



Fairfood International

Top 100 Brand Owners in the Food & Beverage Industry

Maarten Visker and Mikal Rahman

With support of Ruben Bergsma, Olympias Moran and Anja de Korver

Damrak 83 A
1012 LN Amsterdam
The Netherlands
+31 (0) 20 6188062
info@fairfood.org
www.fairfood.org

Table of Contents

Introduction to the report	3
The Food and Beverage industry	3
The food supply chain	3
Size of the food industry.....	4
Competitiveness in the food industry	4
The role of brands	4
Top 100 largest brand owners	5
Definition of a brand owner	5
Methodology.....	5
Size and geographic location	6
Share of global food and agricultural sales	8
The number of employees.....	9
Profitability	9
Brand Products.....	11
Retailers and Private Labels	13
Fairfood's involvement with top 100 brand owners	14
Conclusions	16
Recommendations.....	17
References	19
Appendix.....	21

Introduction to the report

This report is a first response to the desire of Fairfood International to gather more information on the type of companies its advocacy work is focussed on: the brand owners. Increased knowledge on the characteristics and behaviour of the target group can potentially improve the effectiveness of the advocacy strategy and relating policies. Fairfood began its search for knowledge on brand owners end 2009 with an effort to gather information on basic practical questions as to how many brand owners there are in the food and beverage (F&B) industry worldwide, what their size and characteristics are and where their headquarters are being located. Finding answers turned out to be more difficult than expected. Therefore, as from June 2010, a new project was initiated to gather knowledge on brand owners.

During an interesting process of continuously searching and adapting the research strategies and objectives, it was discovered that the word 'brand owners' is not commonly used in the business world. Because a code distinguishing brand owners from other types of companies does not exist in business intelligence databases, the total number of brand owners around the world is hard to estimate. Not only that; also the size of the global F&B industry is hard to calculate even for the most experienced market researchers.

Originally aiming for an ambitious global market research on the entire global F&B industry, the research finally resulted in a more modest investigation of the 100 largest brand owners within the context of this global industry. This report starts with a brief introduction on the F&B industry, its size, main characteristics and the role of brands. The second section presents the data collected on the top 100 brand owners in the world giving more insight into their size, dominance and geographic location. The final section provides an overview of the involvement of Fairfood with these 100 largest brand owners by the beginning of 2011. The report ends with an analysis of the implications of the data for Fairfood and recommendations for its strategy.

The Food and Beverage industry

The F&B industry is often referred to as the "commercial movement of food from field to fork" (Foods For Trade, ca. 2009). A more precise definition of the food industry though is that it is "the industry concerned with processing, preparing, preserving, distributing, and serving of food and beverage" (Medical.Webends.com, ca. 2010).

The modern food industry is the outcome of changes in technology and culture over the last 150 years (Foods For Trade, ca. 2009). Today it relies more on technology than previously, when the labour was more human and animal intensive. Through technology, transportation and management, the food industry is able to physically function, whereas marketing and government regulations monitor its commercial aspect.

The food supply chain

The supply chain of the F&B industry consists of three main stages: production, processing, and distribution. In production, raw materials or ingredients are cultivated and harvested, either on a farm or on a plantation. The second stage of the supply chain, processing, is where raw ingredients are converted into food products. The processing either takes place on a farm or a plantation or in a processing factory. Finally, the food is distributed, often in two steps. The processed food is first transported to retailers, and then sold to the end-consumers.

Food can be produced, processed, and distributed either locally or globally (Foods For Trade, ca. 2009). For example, farm equipment from Europe and agrichemicals from the US regularly travel to South American farms. Here, farm products are produced and later shipped to North America for consumption. These products may also be used in processed food, which could in turn travel

to different regions of the world. It was estimated though although global processed food sales made up \$3.2 trillion in 2002 (Euromonitor, 2004, cited in Regmi & Gehlhar, 2005), only 10% was in fact internationally traded (UN Comtrade, 2002, cited in Regmi & Gehlhar, 2005).

Size of the food industry

In reality, it is difficult to measure global F&B sales as it is difficult to specify the food categories that specific food items fall under. A simple example is that of measuring the consumption of noodle soup (Murray, 2007). Is this food item defined as soup, which has its own global sales figure, or as noodles, which has a separate global sales number? Also since food develops along various stages in the supply chain, ranging from being a commodity to being an ingredient and a meal, specific food items' values can easily be counted more than once. Furthermore, not all food is being sold through retailers, as food could for example be sold by locals from house to house; a more informal selling technique unaccounted for in the global figures (Murray, 2007). Lastly, it is difficult to define which products should or should not be included in the food industry. What some may view as food may be viewed as being a non-food item by others.

Despite these obstacles in measuring global food sales, the World Bank was able to estimate that the food and agricultural industry was worth 10% of the global GDP, or in 2006, about \$4.8 trillion (Murray, 2007). They conclude it is in fact the largest industry in the world (Murray, 2007). In addition, Euromonitor International estimated that the packaged food industry, which included all items from pasta to canned and frozen foods, was worth almost \$1.6 trillion in 2006 (Murray, 2007), indicating that the packaged industry made up approximately one third of the total food industry.

Competitiveness in the food industry

Although the industry is a multi-trillion dollar one and the world's biggest industries, it is an extremely competitive field where profit margins are usually low to the point that profitability becomes an issue (Plunkett Research, 2010). The recent challenges in the industry have been low growth rate, high-energy costs, and changing consumer tastes. Although high commodity prices brought in a great amount of revenue between 2006 and 2008, the price of commodities declined during the recent recession, resulting in financial difficulties for some in the industry, for example those in agriculture (Plunkett Research, 2010). One of the reasons though why the food industry has a better than average outlook for the future is that food is necessary for daily existence and will therefore always remain important (globalEdge, ca. 2010). The industry is in fact expanding very rapidly due to the increase in world population, especially in countries such as China, India, and Brazil (Murray, 2007), and due to economic growth and rising incomes.

The role of brands

With increased competition within the industry, branding becomes ever more important as it remains the only way that organisations can differentiate themselves from competitors (globalEdge, ca. 2010). One way in which brand owners are differentiating their brands is by positioning them with images that conform to new trends in the industry, such as health and sustainability.

A brand can be defined as "a unique design, sign, symbol, words, or a combination of these, employed in creating an image that identifies a product and differentiates it from its competitors" (BusinessDictionary.com, ca. 2010a). Over a period of time, when a product is consistently manufactured with high-quality (Bradley, 2008) and has an appropriate image propagated to an audience, a brand begins to stand for certain benefits and value (BusinessDictionary.com, ca. 2010a). It is this representation which gives the brand its power, also called "brand equity"

(BusinessDictionary.com, ca. 2010b). Protecting one's brand equity is essential for financial success, whether it is a local product, an import, or a global brand (Bradley, 2008).

The importance of brand equity will increase as consumers try to find the best products for their money (globalEdge, ca. 2010). The world is becoming increasingly over-communicated and complicated and because of this consumers want to simplify their purchases and time-management (Clifton, 2004). Consumers therefore make purchases based on brand image, resulting in a greater significance of brands.

Branding is also important with increased globalisation, which has resulted in an increasing number of multinational organisations selling their products in numerous countries (Plunkett Research, 2010). In many cases, specific branding is required: products are sold under brand names in the local languages to appeal to the local communities.

