

## 2023 Trends West Michigan Business, Food Industry, Sustainability

### I. West Michigan Business Survey

- **Biggest Growth Hurdles Next 12 Months**
  - Talent and labor force (~65%)
  - Inflation (~50%)
  - Supply chain (~35%)
- **Plans to Mitigate Risk for the Next 12 Months**
  - Increase use of technology and automation (~45%)
  - Increase pricing (~45%)
  - Increase compensation (~30%)
  - Rationalize customer base (~25%)
- **Where Will You Invest in the Next 12 Months**
  - New customers in existing markets (~70%)
  - New geographic markets (~35%)
  - New products (~30%)
  - New industry markets (~25%)
  - Partnerships (~20%)

### II. Key Food and Beverage Industry Trends

- **Rising Costs**
  - Inflation remains top external pressure
  - Primary industry impact is higher operating cost
- **Supply Chain Management**
  - Largest business gap to address with concern for supply chain visibility and traceability
  - Need for more adaptability, flexibility, resiliency, and predictability to combat disruptions
  - ERP systems can improve constraints, real-time tracking, alternative sourcing, and performance
- **Digital Transformation and AI**
  - Concern for cybersecurity threats
  - Use of data analytics and performance metrics for improved decision making
  - Adopting analytics to match food distribution and supply with food-insecure populations
  - Benefits include standardization of work, production improvements, prolonged product shelf life, increased sales, logistics efficiencies, and improved bottom line performance
- **Industry 4.0., Automation, and Robotics**
  - Convergence of information technology and operational technology systems
  - Greater use of autonomous manufacturing equipment, robotics, and sensor systems
  - Benefits include enhanced productivity, flexibility, and quality with real-time decision making
- **Sustainability Best Practices**
  - Significant motivational factor is consumer demand e.g. simpler, healthy, and nutritious products
  - Sustainability best practices rank first in priorities, third in trends, and fifth in concerns
  - Top focus area for risk mitigation

- Ability to address Increasing regulations regarding emissions, resource use, and waste
- Benefits include innovation, competitive marketplace advantages, and bottom line performance
- **Empowered Consumer Demands**
  - Opportunity for customer educational touchpoints regarding product information
  - Increased brand and product transparency
  - Reduced environmental impact of product performance through life cycle design
  - Shopping, purchasing, and delivery convenience and customization
- **Overall Industry Needs**
  - Inadequate digital competencies and skills
  - Inability to transition supply chain to a new business model
  - Insufficient collaboration with suppliers
  - Minimal deep insight into customers and consumers
  - Poor pipeline of new products

### **III. Sustainability Best Practices**

- **Environmental Management**
  - Food waste and food loss major focus area from “farm to table”
  - Reduce, reuse, and recycle e.g. energy, water, packaging
  - Importance of circular economy process and using waste as a raw material
- **Supply Chain**
  - Expanding food-delivery systems e.g. online and increasing the food value ecosystem
  - Emphasis on traceability and use of local ingredients and raw materials
  - Improving sustainable logistics and enhancing food transport with lower emissions
  - Resource optimization: water, energy, raw material, waste, packaging, and spoilage efficiencies
  - Establishing a food safety culture an organizational priority
- **Innovation**
  - “Diet to wellness” e.g. plant based; healthier; nutritious; zero sugar; less salt; affordable etc. product development through diversified food system design options
  - “Clean” and sustainability labelling e.g. allergen, “healthy,” and precautionary claims
  - Automation equipment to address labor shortages
- **Sustainable Farming**
  - Improving soil health, crop nutrition, and human health through regenerative agriculture, organic farming, and permaculture
  - Developing regenerative farming techniques include no-low tilling; crop rotation; cover crops; perennial crops; planned grazing etc.
- **Building Resilience**
  - Climate, crisis, disaster, and incident management
  - Contingency, continuity, and sustainability scenario planning vs. traditional forecasting models
  - Risk adjusted business modeling for resilient and value-added growth
- **Sustainability Reporting**
  - Influence of Environmental, Social, and Governance (ESG) reporting and investment
  - Driving force transparency and accountability
  - Improved KPIs for sustainability value creation and impact

**Sources:** West Michigan Association for Corporate Growth; Aptean; McKinsey; MEP National Network; IBM; Spoonshot Intelligence; Food and Beverage Insider

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