



Dairy 3.0 – a new paradigm for the UK dairy industry?

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The rise of veganism, climate conscience and wider social changes are impacting the dairy sector. Kite Consulting has published a white paper exploring how the dairy industry must respond to survive.

The document explores the growth in veganism in recent years, some of the drivers for that change, how social media use impacts on consumer choice and sense of identity and how the UK dairy industry has responded so far. It then explores how the industry should respond going forward.

The key findings of the report are:

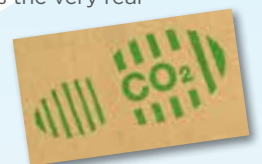
- It is clear that the pressure on the dairy industry from the vegan movement is increasing. It is flourishing from the perfect storm of motivations – ethical, health and environmental concerns – aided by the reach and resources of the internet and social media.
- Yet ‘extreme’ vegans remain a very small part of the population, with many people identifying as vegan actually adopting a part-time vegan or flexitarian lifestyle. The industry must remain focused on what consumers do, rather than on what they say on social media.



- Whilst veganism still poses an often ‘noisy’ threat to UK dairy, the threat of interventionist government policy based on ethical grounds would seem to be minimal, as the UK already has stringent and world-leading welfare standards, which are regularly reviewed and improved through existing supply chain mechanisms. As such, the threat from veganism is one stemming from societal change rather than from legislation. This is still a threat but perhaps not the most significant challenge we face.



- The report suggests that the biggest threat is probably linked to the environmental impact of agriculture. The UK’s commitment to net zero greenhouse gas emissions by 2050, and the rise of environmental protest movements and public climate conscience, mean that if UK dairy doesn’t find ways to markedly reduce carbon equivalent emissions then a decline in consumption is the only alternative. There is the very real potential for this pressure to be two-fold – societal pressure with more restrictive legislation, as has already been seen in other countries – so this is where the industry needs most to self-reflect and be seen to be improving its processes.





The report concludes that:

A new culture is required in the industry

The industry's existing culture no longer works - there isn't a consistent consumer-facing mentality running as a thread throughout the sector and the industry can be prone to defensive behaviour rather than being outward-looking and engaging.

Much of this can be blamed on the fact that the dairy industry, and indeed the wider agricultural industry, has perpetuated an approach based on an expectation of continuing post-war gratitude that our farmers feed a hungry nation. This 'thank a farmer' mentality is not unique to the UK, but this cultural position means that much industry communication is about imploring consumers to appreciate how hard farmers work producing food in difficult weather, in difficult markets, and with huge challenges - almost a 'don't take us for granted' position.

As consumers have become more distant from agriculture, yet at the same time more able to access information, due to the porosity of our digital age, this approach no longer resonates. When a vocal minority, such as the vegan movement, then start questioning the ethics, environmental performance and health benefits of an established agricultural sector such as dairy, and the industry responds defensively and, on occasions antagonistically, the danger is that average consumers - those who actively consume the products in question - end up viewing the industry in a negative light.

To build goodwill, the industry cannot rely on consumer gratitude any longer. It must see the current situation - the rise of veganism and milk alternatives, the pressure from climate conscience and the growing awareness of animal welfare issues - as an opportunity, a chance for self-reflection and a driver

of innovation. Rather than continuing to justify current practice in a defensive way, it must show that it cares about the things that consumers care about, and then explain why its practices deliver that. It must also root out any people in the industry that don't demonstrate those values and make it clear that such practice will not be tolerated in the future.

This is not about subtle change but wholesale change - a new paradigm, a new way of thinking



about the industry - that is outward-looking, positive, focused on consumers and transparent about how it operates. Rather than reacting to consumer concerns the industry must lead, driving the environmental and welfare agenda further and faster than ever before and shouting about the positive health benefits of a balanced diet that includes dairy consumption at every opportunity.

Just like the operating system on the latest smartphone needs to be regularly updated to remain relevant and secure, the operating system for the UK dairy industry also needs updating. Dairy 3.0 - a new model - needs fresh thinking and a more open and engaging approach. It needs to lead not follow, positively challenge perceptions and misinformation, not defend and justify. Only when this cultural change occurs will reputation be consistently enhanced by collective communication from all levels of the industry.

Dairy must be promoted...

Veganism harnesses a 'progressive' energy and it is essential that the dairy sector changes its approach so that it is seen as sharing progressive values and being open and transparent, rather than defensive or entitled.

It would be fair to say that the industry is on the back foot and is defending its position following the significant increase in interest in veganism in recent years. Yet engaging directly with those who feel that livestock agriculture amounts to animal exploitation is a waste of resources and energy and probably simply fuels their argument even further.

When the combination of ethical, health and environmental considerations is put together, it is easy to see how young, impressionable, health and environment-conscious consumers are at least taking more notice of a vegan lifestyle, which is seen as positive and socially-aware. So, the industry must respond with higher profile co-ordinated generic promotional activity, faster innovation and convincing brand marketing.





Studies must be published which promote health benefits and combat misinformation (targeting the reflective decisional process) and combined with innovation and rebranding to influence the automatic decisional process. It is dangerous to presume dairy products should simply continue to sell themselves: proactivity rather than reactivity is a necessity.

This isn't cheap and a sector that struggles with slim margins will struggle with funding this type of activity. But unless dairy is promoted more visibly, in an engaging and mainstream way, the industry cannot complain as the sector reduces in size and significance.

Proactive, collaborative and innovative relationships with government are essential, rather than defensive and entitled lobbying, or environmental legislation is likely to force change on the sector..

One of the key actions for the dairy industry must be to positively and proactively engage government to demonstrate that legislation is not required to force the industry to adapt, but that the industry is proactively driving change. Again, this requires a change in culture from the defensiveness and entitlement that is prevalent in some current agricultural lobbying activity, towards a more collaborative and problem-solving mentality where the industry demonstrates that it is open to change and actively driving innovation. If this can be achieved, then government legislation could be focused on supporting faster progress by the industry rather than focused on forcing 'laggards' to change.



Summary

In short, the dairy industry must accept that in order to have a licence to operate for the future, it must demonstrate that it cares about the same issues that its consumers care about and can, therefore, be trusted to be custodians of the countryside and the way that food is produced, and that consumers should continue to buy its products.

Everyone involved, right through the supply chain from farm to processor and retailer, must work together positively to promote all aspects of dairy. The industry must adopt a customer-centric sales approach to its consumers, listening to their concerns, demonstrating empathy, and countering these concerns politely.

The UK dairy industry needs to stop behaving as if it is taken for granted - because to continue down that path is to see its markets disappear. Instead, it needs to welcome and be grateful for the fact that it has a huge customer base of people regularly buying what it produces. And it needs to engage that consumer base in a positive way to ensure it secures their future custom.

Change may be for the brave. But, like any other customer relationship, it is not a right but a privilege to provide dairy products for consumers. The harsh reality the UK dairy industry faces is that other markets and the external environment it operates within are changing and changing fast. Put simply, those who are not brave, and fail to embrace a new dairy paradigm, may well find themselves without a market in the future.

A full copy of the report is available on the Kite Consulting website www.kiteconsulting.com



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