MARKET ANALYSIS

BEYOND VOLUME

TWO ENGINES FOR SUSTAINABLE GROWTH IN BELGIUM'S FOOD & BEVERAGE INDUSTRY

Margin squeeze, retail concentration, and rising complexity have turned volume-driven growth into a dead end for Belgian food & beverage companies. Here's how we see it.

INTRODUCTION

Margin squeeze, a highly concentrated retail landscape, and shifting consumer expectations have made volume-driven growth a dead end.

*To **secure sustainable growth**, Belgian Food & Beverage companies will need to **master two complementary engines of performance**:*

- ***operational and commercial excellence** to strengthen organic performance;*
- ***capability-led M&A** to scale faster and innovate smarter.*

Growth will increasingly depend on sharper choices - which capabilities to build, which to buy, and how to integrate both into a single growth system.

> *The winners of the next decade will not grow by doing more – they will grow by doing better.*

WHY NOW? **STRUCTURAL PRESSURES AND MARKET SHIFTS**

Structural realities: a sector under strain

Belgium's food and beverage sector remains a national industrial cornerstone, yet its structure increasingly constrains scale, profitability, and growth.

With turnover of €82.9 billion in 2024 [1], representing roughly a quarter of Belgium's industrial output, the sector is both economically significant and highly exposed to competitive pressure. At the same time, it is one of Western Europe's most fragmented food markets: around 90% of producers employ fewer than 50 people [2], and only a limited number of players - such as Greenyard, Puratos, Vandemoortele, La Lorraine Bakery Group, Lotus Bakeries, and Agristo - exceed €1 billion in turnover.

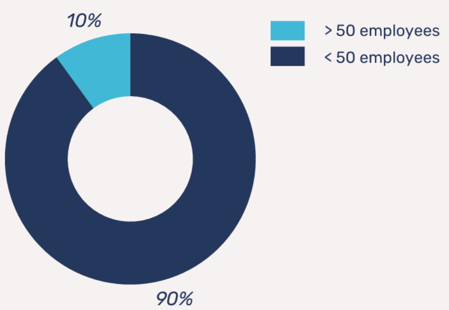
This fragmentation limits economies of scale and bargaining power, making selective consolidation and capability partnerships increasingly strategic.

Sector operating margins have declined significantly since 2019 and remain structurally weak. According to the Belgian Price Observatory, average margins stand at 4.25% in food manufacturing and 5.15% in beverages [3], confirming persistent pressure despite variation by subsector.

These structural realities define the playing field - but the competitive rules are now being reshaped by powerful market shifts.

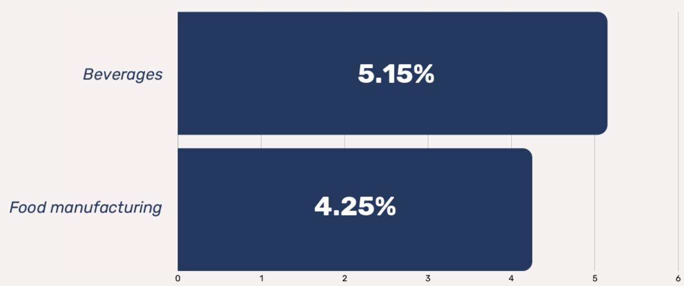
F&B Industry Breakdown

(by company size) - [2]



F&B Industry Average Margins

(Food manufacturing vs beverages) - [3]



[1] Fevia – Economic Year Report 2024-2025 | [2] Statbel – Structural Business Statistics (2023) | [3] SPF Économie (Belgium) - "Évolution des prix et des marges dans la chaîne alimentaire"

Market shifts: Forces redefining growth

Margin squeeze continues

Even with easing energy prices, manufacturers face continued inflation in labour, raw materials, and logistics - keeping cost pressure high.

Retail consolidation & private-label dominance

Belgium's retail landscape has long been concentrated, with large groups holding strong negotiating power. Private label now represents about 40% of sales [4] - well above the European average -keeping pressure high on both branded and private-label producers.

Consumers trading down - but selectively

Value remains critical, yet "local," "sustainable," and "healthier" continue to command loyalty among Belgian shoppers.

Cross-border M&A momentum

Belgian F&B companies are increasingly reshaping growth through capability-driven acquisitions. In 2024, more than 50 cross-border deals involving Belgian players were recorded across Europe, part of a broader consolidation wave of 642 transactions (+50% year-on-year) [5].

Regulatory headwinds

Sustainability mandates, packaging reforms, and sugar/alcohol labelling requirements are adding compliance costs and accelerating capability upgrades.

Together, these shifts mark a clear inflection point: future growth will depend less on scale and more on the ability to build, deploy, and integrate the right capabilities.

[4] NIQ / PLMA International - Private Label Yearbook 2024 | [5] MCF Corporate Finance (Capital IQ) - Food, Beverage & Agriculture Industry update, Spring 2025

THE **GROWTH PARADOX** & **THE WAY FOWARD**

Organic growth is harder to find - yet more essential than ever

Companies that combine operational discipline with commercial excellence - mastering price, volume and mix management, and channel execution while driving focused innovation - are protecting margins and gaining market share. At the same time, selective M&A is proving to be the fastest route to fill capability gaps, access innovation pipelines, or enter adjacent categories.

The next phase of Belgian food & beverages growth will not come from volume, but from value creation through precision - optimizing what's inside the business while adding what's missing from the outside.
Our experience shows that the most resilient players apply the same discipline to both engines:

1. **OPERATE AND SELL WITH FOCUS**
Fix margin leaks, simplify portfolios & execute perfectly

2. **EXPAND WITH INTENT**
Acquire capabilities, not just capacity, and integrate fast to turn deals into performance.