Brands are also facing challenges and can be very vulnerable. During the current recession for example, private labels have become an ever more popular option for consumers, as they are often lower in price than regular brands (Plunkett Research, 2010; Martin, 2010). Furthermore, in specific contexts, established brand equity can lose its meaning. An example of this is the changing political situation which has had a negative effect on American brands (Clifton, 2004). Brands, such as Coca Cola, used to stand for "freedom and lifestyle aspiration" but the spread of democracy has meant that US brands are no longer unique. The recent military activity in the Middle-East has also lessened the value of American brands across the world.

Top 100 largest brand owners

Definition of a brand owner

A brand owner is a company that 'is the registered owner or licensee of a trademark brand'. As such, they have legal responsibility over the production of a food or beverage brand. In Fairfood's definition whenever a brand owner is owned by another corporation for more than 50%, the mother company is the formal owner of the brand. The food and beverage (F&B) industry is dominated by a small selection of multinational corporations (Plunkett Research, 2010), who all happen to be brand owners, such as Nestlé, PepsiCo, Kraft Foods, Unilever and Mars (Food & Beverage International, 2009).

Methodology

In the business world, brand owner companies are generally not distinguished from other companies, thus complicating the search for reliable and relevant data. To still be able to gain insight into the role and position of brand owners within the context of the F&B industry, it was decided to identify the largest brand owners and collect data on these companies.

Identifying the 100 largest brand owners

To Fairfood, any company which has final responsibility for the production of a branded product is a brand owner. This implies that two main categories of companies were included in the list of 100 largest brand owners: F&B processors and retailers. The 100 largest brand owners are ranked based on the net sales of their own branded F&B products. In case of F&B processors these are the sales generated with finished F&B products, most often sold to distributors and retailers. Large F&B processors were identified by combining different lists on top 100 food processors (Foodprocessing.com, 2010; Food & Beverage International, 2009) and top 500 agri-food companies (Plunkett Research, 2010; Deloitte 2006; Deloitte 2010).

In the past two decades, multinational retailers are quickly gaining market share with their private label products. The Market trend report 'private labels' (Bergsma, 2010) gives more insight into this trend and identified the largest retailers in this category. For a number of them, the estimated net sales of private label F&B products was so high that they gained a position among the 100 largest brand owners.

Collecting data

For each brand owner, data on annual net sales generated on finished branded F&B products as well as the net operating profit relating to these sales were collected. The number of employees and the number of brands and branded products owned was also gathered. Furthermore, some basic details such as where the headquarters of the brand owner are located, and whether the company is public or privately owned was added to the data. All the data was sourced from publications mentioned above, as well as corporate websites, annual reports and other online resources. Data on profit and number of brands and branded products owned by corporations was not always publicly available and sometimes difficult or impossible to estimate. Also the definitions used by companies for the terms 'brand' and 'brand products' is not always consistent. As a result the analysis is sometimes limited to a smaller number of companies, not always including all 100 brand owners.

Analysing data

Total figures were calculated for each type of data. In the presentation of the data it is always stated whether it includes 100 corporations or less. Within each data category interesting patterns were studied, for example the share of sales of the 10 largest brand owners versus the rest of the corporations. Regional differences were also analysed, by connecting brand owner data to the regional location of the headquarters. In order to estimate the market share of the top 100 brand owners within the F&B industry, the total net sales were compared to the estimated size of global F&B industry. Finally, Fairfood's involvement with the 100 largest brand owners in the world was analysed.

Size and geographic location

Figure 1 shows that the combined net sales for the 100 largest brand owners in 2009 amounted to €804 billion. The top 100 brand owners 2009 can be found in the appendix, where the corporations and their sales figures are listed. Wherever possible, net sales are based on the share of end products, discarding both business to business (B2B) sales within the food industry, as well as other activities (logistics, chemical production, etc). Although most sales represent wholesale, retailers owning private label products are also included in the list. Figure representing retail sales are as far as possible based on the private label sales for F&B products.

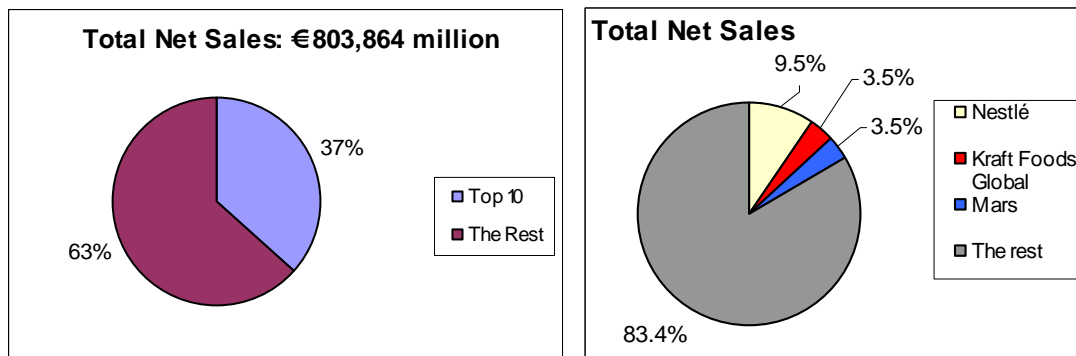


Figure 1a, 1b: (1a) Total net sales and top 10 share; (1b) Percentages of top 3 vis-à-vis the rest

The largest corporation by far is Nestlé with a sales figure of € 76.3 billion. The smallest company has a sales figure of € 2.2 billion. Average sales stand at € 8.0 billion per company. Nestlé's dominance is illustrated by the fact that it amounts to 10% of the total net sales in the top 100,

compared to 4% of its two nearest competitors, Kraft Foods (sales: € 28.1 billion) and Mars (€ 28 billion). Interestingly, the fifth place is held by a retailer, Tesco, whose F&B private label sales are estimated at € 25.2 billion. Combined, the ten largest companies hold 37% of total sales within the top 100.

In figure 2 net sales based on the location of the companies' headquarters are presented. For example, all Nestlé's sales are counted as "European". The share of Western companies stands out: the top 10 completely consists of North American and European corporations: five for North America, five for Europe. Combined, the European brand owners represent 58% of top 10 sales (€ 171.4 billion), which makes the North American percentage 42% (€ 123.0 billion). Thus, the general dominance of Europe and North-America –as reflected in the chart– is even more outspoken on the top than it is for the top 100 in general.

