



Dynamic Food Industry Landscape in the UAE

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This article examines the dynamic landscape of the food industry, with a particular focus on the United Arab Emirates, highlighting the intricate dynamics and obstacles confronted by businesses. The global food market, especially in the Fast-Moving Consumer Goods (FMCG) sector, is experiencing significant growth, warranting a comprehensive exploration of the industry's multifaceted nature. While embarking on an investigative journey into the underlying factors influencing the food industry, the article emphasizes the crucial need for adaptation to evolving trends, notably the rising importance of e-commerce.

Additionally, it delves into the complex network of international trade activities, involving diverse stakeholders with varying interests. Going beyond considerations of product quality, the article delves into the myriad challenges faced by FMCG companies, encompassing consumer engagement, fluctuating raw material prices, innovation, marketing, and operational inefficiencies. It underscores the necessity for proactive measures, adaptability, and agile decision-making to ensure sustained success and competitiveness. The article also emphasizes the pivotal role of internal audit as a crucial tool for organizations to safeguard assets, improve efficiency, and make well-informed decisions in the constantly evolving and competitive food industry. We trust that this provides insightful reading for you.

TELL ME WHAT YOU SERVE

Safeguarding the Integrity and Finesse of Food Industry

The renowned saying by Jean Anthelme Brillat-Savarin, the esteemed French food connoisseur, holds true even in today's booming food industry. As the sector transforms into a multi-billion-dollar powerhouse, the focus extends beyond consumer preferences to encompass the providers and how food is presented, elevating it beyond mere consumption.

Drawing from decades of experience in collaboration with renowned food brands in the United Arab Emirates (UAE), it seems apt to adapt Brillat-Savarin's aphorism to "Tell me what you serve, and I will tell you who you are." The industry's growth is staggering, with an estimated global food market revenue of US\$9.24 trillion by 2023, boasting an annual growth rate of 7.25%. Similarly, the Fast-Moving Consumer Goods (FMCG) market reached US\$11,490.9 billion in 2021, projected to hit US\$18,939.4 billion by 2031.

In the UAE, factors like a rising population, increased consumer awareness, consistent product launches, effective advertising, robust distribution channels, evolving lifestyles, and growing disposable incomes contribute to the FMCG market's expansion.

However, the landscape is not without challenges. Intensifying competition, retail execution issues, and the need to adapt to emerging trends like online shopping create a bittersweet environment for businesses. Nonetheless, the strategic shift towards online sales, expected to contribute 8.5% of the global food market revenue by 2023, indicates the industry's adaptability.

Beyond the visible, the global food industry is a complex web of international trade influenced by diverse factors like religion, health, nutrition, morality, politics, and economics.

Multiple stakeholders with diverse interests add to the complexity and contribute to the intricate landscape within the food industry, demanding careful consideration and management of diverse dynamics at play. Among these stakeholders, six critical groups emerge:

- **Customers:** Customers exhibit growing expectations, seeking customized products, prompt delivery, and heightened responsiveness from food industry players.
- **Authorities:** Regulatory bodies and authorities impose increasing legislations and regulations on the food industry to ensure safety, quality, and compliance.
- **Employees:** The workforce within the food industry asserts their demands for fair salaries and favorable working conditions, shaping the labor dynamics of the sector.
- **Owners/Shareholders:** Owners and shareholders of food industry businesses harbor aspirations for profitability and financial gains, influencing the quality and efficiency of processes.

Quality control is paramount in an industry dealing with sensitive products. A breach can lead to severe consequences, as seen in the 2008 milk powder controversy in China. Unscrupulous practices led to widespread illness, impacting the industry and resulting in legal consequences, including executions.

Quality is but, Just the Tip of an Iceberg

The FMCG industry encounters a myriad of challenges that extend beyond quality considerations.

- Consumer engagement: The industry necessitates engagement with consumers across various channels, resulting in escalating marketing costs and sales incentives.
- Raw material prices and inflation: FMCG companies contend with rising raw material prices, inflationary pressures, and fragmented supply chains, which pose challenges to cost management and procurement strategies.
- Innovation and marketing: Continuous innovation and strategic marketing are vital as companies need to constantly reinvent their approaches to remain competitive in the market.
- Sales automation: The adoption of sales automation technologies presents benefits but also entails increased operating and management costs associated with the implementation and maintenance of such systems.
- Relevance across age groups: FMCG companies strive to remain relevant to diverse age groups, navigating an environment characterized by shifting consumer loyalties and preferences.
- Process inefficiencies impacting business: In a typical food industry business, the management of a broad network of vendors, suppliers, and agents is a complex task. With numerous variables to oversee, coupled with the need to handle a rapid turnover of inventory and a multitude of transactions, there exists a persistent risk of revenue loss, pilferage, or other malpractices resulting from inadequate processes and monitoring.

In this dynamic environment, companies must be agile and proactive. Recognizing the importance of rewarding failure, as exemplified by Google, is key. However, the sheer volume of products and pressure to innovate make it challenging to discontinue unsuccessful projects consistently. To mitigate risks, robust systems and vigilant monitoring mechanisms are essential, allowing companies to make informed decisions, minimize wasteful investments, and ensure long-term success.

Internal audit emerges as a critical component in this context. It serves as a systematic framework to safeguard assets, verify accounting data accuracy, enhance operational efficiency, and ensure adherence to management policies. Through comprehensive controls, internal audit prevents or detects potential losses, providing valuable insights into organizational performance and guiding informed decision-making.

In conclusion, the thriving food industry offers immense opportunities but also presents multifaceted challenges. Adapting Brillat-Savarin's aphorism to focus on what is served emphasizes the evolving nature of the sector. Success requires a delicate balance, proactive measures, and the critical role of internal audit to navigate the complexities, ensuring sustained growth, and maintaining the integrity of operations in this ever-evolving industry.

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