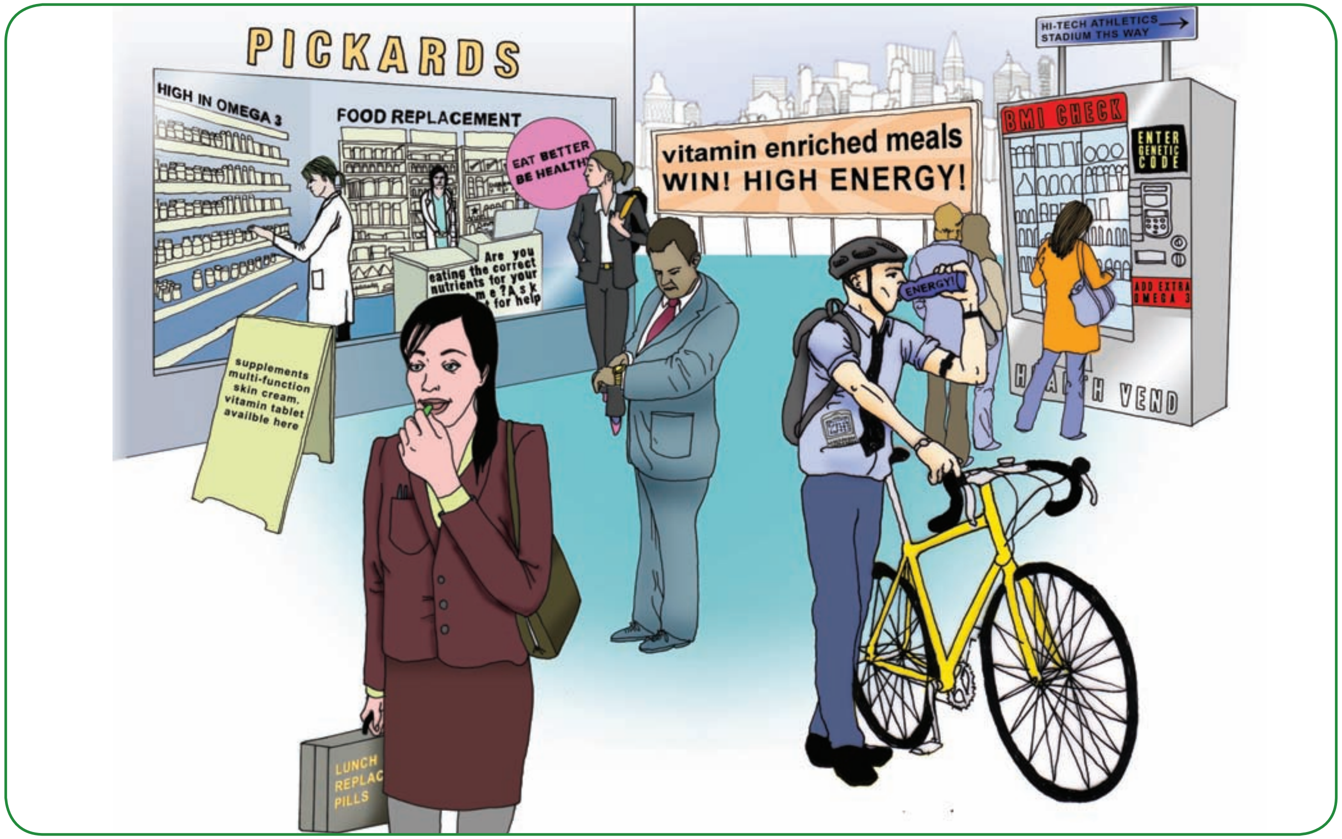
Advanced technology and constant innovation means that food is virtually indistinguishable from medicine and, as a consequence is subject to similar levels of regulation and clinical trials before it reaches consumers. Food companies have merged with pharmaceutical companies in order to survive and to utilise their R&D resources.

Multi-functional products which provide maximum benefit to the consumer abound, for example skin creams that also act as food and shower gels that give a breakfast vitamin hit. The most important feature of a product is performance so consumers embrace technologies such as GM and biotechnology because of the enhanced nutritional benefits which such technologies provide. However, such large investment in science means that the best performing products tend to be expensive, creating social divisions. Those on lower incomes may only be able to meet basic nutrition needs and may be unable to afford personalised products; they may be forced to trade their unused 'carbon quotas' with the rich in order to obtain sufficient vitamins and minerals. Pressure groups representing poorer groups within society continue to campaign for shorter patents on key food products, in order that generic versions can be brought to market more quickly and provide benefits for the many rather than the few.
With food no longer an outlet for sociability, consumers find new ways to have fun through activities such as extreme sports. However, the persistent sense of 'survival of the fittest' and competition creates high stress levels. Therefore, whilst physical health improves for most people, mental health is an increasing cause for concern.

Opportunities and challenges for the industry

Key opportunities in this world include creating specialist products to target particular socio-economic or even 'genotype' groups. In addition, there is likely to be a growing need for stress-relieving and stress-management products. Ireland could be an ideal test market for new functional foods due to its small population size. There are also prospects for new strategic alliances between food and pharmaceutical companies to improve efficiency and allow Irish brands to succeed internationally.

However, the coming together of food and pharmaceuticals also presents significant challenges such as an increasing regulatory and legal burden as food is required to meet the strict standards and trials of pharmaceutical products. This is likely to be a barrier to survival for some companies. Others will find the necessity for a more extensive R&D pipeline, with longer lead times for research and regulatory approval, prohibitively expensive. An additional challenge will be addressing the potential skills scarcity resulting from the desire for high-science food products.



In the Lab in 2020; Performance & Achievement

Glimpses of the future today

A drinkable protein jelly from US company Weider, which allows you to keep going without having to stop for food.

The Capsela product from Japan is designed to look like a medicine capsule. The little balls floating inside the drink contain vitamins E and D while the liquid contains 1000 mg of vitamin C as well as B1 and B6.

The Wellness Navigator mobile phone by NTT Docomo in Japan measures bad breath, body fat content, pulse rate and offers a pedometer function.

Scenario dimensions – qualitative

The qualitative and quantitative dimensions summarised over the following pages are strategically important. While the scenario narratives are designed to provoke and encourage individuals and organisations to consider the future, they are ultimately a 'means to an end' – a tool which should help to improve strategic decision making. The dimensions reflect key areas across which the industry should be developing strategic responses, if it is to be prepared for the challenges of the future operating environment.

Table 2: Qualitative dimensions

Scenario ----------- Dimension	**Round the Table**	**From the Greenhouse**	**Off the Menu**	**In the Lab**
Expenditure on food and eating out	Spending on food is relatively low as it is grown locally and usually bought direct from the producer. Eating in restaurants is rare. Instead, consumers mostly eat with groups of friends and neighbours and enjoy it as a social occasion.	Spending on food is relatively high as consumers want the freshest ingredients and those containing the most health-enhancing properties, such as super-foods. Food is functional so eating out for enjoyment is only an occasional treat.	A desire for new eating experiences means that spending on food is high. Eating out is the everyday norm with in-home kitchens largely redundant.	Minimal spending on eating out in restaurants as food is functional rather than social. Instead, there is high expenditure on high-tech food substitutes which enhance performance.

Table 2: Qualitative dimensions (continued)

Scenario ----------- Dimension	Round the Table	From the Greenhouse	Off the Menu	In the Lab
Attitude to health and wellbeing	People are generally healthy both physically and mentally in this world as a result of eating nutrient-rich, unprocessed fresh food and enjoying strong community engagement. Obesity has been almost eradicated.	Wellbeing is a priority; most consumers are physically healthy due to high awareness of the link between wellbeing and the consumption of fresh, healthy food.	An abundance of rich foods and eating out increases obesity and associated health problems, particularly amongst the rich. Poorer consumers suffer poor health from frequenting cheaper but less nutritious fast-food outlets.	Physical health is at an optimum level from consuming personalised nutrient capsules. Mental health is poor due to high stress levels.
Food shopping habits	Community buses or car pooling help people shop locally. Most shopping is local and often individuals exchange produce with others rather than using money.	Frequent top-up shopping from the best available sources to ensure fresh super-foods can be consumed regularly.	Very little supermarket shopping as eating out dominates. Restaurants with convenience stores attached do well. Online channels are popular for those seeking to source banned or restricted foods.	The medicalised nature of food means that food capsules and supplements are bought from outlets more closely resembling today's pharmacies or can be ordered online and in bulk from abroad.
Leisure time	Home-made food forms the basis for socialising and leisure time. Community activities are also popular.	Active leisure pursuits are popular as people are health focussed. Growing your own vegetables is a common hobby.	Eating out and new food experiences dominate leisure time.	In this competitive world, extreme sports and individual pursuits are popular. Food has no place as a leisure activity.
Family and social life	Community and local life are important. Solo living is less common; group or shared living is better for the environment, cheaper and more socially enjoyable.	With greater individualism comes greater responsibilities; solo living is popular but taxed heavily to offset the environmental impact of increased waste and energy consumption.	People socialise in small, select groups based on common food and drink interests.	A highly individualistic and competitive world. Solo living is the norm and the number of 'child free' couples has increased significantly.

Source: Bord Bia

Scenario dimensions – quantitative

Introduction to the assumption-based quantitative model

In order to enrich understanding firstly of how the scenarios differ from one another and secondly how they differ from a 'base' view of 2020, an assumption-based quantitative model was created. The model considers 4 broad categories (expenditure, health, leisure time and demographics) containing 20 variables. These variables were then projected forward to 2020 using a mixture of qualitative assumptions and either trended or current data from a number of different sources, the details of which can be found in Appendix 1.

Explanation of methodology

The methodology comprised six stages. The first five stages are outlined in detail in Appendix 1 and the final stage addresses the vision and is discussed more fully later in the report.

There was a need to understand and assess diverse aspects of life in each scenario. The first need was to identify how consumer spending would change in each of these worlds; ranging from a great deal of home cooking and communal eating in Round the Table to virtually no in-home kitchens in Off the Menu. A category on **expenditure** was included which covers relative spend on food in general, eating out and entertainment.

The second need was to understand how health and wellbeing would be affected by the varied diets in each world, for example the 'pill-popping' of In the Lab in comparison with the emphasis on superfoods in From the Greenhouse. To illustrate this, a category on **health** was included which incorporates variables such as life expectancy and risk of heart disease.

Thirdly, use of **leisure time** varies significantly across the scenarios as people's motivations for how they use their time differ. A category with variables such as time spent working, eating, cooking and in pubs or restaurants was also included.

A variety of data sources were used to create a quantitative picture of today, including the Central Statistics Office and the NCB Vision 2020 report. The data used was the latest available for each particular variable, meaning that the definition of 'current' spans several years.

Rather than being an econometric forecast, the model is intended to create an indicative representation of the aspects of life described in the scenarios above. The key output of the model is how these aspects will change, under the different scenarios from the picture painted by the 'current' state of affairs.

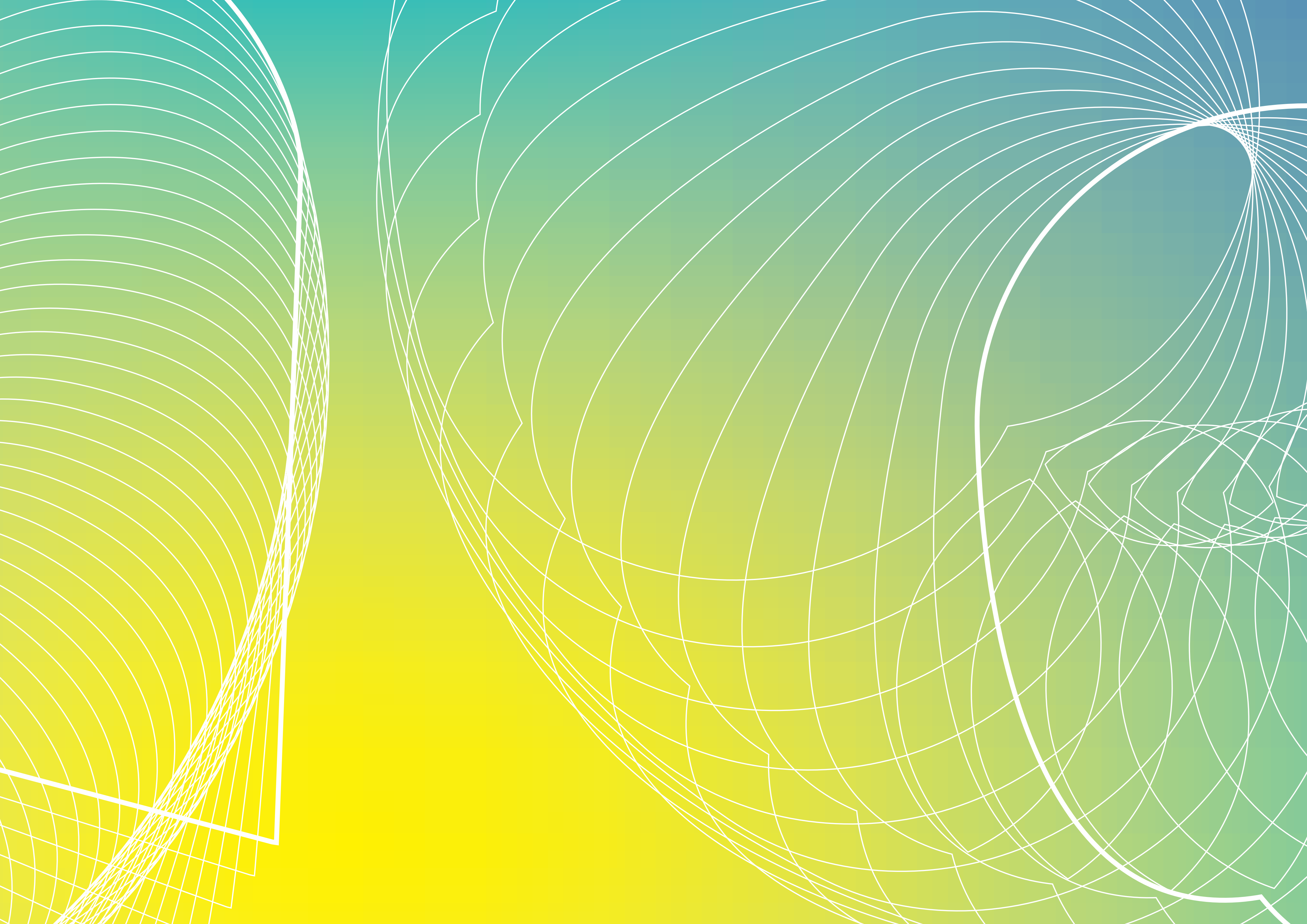
The specific metrics on health, expenditure and so on should be viewed as a means towards understanding broader changes in consumer behaviour and how this differs in each scenario.

Consideration has also been given to how each driver would impact upon each variable between now and 2020. The system used was one of allocating from a scale of 'plusses' and 'minuses', where one 'plus' indicated a moderate increase and four 'minuses' indicated a significant decrease. The table below highlights some of the variations across the scenarios using this system.

Figure 12: Quantitative dimensions

	2020	Round the Table	From the Greenhouse	Off the Menu	In the Lab
Expenditure					
Spend on eating out	++	---	---	+++	------
Spend on alcohol	++	-	--	++	+
Spend on tobacco	---	-	---	++	+
Spend on entertainment	+++	+/-	-	+++	+++
Spend on hotels & expenditure abroad	---	---	--	+	+/-
Spend on food	+	+	++	++	+++
Health					
Life expectancy at birth	++++	+	+	++	+++
Death rate from heart disease	-----	-	--	+	---
Death rate from stroke	----	+/-	--	+	--
Leisure time					
Time spent cooking – weekday	----	+++	++	---	-
Time spent cooking – weekend	---	++++	++	---	--
Time spent eating – weekday	----	+++	+	+++	--
Time spent eating – weekend	+/-	++++	+	+++	---
Time spent in pubs/restaurants – weekday	+++	--	--	++++	---
Time spent in pubs/restaurants – weekend	+++++	--	-	++++	--
Time spent in employment – weekday	+++++	--	++	-	+++
Time spent in employment – weekend	+++++	--	++	-	++
Demographics					
Average household size	---	++	-	+	--
Marriage rate	+	++	-	-	--
Net Migration – people	+++++++	--	+	+	+/-

Source: HCHLV. For a further explanation of the methodology behind this table and for a full list of sources please see Appendix 1.



3: A vision for the future

3: A vision for the future

The vision for the Irish domestic food and drink market in 2020 is intended to be "worthwhile, inspiring and highly challenging but achievable with an effort"[23].

The vision must be worthwhile, because the industry must believe that it is worthy of dedicating considerable time to achieving it, both individually and collectively. A responsible and ambitious industry needs an aspirational vision in order to feel motivated to achieve it over the next few years, day in and day out. Importantly, the vision should motivate the desire for change in order to meet the challenges of the global economy.

Although the vision is about the longer term future of the industry, it is also about action[24]. The right actions in the short and medium term need to be identified in order to set the industry on the path to achieving its vision.