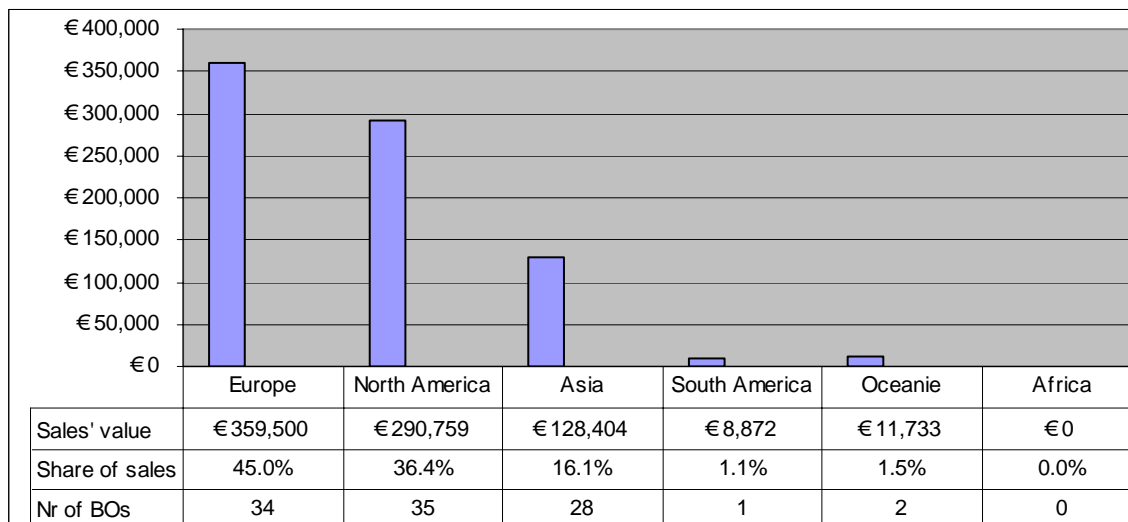
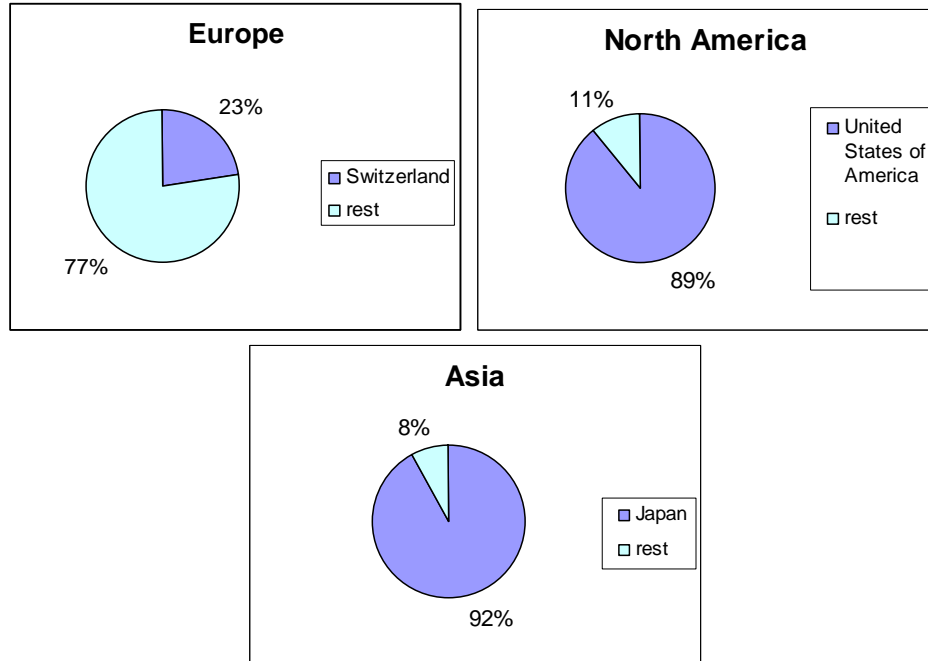


Figure 2: Sales based on the companies' headquarters.

Asia holds the third place in total sales, with Japanese companies holding the vast majority of sales within Asia (92%, figure 2c). As can be seen in figure 2b, the USA has a similar position within North America. Within Europe, Switzerland is leading, but unlike Asia and North America, Europe does not have one dominant country (figures 2a). The Japanese sales figure reinforces the image that the developed economies dominate the processed food markets, particularly because Oceania also belongs in that category. There are few headquarters of leading multinationals in emerging markets; currently, only eight corporations in the top 100 are located there.¹ However, quite a few of the top 100 corporations make significant sales in Africa, Asia and Latin America. Local sales are not represented these charts.

¹ Rnk 24, Grupo JBS-Friboi (Brazil); rnk 27 FEMSA (Mexico); rnk 44, Grupo Bimbo (Mexico); rnk 50, Yildiz Holding (Turkey); rnk 80, PT Indofood Sukses Makmur Tbk (Indonesia); rnk 91, San Miguel Corporation (The Philippines); rnk 93, Ting Hsin International Group (China); rnk 96, Thai Beverage Public Company Limited (Thailand).



Figures 2a, 2b, and 2c: Leading countries within the major continents.

Figure 3 presents the division between public owned companies and privately owned companies. In contrast to privately owned companies, public owned corporations make their key figures public, assisting the retrieval of information of financial and brand data discussed here, as well as information on corporate responsibility. As a result, for several of the charts discussed below, private companies were excluded.

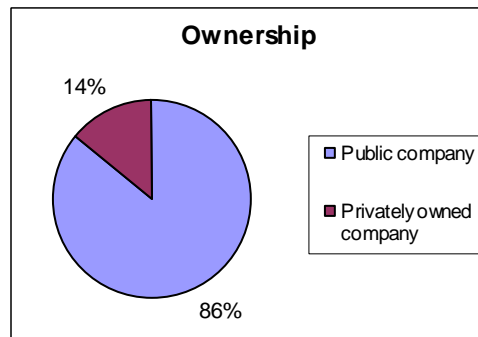


Figure 3: Division of ownership: Public/Private.

Share of global food and agricultural sales

The top 100 brand owners approximately represent one-fifth (20.5%) of global food and agricultural sales, or 2.5% of total global GDP. This figure is derived by dividing the combined sales of the top 100 by 10% of global GDP in 2009². Furthermore, the top 10 holds a share of 7.6% of global food and agricultural sales according to this logic. These figures reflect the importance of the F&B sector as a whole, and the power of the largest brand owners in particular.

² World GDP in 2009 was USD 56,262.5 billion (World Bank). Ten percent amounts to USD 5,626.2 billion, or EUR 3,916.4 billion (Exchange rate 1 January 2010). (EUR 803.9 billion / EUR 3,916.4 billion) * 100 = 20.5%. In this report Fairfood has followed the 10% estimate for 2006 and translated that percentage to 2009, assuming the 10% estimate is still valid.

The number of employees

Table 1 presents the total number of employees for the corporations. Retailers were excluded as the majority of these are sales persons in supermarkets, not involved in the production of food and beverage products. The average number of employees is estimated at 37,440 per company. Some companies only present their employees working at the head office. For that reason, the below figures are bound to be an underestimation.³

Employees	
Total	3,214,773
nr of comps	88
av per comp	36,532

Table 1: total employees

Profitability

Profitability is another key indicator for the F&B business world. Therefore the net profit (income) figures are presented below. For 29 brand owners net profit figures could not be presented. For instance, privately held companies rarely publish their net profit/income figures.⁴ Unlike the sales figures, net profit figures might include activities other than the sales of F&B end products (such as agribusiness and B2B). Thus, profit figures for those corporations whose sales figures were less than 75% derived from F&B activities were excluded. Two companies reporting losses were also not taken into account.

Net profit	(€ in mln)	(€ in mln)	
Tot net prof	€ 47,030	€ 548,286.09	Tot sales
Av profit	€ 672	8.6%	av profit margin

Table 2: Reported net profit and average profit for 70 companies.

