



Rabobank

Talking points: What's in store for the consumer in 2024?

Leadership Summit highlights

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Summary

At Rabobank's recent Leadership Summit in New York, my colleague Tom Bailey and I ran a session entitled, "What's in store for the consumer in 2024?" We covered a lot of ground, including some of the important themes that are playing out now in the US and beyond and will continue to develop in the new year. After all, trends don't respect the calendar. Here are eight themes to keep front of mind as you make plans for 2024. Please follow the links to relevant RaboResearch reports that go into greater depth on these topics.

1. Taste and price trump all!

Although the theme of the session was about change, Tom kicked things off with a reminder that a key message for 2024 is a simple but often forgotten one: The two main drivers of consumer purchases are taste and price. For the past two decades, the International Food Information Council, an industry-funded nonprofit, has consistently found taste and price to be the top drivers of food purchasing decisions. Taste trumps all other drivers by a mile, then price. After that, convenience and healthfulness jockey for third and fourth position, followed by sustainability.

2. What recession?

As more than one CEO and newspaper article has put it as recently as this month: "The consumer remains surprisingly resilient." Indeed, the American consumer defied the gloomy predictions of a recession throughout the year. Consequently, as we enter 2024 we continue to dial back our recessionary fears. Yes, there are headwinds and, yes, there are always plausible reasons why we may be at the tipping point where things head south. These factors include very high interest rates, rising credit card debt and delinquencies, the resumption of student loan payments, and so on. But despite talking about the recession all year, it ain't happened yet. At the start of the month, the US Department of Commerce revised the third quarter inflation-adjusted gross domestic product (GDP) up from an already surprising 4.9% to, as the *Financial Times* put it, a "scorching" 5.2%. We may even get that soft landing, the first in 80 years.

3. Influencer-inspired "product news"

Forbes reported that there are more than 50m people around the world who consider themselves to be influencers (or creators), with TikTok as the top social media channel to hype their wares. Although most influencers focus on fashion, beauty, and gaming, food and beverages are also popular areas. Take PRIME sports and energy drinks by Prime Hydration, for example. PRIME was launched by social media stars KSI and Logan Paul live on Instagram in January 2022. Although the products' marketing campaigns are not without controversy and criticism (such as marketing

to adolescents) sales are already over USD 1bn. To maintain momentum, the company has collaborated with various influencers to launch new flavors. This includes MrBeast, an American YouTuber and serial entrepreneur with over 210m subscribers. Not content with establishing the virtual foodservice chain Mrbeast Burger in 2020, he launched Feastables chocolate at the start of last year. By the summer of 2023 this new entrant had already taken a modest 1% of the US chocolate market. It may prove to be very faddish, but it shows just how much the barriers to entry have come down in food, even in concentrated markets like chocolate.

4. Making artificial intelligence relevant to food

Looking ahead, [we think](#) companies will increasingly learn how to make AI relevant to their target audience, however niche that might be. For example, Doritos has released AI-powered software that cancels out annoying (and distracting) crunching sounds while gaming, “so you can eat Doritos without distracting your gaming squad or voice chat party.” The company cites data that one-third of US gamers say they find the crunching, munching, and slurping of their fellow gamers “impedes their performance.” And in France, the retail chain Carrefour has released a ChatGPT-based chatbot, Hopla, to help online shoppers with their purchases. For example, it can help them choose affordable options complete with suggestions for reusing leftovers and avoiding food waste. We think this, together with personalized marketing, is an early example of what will almost certainly be broader integration of AI into consumer purchasing decisions.

5. Big Food’s journey

It is always worth checking in to see where the larger players (or 117-year-old startups, in the case of newly formed WK Kellogg Co) are heading in their journey. Although some companies are performing well, they have not fared well as a group compared to the wider market this year, something we haven’t seen in a while. And when they are not answering questions about Wegovy and Ozempic, increasingly the word on many a CEO’s lips is “volumes” – that is, declining volumes in the face of price rises. This is in contrast to this time last year, when companies could pass through price rises with impunity. To help offset declining volumes, companies (big and small) in 2024 will be looking to growth areas such as snacking, value addition, and pet food:

