



INNOVATION IN FOOD SMES

January 2017



Farrelly & Mitchell



Global Specialists Food & Agribusiness



200 Plus
Sector Specialists



Global
Reach & Experience



Value Chain
Farm to Fork



Established
Over 12 years



Strengths
Operational & Strategic



Clients
Corporate & Government

FOOD SECTOR IN EUROPE



- Largest manufacturing sector within the EU
- One of the main drivers of the EU economy
 - Economic output
 - Employment
- Food SMEs, representing the majority of the manufacturers in the sector, have an important role within the European economy



INNOVATION AND FOOD



Farrelly & Mitchell Research

INNOVATION AND FOOD



- Low research and development expenditure to value added ratio
- Now more demanding due to:
 - Technological inputs
 - Food safety, quality & the globalisation
- Such changes have significant impacts role within the European economy
 - from agricultural production,
 - through food processing,
 - to the distribution of food to end consumers
- The innovation imperative is very strong for firms in this sector, especially SMEs, and plays a key role in sustaining and enhancing their competitiveness



INNOVATION AND FOOD

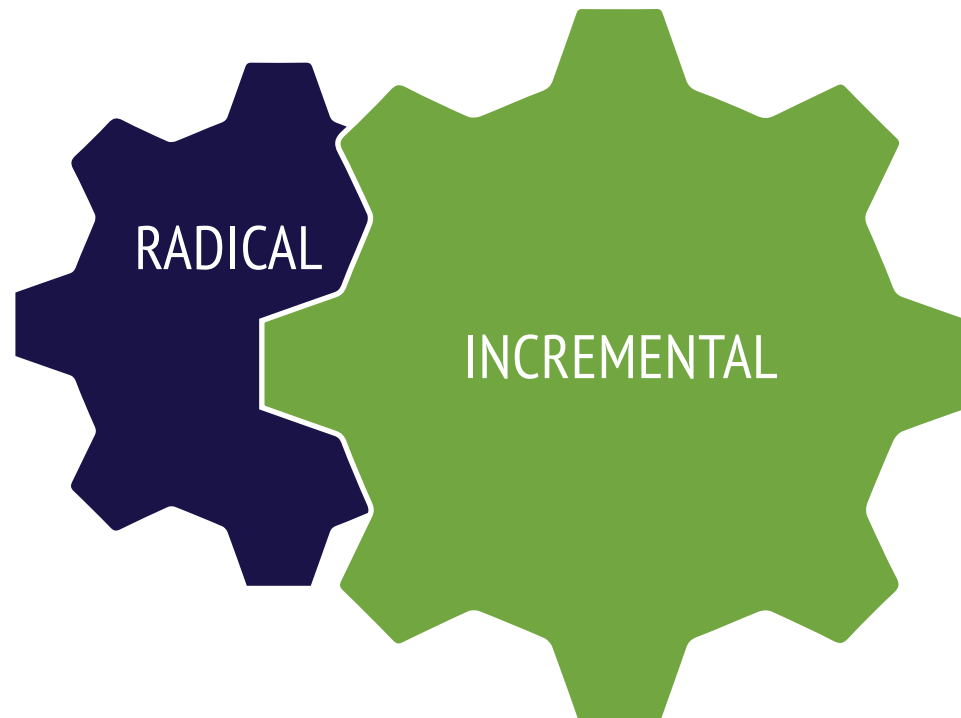