In table 2 some figures are presented relating to net income figures for 70 brand owners. In the right bottom cell, the profits are expressed as percentage of the net sales, in order to express average profit margins, whilst to the left, average profit are presented. The average profits amount to 8.6% of the net sales.

Profits within the F&B sector differ per sub-sector. Distillery products, for example, have a high profit margin of 21%, unlike the 9% for the F&B sector overall.⁵ Famous soda companies (Coca-Cola and Pepsi) have an average profit margin of 26%. This high figure is probably related to their strong brands, which are famous world-wide.

In figure 4 the division of profit per continent is presented, based on companies' headquarter location. Profits shares significantly differ from sales shares. Based on 70 companies for which both sales and profits were known; North American corporations have the highest share of profits (47%), followed by European (44%), and only 7% for Asian brand owners (remainder Oceania and South America: 2%). What is interesting is that North American corporations have high profit shares compared to their sales shares, whilst Asian companies have it the other way around: relatively high sales shares compared to their profit shares. European companies have rather similar shares of profit and sales. This indicates that the profitability is unevenly spread across the multinationals.

³ Calculating the number of employees came with some difficulties in definitions. For example, companies use some slightly different standards for the number of employees they have, think of corporations whose products are more affected by seasonality and therefore use 'average' number of employees. Some just count the number of employees from a certain date onwards. However, these differences in terminology in practice do not alter the end result significantly.

⁴ Other terms include: (the) bottom line; income after tax, etc.

⁵ These three distillery companies are: Diageo, Pernod Ricard, and Bacardi.

However, if Coca-Cola and PepsiCo are removed from the sample a different picture arises. Combined, Coca-Cola and PepsiCo compose 53% of total North-American profits. In other words, if these two corporations are omitted from the above graph, the North-American bar would drop to approximately half its size. In that new situation, Europe would have a 59% share of total profit, followed by North America (30%), Asia (9%) and Oceania and South America (2%).

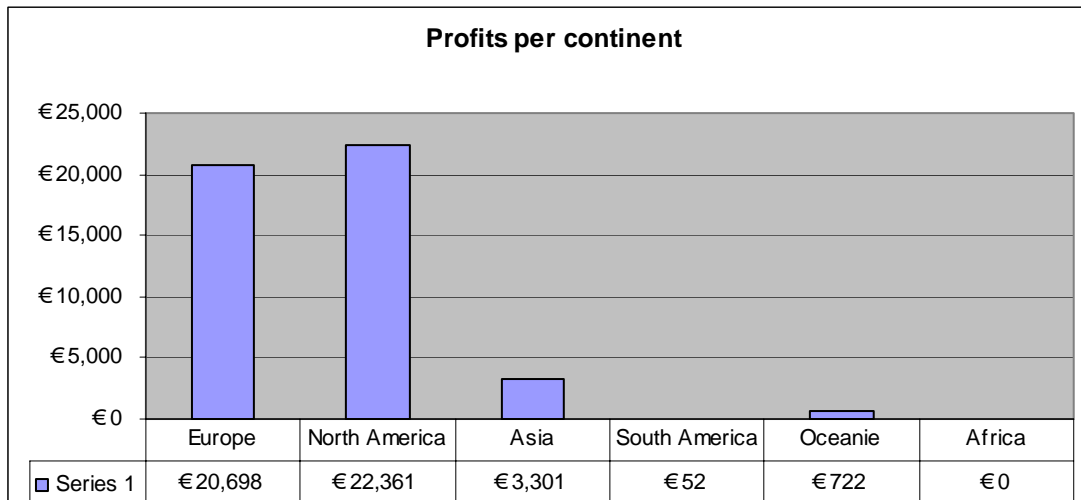


Figure 4: Profits per continent, values in millions of Euros.

Figure 5 gives a perfect illustration of this situation. In this figure, the aggregated profit values are expressed as a percentage of the aggregated sales figures. Blue represents the figures excluding Coca-Cola and PepsiCo, red the figures including these corporations. With those companies, the average profit margin is 12.1% for North America, without these two brand owners, it drops to 7.5%. Omitting these two famous soda companies, the average profit margin of North American corporations is not that impressive.

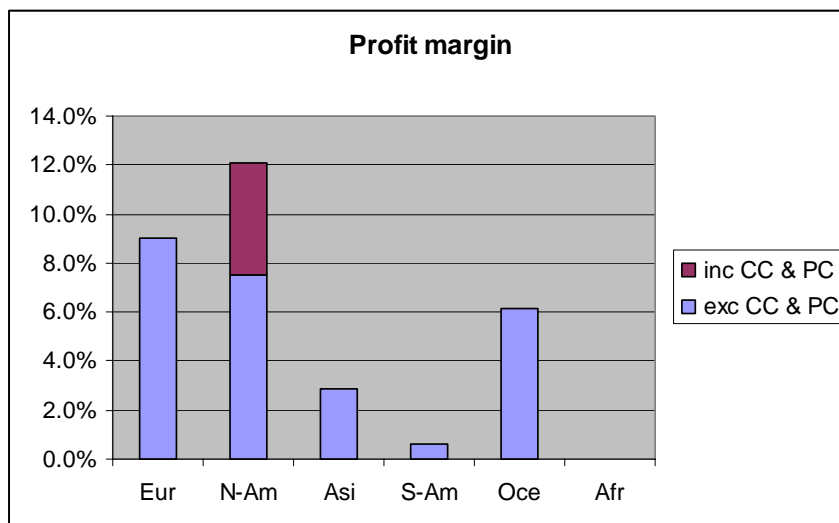


Figure 5: Profit margin per continent

The profit margins in the F&B industry are not remarkable compared to that of other industries. For illustration, various profit margins: “Textile - Apparel Clothing” 4.4%, “Electric utilities” 7.5%, “Communication equipment” 4.1%, “Chemicals” 4.3%, “Diversified computer systems” 9.0%;

although there are some industries that have significantly higher average profit rates, such as drug manufacturers (23.1%) and those in “Industrial metals & minerals” (17.3%) (< <http://biz.yahoo.com/ic> >; accessed 9 February 2011). According to this site, the profit margin for “Food – Major Diversified” stands at 6.4%, just 2.2 percentage points below the 8.6% profit margin found for the top 100 of brand owners. Notice that the profit margins mentioned here consider those of large corporations, not that of small food producers.

Brand Products

The number of brands and brand products owned by the top 100 brand owners is very high. Firstly, a differentiation is made between brands and brand products. In this regard think of the difference between Coca-Cola and its Diet/Light variant. Both are part of the Coca-Cola brand, but they are two different brand products. Fanta is another brand of the Coca-Cola Company, and like the Coca-Cola brand, there are different Fanta (brand) products. Some corporations have only one, or a very limited number of brands, but a significant amount of brand products. Think in this regard of Dole, which has bananas, pineapples, and a range of other fruits and vegetables under one brand name. Additionally, consider that brands and brand products are often not available globally, but only locally or regionally. One product can be sold under different brands in different regions by the same company. In this report, unless otherwise stated, brand products rather than the brands itself are discussed. Note that data on the number of brand products was available for only 68 corporations.

Brand Products (BPs)	
Brand Products	16,057
Total companies known for	68
Average number of BPs	236
Estimated total based on average	22,939
Median number of BPs	51
Estimated total based on median	5,100

Table 3: Brand products owned by corporations.

