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To assist food & beverage decision-makers, WeiserMazars in conjunction with The Food Institute, AFI and Stagnito Business Information, is pleased to present our second annual Food & Beverage Industry Study. This study offers benchmarks against which to assess 2013 performance, insights into potential drivers for the industry in 2014, and best practices to stay ahead of the competition.

Section I: Summary

2013 was expected to be a significant year for the food & beverage industry, with the majority of respondents looking forward to growth in sales, profit and employment. Most of the sales growth is projected to be from new customers and a more effective sales force. Healthy/nutritious food and private label food also continue to be major growth drivers. Participants expressed the most concern about rising commodity costs and food safety, traceability and quality. A majority of participants are well prepared to meet Affordable Care Act requirements and expect to focus operational resources on process-improvement activities and digital media and social marketing.

Section II: Industry Growth for 2013 and 2014

Participants anticipate better financial performance in 2014
77 percent of participants anticipated increased sales in 2013 and 54 percent anticipated increased net profits. The median increase in sales was projected to be 9 percent, with an average sales increase of 13 percent. Net profit was projected to increase by 10 percent (median) with an average increase of 17 percent.

Better financial performance is spurring investment in labor
A majority (54 percent) of participants, anticipated increased employment. Although most respondents indicated no change in their facilities expansion, R&D spending or product lines, those participants who anticipated an increase in these investments, showed a significant rise over 2012.

- Employment – Median increase of 6 percent over 2012
- Facilities – Median increase of 10 percent over 2012
- R&D Spending – Median increase of 15 percent over 2012
- Product Lines – Median increase of 5 percent over 2012

The majority expects labor costs to grow in 2014
63 percent of respondents anticipated an increase in labor costs in 2014, with 47 percent anticipating an increase in commodity prices, and 45 percent an increase in fuel/energy costs. Those participants who did anticipate growth in commodity prices and fuel/energy costs projected median growth of 4 percent and 9 percent respectively.

- Labor Costs – Median increase of 4 percent over 2012
- Commodity Prices – Median increase of 4 percent over 2012
- Fuel/Energy Costs – Median increase of 9 percent over 2012

The modest increase in costs compared to a larger increase in sales contributed to anticipation of high net profit growth in 2013.

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Trends across various food & beverage industry niches were similar. A roughly equal percentage of manufacturers and wholesale/distributors anticipated increased sales in 2013. The average sales increase for manufacturers was 12 percent whereas wholesale/distributors anticipated an increase of 19 percent.

**Figure 1. Company Changes (2012 – 2013)**

<table>
<thead>
<tr>
<th>Increase</th>
<th>Decrease</th>
<th>No Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employment</td>
<td>54%</td>
<td>6%</td>
</tr>
<tr>
<td>Sales</td>
<td>77%</td>
<td>12%</td>
</tr>
<tr>
<td>Net Profit</td>
<td>54%</td>
<td>16%</td>
</tr>
<tr>
<td>Facilities (sq footage)</td>
<td>15%</td>
<td>5%</td>
</tr>
<tr>
<td>Product Line</td>
<td>44%</td>
<td>4%</td>
</tr>
<tr>
<td>Acquisitions</td>
<td>13%</td>
<td>3%</td>
</tr>
<tr>
<td>Commodity Pricing</td>
<td>47%</td>
<td>13%</td>
</tr>
<tr>
<td>Fuel/Energy Costs</td>
<td>45%</td>
<td>11%</td>
</tr>
<tr>
<td>R&amp;D Spending</td>
<td>24%</td>
<td>4%</td>
</tr>
<tr>
<td>Labor Costs</td>
<td>63%</td>
<td>8%</td>
</tr>
</tbody>
</table>

**Figure 2. Average Growth in Productivity and Costs (2012 – 2013)**
Factors Influencing Sales Growth

The factors most likely to influence sales growth are new customers (reported by 39 percent of participants), improved sales performance (21 percent) and new products (17 percent). The majority of participants did not attribute sales growth to increased selling price, increased awareness or acquisitions.

Areas that are projected to increase sales include healthy/nutritious foods (reported by 31 percent of participants), private labeled foods (22 percent), organic foods (14 percent) and locally grown/produced foods (13 percent). Many companies cited the need to develop and market products that address multiple trends simultaneously.

Figure 3. Factors Influencing 2013 Sales Growth

![Bar chart showing factors influencing sales growth](chart.png)
Section III: Business Concerns

The top issues for food & beverage companies (rated on a scale from 1 to 5, where 5 equals “major concern”) are rising commodity and other costs and food safety and quality. The least concern was expressed about the emergence of private-label and ethnic brands. Other concerns such as over-regulation, technological innovation in packaging and delivery and hurricane disaster recovery were also noted by participants.
Respondents were mostly prepared for the changes of the Affordable Care Act (ACA), with only 18 percent indicating that they were not prepared.
**Section IV: Operations**

More than two-thirds of food & beverage companies (72 percent) reported that their brands are either “highly” or “somewhat” recognized, some organizations still struggle with brand identity. 10 percent reported the brand is “not well recognized” and 9 percent reported “no brand.” (Figure 7).