More focused on incremental innovations

Product & process innovations are prevalent

Orientated towards encouraging new ideas and fostering innovative employees



DEGREE OF INNOVATION IN FOOD SME'S

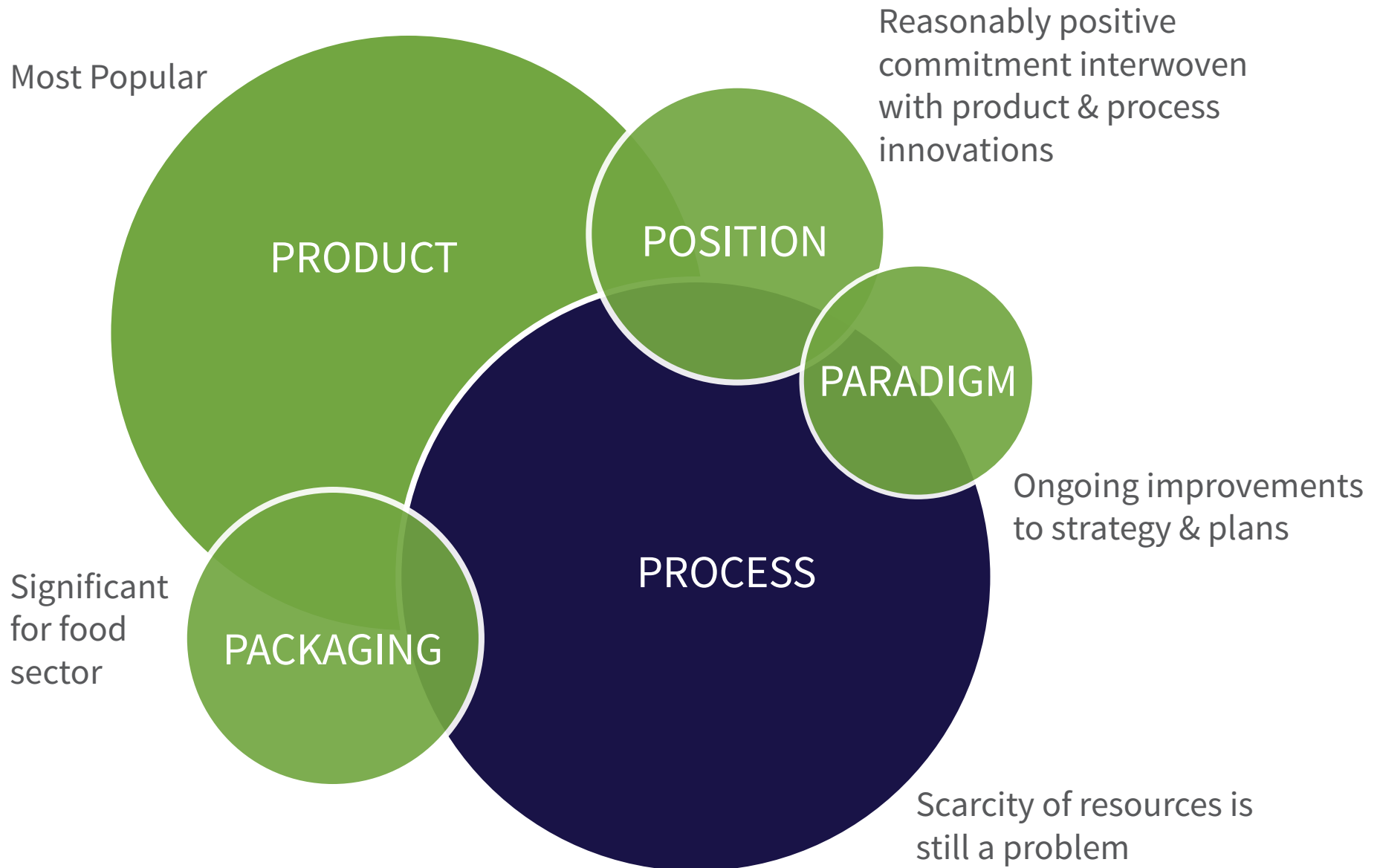




Despite the fact that the rate of incremental innovation is much higher than that with radical innovations, food SMEs in Europe also do undertake radical innovations



TYPES OF INNOVATION IN FOOD SME'S



PRODUCT, PROCESS AND PACKAGING INNOVATIONS



Importance of
Consumer Behaviour



Strong correlation
between product,
process and position



Disadvantage of scarcity
of financial and other
resources



PRODUCT, PROCESS AND PACKAGING INNOVATIONS



- There is a strong link between the rate of product, process and position innovations for food SMEs.
- It is important to extend the consideration of types of innovation to include packaging innovation, as packaging plays a significant role in consumer behaviour.
- Food SMEs are more engaged with incremental packaging innovation than with radical packaging innovation.
 - This is arguably because radical packaging innovations require significant investment in machinery, design and material



