2 Industry and Competitive Analysis

1 Introduction

Competition drives the very need for a company to be strategic. As Kenichi Ohmae, Japanese business writer and McKinsey consultant once pointed out:

*Without competitors there would be no need for strategy, for the sole purpose of strategic planning is to enable the company to gain, as effectively as possible, a sustainable edge over its competitors.* (Ohmae, 1983)

One of the original meanings of the word ‘strategy’ was ‘to create an advantage’ – usually military – which implied the existence of competition. Our study is concerned with questions related to if, why and how F&B companies integrate social and environmental programmes or actions into business strategy in order to create a sustainable comparative business advantage.

To formulate their business strategies, companies first gather data to understand their macro business environment and the forces that determine their position within the markets they serve. Various dimensions require attention: governmental, socio-cultural, economic and competitive. This forms the basis for a corporate strategic plan and long-term vision that is grounded in a company’s own economic reality, allowing the development of a product/market portfolio that places the company in an optimum position of comparative advantage. Indeed, since corporate strategy is very much related to the relationship between the company and society in general, our competitive analysis provides a suitable framework within which to consider sustainability in later chapters.
Following this logic, we consider that an understanding of the motives behind consumer trends, the competitive environment and the relationship between supply and demand within the F&B industry will inform our research on a BCS within that industry, allow us better to understand the economic rationale for including appropriate sustainability strategies in overall business strategy, and set the context for our subsequent analysis of our empirical results and discussion.

2 Industry definition and profile

There is no all-encompassing definition of the F&B industry. Given the diversity of this industry segment, it is difficult to set boundaries that apply globally. For the purpose of this study, the F&B industry will be defined principally by its role as secondary or final processors of agricultural raw materials into food and beverage products.

Rabobank expands on the raison d’être of companies in the sector:

Food and beverage companies in the world’s food markets provide low, middle and high income populations with basic and special foods, with fresh and long life products, packaged and unpackaged foods, bulk and added value products. (Baas et al., 1999)

The F&B industry is a highly visible and important part of the world economy. Today, an estimated US$ 4,300 billion is spent on food worldwide and of this, the developed markets of Europe and the USA account for almost 60 per cent. In Europe, the F&B manufacturing sector’s economic influence is substantial (CIAA, 2006). It is:

- Europe’s largest manufacturing sector (13.6 per cent of the total with over €836 billion of production).
- the European Union’s third largest industrial employer with over 3.8 million employees Through its activities, the sector creates a myriad of additional jobs for retailers, suppliers and other business partners.
- made up of some 282,600 companies. Since dominated by SMEs, it is a fragmented industry with a relatively low concentration but it is important nevertheless to note that the 0.9 per cent represented by global companies produces a little over 50 per cent of the total turnover.