The vision for the Irish domestic food and drink market in 2020 recognises that while thirteen years is not far off, the world will have changed in significant ways between now and then. In order for the food and drink industry to flourish, the vision needs to take into account the social, economic and environmental forces that are changing the day-to-day lives of Irish citizens.

To help articulate what the Irish food and drink market would look and feel like if the vision was achieved, a narrative has been developed – as a so-called 'fifth scenario', depicting a picture of the participants' desired future for the market in 2020, given likely trends and changes which could affect it.

Vision 2020

In this world, great importance is placed on the health-enhancing, functional benefits of food and drink. Consumers also have high levels of concern for the environment and so try to minimise their own environmental impact and that of the food and drink which they consume. Where possible, consumers prefer to buy high quality products sourced either locally or within Ireland, and some even grow their own superfoods. This environmentally responsible, healthy behaviour prevails about 80% of the time, with forays into indulgence at the weekends or on special occasions.

As a result of regular consultation with nutritionists and widespread scientific advances, consumers are well-informed about the link between food, overall health and wellbeing, and the environment. Since nutrition and environmental sustainability is incorporated into the national curriculum, children often drive the family's diet and consumption habits. Consumers demand highly functional and at times personalised food and drink products; customised breakfast power-juices are popular, and lunch boxes come with the necessary combination of super-foods to meet individual vitamin, mineral and energy requirements.

Individual nutrition requirements are reassessed regularly where consumers can get advice on the products they need. A significant proportion of shopping is online and automatically re-ordered using special interactive technology which reflects consumers' changing health needs.

Consumers demand transparency of health claims, ingredient sourcing and production methods. Clear consumer expectations exist which are defined by guidelines; market forces ensure the compliance of producers and manufacturers. There is limited need for legislative intervention.

Health conscious behaviour characterises peoples' lives Monday to Friday as they seek to be productive and efficient in the workplace. At weekends, meals are much more sociable and leisurely rather than functional. Eating out is more common at the weekend; during the week on-the-go, healthy convenience food is the norm. The weekends are also a time to be more experimental with food, for example, experiencing new eating rituals and fusion recipes

A vision for the future in 2020

which combine techniques and ingredients from different ethnic cultures. Most restaurants offer both 'indulgent' and 'healthy' options on their menus to allow consumers to make informed choices. However, a rebellious minority defy both regulation and societal pressure to seek out food which is pure indulgence.

The food and drink industry has found solutions to improve food yields using natural and environmentally friendly techniques and ways of preserving foods that lock-in or enhance their nutritional value. Frozen has re-emerged as a major form of processing as it is one way of getting around seasonality and locking-in goodness.

Food processing has been redefined in this world – it no longer has connotations with artificial additives and ready meals but is all about finding the best possible combinations of fresh, natural foods to create 'super products' packed with health boosters that meet the needs of an increasingly on-the-go society.

Energy usage in the supply chain is highly efficient as manufacturers use the by-products of processing to fuel transport and machinery. In response to consumer and legislative pressure, many processing technologies have improved and require less energy than in the past; packaging is either non-existent or fully biodegradable.

Overall, most people are relatively physically and mentally healthy in this world. Obesity has declined rapidly amongst children. However, obesity still prevails for a significant proportion of consumers in their 20s and 30s who missed out on the nutrition education of their younger peers and struggle to change their existing unhealthy eating habits. Furthermore, some consumers resent having to be so health-focused and continue to seek out the pleasures of food with a high carbon footprint or with no health benefits. For the majority, weekends and special occasions provide a sufficient outlet for indulgence.

The focus on growing locally is great for Irish branded food and drinks but the high demands of ensuring both traceability and functionality means that some foods are more limited in supply and, consequently more expensive: a price that society is more than prepared to pay for the preservation of the environment and better health.

A quantitative view of the vision

Building on the scenarios section of the assumption-based quantitative model we were able to extrapolate the same variables and create a quantitative view of the vision.

[23] Hardin Tibbs, 'Making the Future Visible: Psychology, Scenarios and Strategy' Global Business Network, 2000
[24] Dr Sohail Inayatullah, Metafuture 'Alternative Futures for the Islamic Ummah' http://www.metafuture.org/Articles/AltFuturesUmmah.htm

The view of the vision (outlined in the table on right) is a weighted hybrid of all four scenarios, taking into account the positioning of the vision relative to each scenario, as shown on the diagram overleaf. Demographics are evolving over time and have been provided to give context to the vision.

What the model tells us about the vision

The model has been created to provide several quantitative measures which illustrate and highlight some of the changes that will occur in consumer behaviour and in the Irish food and drink market itself between now and 2020 should the vision materialise.

Expenditure

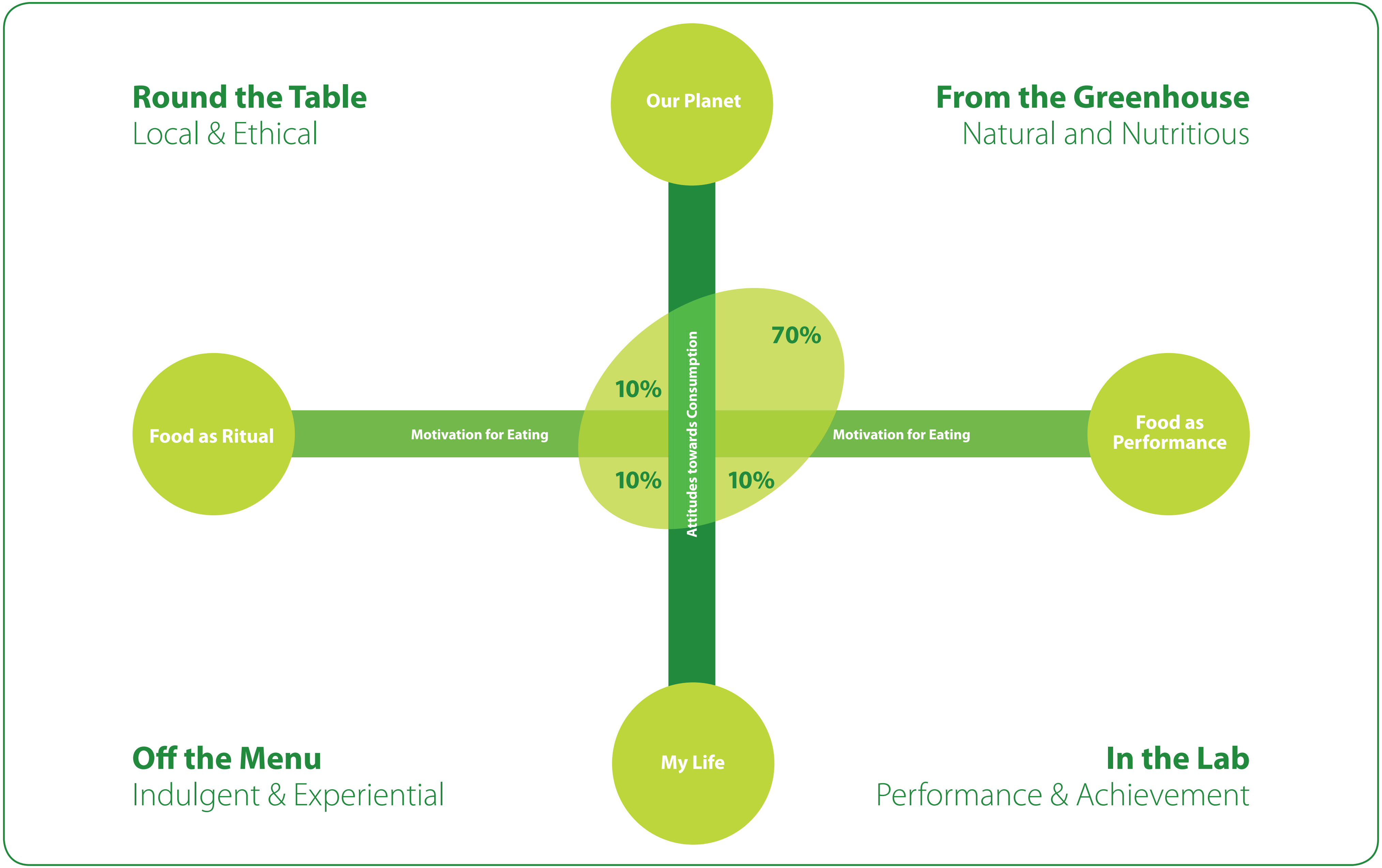
Food has become more expensive to produce because it needs to be naturally produced, have high nutritional value and be locally sourced. The proportion of spend on eating out reduces slightly by 0.1 of a percentage point. Given the growth of predicted expenditure to 2020 this would still mean overall growth, however, the pattern underlies the desire to be more healthy most of the time and to eat out at weekends rather than during the week.

Figure 14: Quantifying the vision

	Current estimates	Vision 2020 estimates	% change from Current to Vision
Expenditure			
% Spent on eating out (out of total expenditure)	4.6%	4.5%	-0.1%
% Spent on alcohol (out of total expenditure)	4.4%	4.7%	0.3%
% Spent on tobacco (out of total expenditure)	1.6%	1.1%	-0.5%
% Spent on entertainment (out of total expenditure)	1.3%	1.4%	0.1%
% Spent on hotels & expenditure abroad (out of total expenditure)	3.3%	2.4%	-0.9%
% Spent on food (out of total expenditure)	18.1%	18.1%	0.0%
Health			
Life expectancy at birth	77.7	85.7	10%
Death rate from heart disease per 100,000	113.0	59.3	-47%
Death rate from stroke per 100,000	42.8	29.1	-32%
Leisure time			
Time spent cooking – weekday (minutes per day)	43	39	-9%
Time spent cooking – weekend (minutes per day)	39	36	-7%
Time spent eating – weekday (minutes per day)	82	76	-7%
Time spent eating – weekend (minutes per day)	91	93	2%
Time spent in pubs/restaurants – weekday (minutes per day)	18	19	4%
Time spent in pubs/restaurants – weekend (minutes per day)	78	87	11%
Time spent in employment – weekday (minutes per day)	228	241	6%
Time spent in employment – weekend (minutes per day)	78	83	6%
Demographics			
Average household size	2.85	2.58	-9%
Marriage rate	5.1	5.2	1%
Net Migration – people	69,900	88,900	27%

Source: HCHLV; for a further explanation of the methodology behind this table and for a full list of sources please see Appendix 1.

Figure:13: The vision or 'fifth scenario'



Source: Bord Bia

The slight increase in the proportion of spend on alcohol (0.3%) is due to increased regulations increasing cost and a focus on more premium offerings, rather than an increase in consumption. Levels of per capita consumption are likely to decline in this more health-conscious environment.

Health

Life expectancy has increased significantly, from 77 years to 85 years and this is due largely to the increasing focus on nutrition in society, which is taught as part of the national curriculum in schools. Similarly the number of deaths from stroke and heart disease have decreased strongly (by around 20% and 33% respectively) which is due to a combination of better eating and advances in technology and science.

Leisure Time

The model illustrates that less time in the week is now spent cooking and eating, however the decrease of 9% during the week and 7% at the weekend is not as significant as might have been envisaged when looking at current trends. This is because people are generally taking greater care over what they consume and are not prepared to sacrifice nutritional quality for time saved.

Demographics

The average size of a family has continued to decline, decreasing from 2.85 to 2.58. However the population of Ireland continues to be buoyant because of the continued surge in migration which has increased by 27% in the years between 2007 and 2020.

Vision 2020 from a small business perspective

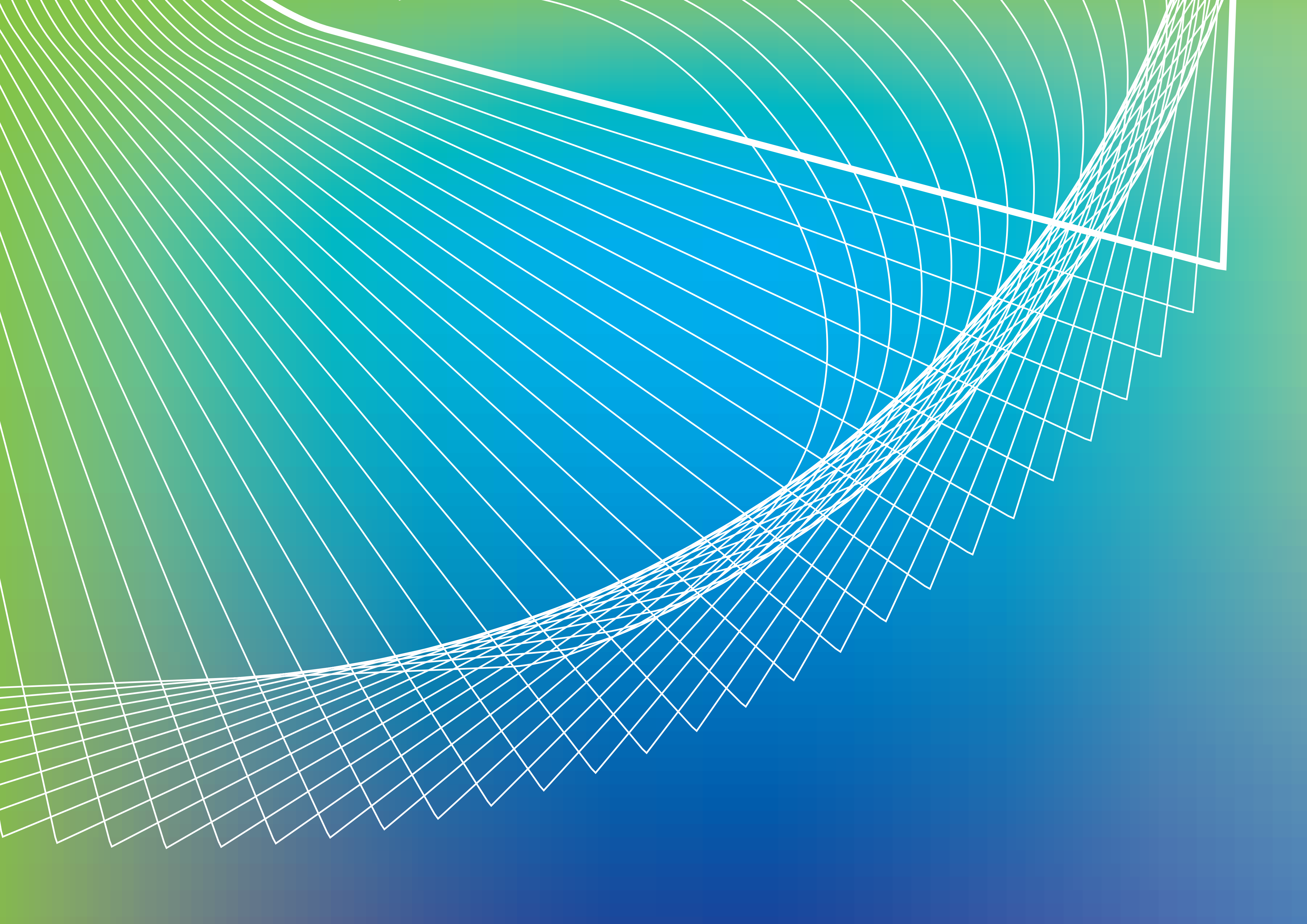
The challenges of change are often felt more by small businesses. Whilst these challenges will not dissipate, Vision 2020 represents a world in which both large and small businesses can thrive.

The focus on local through a desire for more sustainable consumption will present many existing small businesses with greater opportunities. As consumers seek to reduce both the food miles they consume and their carbon footprint, small businesses should be in a good position to accommodate them because they are likely to distribute locally rather than nationally. Access to major retail chain stores is likely to grow as these companies seek to meet the growing demand for locally produced products. Equally, as consumers strive for evermore convenient consumption in a time-starved world, purchasing directly from the manufacturer through the internet is likely to be a more common-place practice allowing small businesses greater control over their margins.

The demand for transparency by more knowledgeable consumers will create challenges for many small business; claims will have to be strongly supported by evidence. However this challenge will mean that the power of the consumer will more strongly regulate markets. Legislation that is both costly and restrictive will not increase in this world, small businesses should have greater ability to adapt and innovate. Equally this new level of knowledge and transparency will protect the truly authentic manufacturer from companies wishing to quickly capitalise on the latest trend.

The focus on the nutritional value of food will not suit all small businesses. However, significant opportunities will exist to pander to consumers' desires for indulgence and experimentation at the weekends or on special occasions. Quality food made using natural ingredients will be highly valued and be able to command a good price.

One of the greatest challenges presented by this vision is the need for more energy efficient methods of production – a reality of all worlds. The environmental impacts of packaging will also be a significant factor in determining consumer choices; it will be critical for small businesses to benefit from innovations in both production and packaging.



4. Strategic priorities

4. Strategic priorities

Two sets of strategic issues informed the development of these priorities. Firstly, a number of challenges for the industry which are common to all the scenarios have been identified ('Imperatives'). Secondly, those additional actions required to achieve the vision were identified ('Preferences'). A synthesis of these two sets of challenges has determined the critical strategic priorities which the industry should be addressing going forward (see Appendix 1 for further details of the Imperatives and Preferences).

