

RESEARCH REPORT

Operational realities of healthier product innovation



The costs, complexities and opportunities of
producing healthier food and drink

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Executive summary

UK food and drink manufacturers have invested for decades in making their products healthier, often ahead of regulation rather than in response to it. That investment, however, is becoming increasingly hard to justify, as rising costs, uncertain regulation and commercial risk weaken the business case. This matters because manufacturers are pursuing healthier product innovation against the backdrop of significant cost pressures, including higher energy, labour, and ingredient costs, ongoing UK-EU trade barriers and an increasingly complex, costly and unpredictable regulatory environment in the UK. These cumulative pressures are limiting the capacity and confidence needed to accelerate investment in healthier product innovation.

This report sets out what healthier product innovation, including both nutrition-led reformulation and healthier new product development (NPD), means for manufacturers, how long it takes, the costs and complexities involved and how government can support further progress. The report is grounded in research with UK food and drink manufacturers, comprising a survey and in-depth interviews with businesses ranging from global multinationals to SMEs.

Five key themes emerged from the research:

- **Industry commitment to health-driven innovation is proven:** manufacturers of all sizes have invested for decades in developing healthier recipes and formats. 81% of respondents had already reformulated products in response to health regulation¹.
- **The true costs of healthier product innovation:** product trials, scale-up testing and staff time are consistently the largest driver of both nutrition-led reformulation and healthier NPD spend¹. Skilled staff time and project management were the top indirect cost drivers, cited by 69% of respondents for reformulation and 75% for healthier NPD¹.
- **Regulatory complexity is making the UK less attractive for investment:** “greater regulatory certainty” was ranked the top priority for successful healthier product innovation by 69% of respondents, and was raised, unprompted, in every interview conducted. Multiple manufacturers said the regulatory environment makes the UK less attractive for investment compared with other countries^{1,2}.

- **The burden is heavier for SMEs:** healthier product innovation consumes a much larger share of scarce resource, technical capacity and management time for smaller manufacturers, a core constraint on their ability to innovate while maintaining day-to-day operations.
- **High effort, high risk of no reward:** consumer acceptance ultimately determines whether healthier product innovation succeeds, because reformulated products deliver no public health benefit unless consumers purchase them. Manufacturers described products being rejected, pulled from the shelf or reverted to the original recipe within weeks of launch. Only 13% reported healthier innovation projects having a consistent positive impact on profitability, and 69% had products that failed to reach launch at all^{1,2}.

Recommendations for government

The research concluded with three recommendations for government to support industry in driving further investment and innovation and to deliver a more sustainable path to a healthier food system:

- **Increase regulatory stability and predictability:** government should commit to longer-term policy horizons (five - ten years) and better regulatory alignment across the UK and overlapping policy areas. Without this, manufacturers cannot confidently commit the multi-year, multi-million-pound budgets healthier product innovation requires.
- **Allow policy changes time to take effect:** let each policy run its course and be formally evaluated before new requirements land. Government should commit to a published minimum stability period (for example, five years) during which core regulatory parameters, such as Nutrition Profiling Model (NPM) thresholds, Soft Drinks Industry Levy (SDIL) scope or High Fat, Salt, and Sugar (HFSS) advertising restrictions, stay fixed.
- **Build the wider system that healthier products need to succeed:** government-backed consumer education alongside product development, delivered through established public health channels (such as The Office for Health Improvement and Disparities (OHID) Better Health campaign); targeted small-grant funding for SMEs, replicating Scotland’s Reformulation for Health model across England, Wales and Northern Ireland; and incentives that reward healthier sales across the supply chain through mandatory healthy food sales reporting.



Introduction

The UK food and drink industry has spent decades making its products healthier, reducing salt, sugar and fat, adding fibre, wholegrains and micronutrients, and developing new products designed around better nutrition. Much of this progress is set out in the FDF's Shaping a healthier future through food and drink report³, to which Argon & Co contributed. That body of work highlighted an industry that is already committed to delivering healthier products.

This report was commissioned to further understand the operational realities, complexities and the costs that sit behind healthier products that reach the shelf. It aims to delve into the day-to-day mechanics of healthier product innovation, so that government and industry can understand not just whether manufacturers are acting, but what stands in the way of them doing more, faster.

Throughout this report, "healthier product innovation" is used to mean both:

- **Nutrition-led reformulation:** improving the nutritional profile of existing products, for example by reducing salt, sugar, or saturated fat, or by adding beneficial ingredients.
- **Healthier new product development (NPD):** creating new products designed from the outset to support healthier diets.

The report draws on two complementary strands of primary research conducted by Argon & Co in 2026, spanning large multinationals and smaller, family-run and regional businesses:

- **A survey of 16 food and drink manufacturers**, capturing quantitative data on the drivers, costs, timescales and risks of healthier product innovation.
- **In-depth interviews with six manufacturers** exploring the operational detail behind survey findings.

Insights from participating manufacturers are embedded throughout the report on an anonymous basis, so that businesses could speak candidly about the commercial realities.

It is recognised that the number of respondents is relatively small and therefore it is not possible to extrapolate findings to the wider industry. However, the findings provide a strong snapshot into the experiences of a range of businesses that are actively engaged in healthier product innovation.



An industry under pressure

Rising costs, deepening regulatory uncertainty and thinner margins are converging on manufacturers at once

Food and drink manufacturing is the UK's largest advanced manufacturing sector, with over 12,000 businesses (98% of which are SMEs), contributing £42bn in gross value added (GVA) and employing nearly half a million people⁴.