It is estimated that the number of brand products linked to one brand lies on average between 10 and 15. Based on this estimation, the number of different brands owned by these companies will be somewhere in between 1070 and 1606. Because of the difficulty of finding information, the number of brand products owned by corporations is often an underestimation of the total number of brand products. Because of this and of the fact that data was available for only 68 corporations, the total number of brands owned by the top 100 brand owners will be even higher.

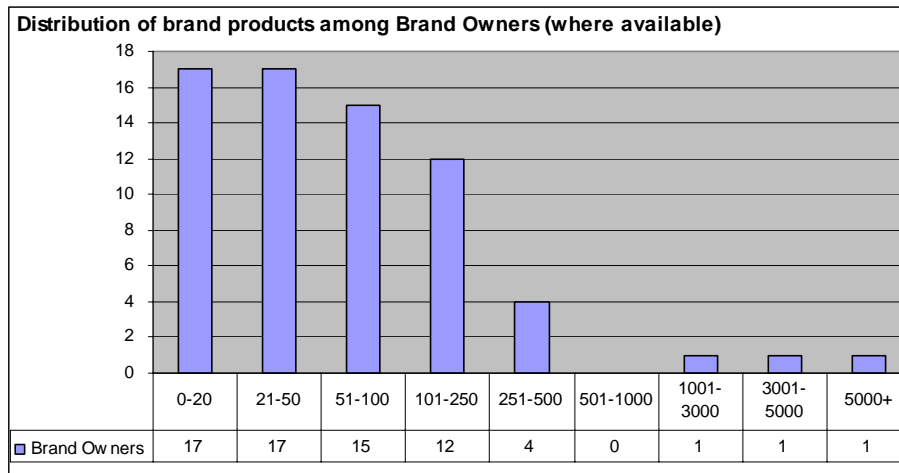


Figure 6: Distribution of brand products for 68 brand owners.

As can be observed from table 3 and the figures 6 and 7a and b, there is a significant difference between the median and the average number of brand products per corporation. That entails that there is a small number of companies that control most brand products. In the figures below this division is illustrated. The three major brand owners are PepsiCo, The Coca-Cola Company and Nestlé, who owns more than 5000 brand products; still a very conservative estimate. These three corporations, responsible for 22 % of the net sales, own 69% of the brand products in this sample (see figures 7a and 7b). Nestlé's dominance is once again undeniable, single-handedly they control over one-third of the brand products.

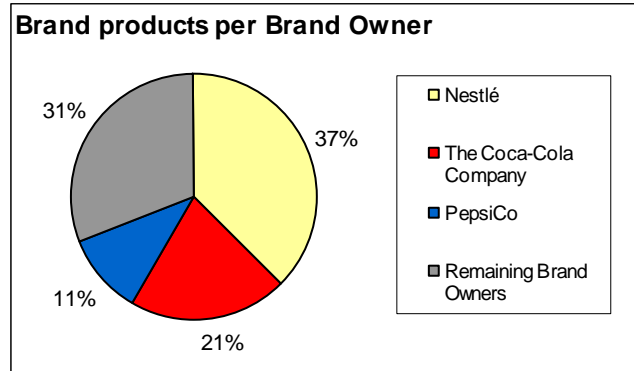


Figure 7a: The three corporations with the highest number of brand products (for 68 brand owners).

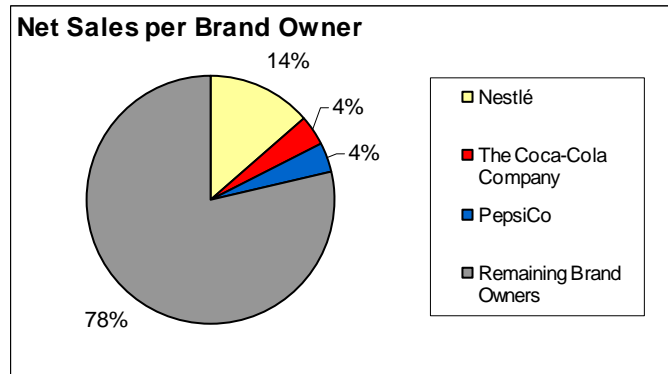


Figure 7b: Share of sales for the 3 corporations with the most brands versus the rest (68 brand owners).

The remaining one third of the brand products is owned by the other 65 brand owners falling in lower categories (see figure 6). Fifty percent (34 out of 68) of the corporations in this sample own between 1 and 50 brand products, whilst 46% (31/68) fall in the following two categories (51-100 and 101-250). What is interesting is the discrepancy between corporations owning over a thousand brands and those that own the rest. However, the trend towards private label production (see section 'retailers and private labels') will increase to the number of corporations responsible for large amounts of brand products. The actual number of brand products owned by retailers is most often unknown, but will most likely fall in the category beginning from 501 brand products.

Figure 8 shows the division of brand products over the different continents. It should be interpreted with some care, as the number of Asian brands is an underestimation. As was shown earlier, most Asian companies in the top 100 are Japanese, and Japanese consumer sites about the brands and products owned were often only available in Japanese. Nevertheless, because of the dominant position of Nestlé, Coca-Cola and PepsiCo, as well as large retailers being located either in Europe or in North America, the vast majority of brand products in the top 100 will remain in the West.

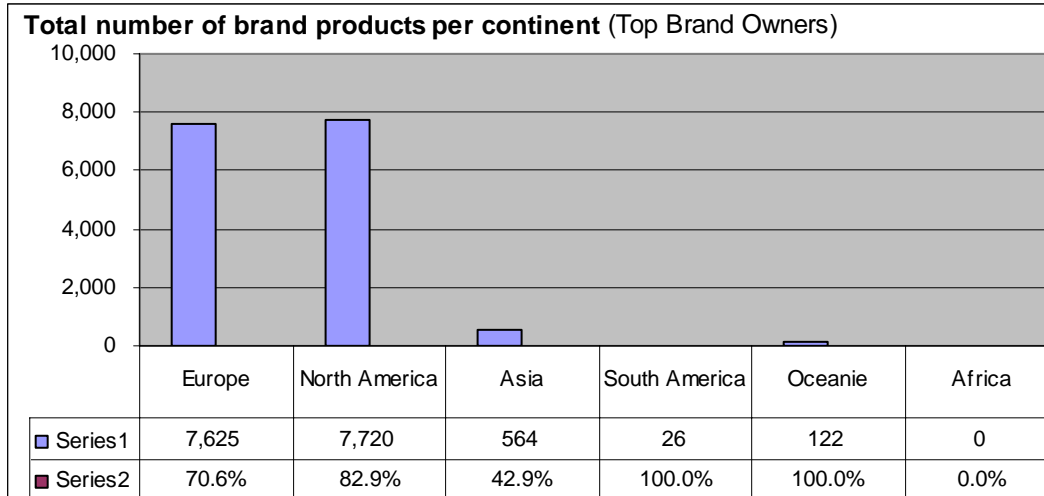


Figure 8: Continental division of brands based on 68 companies. Series1: number of known brand products; Series2: percentage of companies for which information was found.

Retailers and Private Labels

Since a couple of decades, retailers increasingly offer private label products on their shelves, next to the familiar A-brands. Since these food products are sold under their own store brand, retailers are also considered brand owners. In figure 9 below, the division of sales between A-Brands and private labels is presented. Representing approximately 14% of the total sales, twelve retailers have taken their fair share among the top 100 brand owners.