It is important to emphasise that whether the priorities emerged primarily from the Imperatives or the Preferences, they have been identified through the workshops and subsequent analysis as critical elements of a successful strategy if the industry is to shape the realisation of its preferred vision.

The priorities are not designed or intended to incorporate every future action which the industry (and/or other key players) will need to take going forward. They are those that have been identified as requiring specific strategic action in order that the preferred vision can be achieved in the future.

The priorities are as follows:

- **Strong consumer connections**
- **Flexibility, creativity and innovation**
- **Visionary leadership**
- **Improving efficiency**
- **Effective routes to market**

Strong consumer connections

Strong relationships with consumers need to be at the heart of everything the industry does. It is apparent that (in contrast to most retailers) some manufacturers have a relatively distant relationship with consumers and a poor direct understanding of their evolving priorities, attitudes and behaviour as a result. There are several critical dimensions to this challenge – a clearer understanding of consumers' desires, finding ways to reassure consumers about quality and safety and providing greater information and advice to help consumers make more informed decisions particularly in relation to eating a more balanced diet.

Ensuring that the industry establishes a stronger understanding of consumers' motivations and desires should form the basis for anticipating and meeting their future needs via innovation. The Bord Bia Consumer Lifestyle Trends Programme and the subsequent immersion and ideation workshops which several companies have undertaken are designed to help address this need. However, this challenge is fundamental to continued success as an industry and ensuring a strong consumer relationship, rather than necessarily allowing retailers to be a conduit, is key. There is a need to emphasise to consumers where their food comes from and highlight that their priorities – such as freshness, health, convenience and provenance – are the industry's priorities too.

Transparency about food and ingredients remains important to everyone and is critical in reassuring consumers about the underlying quality and safety of the food and drink they consume. Clear and simple ways of demonstrating the industry's commitment to providing consumers with the information they need to feel reassured about the safety of their food is essential. This in turn will enhance trust, which needs to be at the heart of building stronger relationships with consumers moving forward.

There are challenges in finding effective ways of educating and informing consumers about food and drink and how to utilise them in creative and inspiring ways. Dialogue with school children needs to be further strengthened, along with the link to their families to ensure that everyone has the opportunity to make more informed decisions about what they consume. There are also specific challenges around working with those with less expertise and confidence to help them plan meals on tight budgets for their families.

An increased role in helping to educate consumers is just one aspect of the wider responsibility industry has to help consumers make more informed decisions and consume more balanced diets. The individual and social costs of a continued rise in obesity are significant and include a growing burden on healthcare services, more absenteeism and a greater burden on employers, reduced life expectancy and poorer quality of life for many. The industry must continue to play its part in helping to make it easier for consumers to have a healthy, balanced diet despite the busy and pressured lives they lead.

Flexibility, creativity and innovation

The need for greater flexibility, creativity and innovation in industry cannot be underestimated and, with innovation now recognised as the single most important ingredient in a modern economy[25], the industry must continue to prioritise it going forward. With consumers being offered more and more choice from around the world when they shop, it is crucial that the industry continues to find fast and effective ways to provide consumers with value-added new alternatives.

In the area of foodservice, there are significant challenges in finding efficient ways to deliver products which are convenient and healthy. The industry needs to find effective ways to add value in this process, rather than necessarily look to replicate those innovations that work in other markets.

The growing diversity of the Irish population provides both an opportunity and a challenge. The focus should be on delivering products which meet the needs of a more diverse and open-minded population which is keen to try new combinations and experiment with new tastes.

[25] The Economist

Moving towards more sustainable and environmentally friendly forms of production will present challenges to maintaining or improving the yields of foods with high nutritional value. Breakthrough innovation is needed in the production and preserving of foods.

To meet these goals, the food and drink industry must attract the right talent ensuring it is truly cutting edge in its innovation.

Visionary leadership

At an industry and also individual company level, visionary leadership is one of the most important challenges to be addressed in order to remain competitive in the global economy. To reach the vision articulated, leadership from the front needs to be emphasised setting an aspirational and motivating example to all those within the industry.

This is important across many areas of the business, for example on responsible eating, corporate transparency and environmental responsibility, sustainability and waste. Evidence is mounting that the only way for companies to succeed in today's interdependent world is to embrace sustainability and, to do this effectively, proactive leadership is required from the top of an organisation.

With 79% of consumers across the world agreeing that 'products have too much packaging these days'[26], waste in particular is becoming a growing issue and an area in which manufacturers must lead debate and act decisively.

In his book 'The Triple bottom Line', Andrew W. Savitz (2006) defines a sustainable corporation as one that "creates profits for its shareholders while protecting the environment and improving the lives of those with whom it interacts". He shows how and why financial success goes hand in hand with social and environmental achievement. He argues that a sustainable business ought to be able to measure, document and deliver positive ROI on all three bottom lines – economic, environmental and social[27].

Significantly, those companies which are viewed by consumers as being at the forefront of activity in this area (e.g. Marks and Spencer, Walmart) have done so under the strong leadership of Chief Executives who have made it a personal mission to make their companies sustainable. For example, Stuart Rose, Chief Executive of Marks & Spencer, stated in January 2007 that "every business and individual needs to do their bit to tackle the enormous challenges of climate change and waste. We believe a responsible business can be a profitable business. We are calling this 'Plan A' because there is no 'Plan B'." While so far it has been retailers which have been the most proactive in this area, it is vital that manufacturers do not cede this territory (and therefore the trust and loyalty of consumers). Indeed, a key aspect of this challenge is for industry to find ways to 'own' such territory.

What is particularly significant is that Marks & Spencer have chosen to help lessen the burden on consumers: "Our customers know that, if they shop at M&S, we'll have done the hard work for them. They're interested in ethical issues, but they just want us to get on and manage them; they want to come into our stores, enjoy the shopping, knowing that, behind the scenes, we'll have done all the right things… We're not going for a few ethical products tokenistically on the edges of our stores. We're going to drive this hard." (Mike Barry, Head of CR, M&S). It is this focus on making consumers' lives easier that represents the best opportunity for the industry. On issues such as packaging, industry can promote innovative ways in which to show consumers that it is cognisant of their concerns and is addressing them as a priority.

Visionary leadership must also be at the heart of alliance-building and increasing dialogue with government, other state agencies, retailers and others. Tensions exist in addressing growing environmental and ethical concerns. There is no panacea to these problems; they are complex, inter-related and at times opposing.

It is important that producers and manufacturers in the food and drink industry are included in this debate to ensure an effective solution for all.

Greater dialogue to improve relations with retailers is also important in order to address the balance of power and ensure that viable and sustainable ways of meeting consumers' needs can be found.

Improving efficiency

The various costs associated with doing business in Ireland have put the industry under growing strain in recent years. The year on year wage increases, rising energy costs, fuel prices[28] and a growing regulatory burden have put great pressure on margins. As IBEC has outlined, "the relentless increases in business and regulatory costs in the Irish economy coupled with the broadly deflationary consumer food market in Ireland and the E.U. means that manufacturers' margins are being eroded and this is leading to products and services being sourced from lower-cost locations."[29].

This comes against a global backdrop of more streamlined supply chains in order to meet retailer demands and the consumer desire for low prices. As companies, retailers and consumers operate globally and across channels, this desire to maximise efficiency across markets will continue to grow. Advances in processing as well as science and technology have at the same time enabled supply chains to become more streamlined and efficient.

To successfully compete over the medium and longer term, there is therefore a need for further streamlining of productivity – and to make further consolidation savings – across the industry. As one project interviewee from the industry stated, "the abattoirs,

[26] HCHLV Henley World 2006. Asked in 14 countries. Only 4% of consumers disagreed with the statement.

[27] There are three principle ways in which sustainability enhances a business, by helping better 'protect it', 'run it' and 'grow it'. Protecting the business includes reducing the risk of harm to customers, employees and communities; identifying the emerging risks of management failure early, limiting regulatory intervention; and retaining the explicit or implicit license to operate granted by government or by the community at large. Running the business includes reducing the costs, improving productivity, eliminating needless waste, and obtaining access to capital at lower costs. Eco-efficiency, i.e. reducing the amount of resources used to produce goods and services, can significantly increase profitability while decreasing environmental impact. Growing the business includes opening new markets, launching new services, increasing the pace of innovation, improving customer satisfaction and loyalty, growing market share by attracting customers for whom sustainability is a personal or business value, forming new alliances with business partners and other stakeholders, and improving reputation and brand value.

[28] Petrol prices have been rising in Ireland since the start of 2007. The monthly petrol cost jumped from €155 in January 2007 to €173.85 in May 2007 (The AA)

[29] IBEC

[30] Industry interview carried out by HCHLV

dairies and processing plants in Ireland aren't at full capacity and we're bound to see further consolidation in the years ahead; it's the only way the industry here will stay competitive"[30]. To this must be added a greater need for sustainable supply chains; energy intensiveness of production is likely to be a highly significant factor going forward (which will challenge meat and poultry production in particular) and this, along with concerns about water usage, will place the industry under considerable pressure.

While economies of scale and efficiency savings are necessarily limited to some degree by geographic size, efficiency savings and consolidation are undoubtedly required in order that the Irish industry can continue to compete successfully on a world stage in the future.

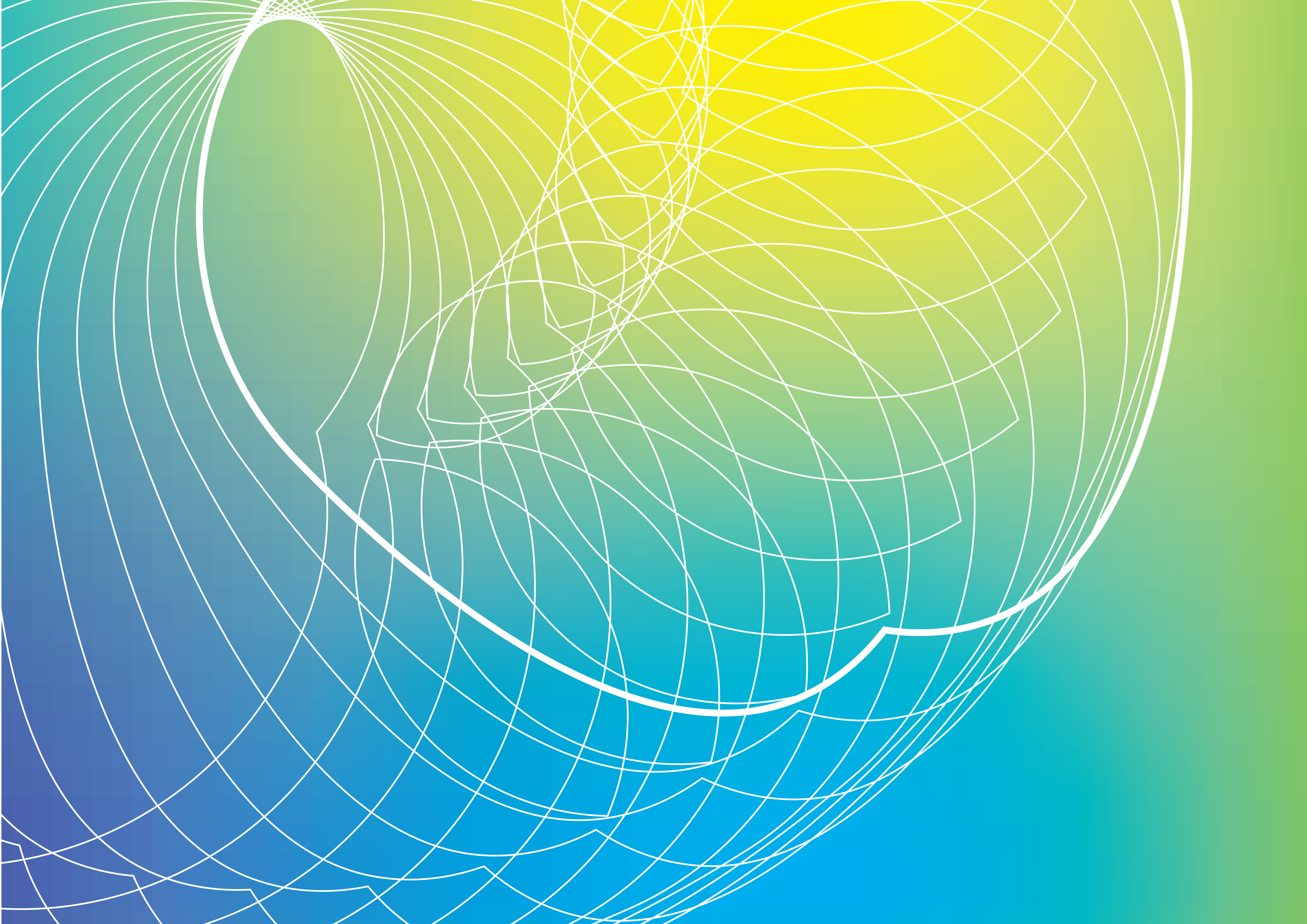
Effective routes to market

The challenge of improving channels to market is an ongoing one. Industry needs to find new ways of providing consumers with what they want in ways which fit their changing lifestyles. With a rise in compact city-centre shopping, leading to more 'top-up' shopping and 'mission' shopping in response to a particular need, channels strategies need to be more sophisticated than ever. As one project interviewee stated, "consumers now shop when they are out, they don't go out to shop. This is a big mindset change; we're not top of mind anymore [31]."

The consumer trend towards top-up shopping also reflects consumers' increasing desire for buying fresh food, as can be seen from the growth of farmers markets. There is a need to work closely with retailers in order to find cost effective ways to meet this consumer demand in a wider context of centralised distribution. There is potentially a strong opportunity for manufacturers to own the 'fresh' territory in the mind of consumers via stronger manufacturer links directly to farmers' markets and other smaller outlets.

Online shopping represents a key opportunity where there is a need to continue working with retailers in order to better manage supply chain efficiencies and create more effective channels to market.

[31] Industry interview carried out by HCHLV



5. How to use this report: from scenarios to strategy

5. How to use this report: from scenarios to strategy

The aim of this report is to provide a basis for the industry, individually and collectively, to take greater responsibility for shaping its own future. The scenario methodology has been used purposefully as it is both inclusive and transparent in terms of how the scenarios evolved (via a series of stakeholder workshops). This has facilitated the inclusion of diverse perspectives and this in itself should help collective decision-making, which can lead to changed behaviour.

The picture of the future which the scenarios paint will inform Bord Bia's thinking, its future plans and its programmes for the industry. Individual companies also have a role to play in ensuring that change comes about. Indeed, everyone has a responsibility in order that industry capitalises on the opportunities which the future holds.

Strategic priorities

In the short term, individual organisations will no doubt reflect on and consider the strategic priorities discussed above which are fundamental in helping shape the desired future for the market in 2020. While it is important that individual companies act, most of these issues will require collective action across the industry; for example, addressing the need for new skills and talent. Adopting a collaborative approach will allow appropriate expertise and experience to be utilised and will uncover best practice that already exists. Careful consideration must also be given to the specific concerns of smaller businesses to ensure that the challenges they face can also be addressed through these channels.

Imperatives

Alongside the strategic priorities are the 'Imperatives' – those 'must do' issues which are common to all the scenarios – that also require significant focus in their own right (see Appendix 1). They represent core activities which, if ignored, could represent major gaps in strategy or risks to success. There are advantages in exploring these at an individual company level as well as more broadly. Some businesses may feel that they are well placed to address many of these issues already; others less so. What is clear, however, is that no business can afford to ignore the Imperatives.

Scenarios

The scenario narratives and the risks and opportunities that they raise for the industry require significant attention. In particular, it is important to consider elements within the scenarios that the industry found less favourable and to identify what is needed to stop, or at least minimise the risk of these issues occurring. The focus should be on identifying steps that could lead the market in the direction of these less favourable outcomes, and planning actions that would mitigate against them.

Individual organisations should also find the scenarios a valuable overall 'boundary space' to reflect on their own strategic direction and vision. The qualitative dimensions summarised earlier in the report provide a valuable signpost to the specific strategic issues that organisations should be looking to address in their overall planning, if they are not already doing so.

Taken together, the scenarios and dimensions allow organisations to undertake periodic (e.g. annual) reviews of strategy and the direction of travel of the market over time to assess whether any of the four scenarios has become more or less likely[32].

Company-specific quantitative metrics can also be identified (based on the scenario dimensions and/or particular organisational-specific challenges which the strategic priorities raise) as a way of measuring progress towards the preferred vision.

Other ways to use the strategic tools

The findings of this report can be used by individual organisations acting independently or with partners, in order to inform strategy and decision-making. Extensive, formal workshop processes are not always required; a 2-3 hour internal working session focusing on one of the issues below can be extremely valuable in terms of ensuring that risks are avoided.