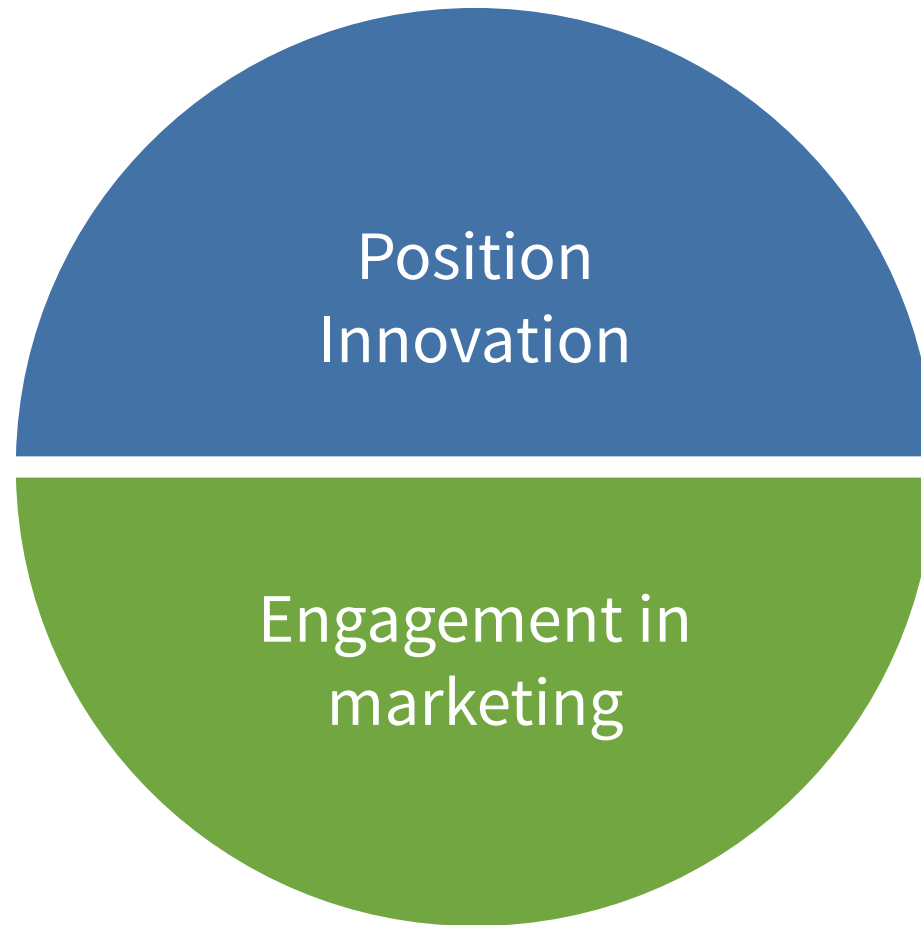
PRODUCT, PROCESS AND PACKAGING INNOVATIONS



- Food SMEs are committed to the incremental improvement of their processes, and are moderately engaged with all other process related activities, including the exploitation of information technologies
- Food SMEs are a little conservative in allocating resources for process innovation
 - Scarcity of financial resources within food SMEs prevent them from exploiting technical/technological related opportunities



POSITION INNOVATION





Although European food SMEs have a high level of engagement with position innovation, they have a relatively low level of commitment to investing significant resources in marketing.

PARADIGM INNOVATION



Low strategic
competency



Low engagement with
allocation of resources
to strategy



Formal decision
making processes in
place



PARADIGM INNOVATION



- Rate of paradigm innovations is lower than that for other types of innovation
 - This is usually the result of SME managers' limited competency in viewing their organisations strategically
- As with other types of innovations, paradigm innovations at food SMEs tend to be incremental, in the form of ongoing improvements to strategy and plans
 - This may be associated with the rather low level of engagement with the allocation of significant resources to strategic development
- Food SMEs are usually positively engaged with following a formal business planning process, again counter to the often reported informality of decision-making in SMEs

COLLABORATION & INNOVATION



Collabs with Competitors & Research Institutions for

- Process
- Position
- Paradigm



Collabs with Suppliers & Customers for

- Product innovations



COLLABORATION & INNOVATION



- Although it has been noted that collaboration is important for successful innovations, food SMEs tend to be rather less likely to be engaging in partnering and strategic alliances, or considering outsourcing, mergers or acquisitions
- This questions the belief that “companies almost never innovate in isolation”



CONCLUSIONS



- There is a range of different types of innovation
- Structured and organised approach
- Lack of resources and/or allocation of said resources are still a problem due to
 - Small size
 - Limited access to finance for venture capital
- Relatively low level of engagement in partnering or strategic alliances with potential for significant improvement resulting in measurable knock-on benefits for companies



FARRELLY & MITCHELL

Food & Agri-Business Specialists



Contact Details

www.FarrellyMitchell.com

EUROPE

Dublin (Head Office)

Malachy Mitchell, Managing Director

Farrelly & Mitchell

Unit 5A, Fingal Bay Business Park,
Balbriggan Co. Dublin Ireland. K32 EH70

Telephone : +353 1 690 6550
mmitchell@farrellymitchell.com

SAUDI ARABIA

Riyadh

Najeeb Alhumaid, Partner

Branch of Farrelly & Mitchell Business Consultants Ltd

Jarir Plaza Offices, Jarir Plaza, Al Hamra district,
King Abdullah Road, Riyadh, Office #107

Telephone : +966 11 463 4406
Mobile : +966 54 338 7199
nalhumaid@farrellymitchell.com

MIDDLE EAST & NORTH AFRICA

United Arab Emirates

Chaitanya GRK, Senior Manager (MENA)

Farrelly & Mitchell (MENA)

Unit 1001, 10th Floor, Swiss Tower,
Cluster Y Jumeirah Lakes Towers,
Dubai, United Arab Emirates

Telephone : +971 4 279 8331
Mobile : +971 551991356
cgrk@farrellymitchell.com

AFRICA (SSA)

Ghana

Stephen Awuah, Senior Manager, Africa (SSA)

Farrelly & Mitchell Ghana Limited

Utopia Office, 14 Senchi Street, Airport
Residential Area,
Accra Ghana

Telephone: +233 302 906850
Mobile: +233 59212 1723
sawuah@farrellymitchell.com

Connect with



Disclaimer

The information in this presentation is intended to give information in general nature, great efforts has been exerted to ensure the accuracy of this data at the time the presentation was written Farrelly & Mitchell Business Consultants Ltd. and its Branch offices or affiliates does not provide any implicit or explicit guarantees on the validity, timing or completeness of any data or information in this presentation. Also we assume no responsibility on the appropriateness of the data and information for suiting any particular purpose or reliability in trading or investing.

Please note: Unless provided otherwise and in writing from us, all information contained in this presentation, including logo, pictures and drawings, are considered property of Farrelly & Mitchell Business Consultants Ltd and or its branch offices or affiliates.