Health-driven regulation has changed frequently in recent years, and rarely in isolation. Since 2018, manufacturers have navigated the Soft Drinks Industry Levy (2018, uprated 2025), high fat, salt and sugar (HFSS) location restrictions (2022), HFSS volume and price restrictions (2025), devolved HFSS promotion rules in Wales and Scotland (2026), HFSS advertising restrictions (2026), and mandatory folic acid fortification (2026), alongside the consultation on applying the 2018 Nutrient Profiling Model (NPM) to the HFSS restrictions⁵.

None of this has landed against a stable backdrop. The FDF's State of Industry survey has highlighted that manufacturers are also absorbing energy and labour cost inflation, post-Brexit trade friction and geopolitical shocks: 91% report rising costs linked to the Middle East conflict, over a third citing overall increases of 5-10%; UK natural gas futures have more than doubled since the start of conflict, and 81% have already increased, or plan to increase, prices as a result⁵.

Since Q4 2024, industry's confidence has remained significantly depressed, with 88% of manufacturers reporting deteriorating operating conditions over the past two years⁵. Additional policy costs are stacking up alongside health-driven regulation – Extended Producer Responsibility (EPR) reforms alone are estimated to cost the industry approximately £1.1bn per year, on top of around £410m a year in higher employer National Insurance contributions, new EU trade measures and increases to the Soft Drinks Industry Levy⁶. In addition, the CBI's analysis of business costs, developed with the FDF, shows that the business tax burden has also risen rapidly: food and drink manufacturers paid £7.17bn in business taxes in 2025/26, an 8.0% increase on 2024/25, equivalent to 17.2% of the sector's GVA⁷.

Taken together, the industry is operating in an increasingly challenging environment, with cumulative regulatory burden, rising costs, trade friction and geopolitical shocks, placing sustained pressure on investment decisions. As the FDF has described it, the last six years have been “a rollercoaster of regulatory change combined with geopolitical shocks”⁸.

Regulatory requirements often land on manufacturers at the same time. While larger companies typically have greater financial and human resources to manage the costs and burden of compliance, these requirements still draw resources away from investment and innovation. Whereas for SMEs, the impact can be disproportionately severe, placing greater pressure on already limited resources, eroding resilience and leaving less headroom for healthier product innovation⁸.

Industry commitment to health-driven innovation is proven

The FDF's Shaping a healthier future report highlights the work food and drink companies have undertaken to support healthier choices over the years³. As a result, FDF member products now contain 18% less salt, 19% less sugar and 17% fewer calories than in 2021, with the sales-weighted average NPM score of FDF member products improving by 13% - from 3.8 in 2021 to 3.3 in 2025 (a lower score is healthier)⁹.

Our survey further demonstrated this ongoing effort and commitment companies are making to healthier product innovation: 63% of respondents reported typically completing at least six healthier product innovation projects a year¹. Unsurprisingly, the number of projects per year was greater for larger companies, who typically complete 6 – 10 projects per year, but this can be up to 40 or more¹. Whereas for SMEs, 83% typically complete 0 – 5 projects per year.

Interviews revealed that much innovation predates any regulatory requirements, where several long-standing lines were reformulated or introduced, and manufacturers describe investing in broader healthier-range programmes over several years². When considering the drivers of healthier product innovation, companies reported that consumer preferences and health trends are the top driver, followed by health regulation¹. Interviews provided more detail on this, where manufacturers described pursuing healthier product innovation to honour long-standing health commitments, meet retailer expectations, and to build long-term category growth. As one manufacturer put it, this work "is not something that is done purely because of the regulation...the brand is concerned to provide the best healthier [product] solution for the consumers"².

More recently, health regulation has driven investment in healthier product innovation: 81% of respondents have reformulated products and 50% have increased innovation in response to regulation¹.

Investment scaled with size: every large manufacturer that answered invested at least £100,000, and three had invested between £5 and £10 million in 2025 alone, while SMEs typically invested under £100,000^{1,2}. This was further supported throughout interviews, with companies citing substantial and sustained investment across their portfolio².

Case study: Mondelēz - £40m investment into non-HFSS products

"Mondelēz International have invested £40 million into non-HFSS reformulation and innovation since 2020. This includes reformulating its entire BelVita Soft Bakes range to be non-HFSS and launching non-HFSS variants of Cadbury, OREO and Maynard Bassetts for the first time."



This builds on previous research from the FDF, which found that in 2024, food and drink manufacturers invested an estimated £180 million in R&D dedicated to healthier product innovation, equivalent to 50–60% of the industry's total R&D spend¹⁰. Together, these findings demonstrate sustained investment being committed across the industry^{1,2}.

Case study: PepsiCo - Doritos portfolio transformation

"In 2024, PepsiCo UK transformed its entire Doritos portfolio, reducing salt and saturated fat by an average of 18% and 14% respectively, resulting in the whole range now being classified as non-HFSS. This achievement was a result of significant investment, technical expertise and time, supported by a £13 million investment in PepsiCo's Coventry manufacturing site. The transformation involved changes throughout the production process and recipe improvements. This achievement forms part of PepsiCo UK's wider investment programme to drive product innovation and is driven from their global R&D hub in Leicester, where the ingenuity of food scientists, underpinned by significant investment, brings healthier choices to consumers"