For example, some potential uses are:

- Assessing the existing company strategy for robustness and gaps against each of the four scenarios (this is known as 'future proofing');
- Reviewing planned decisions or investments which are on the table, in light of the potentially unforeseen risks which are raised by the scenarios;
- Using the scenarios to identify the type of future a company is or is not working towards; i.e. will existing actions take a company to where it thinks it is going?;
- Sharing this information across an organisation in order to create a credible, evidence-based platform upon which to discuss strategy. (The drivers of change summarised in the Appendix and the context provided in Chapter 1 of the report provide a comprehensive empirical overview of factors driving the future environment.);
- Challenging the 'official' future held by an organisation – allowing consideration of the unidentified consequences, weaknesses and risks involved in simply continuing current strategies.

The scenarios can also be used as a communication and discussion tool; to encourage more strategic, forward looking and evidence based conversations about the challenges and opportunities for industry associated with the future of the market.

Bord Bia's commitment

Bord Bia is committed to integrating the report findings into its plans and programmes for the industry. It will also give companies the opportunity to engage further as it develops these plans and invites contributions, reflections and suggestions from those in the industry and more widely to ensure the right priorities are defined and programmes are delivered effectively.

We envisage that these industry initiatives will include:

- Developing closer relationships with schools to increase awareness of where food comes from, nutrition and cooking skills
  This could include educational campaigns and the brokering of successful partnerships between schools and food companies in order to help demonstrate the industry's commitment to education

[32] If a scenario becomes more likely it is worth focusing more effort on a contingency plan for mitigating it or managing the consequences of that scenario.

- Participating in the university job fairs and 'milk round' as a coherent and unified industry group in order to reach those with low awareness of the industry
  Bord Bia can potentially play a co-ordinating role to help find ways to actively promote what industry can offer to graduates

- Developing a skills training scheme across the industry which raises standards and encourages more talented people to enter it
  Further 'professionalising' the industry could act both as a catalyst for new entrants and an effective means of retaining the best talent

- Focusing more specifically on 'celebrating winners' to encourage innovation and maintain industry morale
  Building further on existing awards ceremonies and other industry-wide events could also offer useful networking opportunities

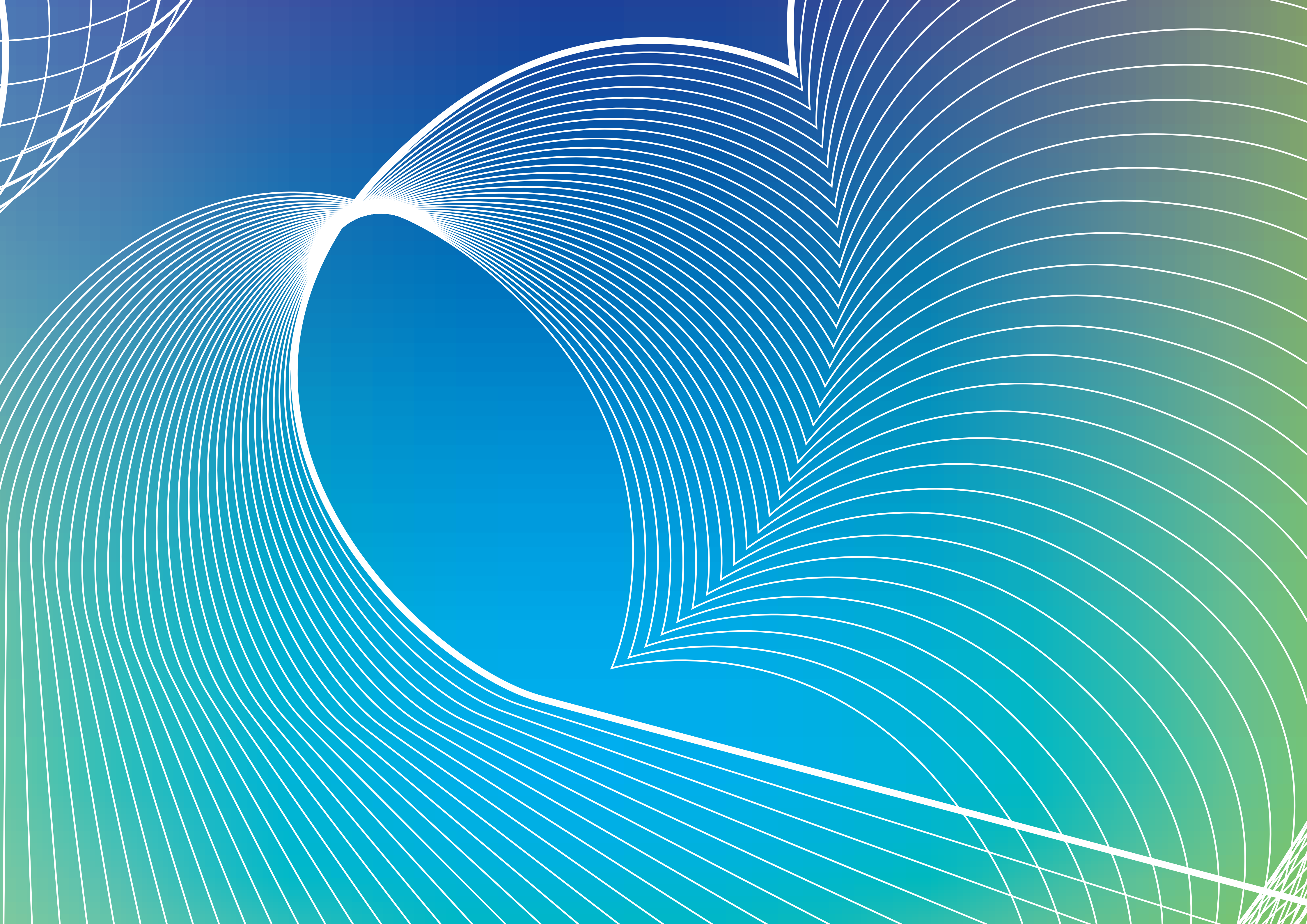
- Providing guidance and industry benchmarks to companies that wish to understand and reduce their environmental footprint, and improve transparency
  Celebrating and communicating achievement in this area is key – both within the industry and to wider audiences. Case studies can act as effective motivators and will help to demonstrate that the industry is proactive in this area [33]

- Identifying best practice in the industry in other countries, as well as from other sectors (e.g. pharmaceuticals, retailing, logistics) and how we can learn from it
  Co-ordination of research and subsequent dissemination of the findings will increase industry-wide knowledge of best practice

- Increasing financial support for consumer research, thereby helping industry to track evolving consumer trends and the resultant implications for the market in a cost-effective and timely manner
  For example, in-depth research on key trends such as 'fusion food of the future' will help industry to tap into what is likely to be a key innovation opportunity, given the diverse and growing population

Further discussion and consideration of these is welcomed.

[33] Organisations exist which can aid such assessments. For example, The Carbon Trust is an independent company funded by the UK Government which is helping the UK move to a low carbon economy by assisting business and the public sector reduce carbon emissions now and capture the commercial opportunities of low carbon technologies. Services include free advice by experts who visit premises to identify energy saving opportunities and offer practical advice on how to achieve them, usually in the form of a 10-step action plan. Recently The Carbon Trust has pioneered creating an understanding of the specific impact of individual products; Walkers 75g cheese and onions crisps and Innocent's mangoes and passion fruit smoothies now display a label depicting the number of grams of carbon created in their production.



5. Appendices

Appendix 1– Methodology

Stage 1 – Driver prioritisation and analysis

The scenarios process began by formulating an evidence base through an initial phase of scanning and review of existing material. This review included extensive desk research, a review of the proprietary Henley Centre HeadlightVision knowledge base, Bord Bia research, CSO data, and a number of published reports exploring specific aspects of the Irish economic landscape and a range of additional material from publicly available sources. The project team also carried out over a dozen interviews with a wide range of key stakeholders in order to understand their perspectives.

This research process identified a list of 49 'drivers' of change that represented a range of factors and variables likely to impact on the future of the Irish domestic food and drink market between now and 2020. This included consumer drivers and supply-side drivers, as the inter-play between and significance of both sets of issues is critical to understand. This also included drivers that the industry has little or no influence over (e.g. ageing population) as well as those that it has some degree of influence over (e.g. streamlined supply chains).

For the purposes of this project, a driver was defined as a key factor, force, trend or issue that could significantly influence the Irish food and drink market between now and 2020. The full list of drivers are summarised in the table below. Full details about each of these drivers and the empirical evidence for them can be found in Appendix 2.

Table A: Drivers

Consumer drivers		Supply-side drivers
Continued desire for convenience	Increasingly empowered consumers	Demand for accelerated R&D & innovation
Rising value of energy as a daily resource	Rise of social media	Streamlined supply chains
Growing impact of climate change	Changing working patterns	Increasing challenges for Irish agriculture
Resource depletion/demand for renewable energy sources incl. water	Changing household & family structures	Increasing environmental legislation
Rise of the savvy consumer	Rise of the connoisseur consumer	Rising cost of doing business
Growing socio-economic inequalities	Increasing focus on reducing waste	Changing nature of EU policy
Increasing desire for balance & wellbeing	Desire for fresh	Technological advances in monitoring & managing food

Table A: Drivers (continued)

Consumer drivers		Supply-side drivers
Experiential society	Continuing af uence	Increasing pressure for further trade liberalisation
Growth of ethical consumption	Rising obesity	Increasing regulatory burden
Increasing demand for responsible marketing & consumption	Increasing cultural & religious diversity	Consolidation of manufacturing industry – need for greater efficiency
Growing regional inequalities	Continuing retailer power	
Evolving urban/rural dynamic	Increasing media fragmentation	
Increasing consumption of food for specific health benefits	Desire for traceability	
Ageing population	Sustained population growth	
Increasing exposure to different cultures	Privacy concerns	
Declining trust in brands and corporations	Loyalty to Irish brands	
Evolving models of grocery shopping	Impact of competition from abroad	
Growth of organics	Increasing immigration & return migration	
Uncertain future of Irish economic growth	Vice is nice (hedonistic eating)	
Growth of own label products	Sources of influence on consumer decision-making	
Desire for local		

Source: Bord Bia

Driver prioritisation

A participative workshop allowed a range of industry stakeholders and those from outside industry with different perspectives to discuss and review the drivers, before prioritising a shortlist of 29 drivers that they felt had the most significant (positive or negative) impact on the future of the food and drink market between now and 2020. Time was also given to identify and discuss any drivers which participants felt were missing. The prioritised drivers are summarised on the next page (in no particular order):

Table B: Prioritised drivers

Consumer drivers	Supply-side drivers
Continuing retailer power	Need for accelerated R&D and innovation
Growth of own label products	Impact of competition from abroad
Increasing focus on reducing waste	Increasing pressure for further trade liberalisation
Rising obesity	Rising cost of doing business
Rise of the savvy consumer	Increasing regulatory burden
Continued desire for convenience	Consolidation of manufacturing industry – need for greater efficiency
Increasing consumption of food for specific health benefits	
Continuing af uence	
Increasing desire for balance and wellbeing	
Consumer desire for (perceived) fresh	
Rise of social media	
Experience society	
Loyalty to Irish brands	
Sustained population growth	
Growth of ethical consumption	
Increasing cultural and religious diversity	
Rise of the connoisseur consumer	
Changing household and family structures	
Resource depletion and demand for renewable energy source including water	
Uncertain future of Irish economic growth	
Desire for local	
Sources of influence on consumer decision-making	
Vice is nice	

Source: Bord Bia

Scenario development

Following the initial prioritisation exercise carried out in the workshop with stakeholders, a further analysis was carried out on the prioritised drivers by the project team, to determine the importance and level of uncertainty of each driver in relation to their overall impact on the future of the domestic food and drink market.

A working session mapped the interdependencies between all of the prioritised drivers, examining the extent to which each driver impacts on the other drivers. The analysis examined all of the inter-relationships between the prioritised drivers by asking questions such as 'to what extent does driver 'x' (e.g. sustained population growth) influence driver 'y' (e.g. loyalty to Irish brands) and vice versa. This analysis allowed us to determine which drivers were most dominant in terms of their impact on future change, and which drivers were more dependent on, or influenced by, other drivers.

The results of this analysis can be summarised in a matrix (see p62) that identifies:

- Those drivers which are "Dominant" in terms of having a major influence and impact on future change;
- Those drivers that are "Dependent" because their impact is more

dependent on other drivers, and hence they tend to follow change in those other drivers.

The resulting matrix (right) represents the relative importance and uncertainty of the key drivers based on the dominance and dependency scores derived from the analysis. This analysis allowed us to categorise the drivers into four groups:

- The first group of drivers (in the yellow zone, left-hand column) contains those that are important, but not that uncertain (for example, Sustained population growth and Changing family and household structures). These drivers act as background context and are fed as inputs into all the scenarios.
- The second set of drivers (in the orange zone, bottom right) contains those that have low 'dominance' scores, but have relatively high scores for dependency (e.g. Vice is nice and Consolidation of manufacturing industry). The direction of these drivers varies as a result of other drivers that shape the scenarios. They are not key driving forces in terms of future change – but this does not mean that they are not influential going forward; they can be considered as an output or outcome that may differ in each of the scenarios.
- The third group of drivers (in green, bottom left) consists of those with low scores for both dominance and dependency. In this case only one driver is in this area: Rise of social media. Drivers that emerge in this space are not usually major influences on the overall future, but are still worth keeping in mind.
- The fourth group of drivers (in the lilac zone, top right) are those that have fairly significant levels of dominance and dependency. As dominant yet dependent drivers, these are the ones which the highest degree of uncertainty attached to them; they therefore give the greatest scope for creating divergent possible futures and are the key focus when developing the 'axes of uncertainty.'

Figure A: Dominance and Dependency Matrix

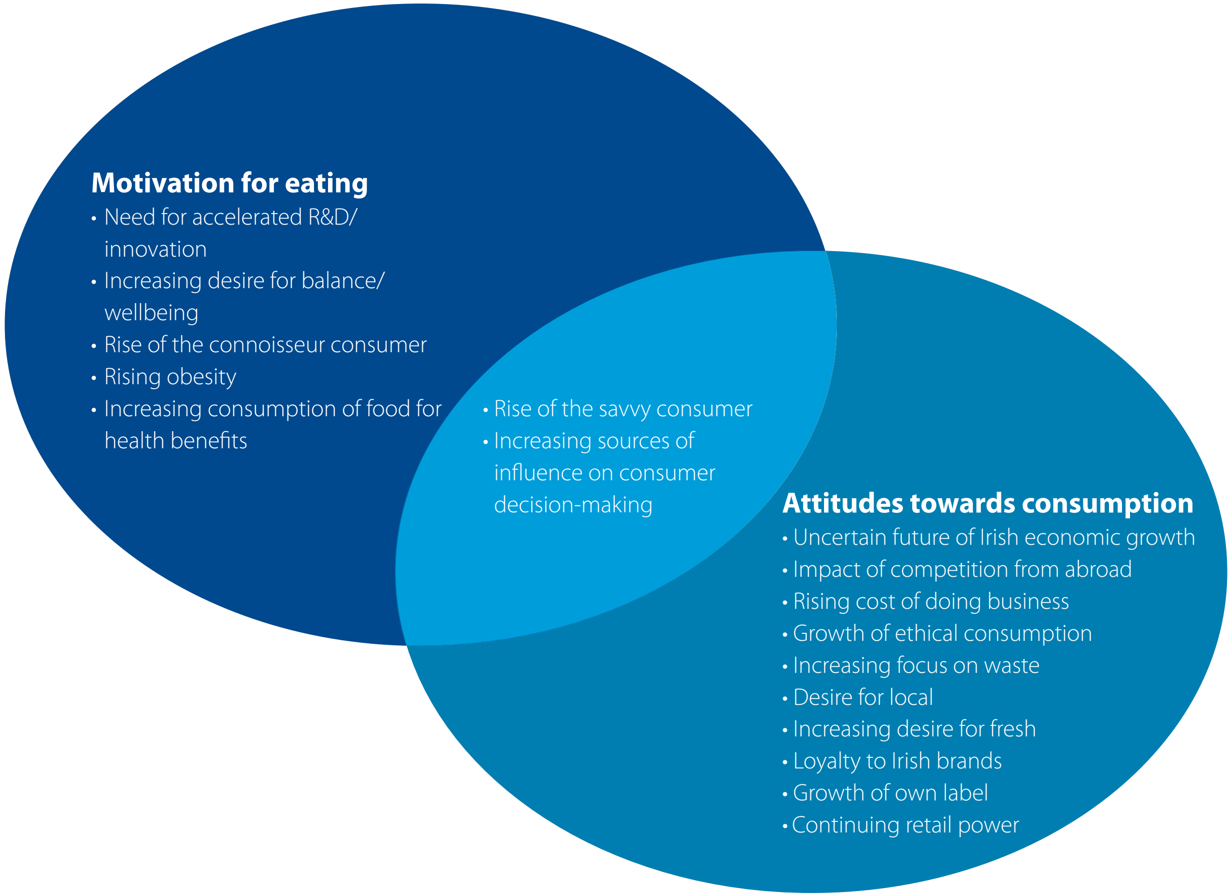
High importance/ dominance	• Resource depletion and demand for renewable energy source including water • *Increasing regulatory burden*	• Rise of the savvy consumer	• Continuing retail power • Need for accelerated R&D/innovation
Medium importance/ dominance	• Sustained population growth • Continued desire for convenience • Changing household and family structures • Increasing cultural/religious diversity • Continuing affluence • *Increasing pressure for further trade liberalisation*	• Increasing focus on waste • Rising obesity • Increasing consumption of food for health benefits • Sources of influence on consumer decision-making • Rise of the connoisseur consumer • Growth of ethical consumption • Consumer desire for (perceived) fresh • Increasing desire for balance and wellbeing • Uncertain future of Irish economic growth • *Impact of competition from abroad*	• Growth of own label products • Desire for local • Loyalty to Irish brands • Rising cost of doing business
Low importance/ dominance	• Rise of social media	• Experience society • Vice is nice	• Consolidation of manufacturing industry (need for greater efficiency)
	Low dependency	**Medium dependency**	**High dependency**

UNCERTAINTY

Source: Bord Bia/HCHLV

The emergent driver clusters were identified as follows: (see page 63)

Figure B: Emergent Driver clusters



Source: Bord Bia

Whilst it is possible to cluster the drivers in a number of different ways, the combination above was felt to best represent the key areas of discussion during the workshops, as well as capturing the critical strategic uncertainties facing the food and drink market in the future.

