How to grow and thrive in a complex regulatory landscape

Part of article series: **Empowering growth through operational resilience in the F&B sector**

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About the article series:
Empowering growth through operational resilience

The food and beverage (F&B) industry is a significant and dynamic sector of the European economy. However, it now faces increasing challenges relating to an evolving regulatory and compliance landscape, digital transformation requirements, complex supply chain risks, and rapid innovation deployment needs.

dss+ provide pragmatic guidance outlining and explaining these challenges, their impacts on production, and the opportunities they create. Aimed at the C-suite, each article in this **six-part series** will take a deep dive into the latest issues, exploring solutions and practical steps that businesses can take, while assessing trends that can unlock market access.

Our goal is to explore proven strategies and operational resilience that enable F&B companies to not only survive but thrive in volatile markets and gain a competitive advantage.

As published in

INDEPENDENT

Articles in this series explore:

1. **Empowering growth through operational resilience:** How to grow and thrive in a complex regulatory landscape;
2. **Supply chain resilience:** Mitigating risks and ensuring uninterrupted and cost-efficient production;
3. **Embracing data-driven digital transformation:** Harnessing data and technology to optimise efficiency;
4. **Agile and lean manufacturing in action:** Case studies of successful implementations in food manufacturing;
5. **Performance transformation:** The power of people engagement;
6. **Continuous improvement mindset:** Fostering a culture of constant improvement.

How to grow and thrive in a complex regulatory landscape

Staying compliant while prioritising growth presents a significant challenge for the food & beverage (F&B) sector. A constantly evolving regulatory landscape involving food safety standards, product labelling and import/export restrictions demands high industry standards. Add new environmental, social, and governance (ESG) regulations to the mix and the bar to meet regulatory compliance requirements is raised even higher.

Success requires the ability to balance the investments needed to meet new regulations, satisfy consumer demands and offer innovative and affordable products while simultaneously achieving and maintaining solid, profitable growth. Equally important will be the use of technology to navigate and support regulations.

So, what strategic actions can the C-suite take to not only survive, but also thrive in a complex compliance landscape?

Key CSRD requirements

- **Environmental impact:**
  Greenhouse gas emissions, resource usage, waste management.
- **Social responsibility:**
  Labour practices, human rights in the supply chain, community engagement.
- **Governance: Transparency:**
  Ethical business conduct, risk management related to sustainability.

Keep pace with regulations

Keeping up with national and international regulations is a challenge in a sector requiring continuous alignment with new legislation, industry standards, and evolving consumer expectations. Navigating regulations that impact the value chain adds additional complexity, particularly relating to evolving sustainability requirements.

Indeed, sustainability is an increasingly essential regulatory component in the F&B industry. Notably, the **Corporate Sustainability Reporting Directive (CSRD)** which mandates sustainability, reporting for large companies operating in the EU. Starting in 2025 and based on 2024 reporting, the CSRD requires companies to disclose information on ESG factors. The requirements include reporting on factors present in the supply chain, which is a complex and challenging task, both operationally and financially.

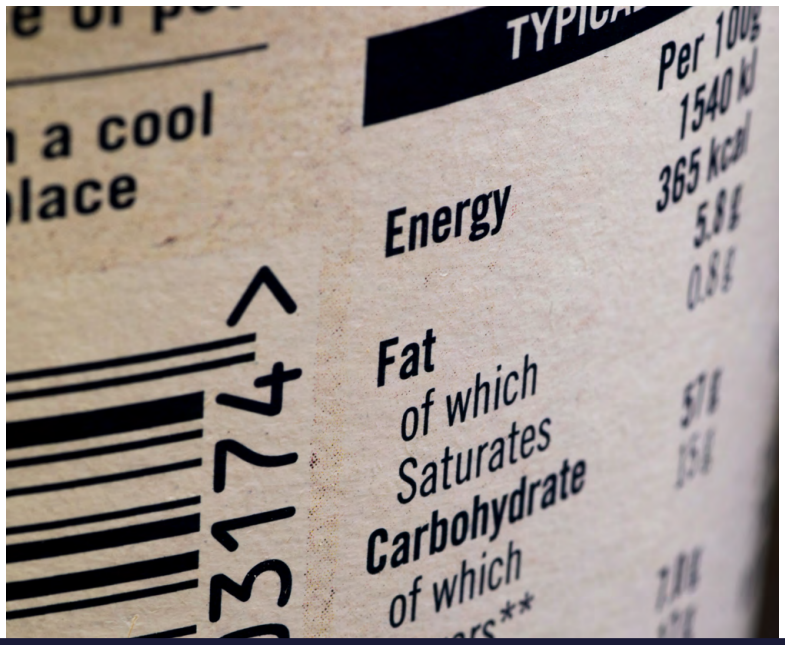
Partnering and collaborating with impacted providers, clients, and other stakeholders can help direct support and investment more efficiently to navigate compliance issues.