Respondents were asked to rate the areas they need most help. The area of greatest need was increasing sales, followed by increasing product and customer profitability. Improving operations and reducing costs were also highly rated. (Figure 8). Companies included a need for help with regulations, employee retention and training and hurricane recovery in the “Other” category.

**Figure 7. Brand Recognition**

![Brand Recognition Chart]
Figure 8. Industry Assistance Required

25 percent of participants are engaged in process-improvement activities, with 20 percent taking advantage of digital marketing/social media.
The top three supply-chain characteristics companies are working to improve are:

- **Cost of goods** – 34 percent
- **Food safety** – 19 percent
- **Traceability/tracking capabilities** – 12 percent

Companies were asked to identify the implementation level of various tactics that impact their bottom lines: 20 percent of respondents have already implemented or plan to implement succession plans, while 19 percent have already implemented or plan to implement strategies to take advantage of energy-efficiency credits. The least common implementations are compliance procedures for California Proposition 65 (95 percent not implemented/not planning to implement) and Interest Charge Domestic International Sales Corporation (94 percent not implemented/not planning to implement).
Figure 10. Corporate Implementations

Top implementation projects (implemented and plan to implement)

- Succession plans: 19.8%
- Energy efficiency credits: 18.8%
- Defined benefits plans: 15.6%
- Fuel-tax credits: 12.5%
- Cost segregation study (for...): 11.5%
- Research and development: 10.4%
- Interest Charge Domestic: 6.3%
- Compliance procedures for...: 5.2%
Conclusion

The dynamic nature of the U.S. food & beverage industry, with its constantly shifting consumer trends, changing government regulations, new companies, and new product and service offerings, challenges organizations to remain competitive. This study sheds light on some of the opportunities and challenges facing the industry in 2014 and beyond. While the majority of the industry expects sales to increase, concerns exist regarding commodity cost increases and food safety and traceability cutting into profitability. Assistance is needed in the areas of increasing sales and increasing customer and product profitability. The industry continues to invest in workforce through succession plans and defined benefits plans. Process improvement activities and digital marketing and social media are poised to be the focus of operational strategies.

Profile of Food & Beverage Industry Study Participants

2013 Food & Beverage Industry Study participants reported:

- **Industry**: The majority of participants were wholesalers/distributors (39 percent) and manufacturers (34 percent).
- **Sales**: Study participants represented a range of annual sales volumes — 22 percent with $10 million or less; 44 percent with $10.1 million to $100 million; and 25 percent with sales of more than $100 million.
- **Profitable**: The vast majority of participants (93 percent) reported that their companies were profitable.
- **Employees**: 60 percent of participants reported fewer than 100 employees and 35 percent reported 100 to 1,000 employees. 5 percent reported more than 1,000 employees. 72 percent reported less than 10 percent of employees are unionized.
- **Ownership**: 88 percent of participants described their ownership structures as private and 9 percent as private equity.

Food & Beverage Industry Study Methodology

WeiserMazars, The Food Institute, Association of Food Industries and Stagnito Business Information jointly conducted the 2013 F&B Industry Study, coordinated by iLumen, an independent research firm, through an online questionnaire. Responses were received from October to December 2013, entered into a database, edited, and cleansed to ensure answers were plausible, where necessary.

All responses to the survey are confidential. Participants who provided contact information were offered specialized industry insights based on the study, as well as other work by the study sponsors.

Only study sponsors and iLumen have access to participants’ individual responses. Study findings are published based only on total group response or answers from aggregated groups of participants.
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About WeiserMazars LLP
WeiserMazars LLP provides insight and specialized experience in accounting, tax and advisory services.

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About Mazars Group
Mazars is a prominent international accounting, audit, tax and advisory services organization. With nearly 14,000 professionals located around the world, Mazars offers accounting, audit, tax and advisory services in more than seventy countries on six continents. Mazars has implemented this professional services model with the principal objective of assuring consistent quality to its clients.

About The Food Institute
The Food Institute delivers industry-wide insight to our members daily. This association is a premier source for reliable data that covers the entire food business, from farm to fork. Since 1928, leaders have turned to us for trusted insight that they can apply immediately to marketing strategies and growth plans. The Food Institute covers the intersection of industry, policy, consumer and commodity trends in Today in Food alerts and the weekly Food Institute Report. Our website hosts expert-led webinars and online information tools that strengthen the food business.

www.foodinstitute.com
Stagnito Business Information is the retail industry’s most complete provider of market intelligence and strategic communication resources for CPG retailers and suppliers. Research, Information Services, and Media divisions encompass a brand portfolio that spans the retail landscape and gives Stagnito Business Information the unmatched ability to help clients recognize opportunities and deliver superior marketing programs that achieve their business goals.

Our mission is to constantly innovate in order to bring relevant information and analysis to retailers in the most compelling and accessible ways possible while providing suppliers with the means to improve the performance of their brands through integrated, high-performing, and measurable programs that are tailored to their specific needs.

AFI is an international trade association which fosters international trade in food products, with its primary focus on U.S. food imports. The association has approximately 1,000 member companies throughout the world, though its core members are approximately 300 U.S. companies importing food products from companies across the globe.