



New and Improved

Is Canadian food innovation where it should be?

Every day approximately half a dozen new product press releases cross my desk. They're always impressive and compelling, especially when they arrive bundled with glossy photographs, touting the benefits of better technologies, new efficiencies or, sometimes, simply a more appealing design.

But with a few notable exceptions, much of these new products are coming from south of the border. That may be why a recently released Statistics Canada study revealed that research and development in the food processing industry is lagging behind innovation in other industries. In August Statistics Canada released its 2004 survey of approximately 800 Canadian food processors and manufacturers, conducted on behalf of Agriculture and Agri-Food Canada. Just 37 per cent of respondents reported introducing product innovations during the past three fiscal years. That's relatively low compared to almost three-quarters of companies in the information and communications technology sectors.

Tighter margins and rising materials costs are often cited as the key reasons for lack of new product development. But according to a 2005 global study by Boston-based Bain and Company entitled "Modernizing Packaged Food Innovation," companies that do introduce innovations or that modify or improve existing goods and services increase sales an average of 25 per cent. The study also showed what smart businesspeople have always known – that "innovation is more important than cost reduction for long-term success." The Statistics Canada study reported as well that of the Canadian food businesses that did introduce product innovations, 64 per cent achieved higher margins on their innovative products as compared to their regular lines.

According to Gary Fread, president and CEO of the Guelph Food Technology Centre in Guelph, Ont., home-grown R&D has become more scarce as foreign multinationals pull their research funds out of the local Canadian market and redirect them to products with a global focus. And, he

says, our smaller domestic market means that the payback on R&D investment is often considered too small to warrant extensive new product development. "So if we compare Canada to the U.S. you do find we're lagging in terms of R&D spending."

The good news is that there are many opportunities to get creative. "The per cent of value-added products we export has increased over the years, so those companies that focus on the export market are competing with global companies and are really challenged to stay innovative," says Fread. "Plus, small and mid-size companies in Canada, particularly those in niche markets, are alive and well, and are probably doing more R&D and product innovation than in the past." The problem is, we often don't hear about them. It's a pity, because we'd love to shine a light on all those Canadian innovators we know are out there, big or small.

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In this Issue

This month we highlight a number of new technologies and products, including creative alcohol packaging (p.28) and radio-frequency identification tags that allow processors to track food products as they move through the supply chain (p.24). And for those of you still wandering along the path of innovation, we have the 2006 Buyers' Guide (p.39) to keep you inspired and stocked with everything you need for business success in the coming year.

On a personal note, I'm thrilled to be back working in the food industry. I've always considered it to be a fascinating and vibrant business, and I look forward to becoming more familiar with the companies, personalities and issues that encompass it today.