Actual sales of private label F&B products (excluding non-food items) by retailers are difficult to find, but Fairfood has been able to make a rough estimate. The three largest retailers even appear in the top 10: Tesco, Aldi and Wal-mart; having a combined sales figure of € 69.9 billion. Since retailers often cover a whole range of F&B products with their private labels, the number of corporations owning large amounts of brand products in figure 6 is actually higher.

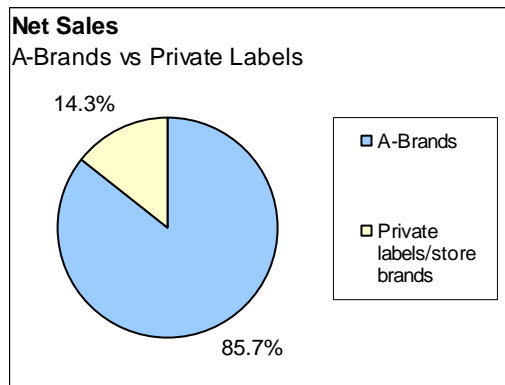


Figure 9: Sales by A-brands and private labels.

Fairfood’s involvement with top 100 brand owners

This last section shows Fairfood’s involvement with the brand owners in the top 100. Below the current involvement and its significance is illustrated in charts. The separate statuses of ‘Basic Advocacy’ and ‘Intro letter to be sent’ are combined, as the last category will soon become integrated in the basic advocacy.⁶ The statuses are based on a last update, 6th of January 2011.

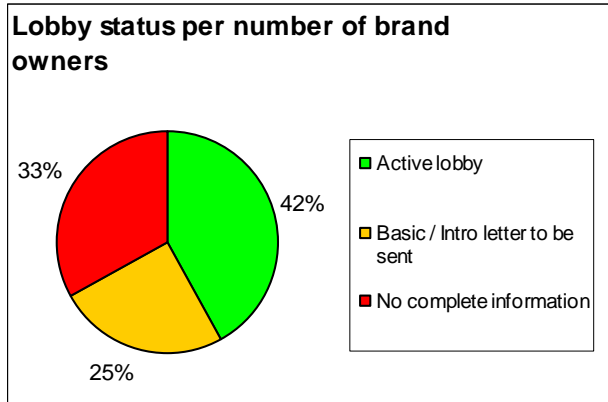


Figure 10: Advocacy status according to the number of brand owners.

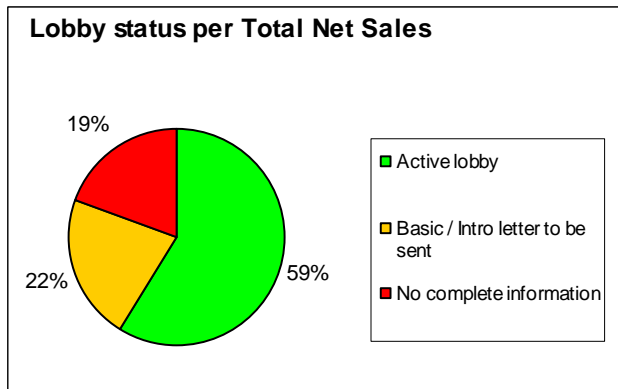


Figure 11: Advocacy status as share of sales

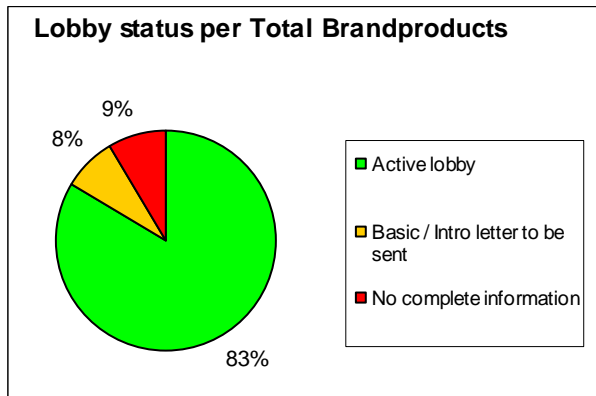


Figure 12: Advocacy status according to number of brand products.

⁶ Aldi (sales €22,716.00 million) are split between two different brand owners, Aldi Nord and Aldi Süd, the first has a ‘basic lobby’ status, whilst the other is set at ‘no complete information’. Aldi’s status is set at basic.

From figures 10, 11 and 12 it can be derived that 42% of the brand owners is actively being lobbied, whilst simultaneously these brand owners represent 59% of sales' value and control 83% of the brand products known within the top 100. Figure 13 shows that one active advocacy trajectory started in the emerging markets with the "Thai Beverage Public Company Ltd." in Asia.

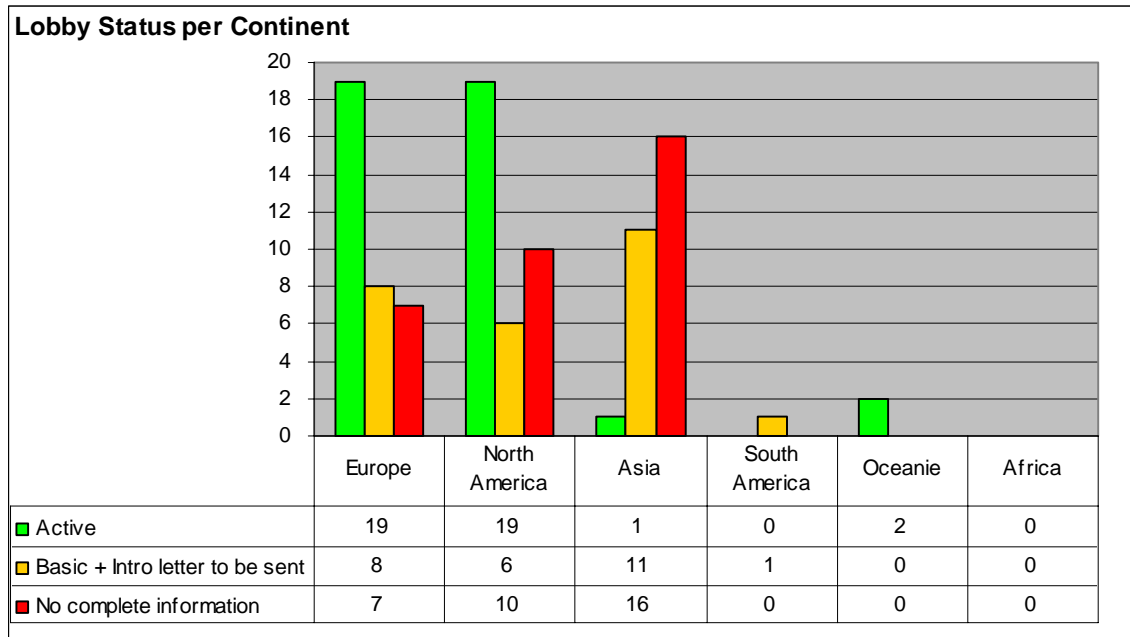


Figure 13: Advocacy status per continent, with absolute figures below the bars.