Each of the clusters above formed the basis for one of the axes of uncertainty that were subsequently developed. The axes are designed to reflect the output of the importance / uncertainty matrix above, whilst also facilitating the development of strategically interesting and useful scenarios.

Each of the axes identified was purposely developed with a significant degree of uncertainty attached to it, thereby creating a wide boundary space for possible future scenarios. Each is also designed to be relatively complex, incorporating a range of closely related strategic uncertainties and a combination of consumer drivers and supply-side drivers. Finally, the two axes are designed to be different in nature to each other, avoiding the risk that they could 'collapse' on top of each other and therefore produce only a relatively narrow range of possible futures for the market.

Figure C: The horizontal axis

Source: Bord Bia

Figure D: The vertical axis

Source: Bord Bia

Defining the horizontal axis

This axis relates to the reasons why people choose to eat what they do and incorporates the following drivers: Increasing consumption of food for health benefits, Rising obesity, Need for accelerated R&D/innovation, Rise of the connoisseur consumer, Increasing desire for balance and wellbeing.

'Food as Ritual' suggests eating more for enjoyment than function. It encompasses social/communal eating, as well as more individualistic indulgent behaviour. Food at this end of the spectrum is experiential in nature.

'Food as Performance' refers to eating for specific health or functional benefits. Food is seen as a 'fuel' and an 'enhancer', allowing consumers to be more energetic, intelligent, thinner, beautiful and so on.

Defining the vertical axis

The vertical axis relates to consumers' attitudes towards consumption in general and incorporates the following drivers: Growth of ethical consumption, Rising cost of doing business, Desire for local, Impact of competition from abroad, Increasing focus on waste, Uncertain future of Irish economic growth, Loyalty to Irish brands, Growth of own label products and Continuing retail power.

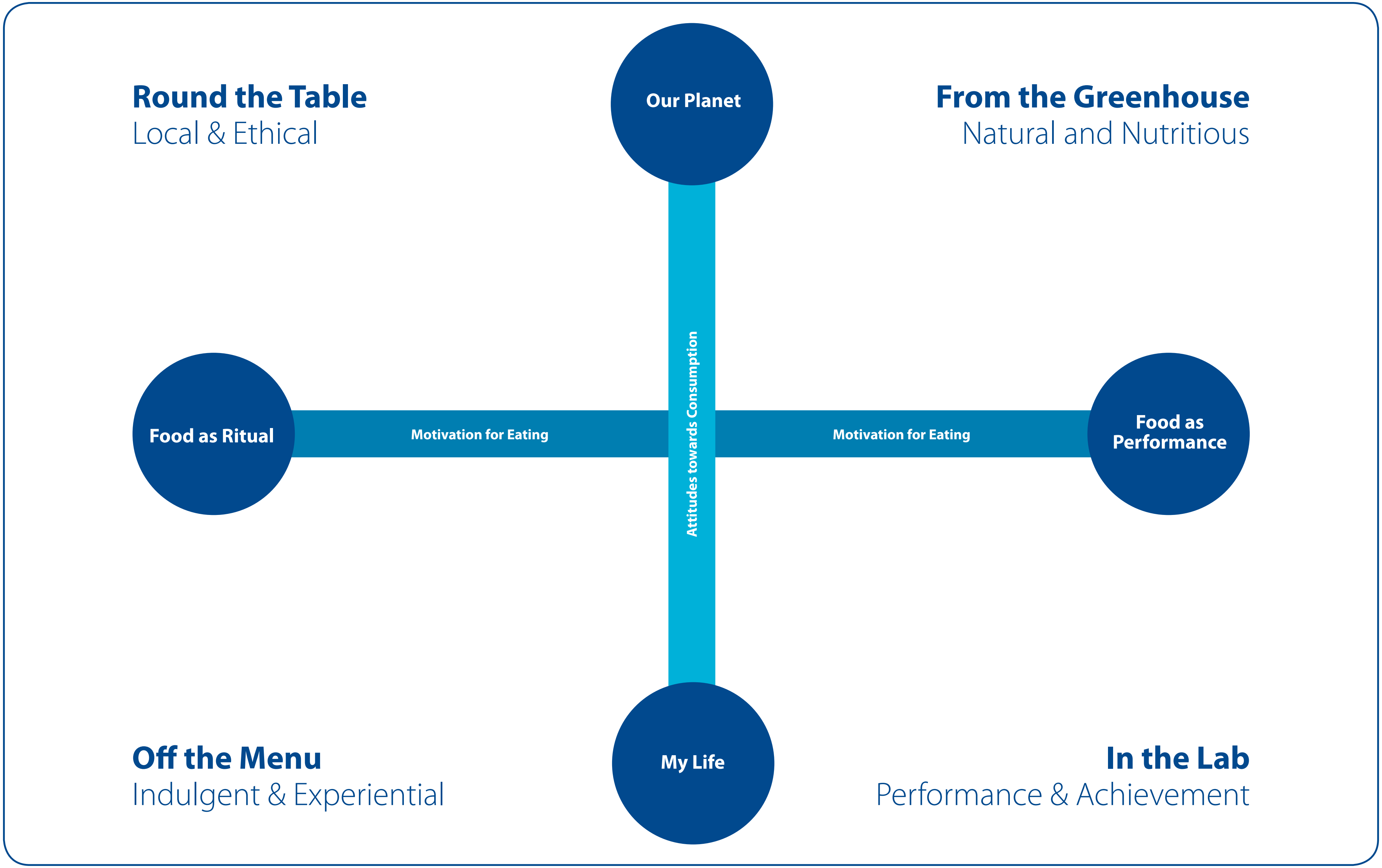
'Our Planet' refers to a growing consumer awareness of and concern about the impact of consumption on the environment. It might stem from tangible experiences of energy shortages or environmental shocks and leads consumers to change their consumption patterns and they push corporations and government to do more to address such issues.

'My Life' indicates a desire for continued consumption. Consumers experience ethics fatigue and are cynical and sceptical about 'green claims' and climate change. Legislation to significantly limit consumption and change behaviour is therefore imposed on consumers by government.

The two axes outlined above were then juxtaposed to create four possible scenarios or future worlds representing how the market could develop in 2020.

In considering these differing views of how the future might play out it should be emphasised that they are not designed to be mutually exclusive. Parts of each of the scenarios could

Figure E: Scenarios



Source: Bord Bia

play out at different times, or may represent modal behaviour by the same consumer over the course of a day. The scenarios are designed to be provocative and to make readers reconsider existing assumptions about the future. The 'real' future for the Irish domestic food and drink market in 2020 will probably lie in some combination of these wide ranging possibilities, depending both on decisions within industry's control and external forces and drivers outside industry's direct or indirect influence. Nevertheless, in order to develop a robust future strategy, it is important to consider the implications for the industry that stem from each of these divergent possible futures.

In accordance with best practice in the scenarios literature, we have given the scenarios names. This helps to embed the scenarios as a strategic tool within organisations and helps them to be quickly and easily referenced. In developing the names, we have sought to reflect that there are positive and negative aspects within each scenario which will play out in the future.

An initial set of draft scenarios were presented to participants at the second of the four workshops. The purpose of this workshop was to test and further develop the draft scenarios, in particular, examining possible inconsistencies in the narratives and identifying any missing elements, as well as identifying an initial sense of the challenges and opportunities for industry that emerge from each scenario. The scenarios were refined following this workshop.

In addition, a sense of the preferred and realistic future vision for the market began to formulate in the second and third workshops and was reflected upon and subsequently improved following the final workshop. These were then encapsulated in a series of strategic priorities for consideration in the future strategy, in order to achieve a preferred and desired future vision for the market in 2020.

Two sets of issues were initially identified (Figure F), to inform the development of the strategic priorities:

- **'Imperatives'** or **'must do's'** which would need to be addressed whatever industry would face in the future;
- Strategic **'Preferences'** or **'want to's'**, which represent critical areas of action required if industry is to move towards the desired future vision for the market.

Imperatives

A number of important issues, or challenges for industry are common to each of the scenarios. Any industry-wide strategic response must address these imperatives if it is to be robust against the wide range of futures that could emerge.

The Imperatives are identified as follows:

Understanding consumer trends

In order to differentiate, the industry needs to not only be aware of consumer trends but also to be proactive with this knowledge in terms of creating products that appeal to changing consumer demands and desires.

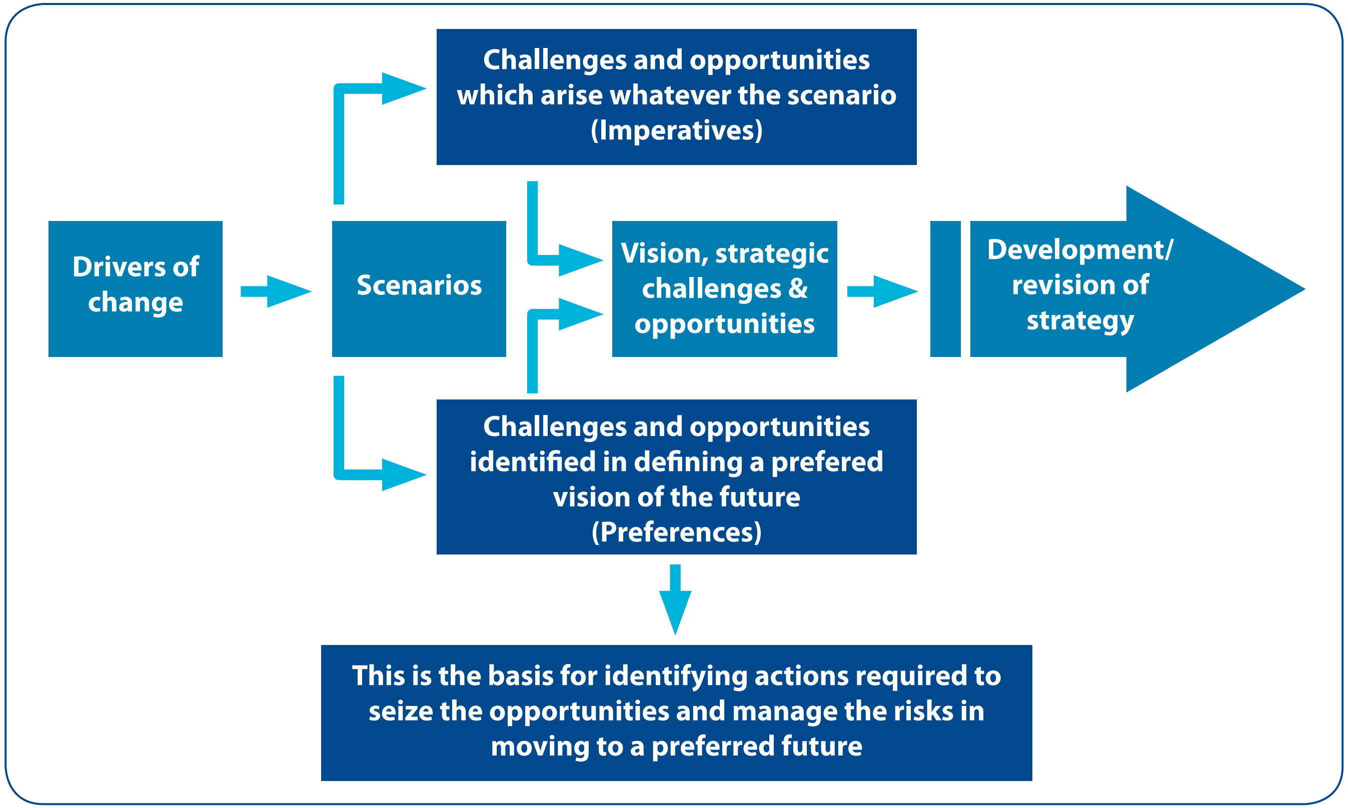
Developing more sustainable logistics and supply chains

As environmental responsibility moves up both the political and consumer agendas, tackling the overall energy footprint in the food and drink supply chain will become increasingly important. The industry needs to develop effective ways to reduce carbon and water usage, as well as reduce waste.

Increasing flexibility and creativity in food manufacturing and production

To achieve leading edge differentiation, there needs to be openness towards and investment in experimentation and innovation. Developing the necessary skills and talent to foster such creativity is also an important consideration. In addition, finding ways to work with increased regulation will require proactive planning, flexibility and creative thinking.

Figure F: Development of the strategic priorities



Source: HCHLV

Improving efficiency

Increased efficiency may centre around either establishing economies of scale in production (consolidation is likely), improving supply chain efficiencies, or – in the case of smaller manufacturers – developing niche opportunities.

Addressing transparency demands

An increased demand for businesses to be open and honest about their practices and production methods is likely to be driven by a combination of regulatory burdens, NGO/third party actions, and consumer pressure.

Developing retail solutions and channels

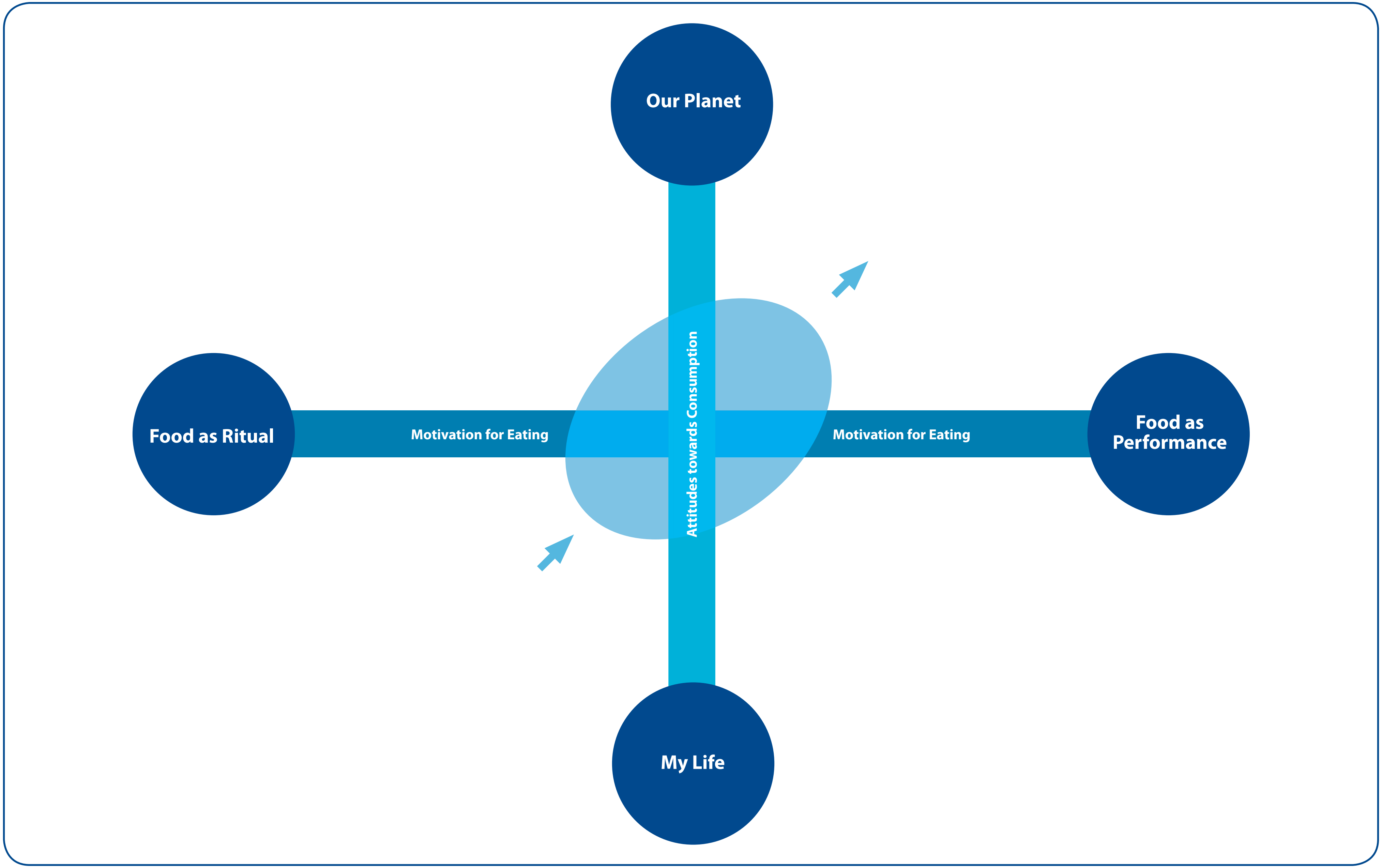
The balance of power in the supply chain is an ongoing challenge for industry. Similarly, we need to investing in new/appropriate channels to market to ensure we can compete going forward.