Healthier product innovation projects undertaken each year

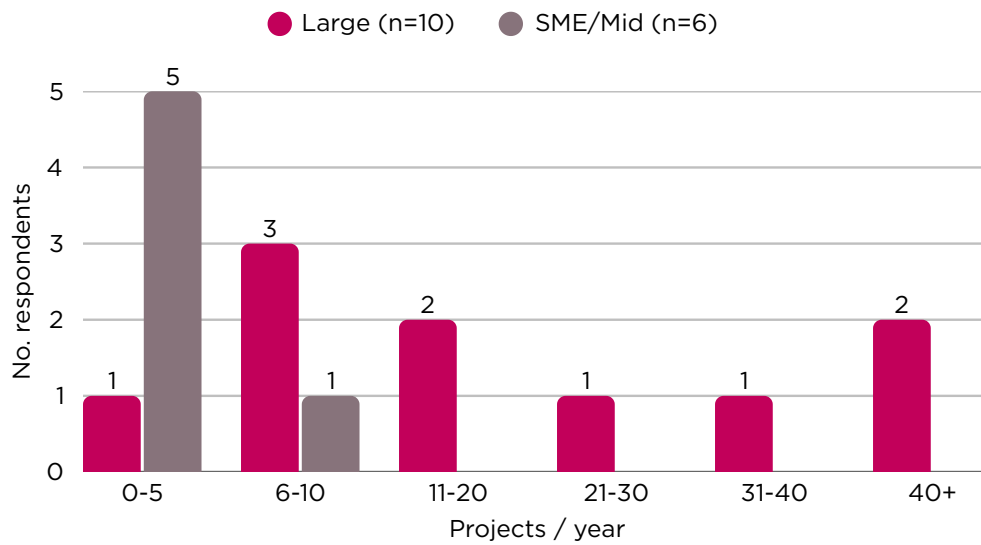


Figure 1 - Typical projects/year by company size

Health regulation is promoting both nutrition-led reformulation and wider innovation

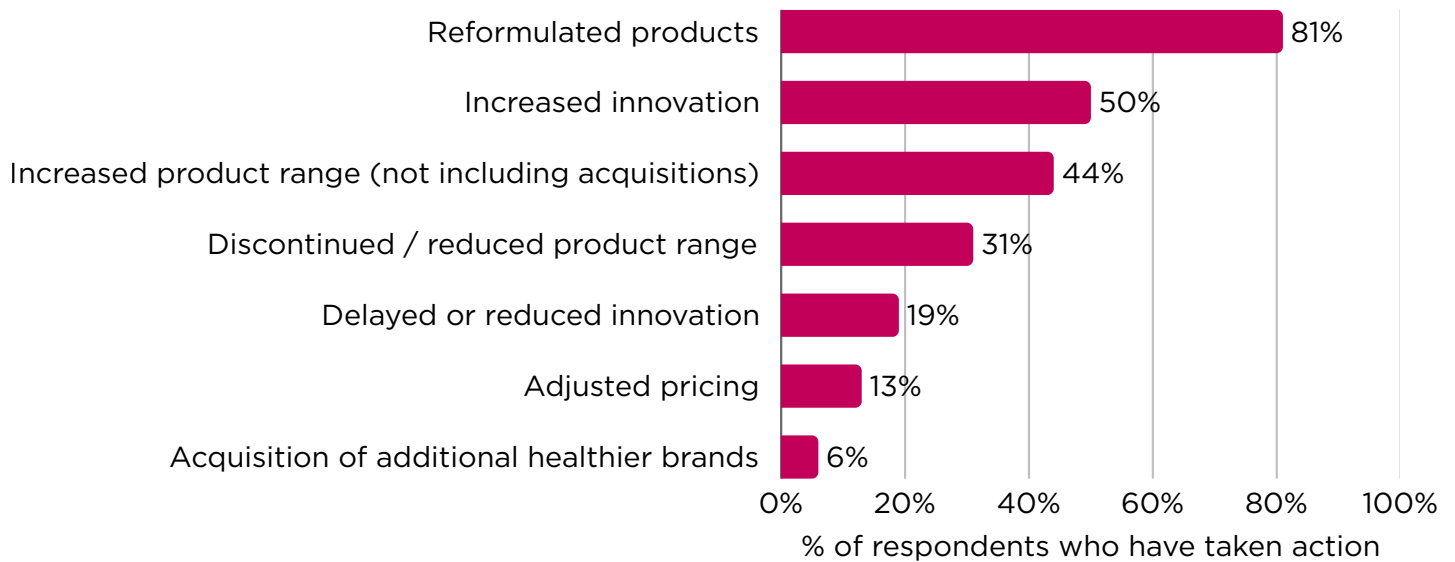


Figure 2 - Actions taken at portfolio level in response to health regulation

The operational challenges of healthier product innovation

The true costs of healthier product innovation

Making a product healthier is rarely a simple swap of one ingredient for another. Reformulation and healthier new product development are technically complex undertakings that can take years to master. For example, a single ingredient such as sugar performs several roles at once, so removing it means finding a combination of ingredients that together reproduce the same taste, texture and shelf life. Getting this right is painstaking work, and interviewees described their most complex recipes taking up to five years to perfect².

These timelines were found to scale with company size – most SMEs typically took a year or less to move a product from concept to launch, while larger manufacturers typically took two to three years¹. This reflects the complexity of doing these projects across multiple sites, flavours and formats, and the more extensive testing and retailer sign-off that is involved for larger companies^{1,2}.

Because of this, the biggest costs of healthier product innovation are rarely the ingredients themselves; they are in the people and the process. Each project draws on highly skilled, multidisciplinary teams, from food scientists and technologists to sensory, packaging and manufacturing specialists. These teams take a product through every stage from concept to scale-up to launch. Along the way, there are repeated rounds of recipe development, consumer and sensory testing, shelf-life validation and full-scale factory trials, each adding time and cost. It is this skilled staff time, rather than raw materials, that respondents consistently identified as the single largest cost driver¹.

