



Go big by going small

How food and beverage
companies can succeed
in the microvertical space

Follow the shopping carts

You can see it happening in supermarket aisles. Shoppers are moving their carts away from the big food brands and toward niche brands and specialized, fresher products.¹ You can see it in the financials as well. The top US food and beverage companies have lost about \$18 billion in market share since 2009, reports Fortune.²

In this period of change, companies are differentiating themselves by focusing on specific niche, microvertical markets. By going niche, they can offer consumers unique products that appeal to highly specific consumer demand. But, developing a microvertical or niche business means taking on a range of new challenges. You must learn new skills, develop new and unique products, and rely on smaller production runs to produce higher margins.

You can only go big by going small.



Sales of organic products,

once a niche market, exploded in 2014 with consumer spending up 72% since 2008.³

Find your place on the shelves

From dairy, to baked goods, to meat and poultry, to soft drinks and beer, to confections, and more, once you've created a dominant place in your industry, where else can you go? The answer is to go deeper into your market to find new opportunities.

This move must be done carefully. Look at the beer industry. Today, craft brewing has gained a dominant position in the industry, gaining 11% of the market share in 2014.⁴ The big brewers have taken notice of this and have moved into the craft beer market—largely by acquisition. This way, the larger brewers can keep doing what they are already doing with their big brands, while also taking advantage of the smaller craft beer market. But, it means using different processes to hold onto and preserve what the craft brewer was doing.

For craft beers, the winning ingredients are simplicity and authenticity. Authenticity, however, goes deeper than product marketing. It's about how ingredients are sourced, what ingredients are used, the look of packaging, and more. Of course, this applies to all segments in the food and beverage industry, but in the niche markets where the volumes are smaller, brands live or die by their authenticity.

Having the right processes in place can help you speed up your path to success as a microvertical, while proving your authenticity.

In order to act on microvertical opportunities, you must:

- Use analytics to find your niche.
- Be ready for regulatory scrutiny.
- Balance supply and capacity.
- Spot new opportunities quickly.



Consumers are more ingredient-focused than ever.⁵

The right sourcing partnerships can help speed up a new product line or new market launch.

Carve out your place at the table

When developing niche products, your customers can provide a massive pool of knowledge

In developing your microvertical business, you not only have to understand how your new product fits into the established marketplace, but also how you can get your customers excited.

Social media, online promotions and coupons, and loyalty programs, are just some of the approaches you can use to understand more about what consumers want. With this data, your food and beverage company can get access to a real-time view into purchases, preferences, and patterns. With these insights, you can start to predict consumer behavior, which can help to inform how and where you make or distribute your products, price them, and position them (and your company) in the market.

The right data analytics tools can give you insights into how you can:

- Use your packaging and labeling to tell a story that resonates.
- Coordinate your promotional programs with your campaigns.
- Engage with your customers on social media to build loyalty.





Plan for anything

Balance supply, capacity, and profit

New opportunities often coincide with the need for change. The microvertical space is no different. Moving into a niche market can mean creating new costs and processes for planning and scheduling your production lines. You'll need to compensate for new formulas and ingredients, pack sizes, shelf-life constraints, regulatory approvals, packaging and labeling requirements, and distribution demands.

To keep pace, you may need to update your technology tools. With the right planning solutions, you can determine the optimal scenario based on your specific business goals. You'll be able to calculate the trade-offs, so you can evaluate all the permutations for meeting customer demands and identify the plan that comes closest to meeting your goals for production and profitability.

Dominate your market

Because of the small size and greater volatility of running a microvertical business, the MPI Group has determined that companies that succeed in this space are organized around nine critical functions.⁶



Prepare your SKUs for regulatory scrutiny

Industry-wide, complying with food safety regulations is becoming more complex. As government agencies and major retailers implement increasingly stringent rules and require more detailed information, new segments can be subject to even more intense scrutiny than big food.

In fact, the MPI Group observes that microverticals “typically involve unique SKUs, which trigger new regulatory requirements that get addressed during product recipe and formula management.”⁷

To prepare for increased regulatory scrutiny, your systems should be able to document your processes and practices for maintaining regulatory compliance, while also keeping you in touch with your customers, suppliers, and government agencies.

These same tools should provide you with visibility into all of your ingredients and raw materials throughout your supply chain. Not only can this help you improve your compliance and create more efficient processes, but it also gives you an edge in the event of a recall.



As new microverticals emerge, you should have the infrastructure in place to support the creation of new SKUs by an order of magnitude.⁸

Spot new opportunities quickly

Being profitable as a food and beverage manufacturer requires you to have comprehensive visibility into what works for you, the right data to help inform your decisions, and the flexibility to adapt to changes.

What the consumer wants can change with each year, but there are some consistent trends we're seeing that will continue in the years to come. Fresher foods, fewer ingredients, micro-local ingredients, alternative flavors, and eco-packaging and labeling, are just a few trends that are especially suited for microvertical food and beverage companies.⁹

These demands will change over time. New microverticals will come into play, while others will disappear. When you're using the right data and analysis tools to inform your sourcing and procurement, you can know for certain where you have to be, what's profitable and what isn't, and how to get ready for the next big market—whatever that may be.



With the right talent, tools, and practices, you can spot opportunities early and act on them quickly.

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- 1,200+ food and beverage companies run Infor software.
- 90+ countries are home to customers that use Infor Food & Beverage.
- 5 of the top 6 brewers solve industry challenges with Infor Food & Beverage.
- 4 of the top 5 global bakery companies use Infor products.

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As we build our state-of-the-art kitchen in Auburn, Kentucky, it is more important than ever that we enhance our technology and consolidate information more quickly. With Infor Food & Beverage, we will gain the essential components to do that.”

MATTHEW SMITH,
IT Manager, Champion Petfoods

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INF-1658652-en-US-0417-1



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⁴ Brewers Association, "Craft brewer volume share of US beer market reaches double digits in 2014," March 16, 2015, press release.

⁵ Global Food Forums.

^{6,7,8} The MPI Group.

⁹ Global Food Forums.

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INFDTPI482408-en-US-0116-1