Developing the vision

The vision for the Irish domestic food and drink market in 2020 emerged from the workshop discussions. Participants were asked to consider the scenario axes as a boundary space or spectrum of future possibilities, and then identify their preferred vision for the domestic food and drink market within this space. The overall consensus for the preferred vision for the market in 2020 is shown by the blue overleaf, with the centre of gravity clearly reflecting a desire for a market which is led by 'our planet' attitudes to wider consumption on the vertical axis and an emphasis on food as performance on the horizontal axis. It is important to note that the vision incorporates aspect of all four scenarios and was the consensus resulting from transparent, open discussion over the course of two workshops with a diverse range of participants from industry and also externally.

The vision space was characterised by participants as reflecting the increasing emphasis on food and drink to enhance performance across all areas of life – for example to help individuals study more effectively, stay awake longer at work, manage their energy levels throughout the day, get thinner and become more beautiful and

Figure G: The emerging vision



Source: Bord Bia

younger looking. However, while this was felt to be the dominant direction of travel for the horizontal axis, it was agreed that Irish consumers will always value food as ritual and the importance of food and drink as 'social glue' that provides the opportunity to bind society and individual communities.

The (relatively) small-scale production of artisan Irish produce (for example cheeses) was felt vital to any vibrant vision for the market in 2020; an element of Round the Table therefore needed to be incorporated. Similarly, it was felt that consumers will continue to desire some food and drink for their inherent pleasure and taste – and increasingly the experience – which they provide. If the centre of gravity in From the Greenhouse reflects the aspiration, including the small element of Off the Menu in the vision reflects the reality that consumers will fall off the worthy-health bandwagon on occasion.

It was also felt strongly that a responsible industry view of where the market should be in 2020 would include helping consumers to make more informed choices which made them healthier as individuals and contributed to the wider sustainability of the environment. This indicated a slight, gradual shift away from Off the Menu towards From the Greenhouse over time (i.e. from bottom left to top right) although never reaching the extremes of the latter.

The full vision and the wider context for its development can be found in the earlier Chapter 'Vision 2020.'

Realising the preferred vision – identifying the Preferences

Having identified and articulated the preferred vision, participants identified a number of specific areas of focus for action which would be required if industry is to shape its preferred vision of the market.

These were in addition to the Imperatives or 'must do's' identified earlier – and were termed the Preferences or 'want to's'. These help us to identify what else, in addition to the imperatives, we need to do to reach our preferred vision for the future.

These Preferences were discussed and revised and were identified as follows:

Pro-active visionary leadership

Visionary leadership is critical for the overall growth and success of the industry. It will involve relationship building, regulatory pro-activeness, and initiating dialogue with a number of stakeholders and partners. The key challenge will be to establish credibility and trust with consumers.

Helping consumers to be healthier

Part of acting responsibly at a corporate level involves providing a wide range of affordable and attractive healthy food and drink options for consumers.

Considering possible partnerships and alliances, and increasing dialogue

Going forward, there may be a growing need for partnerships and alliances to meet evolving consumer needs and a growing regulatory burden. This may be within the sector, with consumer groups/NGOs or with other sectors such as retail, pharmaceuticals and foodservice providers.

Improving expertise and education

Corporations could act as trusted advisors for consumers on issues of nutrition and health through a number of avenues, ranging from closer involvement with schools, forming relationships with third parties and endorsers, and educational communications.

Foodservice innovation

To match standards across the rest of industry, innovation in foodservice must be a priority if we are to respond to the increasingly sophisticated needs of consumers.

Having identified the Imperatives and the Preferences, the next step for the team was to combine them into one set of strategic priorities that industry needs to act upon (whether together or at the individual company level).

Strategic priorities

Following workshop discussions and subsequent analysis, the Imperatives and Preferences identified above were combined into one set of strategic priorities which industry needs to address going forward.

It is important to emphasise that whether the priorities emerged primarily from the Imperatives or the Preferences, they have been identified through the workshops and analysis as critical elements of a successful strategy if industry is to shape the realisation of its preferred vision.

The strategic priorities are not designed or intended to incorporate every future action which industry (and/or other key players) will need to take going forward. The priorities outlined below are those that have been identified as requiring specific strategic action in order that the preferred vision can be achieved in the future.

The priorities are as follows:

- **Strong consumer connections**
- **Flexibility, creativity and innovation**
- **Visionary leadership**
- **Improving efficiency**
- **Effective routes to market**

The priorities are explored in further detail in the strategic priorities chapter of the report.

Details of the quantitative model:

1. Explanation of methodology

Our methodology comprised six stages.

Stage 1: What aspects of life are we trying to understand and assess under each scenario?

We wanted to understand and assess several aspects of life in each scenario.

First, we wanted to identify how consumer spending would change in each of these worlds; ranging from a great deal of home cooking and communal eating in Round the Table to virtually no kitchens in homes in Off the Menu. We included a category on **expenditure** which covers relative spend on eating out, entertainment and food in general.

Secondly, we wanted to understand how health and wellbeing would be affected by the varied diets in each world, for example the 'pill-popping' of In the Lab to emphasis on superfoods in From the Greenhouse. To illustrate this, we included a category on **health** which incorporated variables such as life expectancy and risk of heart disease.

Thirdly, we felt that **leisure time** would vary significantly across the scenarios as people's motivations for how they use their time differs and therefore included a category with variables such as time spent working, eating, cooking and in pubs or restaurants.

Stage 2: What data points can we use to represent these aspects of life currently?

We have used a variety of data sources to create a quantitative picture of today using sources such as the Central Statistics Office and the NCB Vision 2020 report. The data used was the latest available for each particular variable, meaning that the definition of 'current' spans several years.

Rather than being an econometric forecast, the model is intended to create an indicative representation of the aspects of life described above. The key output of the model is how these aspects will change under the scenarios from the picture painted by the 'current' state of affairs.

The specific metrics on health, expenditure and so on should be viewed as a means towards understanding broader changes in consumer behaviour and how this differs in each scenario.

Stage 3: What key influences or drivers are likely to be important between now and 2020?

Once we created our data series as outlined above, we identified key influences or drivers that would be likely to be important between now and 2020. The drivers varied depending on which category they referred to. The full list is as follows:

- Impact of increased regulatory burden
- Continued economic growth
- Household structure
- Environmental and ethical concern
- Stop-Go Lives (desire for convenience)
- Improved nutritional health
- Advances in technology
- Increasing cultural diversity
- Increasing individualism

In addition, where trended data was available we included it as a key indicator to predict future change.

We then identified how each driver would impact upon each variable between now and 2020. The system used was one of allocating from a scale plusses and minuses, where one plus means there will be a moderate increase and four minuses means there will be a significant decrease.

To illustrate this method, for the Spend on Eating Out variable, using the trended data available we predicted that this type of spend would grow strongly resulting in the allocation of a double '+' symbol (i.e. '++'). Continuing economic growth was also predicted to lead to strong growth for the Spend on Eating Out so it was also given a '++' symbol. Household Structures was predicted to offer moderate growth to the amount of money spent on eating out so was given '+' symbol. It was decided that Increasing Regulatory Burden, also identified as one of the key influences in the Expenditure category, would have a moderately negative effect on eating out spend so it was given one '-' symbol. Environmental and Ethical Concerns is expected to have a more negative effect on the Spend on Eating Out variable and therefore this was given a double minus symbol of '- -.'

Stage 4: What will the 'base' view of 2020 look like and how will it differ from the 'current' position?

After all the plus and minus scores were combined for each variable, totals were placed into a new 2020 'base' view column showing the level of change expected from the 'current' view to the

2020 view. For Spend on Eating Out the final total of plusses and minuses came to '++'. This demonstrates that Spend on Eating Out is expected to grow quite strongly between the 'current' view and the 2020 'base' view.

Stage 5: What will each scenario look like and how will it differ from the 'base' view of 2020?

Establishing the 2020 'base' view then allowed us to project how much each variable may change in the four different scenarios. Again we used the same system of plusses and minuses, this time taking the 2020 'base' view as our starting point and qualitatively calculating how this would differ in each scenario. Our calculations were informed by the full narratives of the scenarios, the qualitative dimensions and also four shorthand assumptions per scenario (details of these shorthand assumptions are outlined below).

Stage 6: What will the main vision look like and how will it differ from the 'base' view of 2020?

The vision is a weighted hybrid of all four scenarios. From the Greenhouse, the weighting applied was 70%, 10% was applied from Round the Table, 10% from Off the Menu and 10% from In the Lab.

2. The sources used for the categories of the quantitative model:

Expenditure:

- % Spent on eating out (out of total expenditure, preliminary results 2004/2005) Household Budget Survey
- % Spent on alcohol (out of total expenditure, preliminary results 2004/2005) Household Budget Survey
- % Spent on tobacco (out of total expenditure, preliminary results 2004/2005) Household Budget Survey
- % Spent on entertainment (out of total expenditure, preliminary results 2004/2005) Household Budget Survey
- % Spent on hotels & expenditure abroad (out of total expenditure, preliminary results 2004/2005) Household Budget Survey
- % Spent on food (out of total expenditure, preliminary results 2004/2005) Household Budget Survey

Health

- Life expectancy at birth (2001-2003; latest available census data at time of going to press) CSO
- Age standardised death rate from Heart Disease per 100,000 (2005) WHO Regional Office for Europe
- Age standardised death rate from Stroke per 100,000 (2005) WHO Regional Office for Europe

Leisure Time

- Time spent cooking – weekday (mins per day) (2005) Irish National Time Use Survey 2005
- Time spent cooking – weekend (mins per day) (2005) Irish National Time Use Survey 2005
- Time spent eating – weekday (mins per day) (2005) Irish National Time Use Survey 2005
- Time spent eating – weekend (mins per day) (2005) Irish National Time Use Survey 2005
- Time spent in pubs & restaurants – Weekday (mins per day) (2005) Irish National Time Use Survey 2005
- Time spent in pubs & restaurants – Weekend (mins per day) (2005) Irish National Time Use Survey 2005
- Time spent in employment – weekday (mins per day) (2005) Irish National Time Use Survey 2005
- Time spent in employment – weekend (mins per day) (2005) Irish National Time Use Survey 2005

Demographics

- Average household size (number of people) (2006)
- CSO Marriage rate per 1,000 (2001) CSO
- Net Migration – Number of people (2006) CSO

3. List of the general assumptions used for each scenario:

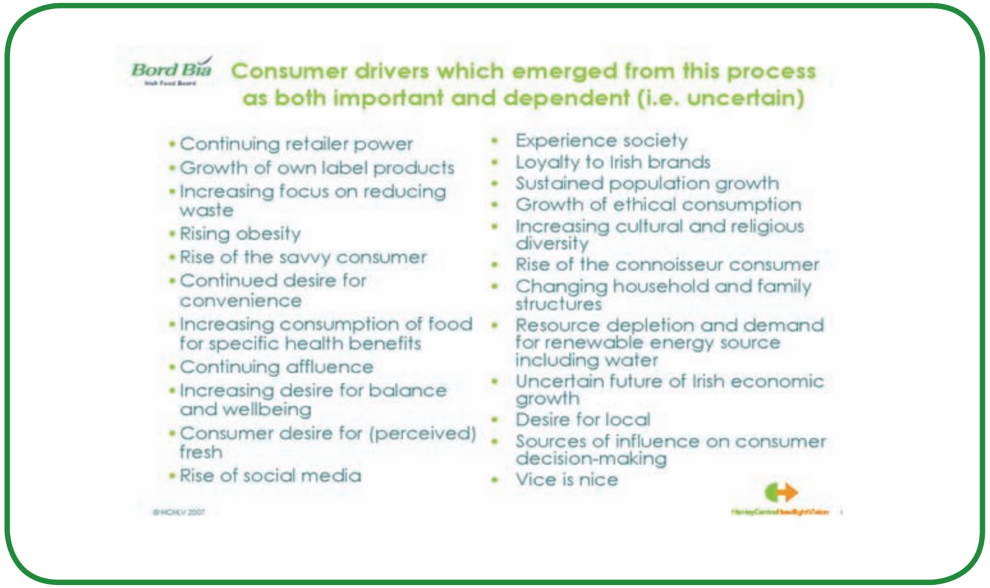
Assumptions used for Round the Table:
- Emphasis on community life
- Emphasis on our planet and the environment
- Short, local supply chains
- Food as a ritual

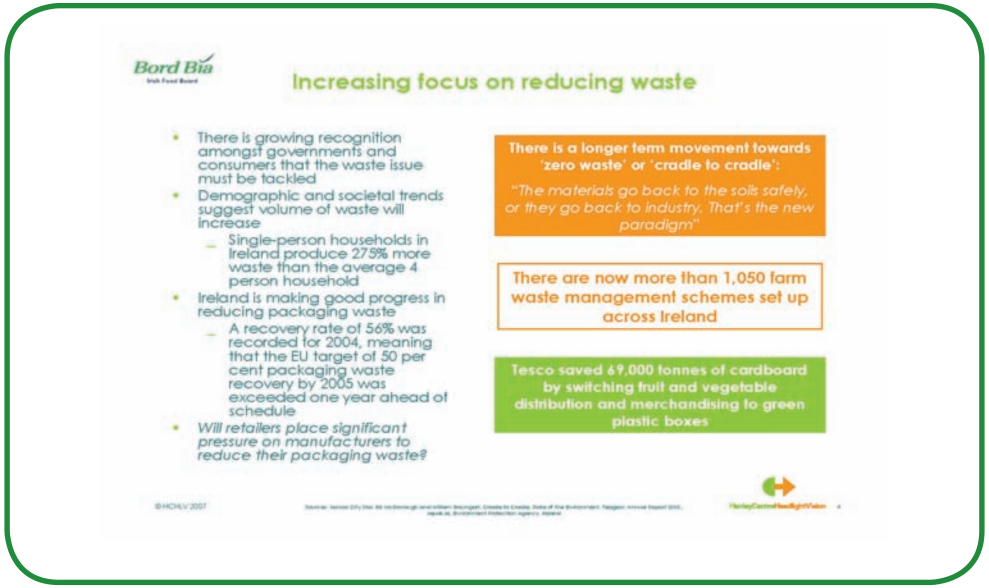
Assumptions used for From the Greenhouse:
- Emphasis on the individual
- Emphasis on our planet and the environment
- Short, local supply chains
- Food as a functional tool

Assumptions used for Off the Menu
- Select social circle rather than community
- Focus on living 'my life' rather than thinking about the planet
- Eating for indulgence
- Food as a ritual

Assumptions used for In the Lab
- Emphasis on the individual
- Focus on living 'my life' rather than thinking about the planet
- Food and pharmaceutical are interchangeable
- Eating is for performance

Appendix 2 – Prioritised drivers in full





Rising obesity

- Obesity is one of the fastest growing health problems both worldwide and in Ireland
  - Ireland has the fourth highest prevalence of overweight and obese men in the EU and the seventh highest prevalence among women
  - Obesity now accounts for at least 2,500 deaths in Ireland, each year
- Obesity is directly associated with a number of serious diseases including diabetes, heart disease, many forms of cancer and high blood pressure
- Obesity is set to continue to be a major issue going forward
- *There is likely to be increasing demand for functional food and drink options with specific weight loss properties*

In Ireland, 13% of people are obese and 34% overweight

The World Health Organisation projects that by 2015, approximately 2.3 billion adults will be overweight and more than 700 million will be obese

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Rise of the savvy consumer

- Consumers are increasingly savvy about finding a bargain
- Consumers in wealthy countries are just as likely as those in developing countries to look for the cheapest deals
  - The same consumer buying a mix of both Tesco Value and Tesco Finest
  - Irish consumers have quickly integrated Aldi and Lidl into their regular shopping habits;
- 'Value' clothes from stores such as Matalan and Tesco are now worth £7.8bn a year, about a quarter of the fashion market
- *How can Irish food and drink manufacturers maintain their margins whilst simultaneously satisfying the increasingly bargain-aware consumer? What impact will the discounters have going forward?*

42% of consumers across Europe say that they look for the lowest possible price when shopping
(Source: HenleyWorld 2006)

"The march of the discounters in recent years has certainly shaken up the market; they can match the main retailers for quality in many lines."
(Project interview)

"The quality is good and the prices are excellent [at the discounters]; it's only the range that is limited. Soon they'll crack that too."
(Project interview)

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Continued desire for convenience

- The rise of the 24/7 culture in which nothing ever shuts (clubs, bars, shops, internet are available all day and all night) combined with consumers' ever busier lives means convenience is more important than ever
  - 43% of Europeans believe they have less time than they need
- As consumers have the expectation that they should be able to deal with companies and services on their own terms, whenever, wherever, they demand greater flexibility and greater convenience from all organisations and service providers
- *How can the Irish food and drink market best help consumers find high quality and convenient solutions for their busy lives? Is the innovation pipeline in the convenience sector strong enough?*

"Convenience is the big, big trend we've seen in recent years, and we will see the same but more so in the future."
(Project interview)

"Convenience is moving on: now consumers expect high quality products they can consume on the go. We are running to keep up in terms of innovation."
(Project interview)

"What we're supplying to food service channels is changing - more pre-cooked, prepared items as consumers don't want the chore of cooking from raw."
(Project interview)

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Increasing consumption of food for specific health benefits

- Many consumers are increasingly viewing food & beverages as a source of health: 'food as medicine'
- Food and beverages are increasingly able to enhance physical or psychological performance
- For some consumers, the perceived route to better health is through increasing the vitamins & minerals in their diets via supplements
- Others prefer to focus their intake on foods which naturally contain vitamins & minerals e.g. 'superfoods' such as blueberries
- *Are food and drink manufacturers spending enough to research and develop foods which provide specific health benefits? Is there an opportunity to focus on specific groups e.g. diabetics? Those with allergies?*

In Ireland, researchers are looking into producing meat with health-enhancing properties. Through supplementing pig diets, new pork products are being developed with high CLA (a healthy fatty acid) properties. High CLA cheeses are also being tested.