Case study: Danone - Actimel sugar reduction journey

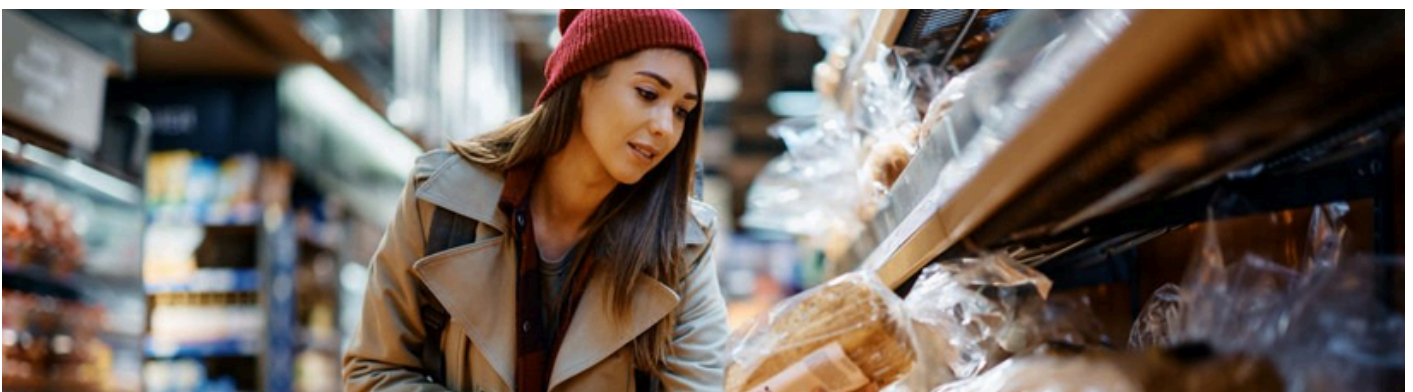
“Reformulation is rarely as simple as reducing a single ingredient. Even small nutritional improvements can have a significant impact on taste, texture and overall product performance, making the process complex, resource-intensive and highly dependent on consumer acceptance. At Danone UK & Ireland, reducing sugar across the Actimel Core and Triple Action ranges required many years of research and development, involving gradual, incremental reductions, alongside multiple rounds of product refinement and consumer testing. The result was an average 9% reduction in sugar, with all Actimel products now containing less than 10g sugars per 100g, while maintaining the taste and quality consumers expect”



Product trials and scale-up testing were the biggest direct cost driver cited (63% nutrition-led reformulation, 69% healthier NPD), while staff time and project management were the top indirect cost drivers (69% and 75%)¹.

Indirect costs, primarily project management and skilled staff time, make up around half the total cost of both reformulation and new product development, for large and small businesses alike; and were found to consistently rival direct costs^{1,2}.

The costs of healthier product innovation projects varied by company size. Of the sixteen companies asked about their per-project costs, ten were able to quantify direct costs (five large and five SMEs) and nine for indirect costs (four large and five SMEs). Among the large companies, none put direct reformulation costs below £50,000 per project, and both direct and indirect costs reached an estimated £1-5 million per project for some, while SME costs were far lower, with four of the five that answered estimating this to be below £50,000 across both direct and indirect costs².