Updating compliance management systems that navigate complex regulatory landscapes can help adapt to regulations swiftly. Keeping pace with regulatory change also helps to avoid missing key growth opportunities.

Anticipate new regulations on the horizon

While navigating the current regulatory landscape presents challenges, companies also need to anticipate new regulations on the horizon. A recent focus on "chemicals of concern" heralds stricter rules on food additives, contaminants, and packaging materials. Regulations promoting eco-friendly practices and waste reduction related to improving sustainability are likely to tighten, along with wider ESG reporting requirements for companies in scope of the CSRD.

Anticipating new trends and concerns helps companies develop a compliance roadmap and allocate resources to gain a competitive advantage. For example, as personalised nutrition products gain traction, regulations may evolve to address labelling requirements, safety standards for new ingredients, and potential health claims. Also, growing concerns about microplastic contamination in food might lead to regulations addressing acceptable limits, monitoring requirements, and potential mitigation strategies. Regulations on data security in food supply chains and traceability systems are also on the horizon. Staying informed through industry associations and monitoring services gives the option to comment on and shape emerging regulations in the F&B sector.



Adopt solutions that proactively manage compliance risk

The fragmented nature of regulations across various EU states adds further complexity for multinational companies. Individual regulatory bodies can conduct inspections and audits without warning. Proving regulatory compliance requires maintaining detailed records, implementing traceability systems, and conducting regular internal audits. All of which require significant administrative work, putting a further strain on resources and budgets.

Conducting regular internal audits, identifying potential compliance issues, and addressing them before they escalate offer a more forward-thinking solution that understands risk can arise from a combination of factors, rather than a single root cause. In addition, fostering a culture of risk management within the organisation encourages employees to be aware and proactively identify potential compliance risks. Given the high risks of non-compliance on reputation and the consequent impact on market share and investors' appetite, investing in training, technology, and expertise to manage regulatory risks is essential.

> **Fostering a culture of risk management within the organisation encourages employees to be aware and proactively identify potential compliance risks.**

New technology can be a significant differentiator. Compliance software and regulatory technology players offer practical solutions that can help automate tasks like label generation, document management, and traceability tracking. This reduces the administrative burden and improves accuracy. Also, data analytics tools can help companies identify potential compliance risks and predict upcoming regulatory changes, allowing for proactive planning.

To mitigate non-compliance risks, F&B companies should invest in internal and external resources to monitor regulations, manage documentation, and liaise with regulatory bodies. In particular, external resources can plug any expertise and resource gaps identified. Collaborating with compliant suppliers and conducting regular audits fosters a proactive risk management culture. Achieving compliance excellence builds investor and consumer trust, opens new markets, and facilitates innovation, which is crucial for maintaining market share and supporting growth ambitions.

Plan for additional compliance costs

New regulations and consumer preferences can lead to compliance costs that are often unexpected or non-budgeted. The ban on single-use plastic straws, cutlery plates, and cups, for example, has required companies to invest in redesigning packaging and exploring alternative materials like paper or bioplastics. Complying with key sustainability regulations to meet zero waste and energy consumption targets also involves substantial costs, creating a considerable funding challenge for companies.