In China, consumption of vitamins has risen by 17.9% per annum over the last ten years, and is expected to continue at almost the same rate for the net five years
Asia Market Information & Development Co (AMID)

"I imagine in the future 'liquid nutrition' will grow…beverages as food fit the convenience lifestyle and allow consumers to get nutritional benefits quickly and easily."
(Project interview)

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Bord Bia
Irish Food Board

Continuing affluence

- The average consumer across Europe has more cash at their disposal than ever before
- Income growth in the Irish economy has been rapid in the past ten years
- The story is similar across the developed world:
  - The average household savings ratio in Europe has fallen from 15% of disposable income in the 1980s to 10% in 2003, while in the US it plunged from 12% to less than 2%
- *Will this pattern of spending prevail despite growing uncertainty about the continued growth of the Irish economy? Can we expect more consumer spending on premium food and drink products?*

In Ireland, disposable income increased by 53% from 1995-2000 and it is projected to increase at an annual growth rate of 6% to 2020

Following the economic boom in the 1990s, Ireland now has the fourth highest gross domestic product per head in the world at $36,790

©HCHLV 2007 Source: OECD, The Guardian 2004 , NCB Vision 2020 HenleyCentreHeadlightVision

Bord Bia
Irish Food Board

Increasing desire for balance and wellbeing

- With their basic needs met, many consumers are increasingly focused on finding balance in their lives, placing more importance on physical and mental wellbeing over material goods
- Retailers are promoting health initiatives and aim to show that they are acting responsibility
- In a health and obesity conscious world, wellbeing is increasingly seen as being interlinked with food and eating
  - The Slow Food Movement is an example of the renewed importance placed by some on mealtimes and the holistic importance of eating
- *Is the Irish market equipped for further innovation in health and also wellbeing?*

"I think the health focus is driven largely by the retailers, rather than consumers; they see it as a way to differentiate. That doesn't make it any less real though..."
(Project interview)

Across Europe 50% of all people agree with the statement 'I have all the material things that I need in life'
(Source: HenleyWorld 2006)

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Consumer desire for (perceived) fresh

- The quest for fresh food has gathered momentum in recent years
  - European consumers have historically considered fresh food better than frozen or canned
  - Increasing government, media & celebrity chef attention on fresh food e.g. Food Dudes Programme in schools is significantly impacting consumer opinion & consequently behaviour
- Growing consumer desire for fresh products has significant implications for manufacturer & supermarket distribution systems as well as supply chain efficiency
- *Can the domestic food and drink market further evolve its processes and systems to tap into the desire for fresh? Does Central Distribution help or hinder the desire for fresh?*

European frozen-food sales declined by 4.5 percent in 2005
KPMG Consumer Market Focus

"With the papers saying they're killing their kids with processed food, mothers don't want brands taking this issue less seriously than they are. We needed to speak straight to them and that meant a step change"
Birdseye's advertising agency on the company's recent change of direction

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Rise of social media

- Social media sites are among some of the fastest growing websites on the internet
  - Key players include Flickr (photos), YouTube (video), MySpace (social networking and music) and Facebook (social networking)
- Blogging has also grown rapidly in the past few years
- Consumers are increasingly using social media to express their points of view on brands, products and services
  - word of mouth is becoming increasingly important
- *How can Irish brands use social media and reach increasingly savvy consumers? How can, or indeed should, brands control what is being said about them by consumers online?*

It is estimated that a new blog is created every 3 seconds

88% of European internet users have read online newgroups, bulletin boards or forums about health...

...However, only 7% contribute to these sites – with those in the 16-35 age group most likely to do so

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Experience society

- Consumers are increasingly choosing to spend more on 'experiences' rather than material goods
- People are starting to see more value in trying out new activities which are seen are more life enhancing and interesting than simply buying more material products
- More experiential factors such as the quality of the space you live in or the job you do may become increasingly important
- *What part does food play in a more experientially-focused society? Can we provide more of an experience for consumers when they choose our products?*

After necessary bills and expenses, Irish adults have nearly €8.8 billion to spend on themselves. Leisure pursuits account for about 75% of this income, with about €2300 per capita per annum spent on home sports, entertainment and leisure activities

"Consumers are often fully aware that they are more interested in consuming *aura than objects*, sizzle than steak, meaning than material."

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Loyalty to Irish brands

- Irish consumers have a history of remaining loyal to Irish brands
- This loyalty has been driven by a large extent by the high quality of Irish produce
  - Patriotism is also a factor as consumers look to support their own communities and the overall economic growth of the country
- Rise of own label, the potentially different taste preferences of new migrants and the high costs of production in Ireland all suggest that loyalty may decline in the future
- *How will Irish brands be able to retain customer loyalty for their products?*

"Buying Irish is important to consumers; they know they are getting high quality, traceable food. I can't see that situation changing in the next few years."
(Project interview)

"It's only a matter of time before the retailers chance their arm and stock non-Irish alongside Irish….this would be the beginning of the end…once the protest dies down, we would be left to pick up the pieces."
(Project interview)

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Sustained population growth

- The current and prospective growth rates of the Irish population outstrip those elsewhere in the EU with Ireland's population set to rise until 2020
- Although fertility rates have halved since the 1960s, the Irish population is expected to keep growing, as a result of a both natural increase and in-migration
  - In 1965, the fertility rate was just over 4, compared to 2 in 2004
- *The growing population presents an increasing domestic customer base for Irish producers and brands; does the sustained population growth help to combat the small overall size of the Irish market for food and drink manufacturers?*

EU population growth rate is predicted to slow to zero within the next 10 years, and the population begin to decline after 2015

However, by 2020, the Irish population is forecast to reach 5.3 million, representing a 25% increase on the 2005 total population size

The Irish labour force is also forecast to increase by 2.2% per year until 2015, although growth is then predicted to slow considerably from 2015-2020 to under 1%

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Source: CSO, NCB 2020 vision

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Growth of ethical consumption

- Ethical consumption is moving from the niche to the mainstream
- Growing numbers of consumers worldwide believe that they should be doing more to protect the environment
- Ethical shopping habits such as buying Fair Trade goods are becoming increasingly popular
  - Sales in Oxfam Ireland Fair Trade shops topped €1million/£700,000 - representing growth of over 50% in the last five years
- Another issue consumers are increasingly aware of is 'food miles' – the distance our produce travels before reaching the supermarket shelves – and the impact they are having on the environment
- *Are Irish manufacturers well placed to provide consumers with ethically sourced products?*

"Just look at the recent success of the Green Party; that's a sign that environmental issues are moving centre stage."
(Project interview)

"Eco-living has been on quite a journey, rising from a knit-your-own-tofu-hat weirdness to a svelte, gorgeous, Julia Robertsy thing in lovely green taffeta."

Lucy Siegle, New Statesman, 1 May 2006

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Source: Oxfam, HenleyWorld 2006, Co-op ethical consumption report 2004

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Increasing cultural and religious diversity

- An increase in inward migration has meant that Ireland is now home to an increasing variety of ethnic and religious groups
  - An estimated 175,000 foreign nationals live in Ireland today
- The 5 main regions of origin for non-Irish nationals living in Ireland are the UK and other EU countries (3.4% of population), Asia (0.5%), African (0.5%), non-EU European countries (0.5%) and the United States (0.3%)
- Traditionally Ireland has been predominantly Christian (Catholic) with a small Jewish minority, but the number of Muslims, Hindus and Sikhs is increasing
- Currently, most immigrants in Ireland are skilled workers; 65% in the upper ranges of skills spectrum
- *What impact will increased diversity have on food and drink consumption in Ireland?*

Travellers remain the largest minority ethnic group in Ireland comprising around 24,000 people or 0.6% of the total population

The number of Muslims in Ireland quadrupled from 1991 to 2002, to 19000

The ethnic minority population in Ireland is over-represented in the 30-39 years old age cohort

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Rise of the connoisseur consumer

- With rising affluence and exposure to 'have it all' lifestyles, consumers are seeking out more premium products and brand experiences
- Consumers look to make more informed and selective choices by developing their knowledge and expertise – we are now all connoisseurs in one product category or another
- Connoisseurs invest time to gain knowledge which they value
- Connoisseurship is no longer about what you buy or collect, as much as how you consume or collect it
- *Can Irish manufacturers do more to promote their premium brands, both domestically and abroad? How can we help to educate consumers about the quality of Irish brands?*

Irish Native Oysters fresh daily from Galway Bay

Nature's meadow

© HCHLV 2007

Changing household and family structures

- The traditional nuclear family household set-up is no longer the norm across the EU
- The average household size across the EU has been steadily declining for the past few decades
  - Ireland's average household size of 2.94 remains higher than EU average of 2.5 but is smaller than average Irish household size of 3.22 in 1996
- The number of single-person households in Ireland has grown by 34% since 1991, comprising 22% of all households
  - This proportion is predicted to grow to at least 40% by 2010
- Women are delaying childbirth and having fewer children; the average age of giving birth was 31 years in 2000, compared to 29 in 1980
- *How are changing family structures impacting eating and shopping habits? Will traditional meal times disappear or will we see a renaissance? Can we expect further demand for smaller pack sizes?*

The average household size in Ireland has declined from 4 persons in 1971 to, 3.34 persons in 1991, to 2.81 in 2006
(Source: Census)

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Resource depletion and demand for renewable energy sources including water

- Global depletion of oil & gas is now approaching crisis point according to some experts
  - China is predicted to have an oil demand close to that of the US by 2020, it already uses 7.6 million barrels a day
  - In Ireland, there is increasing interest in growing biofuels as an alternative energy resource
  - It is estimated that for every 1% of farmed land devoted to bio-fuel production, approximately 1% of the national energy requirement could be fulfilled
- Consumers are becoming increasingly aware of how their behaviour can impact availability of natural resources & the world around them
- *Will we see increasing amounts of agricultural land set aside for energy production? How will manufacturers cope with further rises in energy prices?*

Global oil demand continues to grow faster than supply. Crude oil prices were three times higher in 2006 than they were three years earlier.

"I estimate that energy costs are 35-40% higher in our Irish factories than in our UK-based ones. It's a very significant input cost."
(Project interview)

"If production of corn, wheat, soya and maize in Brazil, North America and even parts of Europe is for biofuel and not for the animal production chain in the future, we could see meat prices rise sharply and feed costs could double. This will put a huge squeeze on us all."
(Project interview)

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Uncertain future of Irish economic growth

- Following the rapid growth of the Celtic Tiger economy in the 1990s, the Irish economy has continued to grow, albeit at a more steady rate
  - House prices have risen by almost 30% nationally since 2004
- Forecasts suggest the economy will continue to grow but at slower rate of about 2% per year to 2015
- However, a number of factors are causes for concern, particularly slower than expected GDP growth, job losses from Dell
- A recent OECD report stated that the Irish housing boom is over & inflation is set to rise
- *Suppliers are under great pressure even now, in a buoyant economy; how will they fare if growth slows, and consumers are more price sensitive with less focus on value?*

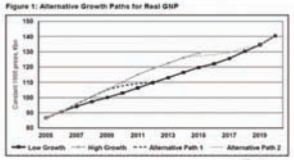
"Like a clockwork mouse that was fully wound up in the late 1990s, the Irish economy is gradually running down."

(Source: ESRI Medium-Term Review)

The number of people made redundant so far in 2007 is 10,725 – more than 8% above the level at the end of May 2006.

(Source: Dept of Enterprise, Trade & Employment)

Figure 1: Alternative Growth Paths for Real GNP



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Desire for local

- There is an increasing desire to access services near to where they live and to buy products which have local provenance
  - Part of this is environmental (an increasing awareness of 'food miles')
  - It is also to do with supporting the local economy and is linked with a distrust of large global corporations and homogeneity
- The rising popularity of farmers markets is a manifestation of this driver
  - From just a handful of markets several years ago, there are now 126 farmers markets in Ireland
- *The increasing desire for local may offer new opportunities for smaller businesses to capitalise on their smaller scale production lines*

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Sources of influence on consumer decision-making

- As consumers become increasingly savvy about what they buy and consumer, they are turning to new sources in order to make their decisions
- Word of Mouth will continue to be a very powerful tool going forward
- In addition to this people are likely to seek professional guidance from nutrition experts
- *How can Irish food and drink companies position themselves as experts in nutrition and help inform consumers as they make decision?*

93% of consumers agree that when they find a company or service they like, they recommend it to others

Planning for Consumer Change 2007

© HCHLV 2007

Vice is nice

- Although government, consumers and food companies are concerned about rising obesity and unhealthy lifestyles, there is also evidence of a counter-trend towards indulgence
  - Unhealthy treats considered to lead to emotional wellbeing
- Modal consumption is also increasingly common, where the same consumer has a credit-debit approach to healthy eating
  - e.g. when someone drinks heavily on a night out but balances this with regular detoxes and exercises
- *Food and drink companies need to balance their responsible approach to public health with an understanding that consumers do not want to live wholesome life all the time*

20 minutes of 'me-time' a day, US

Website www.selfindulgence.biz encourages consumers to spend just 20 minutes a day focusing purely on themselves. The site offers products and educational tools to help consumers make the most of their 'me time' and encourages individuals to share their tips, stories and advice.