Product trials and scale-up testing are the leading direct cost drivers

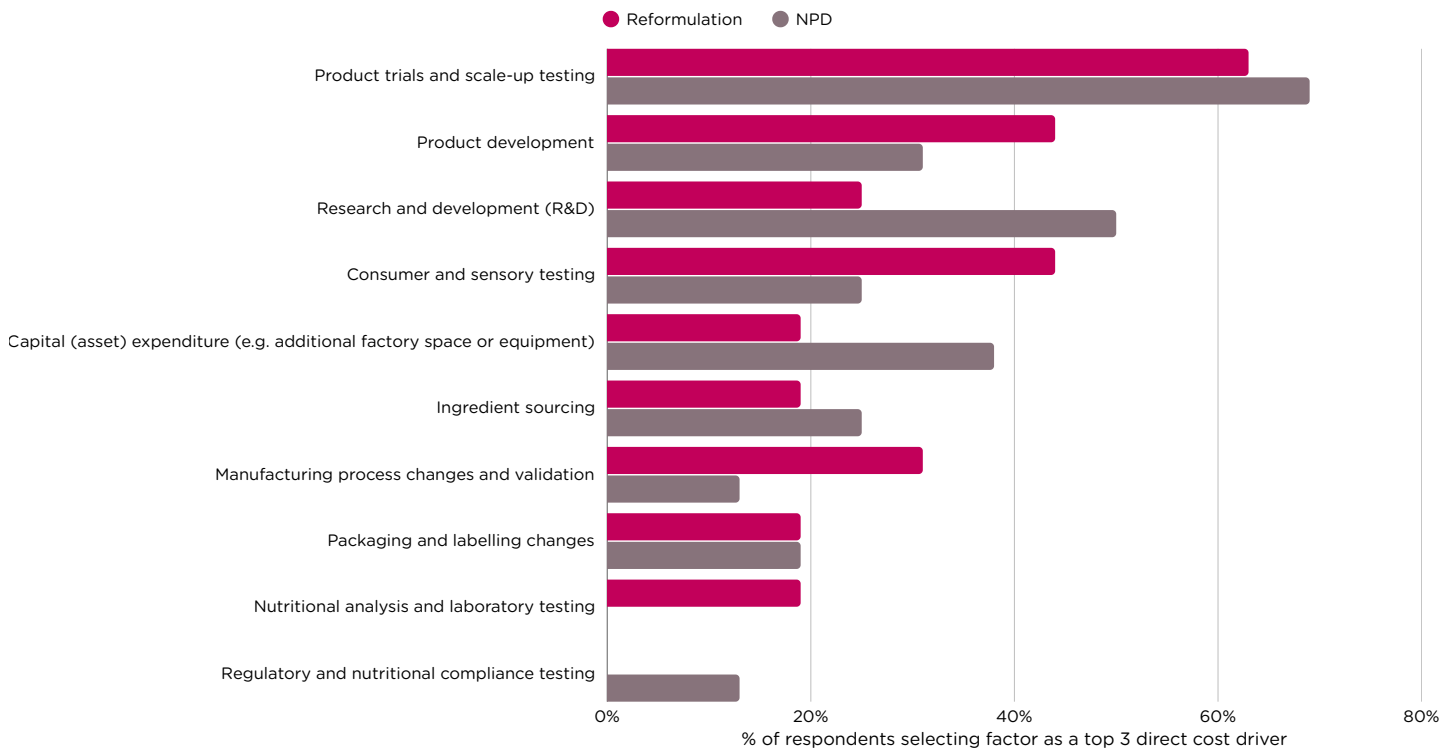


Figure 3 - Top direct cost drivers by % of respondents citing factor in their top cost drivers

Staff time and project management dominate indirect costs

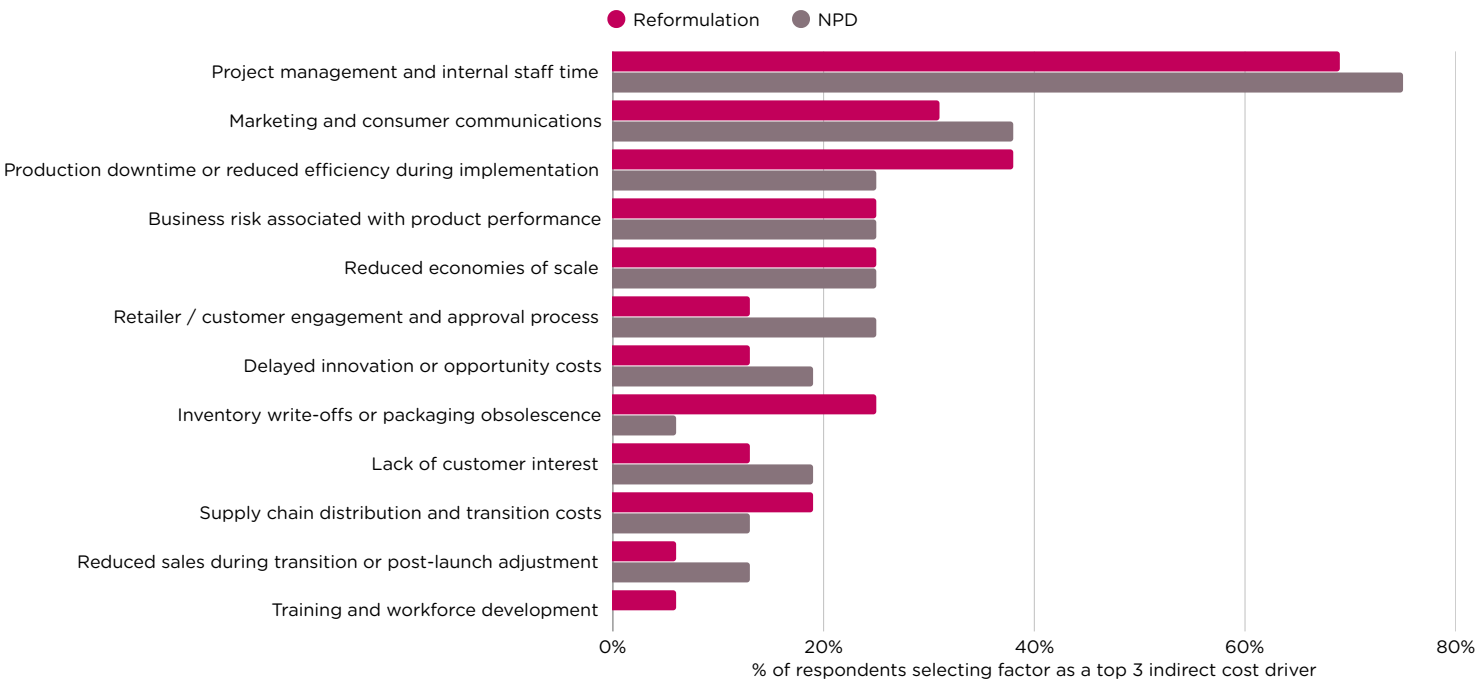


Figure 4 - Top indirect cost drivers by % of respondents citing factor in top cost drivers

Capital, equipment and research

Capital investment in machinery and new lines was particularly costly for NPD, where it ranks among the top three direct costs as new lines or equipment are often required. 63% of respondents report that healthier product innovation requires changes to manufacturing processes at least “sometimes”, often requiring further capital investment¹.

One manufacturer had to invest in a new dust-extraction system after a lower-sugar recipe created unexpected line issues; others reported that nutrition-led reformulation can require significant equipment and process changes, with the investment sometimes exceeding what is commercially viable for the product itself².

