



Get ready for a dairy revolution

Growth of ethnic populations and aging of baby boomers are two factors that are going to affect dairy consumption. The Innovation Center for U.S. Dairy identified 20 opportunities for brands.

The ability to anticipate today the long-term investments needed for tomorrow opens the door for a significant competitive advantage. Now more than ever, ingenuity and smart strategy will be the cornerstone of dairy business growth.

United States dairy producers answered the industry's call for long-range future planning by funding an Innovation Center for U.S. Dairy research endeavor to identify how consumers in 2020 will differ from 2012, as well as resulting future growth areas. This work allows the dairy industry to put the needed technology, infrastructure, research and investments in place today so companies can catapult forward with breakthrough innovations instead of making slower progress driven by incremental changes.

sales that have driven growth for decades. Operational efficiencies will not be able to increase margins significantly anymore.

Meet tomorrow's consumers

Consumers' demands will change, because they themselves will change. The 2020 population will be composed of 20% Hispanic consumers, making it more diverse than ever before. In fact, Hispanic consumers are forecasted to contribute approximately 20% of dairy category volume sales.

While the United States diversifies racially, there will likely be a smaller middle class with more consumers at the high end and lower end. This could influence an extreme difference in consumers' definitions of value and premium products. Additionally, consumers will have the ability to be more informed than ever

Fast-forward to growth

A changing America means that we need to change as an industry. Addressing consumer need states will be the linchpin in driving dairy growth for the future.

Consumers are done with compromises. Limited are the days when they'll trade enjoyment for health benefits. Products need to deliver exactly what consumers want, how they want it, when they want it — or get left behind. What this means for the dairy industry is billions of dollars worth of untapped growth opportunities.

Step one is moving on from rational benefits to delivering against more aspirational benefits and desires. Think products that offer a culinary experience versus just tasting good or those that offer convenience by being customizable versus simply promising less mess.

Step two is layering benefits to offer fusion products. The best options will touch on multiple consumer drivers, including wellness, gratification, convenience and safety.

The Innovation Center research identified 20 opportunity areas with overlapping benefits. Each is matched up with the dairy categories that are most relevant and sized. Learn more about each of the 20 by visiting dairyfoods.com to get the Future of Dairy Executive Summary or check out the guest blog section for posts on category-specific opportunities.

Learning about these opportunity areas is important, and using this research to prepare today for tomorrow is vital to best positioning the dairy industry (and each business that activates this work) for long-term growth. ■

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Trends and consumer data tell us that consumers will have vastly different expectations of the dairy industry. Meeting these expectations will be more important than ever because traditional growth opportunities are decreasing.

To answer tomorrow's innovation opportunities, we first need to understand how times will change over the next five to eight years. By looking at trends, innovation success patterns and consumer data, we know consumers will have vastly different expectations of the dairy industry. We also know that meeting these expectations will be more important than ever because traditional growth opportunities are decreasing. As an industry, we won't be able to count on population increases or GDP growth to propel category-level

before, with 70% owning a smartphone or tablet — two times more than today. Connected decision-making will be the new normal.

Healthwise, Americans are changing. We're getting older, and fully one-third of us will be 55-plus in 2020. The majority of the population will suffer from obesity and chronic conditions. Expect 50% more people to battle obesity and diabetes. This will change how consumers think about health and wellness. It will become a lifestyle and a driver for a better quality of life.