Food Product Development

Food product development is an integrated system involving expertise in the fields of marketing and manufacture.
Factors which impact on food product development

• External factors (macro-environment) that impact on food product development, including the:
  • Economic environment
  • Political environment
  • Ecological environment
  • Technological development

• Internal factors (micro-environment) that impact on food product development, including:
  • Personnel expertise
  • Production facilities
  • Financial position
  • Company image
External Factors

• Economic environment
• Political environment
• Ecological environment
• Technological development
Economic Environment

• The fluctuating state of the Australian economy affects food product development.
  • **Exchange Rates**: The demand for Australian food products is impacted by the fluctuating value of the Australian dollar (e.g. If the Australian dollar is strong, there is a lower demand for food; alternatively, if the Australian dollar is weak there is higher demand for food).
  • **Interest Rates**: Fluctuating interest rates create uncertainty for investors (e.g. a low interest rate encourages investment in capital, such as equipment, expansion and improved technology).
  • **Inflation** and **Recession** involve an increase or decrease in the cost of living, influencing people’s purchasing power (e.g. high inflation results in the consumption of more value-added foods and more meals being eaten out of the home, whereas low inflation or recession result in the increased consumption of generic food brands and staple foods).
• The fluctuating state of the Australian economy affects food product development.
  
  • **Unemployment** leads to an increase in the number of people living on social security which means that their food purchases are likely to be limited to: less processed products, foods in season, and less expensive food products.
  
  • **Taxation**: GST (goods and services tax) aims to ensure that equal tax is paid by all consumers on food purchases.
    
    • For more information, see: [https://www.ato.gov.au/Business/GST/In-detail/Your-industry/Food/GST-and-food/?anchor=GSTfreefood](https://www.ato.gov.au/Business/GST/In-detail/Your-industry/Food/GST-and-food/?anchor=GSTfreefood)
  
  • **Salary Negotiation and Award Wages**: The income a person has impacts on their purchasing power (*e.g.* a higher salary gives a person a greater range of food choices).
  
  • **Droughts** and **Natural Disasters** affect and disrupt crop and animal production in Australia.
The Economic Cycle:

1. **Recession** is a downturn in the economy resulting in high unemployment, interest rates and inflation, which results in less people buying food and manufacturers producing less food.

2. **Expansion** refers to the economy gaining confidence, which increases employment opportunities and interest rates and inflation fall.

3. **Boom** is characterized by low unemployment, low interest rates and increased spending.

4. **Contraction** occurs as confidence declines with increasing interest rates and spending slows, at this point a recession appears inevitable.
Political Environment

• The political systems (federal, state and local) influence the following factors which impact on food product development:
  • **Price**: the level of taxation applied to food, subsidies, tariffs etc.
  • **The Environment**: air, water and noise pollution and the use of chemicals and food additives in food production.
  • **Education**: food and nutrition education, food standards, food handling and safety.
  • **Working Conditions**: trading hours, Work Health and Safety etc.

• **Community influences and lobby groups** are able to *lobby* politicians to bring about changes in the food industry. This often results from organized groups with a *vested interest* or from the *widespread concern* of the community.
Ecological Environment

• **Ecological Environment** refers to the use of *natural resources* and *energy* to produce a ‘clean green’ food supply.

• There is growing concern about the environment and *ecological issues* in regard to:
  • The use of natural resources
  • Farming procedures
  • Waste management and packaging

• Businesses pursue *environmentally responsible* decisions rather than decisions that are purely motivated by profit, failing to act in an environmentally responsible way may result in *legal* or *political* consequences
  • E.g. biodegradable and recyclable packaging, air pollution control, and environmentally friendly processing and transport for production are strategies used by companies that address consumer environmental concerns.
Technological Development

• Developments in processing technology often arise from Research and Development (*e.g.* the CSIRO).

• Technology has led to improved productivity and increased choice (new foods).

• However, technological development can also lead to decreased employment opportunities, retrenchments or costs to retrain staff.
Internal Factors

• Personnel expertise
• Production facilities
• Financial position
• Company image
Personnel Expertise

• Personnel that work within the food industry include:
  • Management staff
  • Finance staff
  • Product development staff
  • Marketing staff
  • Testing and quality assurance staff
  • Production staff
  • Maintenance staff

• Education and training are important to ensuring that personnel are highly skilled and flexible.

• Staff often require on the job training and/or ongoing training to keep up with new technology or adapt to changes in the company (e.g. changes in equipment).

• The need for technology increases as production increases.
Production Facilities

• The need for production facilities and the type of production facilities will often depend on the volume of production:
  • **One off production**: have limited production facilities and may use domestic resources (*e.g.* wedding cakes).
  • **Batch production**: the variations in production may result in minor changes in production facilities (*e.g.* jam and ice-cream).
  • **Continual or mass production**: continual production results in the use of automation and computerization to meet the large volume (*e.g.* continual = Coca Cola and mass = dried apricots).

• Businesses acquire production facilities through:
  • Buying using company finances
  • Borrowing/leasing
  • Outsourcing production to external organisations
Financial Position

• Business want to manage their expenditure well and increase profitability

• Influences on the **financial success** of a business include:
  • Investment capital
  • Resource management
  • The quality of the product
  • The market share - competition
The company image is reflected in market segment and consumer attitude. It is influenced by:

- **Reputation** of the company in comparison to their competitors.
- **Product quality**: the value for money in comparison to their competitor’s products.
- **Marketing strategies**: ability to reach the target market and effectively use the marketing mix - the 4 Ps: Product Planning, Price Structure, Place and Distribution System, Promotional Program.
- **Packaging**: presentation of the product and environmental concerns.
- **Price**: value for money in comparison to their competitor’s products.
Company Image cont.

• **SWOT Analysis** is the most useful way of assessing the likely success or failure of a new food product:
  
  • **Strengths** - INTERNAL
  • **Weaknesses** - INTERNAL
  • **Opportunities** - EXTERNAL
  • **Threats** – EXTERNAL

• **SWOT Analysis - What is SWOT? Definition, Examples and How to Do a SWOT Analysis**
  
  • [https://www.youtube.com/watch?v=JXXHqM6RzZQ](https://www.youtube.com/watch?v=JXXHqM6RzZQ)