Consumer research is a further recurring cost, with one manufacturer reporting each round of testing can cost £100,000–£120,000, a figure that has risen substantially and is considered unusually high in the UK compared with other markets². This investment in research highlights how critical consumer acceptance is to success; despite extensive testing, a product can still be rejected once on the shelf.

The cost of failure

Costs do not stop at product innovation. One manufacturer explained packaging and artwork write-offs, when discontinuing old designs across a multi-flavour range, can reach £300,000–£500,000, due to long lead times and the need to stockpile ahead of a change². A quarter of respondents (25%) cited write-offs and packaging obsolescence as one of the top three indirect costs for reformulation¹. Another manufacturer highlighted the risk of investing in product development only for a regulatory change to stop the project, resulting in lost investment. Even successfully launched products may later be delisted if sales or retailer support are insufficient².

This risk weighs heavily on investment decisions, given how prominently the danger of commercial failure features in the survey feedback. 25% of respondents ranked product-performance risk among their top three cost drivers for both nutrition-led reformulation and healthier NPD. Nearly two-thirds (63%) flagged at least one consumer-uptake or write-off risk as a top indirect cost driver for nutrition-led reformulation, versus half (50%) for healthier new product development. Money and time invested in a rejected product becomes a stranded cost, discouraging the next round of investment.



The burden is heavier for SMEs

For SMEs, the operational challenges of healthier product innovation are amplified at every turn. Each project draws on limited R&D, sensory, regulatory and factory resource, and a small team often covers development, technical and compliance work alongside day-to-day production. The result is that healthier products are a strategic priority for only 6% of SMEs, compared to 50% of large businesses. This provides evidence that scale, not appetite, influences who can afford to innovate⁵.

This makes smaller manufacturers understandably risk-averse. Interviews noted that family and generational businesses are wary of reformulating a commercially successful product, given the consumer-acceptance risk and their limited capacity to absorb a failed launch².

These pressures sit on top of a wider administrative load. The Federation of Small Businesses estimates that tax compliance alone, a distinct but adjacent burden to industry regulation, costs the UK's small business community around 242 million hours and nearly £25bn a year¹¹. Food and drink SMEs carry this burden on top of their industry-specific reformulation and compliance costs, with the impact greatest for those without a dedicated regulatory function. As one SME manufacturer put it, its reformulation work probably would not have happened without external grant funding².

"The success of the Reformulation for Health Programme in Scotland shows that targeted, industry-focused support can drive meaningful nutritional improvement across the food industry. Expanding the programme by lifting and shifting it to support SMEs in Wales, Northern Ireland and England would provide manufacturers with access to proven expert reformulation support, helping businesses innovate, improve product health credentials and accelerate progress towards national public health goals."

Joanne Burns - Reformulation for Health Manager

Case study: MacSween Allan Food Group

"For both MacSween and Malcolm Allan, one of the biggest challenges when undertaking reformulation has been making nutritional improvements while maintaining the taste, texture and quality that consumers expect. Reducing salt, fat or other ingredients can require significant development work, multiple factory trials and sensory evaluation. This places pressure on limited technical resources for SMEs, particularly alongside day-to-day product development and commercial projects. Identifying ingredient alternatives that are technically effective, commercially viable and available at scale adds further complexity, costs, supply chain constraints, regulatory requirements and label changes. FDF Scotland's Reformulation for Health programme has been valuable in providing funding for trials and testing, reformulation expertise, supplier introductions, guidance and networking opportunities"



Case study: Reformulation for health programme

"Since 2019, the Reformulation for Health Programme, funded by the Scottish Government, has supported Scottish SMEs to improve the nutritional profile of food products, removing billions of calories and significant quantities of salt from the Scottish diet each year. Through free resources, 1-2-1 bespoke support, industry guidance, ingredient databases, webinars and research, the programme provides accessible reformulation support for businesses. Additional funding from Scotland Food & Drink and Food Standards Scotland enables the provision of small grants to help offset reformulation costs. The programme has delivered measurable results, including an estimated 880 million calorie reduction from pie and pastry products, a reformulated Lorne sausage range containing 42% less salt, 55% fewer calories and 75% less fat, crisps with 58% less salt, and bloomer breads with 50% more fibre."



Regulatory complexity is making the UK less attractive for investment

Government health strategy has shifted repeatedly without holding a stable course, including diverging health policy implementation dates across the devolved UK nations, such as the HFSS promotion restrictions across England, Scotland and Wales¹². This creates three distinct compliance regimes for what is often a single UK-wide recipe and supply chain.

In addition, industry reformulation benchmarks have continued to shift; from the voluntary reformulation programmes for salt, sugar and calories, to the introduction of the SDIL, and more recently, reformulation to meet the NPM underpinning the HFSS regulations. While the HFSS regulations have only just come into force, government is already consulting on proposals to change the benchmark underpinning these regulations^{13,14}. Every manufacturer interviewed raised this pattern unprompted, citing a mismatch between erratic policy cycles and the multi-year planning that investment and innovation requires².

Taken together, this uncertainty is making the UK a less attractive place to invest. Because corporate investment decisions are typically committed years ahead of launch, an unstable regulatory environment impacts directly on where companies choose to invest their money. As one manufacturer put it, when the rules keep moving, it “alters your behaviour as a business...it alters your investment strategy.”²

Several interviewees described the UK as competing with other markets for a finite pool of innovation investment, with one explaining that “we’re diverting resource away from bringing new innovations to market to just changing existing products”, so that “innovation work then goes elsewhere to other markets that are not facing that kind of disruption”. One manufacturer called the UK an “unusually cost-heavy market” compared with more predictable regimes in other countries, with the FDF having told HM Treasury the UK “is losing out to other countries, like the Netherlands” for food and drink R&D investment¹⁵.