Conclusions

The top 100 largest brand owners clearly dominate the food and beverage industry. Their combined net sales for over 16,000 branded food and beverage products amounts to €804 billion. As such they are responsible for 21% of the global food and agricultural sales; an estimated 2.5% of global GDP. On average they have 36,500 employees per corporation.

Within the top 100 there are significant differences in size between the corporations. The top 10 for example consists of the largest giants, listing Nestlé, Kraft Foods, Mars, AD Inbev, Tesco, Aldi, Coca Cola, PepsiCo, Walmart and Unilever. Their net sales amount to more than a third of the total net sales of the top 100. The majority of corporations own less than 100 branded food products, while some of these giants produce 1000 or even more than 5000 branded products.

While over a quarter of the brand owners in the top 100 are headquartered in Asia, their share in total net sales of the top 100 and also their average profit margins are relatively low. Also the number of brand products owned by these corporations seems to be lower. This can probably be explained by the fact that the Asian market is still very competitive, and not yet dominated by large giants. At the same time, Asian corporations are facing the competition of the Western multinationals that are increasingly expanding their sales into these markets. Corporations from other emerging markets, such as Brazil and South Africa are almost absent in the top 100.

The increasing relevance of private label products (also known as store brands) from retailers is one of the most important trends in the food and beverage industry. By increasingly producing food and beverage products with their own labels, power is shifting from traditional manufacturers to retailers. Net sales of food and beverage products were therefore collected not only for the 'traditional' food producers, but also estimated for the private label food and beverage sales of retailers. Based on these (often conservative) estimations, twelve multinational retailers are listed in the top 100, three of which even rank in the top 10. With a focus on brand owners, allowing combining traditional producers and retailers, the irreversible trend of the private labels is strongly confirmed in this report.

It is challenging to estimate the market share of brand owners in the global food and beverage industry. The World Bank estimate of global sales (\$4.8 trillion in 2006) includes both food and agricultural products, while Fairfood focuses only on branded end products. Thus, while the 100 largest brand owners have a market share of 21%, the remaining 79% also includes crop production, ingredients, semi-processed products and trade. Therefore providing a figure on the number of brand owners worldwide and their share in the food industry is difficult.

It proved to be even more challenging to estimate the potential impact of brand owners on the rest of the food industry. Fairfood International holds brand owners responsible for the production along the whole food supply chain. The top 100 brand owners have a 21% share in global food and agricultural sales. Therefore if Fairfood has active advocacy trajectories with all 100 corporations, Fairfood directly influences 21% of the global market. However brand owners' decisions on sustainability have a huge potential impact on the rest of the chain, including crop production, trade and suppliers of semi-processed products. Additionally, by changing the behaviour of the largest brand owners, smaller brand owners will also be influenced indirectly. Therefore, by influencing 21% of the global market directly, the potential trickle down effect on suppliers and smaller corporations ensures that a much larger share of the global food and agricultural market is affected.

Recommendations

Below are a few practical recommendations that may be useful for improving some aspects of Fairfood's advocacy work.

1. Focus active advocacy trajectories on the top 100

The report clearly demonstrates that the 100 largest brand owners account for a major share of the food and agricultural industry. They have a large influence both on their supply chains as well as their competitors. Following the rationale behind Fairfood's strategy of pressuring the largest corporations, this implies that the top 100 should be leading in the selection of corporations for active advocacy. The geographic location of the 100 largest brand owners is limited to North America, Europe and Asia. While the sample of 100 largest brand owners is too small for decisions on the geographic spread of advocates, an investigation into the geographic location of headquarters of the top 500 brand owners can be used as valuable input for strategic choices on front offices.

2. Include retailers with private label production

The report clearly confirms the growing importance of retailers in food and beverage production. Targeting this type of brand owners will increase Fairfood's influence on the industry. Large retailers with substantial private label production should be selected for active advocacy. As these brand owners often have a broad product range, this will also allow Fairfood to influence multiple supply chains at the same time.

3. Make "Net Sales" a required field in Filelinx

Data on net sales of brand owners can be very useful to delineate the market share connected to Fairfood's advocacy work. This type of data enables Fairfood to define the combined net sales of brand owners affected globally or in any specific region, and communicate about it, either in a report, news article or fundraising proposal.

Presently, the data field for "Net sales" is not 'required' in Filelinx and as such this field is generally left out when entries are made. If this field becomes 'required' (and consequently always filled in); Fairfood will be able to compute the market share of the industry directly influenced by its advocacy work. Such data can be very helpful to communicate to Fairfood's constituency as well as in building up fundraising proposals.

4. Link Top 100 with Outcome mapping results

The data in this report clearly reveal that the top 100 brand owners can have an immense influence on the food and beverage industry. It would therefore be very useful if Fairfood can recognize the influence it has on this group. Linking Outcome mapping results with the top 100 brand owners will give a good insight into the impact Fairfood has achieved in trying to influence these industry giants. It will also allow Fairfood to evaluate and compare its impact on different corporations. This comparison will enable Fairfood to identify companies which were successfully targeted and may give insight into successful strategies. This in turn can be valuable input for the selection of new corporations for active advocacy.

5. Use data on dynamics of brand owners for selecting active advocacy trajectories

Besides data on net sales and outcome mapping results, other data can be used to select active advocacy trajectories. The number of brands owned by a corporation is a valuable indicator of its' size as well as the potential for successful leverage campaigns during the advocacy trajectory. The profitability of the corporation provides insight in the budget available for investments in sustainable production. Additionally, corporate sustainability assessments from the research department can identify areas within these corporations where progress can be made, facilitating the advocacy process.

Additionally, the report provides the following interesting leads for further research.

1. Measuring the trickle down effect

The report has shown that by pressuring brand owners to become more sustainable, the indirect impact of Fairfood's advocacy strategy affects a much larger share of the food and agricultural industry. It would be interesting to try to quantify this potential trickle down effect and gain a better insight into the market share affected by Fairfood indirectly.

A similar methodology can also be of value to moderate the outcome mapping results for the size of the company. The impact of ten steps taken by a small company may not even approach the impact of one step taken by a giant multinational like Nestlé. By weighing the outcome mapping results with for example the net sales of the company, this difference in influence and impact can be valued.

2. Further research on private label production

Solid data on net sales and profit generated by private label food and beverage products is difficult to access. Although it became clear that retailers often possess a broad range of private label food and beverage products, hard data on their product range is also difficult to find. Further research on private label production is therefore desirable.

3. Better insight into profitability in the food and beverage industry

Profitability could be a relevant indicator for selecting active advocacy trajectories. However, the report raises several additional questions and leads for further investigation into profits and the profitability of corporations. It could be very interesting to gain further insight into the factors that influence profitability in the food and beverage sector. Certain sectors within the industry seem to have higher profit margins than others. The data also suggest that some corporations having well known brands may be much more profitable than others, possibly due to high brand equity. At the same time, dominance within a sub-sector can contribute to profitability, as well as aggressive acquisition policies.

Finally, the data in the report suggest that the European and North American brand owners are particularly profitable, whilst these regions are also known for their protected food and beverage markets. Unfair trade systems hamper food exports from developing world to these regions and can promote exports from Europe and North America to emerging markets at unfair low prices. It would be very interesting to explore the possibilities to relate the profitability of brand owners with benefits such as subsidies, protection barriers, tax deductions and export subsidies.