The winners will grow through value, not volume - combining operational and commercial excellence with strategic expansion.

THE **GROWTH ENGINES** IN PRACTICE

1 OPERATE AND SELL WITH FOCUS

Organic performance in Belgium's food and beverage sector remains the foundation of profitable growth, long-term resilience, and reinvestment capacity. Leading companies combine operational discipline with commercial excellence across four levers:

Margin excellence - Price, Mix, and Revenue Discipline

Many Belgian food and beverage companies continue to face constrained pricing power, complex portfolios, and diluted margins. For branded players, disciplined pricing and mix management are essential to protect value and brand equity. For private-label manufacturers, profitability depends on efficiency, reliability, and transparent cost-to-serve economics.

Frequent promotions, reactive pricing, and overly broad assortments have eroded value while adding complexity. Margin recovery requires regaining control of price, mix, and trade investment through analytical pricing, portfolio optimisation, and clearer pack and promotion architectures. Net revenue management disciplines can also close profit leakage from discounts, services, and trade terms, typically restoring 1-3 percentage points of EBIT without volume growth.

Operational excellence & Cost-to-Serve reduction

Operational complexity remains a structural drag for many Belgian producers, driven by fragmented production runs, frequent changeovers, and limited end-to-end planning visibility. Improving performance requires simplification and standardisation - from line scheduling and planning discipline to performance monitoring and automation.

A growing priority is cost-to-serve management: understanding and actively managing the true cost of serving different customers, channels, and order profiles. Differentiating service levels based on customer value allows companies to reduce logistics intensity without undermining satisfaction. Together, planning discipline, complexity reduction, and service segmentation can typically unlock 3-5% cost savings while releasing capacity for growth.

Purposeful innovation & Disciplined NPD

Innovation is shifting from volume of launches to quality of impact. Belgian consumers continue to respond to themes such as healthier indulgence, local sourcing, and convenience, but sustainable growth increasingly depends on disciplined innovation choices rather than continuous portfolio expansion.

Too often, new product development is driven by short-term commercial pressure without sufficient assessment of operational feasibility, margin impact, or long-term return. Stronger NPD governance - integrating marketing, finance, and operations from the outset - helps ensure that innovation enhances both consumer relevance and operational performance. When executed with discipline, focused innovation can significantly improve success rates and extend product longevity in market.

Retail Execution & Channel Effectiveness

Even strong brands and efficient operations depend on flawless execution at the point of sale. Many Belgian food and beverage companies struggle with inconsistent retail activation, fragmented channel strategies, and limited visibility into trade effectiveness.

Execution excellence requires sharper prioritisation and digital enablement - aligning assortment, pricing, and activation to each channel's economics. Omnichannel growth further raises the bar, demanding differentiated packs, pricing, and route-to-market models across retail, convenience, e-commerce, and foodservice. Companies that focus on trade investment where it drives incremental value can achieve 2-4% net sales uplift while strengthening customer collaboration.

2 EXPAND WITH INTENT

Across Europe - and increasingly in Belgium - M&A is shifting from a volume or footprint play to a capability play. Companies are acquiring know-how, brands, and technologies that strengthen competitiveness rather than simply adding capacity.

For Belgian food and beverage players, expanding with intent means using M&A to close strategic gaps in innovation, sustainability, digitalisation, or market access that organic growth alone cannot address. We see four major deal archetypes emerging across the market:

Capability acquisitions

Targeted investments in specialised players - from plant-based innovation to fermentation, health-oriented ingredients, or digital commerce - allow companies such as Puratos and Lotus Bakeries to deepen expertise and accelerate innovation without diluting focus.

Geographic and channel expansion

With a mature domestic market, players like La Lorraine Bakery Group and Agristo are extending reach through cross-border and multi-channel expansion, combining localisation, scale, and supply-chain resilience.

Portfolio optimisation

Selective divestments of non-core or structurally weaker businesses enable reinvestment into higher-growth, capability-rich platforms, as demonstrated by What's Cooking?'s strategic refocus on ready meals and convenience-driven formats.

Integration-driven consolidation

Scale continues to create value when paired with disciplined integration. Moves such as Milcobel's merger with FrieslandCampina and Vandemoortele's recent acquisitions illustrate how integration excellence turns size into sustained performance.

CONCLUSION

Belgium's next wave of food and beverage growth will not be driven by scale alone, nor by incremental volume gains in a structurally pressured market. It will belong to companies that ***build integrated value systems*** *- aligning* ***operational discipline, commercial precision, and capability-led expansion*** *into a single performance agenda.*

Those leaders treat organic excellence and M&A not as separate initiatives, but as mutually reinforcing engines: fixing margin leaks and execution gaps inside the business, while selectively adding capabilities that accelerate innovation, resilience, and access to growth spaces.

> *In a market where complexity is high and room for error is small, sustainable winners will be defined by clarity of choice, speed of integration, and consistency of execution. Value creation - not volume - will be the ultimate measure of success.*

Our Partners

AGNE VEZBERGIENE

Agne brings deep expertise in growth strategy and commercial transformation within the global food and beverage industry, combining decades of international experience with a strong track record in translating strategy into sustainable business impact.

SIEMEN RENIERS

Siemen brings strong expertise in end-to-end process design, experienced in improving performance and cost control. He supports FMCG organizations in translating strategy into efficient, scalable processes and measurable results.

FABIAN ROOSEN

Fabian brings over 25 years of experience in leading large-scale transformation programs. He combines strategic vision with hands-on implementation expertise, driving performance improvement, cost optimization, and sustainable EBIT impact.

DENNIS VAN HOOF

Dennis is a transformation leader focused on cross-functional change and capability building for sustainable performance improvement. He combines structured program leadership with hands-on change management.