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Supply side drivers which emerged from this process as both important and dependent (i.e. uncertain)

- Need for accelerated R&D and innovation
- Impact of competition from abroad
- Increasing pressure for further trade liberalisation
- Rising cost of doing business
- Increasing regulatory burden
- Consolidation of manufacturing industry - need for greater efficiency

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Need for accelerated R&D and innovation

- Innovation cycles in manufacturing continue to intensify, driven by:
  - Increasing competition
  - Increased levels of R&D spending
  - Technological & scientific advances
- The large international retailers are increasingly placing an innovation 'burden' on manufacturers
  - Particularly in the convenience sector
- In agriculture, there is a constant demand to improve productivity through innovation
- *How can manufacturers increase their rate of innovation? How can Irish producers differentiate in their NPD, in order to add value for consumers?*

The Irish government is keen to promote innovation and recently announced a £1.5m programme to develop industry-led innovation networks

"Irish manufacturers are very good at fast, copy cat innovation, but where is the differentiation? It's desperately needed in the industry."
(Project interview)

"The existing product lines have to be profitable to fund innovation streams that retailers are constantly demanding in the convenience sector. That's a challenge, especially for SMEs."
(Project interview)

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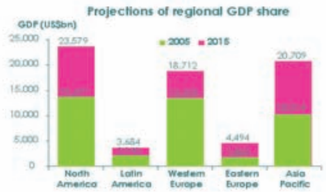
Impact of competition from abroad

- Countries such as China, India, Brazil and Russia will have increasing power and influence in the global economy
- Argentinean beef is produced at much lower cost than Irish beef
- The challenge for developed countries such as Ireland is how to compete with the low labour and operating costs offered by the BRIC countries
- The BRIC economies are home to an increasing number of skilled graduates, meaning that there is a growing market for the outsourcing of more complex skills such as computing, accountancy and legal work
- Production costs continue to be lower outside Ireland, increasing the pressure on margins, and making it harder for manufacturers to continue sourcing domestically
- *How can Irish manufacturers best compete on the global stage?*



"It is only by having an international export business that Irish companies will survive. This will allow them to develop the economies of scale which will fund innovation and enable them to compete against the global competition."
(Project interview)

Consumption in China rose by 15% last year and is forecast to jump by an additional 9% this year

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Increasing pressure for further trade liberalisation

- There is increasing pressure for further trade liberalisation from a combination of organisations including the WTO and developing countries
- Increased liberalisation through WTO reforms could lead to reductions in agricultural supports and subsidies, and greater competition from imports
- The main beneficiaries of WTO reforms would be large scale corporations operating in low-cost environments such as Brazil, India and China
- *How will Irish manufacturers be impacted by further trade liberalisation? Are they efficient enough to survive?*

WORLD TRADE ORGANIZATION

It is projected that with WTO reform, the total value of agricultural output produced in Ireland by 2015 would be 8% lower than it would be otherwise

"There's a big ripple effect from globalisation…it washes up in the Irish market and there are further ripples ahead for sure."
(Project interview)

"We have to expect changes at the international level in the future…and I'm not sure that Irish manufacturers are as prepared as they should be. It could hit some very hard."
(Project interview)

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Bord Bia
Irish Food Board
Rising cost of doing business
The various costs associated with doing business from raw materials and energy, to labour costs are increasing
Raw material price increases can have unexpected but powerful outcomes, e.g. rise in price of plastics from rise in oil price
Transportation costs are a particular burden for manufacturers and retailers
Supermarkets spend an average 30% of price getting products to the shelf
The cost of fuel is a particular issue for Irish businesses
In addition, legislation dictates that wages in Ireland must rise each year, adding another cost burden on businesses
Will continuing price rises encourage consumers to adapt their purchasing and consumption habits?
"The relentless increases in business and regulatory costs in the Irish economy coupled with the broadly deflationary consumer food market in Ireland and the E.U. means that manufacturers margins are being eroded and this is leading to products and services being sourced from lower cost locations."
(Source: IBEC)
Petrol prices have been rising in Ireland since the start of 2007. The monthly petrol cost jumped from 155 euros in January 2007, to 173.85 euros in May 2007
(Source: The AA)
"It's a very tough business environment, especially for SMEs, the barriers to breakthrough and the costs of compliance are serious obstacles."
(Project interview)
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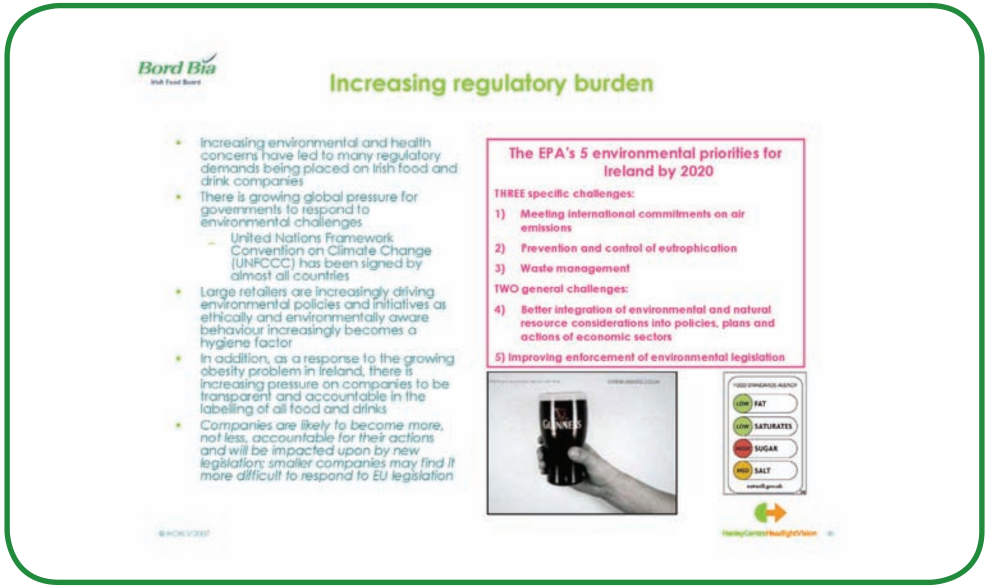
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Increasing regulatory burden
Increasing environmental and health concerns have led to many regulatory demands being placed on Irish food and drink companies
There is growing global pressure for governments to respond to environmental challenges
United Nations Framework Convention on Climate Change (UNFCCC) has been signed by almost all countries
Large retailers are increasingly driving environmental policies and initiatives as ethically and environmentally aware behaviour increasingly becomes a hygiene factor
In addition, as a response to the growing obesity problem in Ireland, there is increasing pressure on companies to be transparent and accountable in the labelling of all food and drinks
Companies are likely to become more, not less, accountable for their actions and will be impacted upon by new legislation; smaller companies may find it more difficult to respond to EU legislation
The EPA's 5 environmental priorities for Ireland by 2020
THREE specific challenges:
1) Meeting international commitments on air emissions
2) Prevention and control of eutrophication
3) Waste management
TWO general challenges:
4) Better integration of environmental and natural resource considerations into policies, plans and actions of economic sectors
5) Improving enforcement of environmental legislation
LOW FAT
LOW SATURATES
SUGAR
SALT


Bord Bia
Irish Food Board
Consolidation of manufacturing industry - need for greater efficiency
As the costs of doing business rise and as the need for greater efficiency continues, further consolidation in the manufacturing industry is seems increasingly likely
As companies, retailers and consumers operate globally and across channels, desire to maximise efficiency across markets also grows
Advances in process, science & technology have enabled supply chains to become more streamlined and efficient
How can manufacturers improve their efficiency? Is further consolidation in production and manufacturing inevitable going forward?
"We are under continuing pressure from the retailers to make efficiency savings. The supply chain is the obvious place for them to put the squeeze on."
(Project interview)
"The abattoirs and the processing plants in Ireland aren't at full capacity and we're bound to see further consolidation in the years ahead; it's the only way the industry here will stay competitive."
(Project interview)
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Appendix 3 – About Henley Centre HeadlightVision

Henley Centre HeadlightVision's (HCHLV) core capabilities lie in understanding consumer and social change, and analysing and applying this knowledge to help its clients' strategic planning. The organisation employs around 50 client-facing consultants; it is part of WPP group, one of the largest marketing communication companies in the world.

Since 1974 HCHLV has researched and analysed all aspects of people's lives spanning macro social, economic, political and technological drivers through to micro level attitudes and behaviours. This gives them an unparalleled understanding of today and a unique ability to anticipate future change in society. Each year HCHLV invests close to €1.5m in time and money in understanding consumers via a continuous programme of proprietary research across the world.

It is this understanding which enables HCHLV to 'bring the outside in' to its clients, allowing them to help clients test their own detailed knowledge of their sectors, and sometimes their received wisdom, against learnings from other sectors. HCHLV uses a range of tools to achieve this, from scenario development to segmentation to econometric modelling and qualitative research. Its clients include blue chip organisations across the public and private sector.

HCHLV is acknowledged as one of the leaders in running scenarios projects and have assisted a wide range of public and private sector clients with scenarios and futures. In 2001, they produced a report "Understanding Best Practice in Strategic Futures Work" for the Performance and Innovation Unit in the UK Government Cabinet Office. This guide is now part of the Prime Minister's Strategy Unit's Strategy Survival Guide for the public sector. Private sector clients in this area include Unilever, Nestlé, PepsiCo and a global telecommunications provider.

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Project Participants

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Farmgate Restaurant Cork
First Ireland Spirits Co Ltd.
Glenisk
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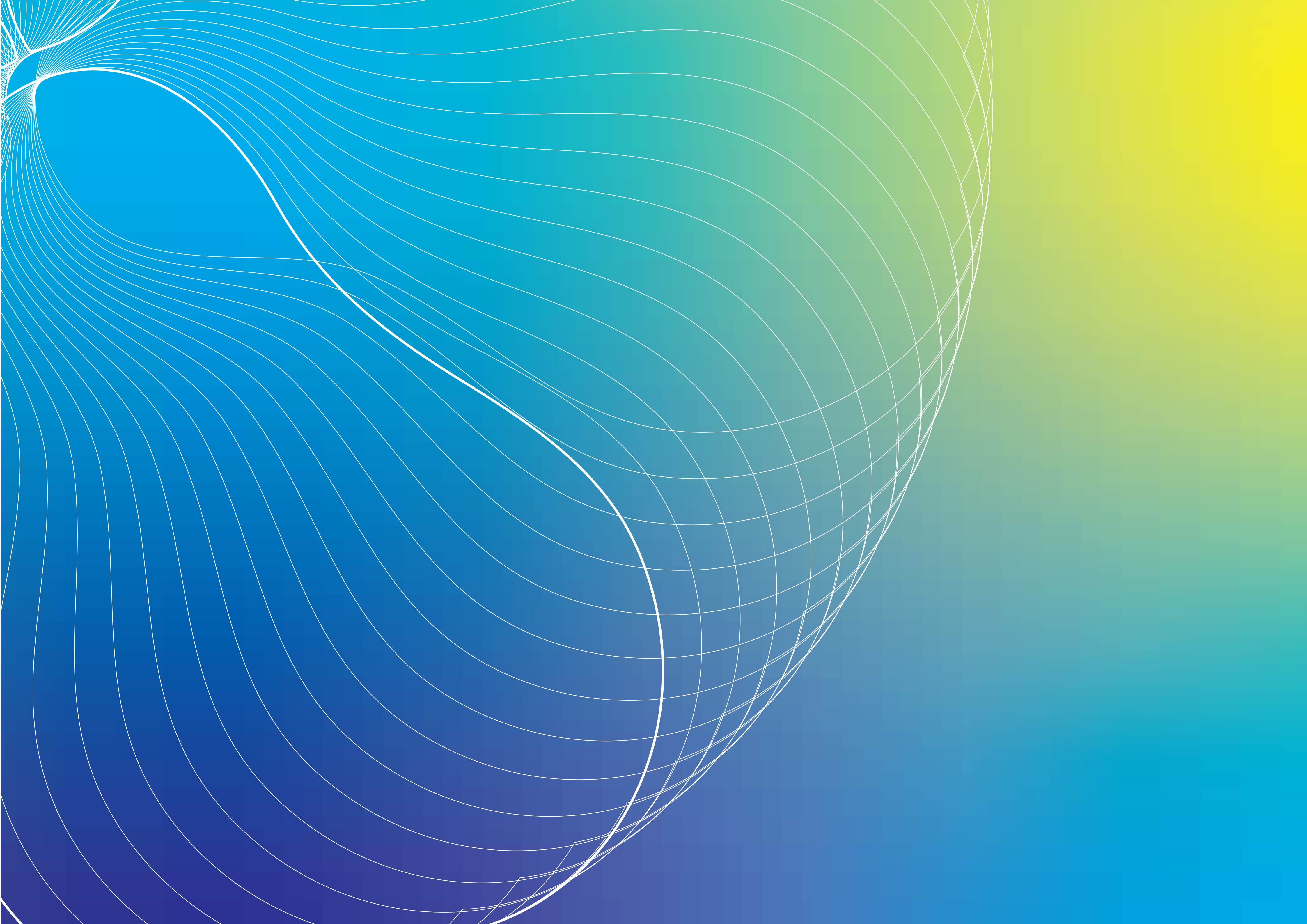

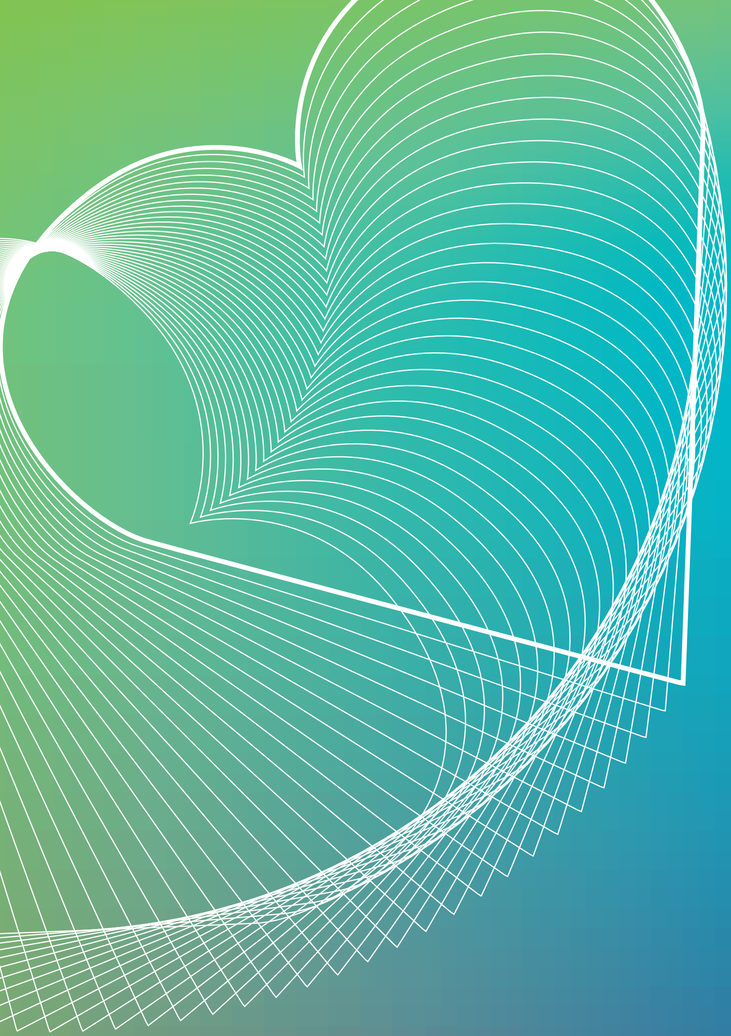

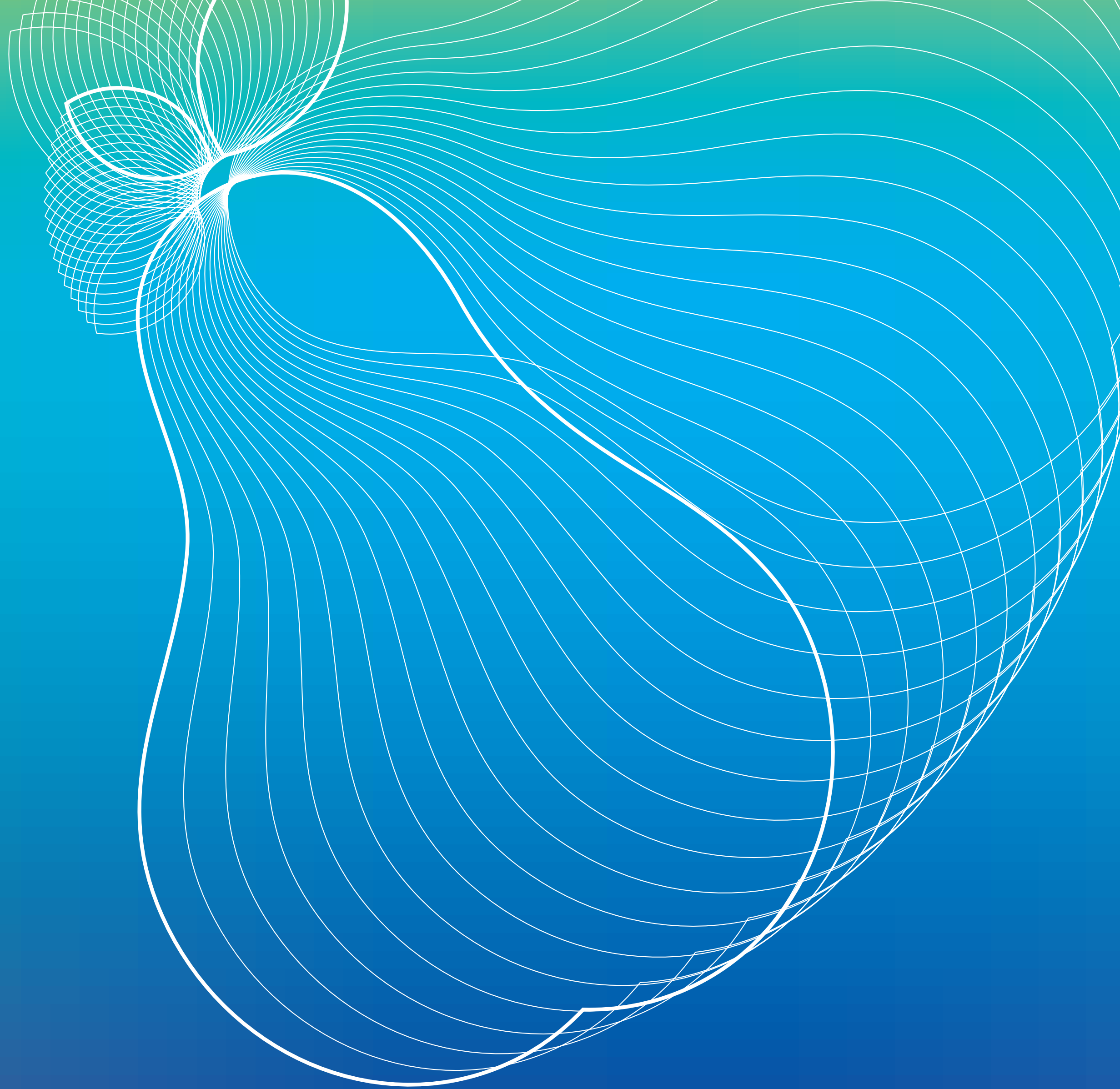

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