- **Snacking powerhouses** – Everyone wants to get more and more into snacking, and it is all about matching the snack to the “eating occasion.” In a recent presentation, WK Kellogg Co identified over 800 snacking occasions (per person per year). Hostess Brands, recently bought by Smucker’s, has identified a USD 65bn opportunity by focusing in on just five eating occasions that include “morning sweet start,” “lunchbox,” and “afternoon sharing.” Companies seem to have recognized that the same consumer who wants a “better for you” snack also wants an indulgent treat too – it all depends on the eating occasion, the time of day, or the state of one’s mood.
- **Premiumization** – We think companies will continue to explore the higher-margin, higher-quality part of the market. For example, Mars recently bought the upscale Hotel Chocolat, the British chocolate manufacturer and retailer, as part of its wider premiumization strategy. Nestlé has made similar moves, such as its purchase of high-end chocolate manufacturer, Grupo CRM, with its direct-to-consumer business model in Brazil.
- **Pets** – We also touched on the tremendous growth opportunity of the pet food industry. We think more food companies will want to figure out how they can play in a space that has sales of over USD 90bn in the US, making it now larger than the alcohol market. Although the market has shown some signs of cooling, two-thirds of American households are pet families. There is also an incredible overlap with many mainstream human food trends such as natural, organic, sustainable, and most importantly, premiumization. And what’s not to like about having business meetings where you start by discussing your pets?

6. Alternative proteins – not all doom and gloom

This year it was back to the drawing board for plant-based meat products. As Tom put it, “Consumers have made it clear: If it doesn’t taste good, they don’t want it.” They certainly don’t want to pay more for an inferior-tasting product. But we do not see the coming year as all doom and gloom. Looking at proprietary data from Rabobank’s [Foodbytes](#) innovation platform, which now has over 1,700 startups and over 530 corporates in its database, we see some very unique insights. Looking at the language being used in startup pitch decks, we note a significant rise in meaningful mentions of “alternative protein” over time. Interestingly, when we dig a little deeper, we see a decline in references to plant-based products (from a pre-Covid peak) but rising interest in alternative proteins made by precision fermentation and cultivated meat. But not everyone is a fan. Italy, in a world first, has banned the production and import of lab-based meat, with the agriculture minister saying, “Italy is the world’s first country safe from the social and economic risks of synthetic food.”

7. Will Wegovy eat the food industry’s lunch?

We do think the emergence of this new generation of drugs is an exciting development in expanding the medical profession’s toolkit to help improve the health outcomes (not just weight loss) of the millions of people living with obesity and overweight. But media speculation this year that these drugs are going to devastate the food industry is very overblown. As we said [in a recent note](#), it is way too early to draw conclusions: The anecdotes of the early adopters are not necessarily that representative of how things will play out if this class of drugs goes mainstream. Any new market development creates opportunities, and in a Wegovy world, food entrepreneurs will ask themselves how they can capitalize on it and where to take their brands next.

8. Eat this, not that

To wrap up, we also talked to some of the upcoming regulatory and public health sphere developments that every company needs to be aware of and prepared for in case they come to fruition. For example, after years of deliberation, the Food and Drug Administration is floating the idea of a “healthy” food label for packaged foods. If this does proceed, we will expect more product reformulations by food companies as they attempt to fall in line to meet the standard. One form of food labeling that is gaining traction around the world is front-of-pack labeling. There is Nutri-Score in Europe and Health Star Rating in Australia, and in Latin America a number of countries have adopted particularly arresting, almost tobacco-like warnings (in black hexagons) calling out products high in calories, sugar, salt, and saturated fat.

I’ll end with a topic I talked about in a [note last year](#): ultraprocessed foods, which we argued present both opportunities and threats to the food industry, depending on where you are sitting in the supply chain. Again, we do think the topic is an issue companies need to factor in when planning for the future, in case it is picked up by the consumer and becomes a byword for unhealthy. For now it is big news in the media in some countries like the UK. This is largely attributable to the book *Ultra-Processed People* by Chris van Tulleken, which was named a “science book of the year” by the *Times* and *Sunday Times* and one of the best books of the year by *The Economist*. For my part, I found it a bit like the curate’s egg, good in parts. Still, after hearing the author dig into the food industry at a recent presentation to the Royal Institution in the UK, he certainly deserves the last word here, with this comment: “The most interesting people to speak to were the bankers, because the bankers understand how everything works.” That seems a good point to end on.

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