References

- Bergsma, R., 2010. *Market trend report private labels*. Amsterdam: Fairfood International.
- Bradley, A., 2008. *Food & beverage industry*. [pdf] US: Rockwell Automation.
Available at: http://samplecode.rockwellautomation.com/idc/groups/literature/documents/br/food-br001_-en-p.pdf
Accessed: [19 October 2010].
- BusinessDictionary.com, ca. 2010a. *Brand* [Online]
Available at: <http://www.businessdictionary.com/definition/brand.html>
Accessed [19 October 2010].
- BusinessDictionary.com, ca. 2010b. *Brand equity* [Online]
Available at: <http://www.businessdictionary.com/definition/brand-equity.html>
Accessed [19 October 2010].
- Clifton, R., 2004. *The future of brands*. [pdf] In: R. Clifton & J. Simmons, eds. 2004. *Brands and branding*. Princeton: Bloomberg Press. Ch.15.
Available at: <http://www.brandchannel.com/images/papers/future%20of%20brands.pdf>
Accessed [20 October 2010].
- Deloitte, 2008. *Global power of the consumer products industry. Thinking inside, outside, and all around the box*.
- Deloitte 2010. *Global power of the consumer products industry 2010. Extracting value*.
- Food & Beverage International, 2009. *Top 100 food groups* [Online]
Available at: http://issuu.com/foodbev/docs/f_bi_sept_pp20_top100_chart
Accessed [19 October 2010].
- Foodprocessing.com, 2010. *Food Processing's Top 100* [Online]
Available at: <http://www.foodprocessing.com/top100/index.html>
Accessed [19 October 2010].
- Foods For Trade, ca. 2009. *Food industry overview* [Online]
Available at: <http://www.foodsfortrade.com/foodtraderpass/overview.php>
Accessed [19 October 2010].
- globalEdge, ca. 2010. *Food and beverage: background* [Online]
Available at: <http://globaledge.msu.edu/industries/food-and-beverage/background/>
Accessed [19 October 2010].
- Martin, T.W., 2010. Branded Foods Tick Up. *The Wall Street Journal*, [Online] 5 March.
Available at:
<http://online.wsj.com/article/SB10001424052748704187204575102080620423338.html>
Accessed [19 October 2010].
- Medical.Webends.com, ca. 2010. *Food industry* [Online]
Available at: <http://medical.webends.com/kw/Food%20Industry>
Accessed [19 October 2010].
- Murray, S., 2007. *The world's biggest industry* [Online]
Available at: http://www.forbes.com/2007/11/11/growth-agriculture-business-forbeslife-food07-cx_sm_1113bigfood.html
Accessed [25 October 2010].

Plunkett Research, 2010. *Food, Beverage & Tobacco Trends* [Online]

Available at:

<http://www.plunkettresearch.com/Industries/FoodBeverageTobacco/FoodBeverageTobaccoTrends/tabid/249/Default.aspx>

Accessed [20 October 2010].

Regmi, A. & Gehlhar, M., 2005. New Direction in Global Food Markets. [pdf] In: A. Regmi & M. Gehlhar, eds. 2005. *New Directions in Global Food Markets*. US: Economic Research Service. Introduction.

Available at: <http://www.ers.usda.gov/publications/aib794/aib794.pdf>

Accessed [26 October 2010].

Appendix

	Company	Net Sales € mil		Company	Net Sales € mil
1	Nestlé	76270	51	Associated Wholesale Grocers Inc	4915
2	Kraft Foods Global	28122	52	Metro Group	4849
3	Mars	28000	53	Morinaga Milk Industry Co., Ltd.	4650
4	Anheuser-Busch Inbev	25589	54	Hormel Foods	4548
5	Tesco	25177	55	Bunge Limited	4305
6	Aldi	22716	56	Dole Food Company	4300
7	The Coca-Cola Company	22780	57	Barilla Alimetare S.p.A.	4171
8	PepsiCo	22121	58	Associated British Foods	4082
9	Wal-Mart	21977	59	McCain Foods	4000
10	Unilever	21588	60	Parmalat SpA	3992
11	SABMiller plc	19240	61	Aeon Co., Ltd	3900
12	Tyson Foods Inc	18699	62	The Hershey Company	3896
13	Groupe Danone S.A.	14980	63	Dr Pepper Snapple Group	3850
14	Heineken	14701	64	ITOHAM FOODS Inc	3596
15	Kirin Holdings	14429	65	Nisshin Seifun Group Inc.	3541
16	Suntory Ltd.	11661	66	Nippon Suisan Kaisha Ltd.	3537
17	Ahold	11170	67	Q.P. Corporation	3482
18	Asahi Breweries	11073	68	Red Bull GmbH	3323
19	General Mills Inc	10806	69	Bongrain	3279
20	Diageo	10305	70	Bacardi & Company	3229
21	Auchan Group SA	9925	71	Südzucker AG	3154
22	Lactalis	9350	72	Japan Tobacco Inc	3136
23	Kellogg NA Co.	9262	73	Constellation Brands	3092
24	Vion	8988	74	ARYZTA AG	3010
25	Grupo JBS-Friboi	8872	75	Foster's Group	2972
26	Fonterra	8761	76	Nissin Foods Holdings Co Ltd	2950
27	Smithfield Foods	8428	77	Chocoladefabriken Lindt & Sprüngli	2937
28	FEMSA	7991	78	Perdue Farms	2924
29	Carlsberg Group	7981	79	Del Monte Foods Company	2813
30	Dean Foods	7789	80	PT Indofood Sukses Makmur Tbk	2751
31	Dr. August Oetker	7700	81	LVMH Moët Hennessy Louis Vuitton SA	2740
32	Nippon Meat Packers Inc	7578	82	Sapporo Holdings Ltd	2739
33	Sara Lee Corporation	7513	83	Ralcorp Holdings, Inc.	2662
34	H.J. Heinz Company	7424	84	CSM Bakery Products	2600
35	Pernod Ricard SA	7081	85	Toyo Suisan Kaisha Ltd	2506
36	FrieslandCampina	6840	86	Ito En	2500
37	Kroger	6778	87	Sodiaal	2468
38	Ajinomoto Co., Inc	6687	88	Meg Snow Brand Milk Co., Ltd	2454
39	Maruha Nichiro Holdings, Inc	6586	89	Nichirei Corp.	2437
40	ConAgra Foods, Inc.	6499	90	Chiquita Brands International	2415
41	Ferrero SpA	6345	91	San Miguel Corporation	2350
42	Meiji Holdings Co Ltd	6303	92	Müller Group	2300
43	Arla Foods Amba	6213	93	Ting Hsin International Group	2290
44	Yamazaki Baking Co., Ltd.	6201	94	The Nisshin OilliO Group, Ltd	2271
45	Grupo Bimbo SA	6195	95	Kikkoman Corporation	2270
46	Danish Crown Group	6008	96	Thai Beverage Public Company Ltd.	2264
47	Saputo Inc.	5811	97	Ezaki Glico., Ltd	2261
48	Campbell Soup Company	5579	98	Land o' Lakes	2233
49	Maple Leaf Foods	5010	99	Ebro Puleva	2198
50	Yildiz Holding	5000	100	Ernest & Julio Gallo Wines	2193