One visible consequence is a growing reliance on third party manufacturers, including some based outside the UK, for innovation launches. As one manufacturer explained: “for innovation launches, including non-HFSS products, we often manufacture through third parties, some based outside the UK, because it is more cost-efficient than investing in our own lines before a product is commercially proven. That choice is not driven solely by regulation as such, but the regulatory environment certainly makes these launches harder to get right.”²

11 of 16 respondents (69%) ranked greater regulatory certainty as the top condition to support healthier product innovation¹.



High effort, high risk of no reward

Consumer acceptance is what ultimately determines whether healthier product innovation succeeds. Companies can invest years of effort to align products with public health requirements, but that benefit is only realised if shoppers choose the product and keep buying it.

Technical compliance alone does not guarantee commercial or public health success, as a reformulated product will often fail with consumers even when it fully meets regulatory requirements². Where a reformulation moves a product too far from the taste and texture consumers expect, this can push consumers towards less healthy alternatives rather than no purchase at all, undermining the goal of the policy itself, a point several manufacturers raised separately.

One manufacturer provided an example of changing a recipe to reduce sugar content, only for consumers to reject it within weeks of launch. The company then had to revert to the original formulation. The same manufacturer estimated that only around one in ten innovations reach market, a figure it considers possibly optimistic, which is why investment often defaults to protecting existing lines rather than risking new ones².

Consumer rejection of a nutrition-led reformulation was also reported for a confectionery product, where the non-HFSS version departed so far from the original it fell short of consumer expectations. A similar experience was reported for a children's dairy product, where a change to nursery food rules required all flavouring to be removed, leaving a natural-yoghurt option children reportedly did not take to, reducing sales². These examples highlight a point that came through strongly in interviews: consumers rarely switch to something unfamiliar. Small changes within familiar categories can therefore make a meaningful difference. A lower-sugar version of a yoghurt consumers already buy may be a more practical switch than moving to a completely different category, provided the product retains the taste and texture consumers expect. Getting the recipe right is therefore critical².

Case study: Mondelez International - Cadbury Dairy Milk 30% less sugar

"In 2019, Mondelez International launched Cadbury Dairy Milk 30% Less Sugar to meet growing demand for wellbeing treats. It took three years to launch, involving a team of over 20 scientists to create a product that mirrored the unique and recognisable taste and texture of Cadbury Dairy Milk. The product was supported by a multi-million-pound marketing campaign, and while sales were initially positive, demand declined over time and the product was withdrawn from the market in 2023."

Mondelez
International

Survey results showed that consumer acceptance risk arises at every stage of the product pipeline, not just at launch, confirming these are not isolated cases. Compliance must be matched by consumer acceptance¹.

69% of respondents reported having products that had failed to reach launch¹⁵

69% of respondents reported having products delisted after launch¹⁵

63% of respondents reported having products with reduced consumer acceptance⁶

13% of respondents reported healthier product innovation had a consistent positive impact on profitability

Linking directly back to cost and complexity, the money and time committed to a reformulation project are wasted entirely if the product fails with consumers, which in turn discourages the next round of investment. Sustaining sales of a healthier product once launched also requires continued marketing investment; without it, even a well-received reformulation can lose momentum on shelf. In the survey, only 13% of respondents reported that healthier product innovation had a consistent positive impact on profitability, further reiterating the commercial challenges if consumers do not take to the product, and the limited public health impact this will have if these projects fail.

Recommendations

The challenges set out above are significant, but none are insurmountable, and none will be resolved without action. The research concluded with several recommendations for government that would support industry to continue to drive further investment in healthier product innovation.

These recommendations are not an argument against regulation, the industry shares government's public health goals and continues to invest in healthier products. It recognises the need to balance ambitious policy objectives with the practical realities of commercial delivery, and the role that effective support can play in bridging the gap. Three recommendations follow:

- 1 Increase regulatory stability and predictability**
- 2 Allow policy changes time to take effect**
- 3 Build the wider system that healthier products need to succeed**

Increase regulatory stability and predictability

This report asks government to deliver three things companies consistently called for: a five-to-ten-year planning horizon, long-term policy commitments, and better regulatory alignment across the UK's nations and overlapping policy areas. Industry is already delivering significant progress, as set out in "industry commitment to health-driven innovation is proven". Protecting that progress, and creating the confidence needed for further advancement, calls for these longer-term commitments to be in place².

One manufacturer suggested that maintaining this stability for a full portfolio innovation cycle,

often five to ten years, would let compliant companies build a lasting commercial advantage among consumers who come to trust the change, reinforcing the commercial, not just regulatory, case for holding policy steady once set².

Allow policy changes time to take effect

Longer implementation timeframes for new regulations were the second highest priority identified by survey respondents¹. In practice, this means two things: first, government should introduce a published minimum stability period, committing that core regulatory parameters (such as NPM thresholds, SDIL scope, or HFSS advertising restrictions) will remain fixed for a set window, such as five years; and second, each policy should be allowed to run its course and be formally evaluated before further changes are made, so that new requirements are driven by evidence rather than arriving in sequence. This matters because survey respondents report typical end-to-end project durations of one to three years, with manufacturers describing their most complex reformulation programmes taking substantially longer, often exceeding five years^{1,2}. Together, these steps would preserve the long-term direction of public health policy while giving industry the stable, predictable basis it needs to plan long-term investment.

