

Food Product Development

Food product development is an integrated system involving expertise in the fields of *marketing* and *manufacture*.

Syllabus Dot-Point

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*).

Economic Environment cont.

- 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>
 - **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.

Economic Environment cont.

- 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

Company Image

- 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>