While rising compliance costs are never welcome, the risk of non-compliance can impact brand reputation, which can adversely affect long-term profitability. So, while investments to meet both regulatory requirements and consumer demand may not always align, setting realistic compliance budgets is key. Planning for additional compliance costs ensures F&B companies are able to react to regulatory challenges speedily and efficiently to protect market access and growth ambitions.

Strengthen consumer trust and brand reputation

Product recalls and fines for non-compliance can significantly impact consumer trust and brand reputation. While requirements to adapt to stricter and evolving health and safety standards present numerous regulatory challenges, companies that fail to comply could severely damage their reputation and are likely to suffer financial consequences.

We have seen from recent European scandals involving the E-coli outbreak in France connected to Nestlé in 2023 and the E-coli outbreak related to salad leaves in UK sandwiches in 2024 have dented public confidence in the F&B industry.[1] According to the European Institute of Innovation and Technology's (EIT) Food Trust Tracker Report 2023[2] there is declining trust in the food sector. Now in its sixth year, the report shows that less than half (45%) of Europeans say that they have trust in food related to the taste, safety, health, authenticity and sustainability of food systems.

Identifying compliance risk hot spots across the value chain helps organisations to prioritise compliance issues and improve measures to prevent, mitigate, or eliminate risks that adversely impact reputation. Being accountable by reporting on actions taken and progress achieved also gives visibility to consumers and shareholders, helping to improve trust.

Listening to consumers and being proactive is vital as it helps build a brand that resonates with consumer values and expectations. Importantly, a higher focus on compliance can help to improve and strengthen consumer confidence in the F&B sector.

Apply a more strategic approach

Adopting a strategic approach that integrates compliance into every facet of the business from the outset offers F&B companies strong foundations to thrive in today's complex regulatory environment. However, success depends on acknowledging that regulatory compliance is not just a cost but also an opportunity to differentiate and grow.

By strategically prioritising product portfolios that balance sustainability, innovation, and return on investment (ROI) with compliance requirements F&B companies can embed a more dynamic connection between the regulatory landscape and evolving consumer demands. Proactive investment in new technology and training should also be aligned with compliance needs to achieve long-term sustainable growth targets and foster stronger brand reputation.

Collaboration is essential. By building partnerships with suppliers, stakeholders, and external experts where needed, companies can meet regulatory standards without compromising market demands and growth ambitions.

Ultimately, the ability to balance regulatory requirements with profitability is the key to unlocking new market opportunities and ensuring long-term success in the F&B sector.

> **Listening to consumers and being proactive is vital as it helps build a brand that resonates with consumer values and expectations.**

1. https://www.eitfood.eu/reports/trust-report-2023
2. https://www.reuters.com/business/retail-consumer/nestle-closes-french-buitoni-factory-hit-by-ecoli-outbreak-2023-03-30/

Key takeaways

1. **Develop a comprehensive compliance roadmap:**
Create a strategic plan with clear goals, resource allocation, and a compliance management system to navigate complex regulatory landscapes.

2. **Proactively anticipate and adapt to regulatory changes:**
Stay ahead of evolving regulations, such as those concerning sustainable packaging, food safety, and novel food ingredients, by continuously monitoring the regulatory landscape and investing in R&D to align with emerging consumer and regulatory trends.

3. **Leverage technology for compliance efficiency:**
Utilise compliance software, data analytics, and emerging technologies like blockchain to automate and streamline compliance tasks, improve traceability, and proactively manage potential risks, thereby reducing administrative burdens and enhancing accuracy.

4. **Foster strong supplier partnerships and a culture of compliance:**
Collaborate closely with suppliers to ensure compliance throughout the supply chain, emphasising shared values in sustainability and safety, and fostering an internal culture that prioritises risk management and compliance awareness at all organisational levels.

5. **Mitigate long-term financial and reputational risks:**
Recognise the significant impact of non-compliance on brand reputation, market share, and investor confidence. Prioritise actions that build consumer trust, such as transparent labelling and adherence to ESG standards, to secure long-term financial stability and growth.

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