Build the wider system that healthier products need to succeed

I. Consumer education and communication

Government-backed consumer education on diet and healthy eating should run alongside healthier product innovation. Current health regulation acts to incentivise product reformulation, but is not complemented by messaging to nudge consumers towards these healthier options; education on portion size and balanced diets could help to address this gap, a point raised in interview by manufacturers².

Regulatory certainty is the top condition for further healthier product innovation

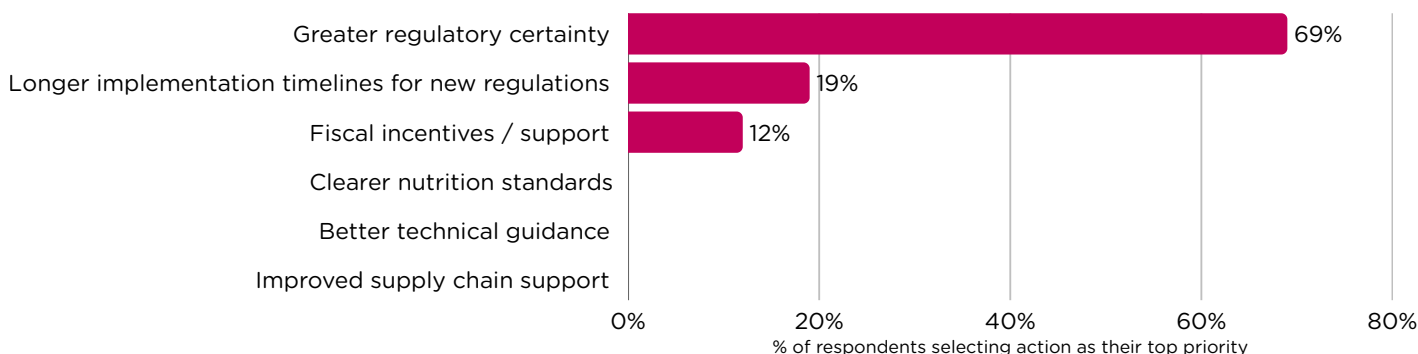


Figure 5 - Top priorities among respondents when asked on what can support them in healthier product innovation

Manufacturers described consumer acceptance, not just technical formulation, as the deciding factor in whether a healthier product succeeds on shelf. A targeted public communication strategy, using established government public health channels, such as OHID's Better Health campaign, could help recalibrate consumer taste expectations and build awareness of portion size, healthier choices and acceptance for healthier products. Where commercially appropriate, this could be paired with voluntary in-store or shelf-edge messaging developed with retailers and manufacturers, helping contextualise nutritional improvements without undermining categories that rely on gradual, stealthy reformulation².

II. Public investment

Targeted public funds, particularly for SME manufacturers who lack dedicated in-house R&D capability, can substantially reduce the cost of reformulation. Scotland's Reformulation for Health programme, funded by the Scottish Government and delivered by FDF Scotland, shows how modest grants can unlock work that otherwise would not happen. Since 2019, it has directly supported over 100 SME manufacturers, deploying over £424,000 of externally sourced funding to cover the practical costs of nutritional analysis, trial ingredients and production line testing. Collaborations like its bakery-focused fund with Food Standards Scotland have helped participating producers remove billions of calories and tonnes of salt from everyday staples. Government should replicate this small-grant model across England, Wales and Northern Ireland, channelling funds through both trade associations and regional enterprise hubs to ensure SME food businesses are not left behind^{3,17/18}.

III. Broader food system incentives

The evidence across this report points towards incentive-based policy design, rather than reliance on restriction alone. Building on the case for stability, manufacturers interviewed supported a regulatory framework that establishes a shared commercial rationale across the supply chain to promote healthier products. Specifically, respondents highlighted mandatory healthy food sales reporting as a critical mechanism to incentivise continued investment in healthier food and drink across industry, creating commercial alignment between manufacturers, retailers and restaurants, ensuring that healthier portfolio sales become a collective commercial objective.

This approach aligns with policy already announced in the 10-Year Health Plan for England, where government has set out plans to require large food businesses to report on the healthiness of their sales by the end of this Parliament.





Conclusion

UK food and drink manufacturers are not waiting to be told to make their products healthier. They have been doing it for decades, often ahead of regulation and at real cost. The barrier is not willingness; it is an operating environment that makes each new project harder to justify than the last.

The cost of healthier product innovation sits in trials, testing and staff time, with this burden exacerbated for SMEs, given their limited resources. Regulation has changed too often, and too abruptly, to plan against, pushing investment towards more predictable markets, and even a fully compliant product can fail on shelf if consumers reject it, wasting the investment.

None of this is beyond fixing. Give industry a stable, longer-term regulatory timetable; let each change run its course and be evaluated before the next begins; and support manufacturers' reformulation efforts with food system interventions around education, SME support, and incentives that reward healthier product development and sales. With these conditions in place, the industry's proven commitment to healthier product innovation can deliver lasting improvements in public health.

References

1. Argon & Co / FDF Healthier Product Innovation Survey, 2026. 16 respondents: 15 primary respondents plus one supplementary written response submitted in place of a live survey response.
2. Argon & Co stakeholder interviews conducted for this report, 2026: eight live interview sessions across six manufacturers (two of the six were interviewed twice, covering different functions), plus one further manufacturer that provided a written response in place of a live interview. Company names are withheld here to preserve anonymity outside of named case studies.
3. FDF, 'Shaping a healthier future through food and drink', 2026.
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About Argon & Co

Argon & Co is a global management consultancy that specialises in operations strategy and transformation. With expertise spanning supply chain planning, manufacturing, logistics, procurement, finance, and shared services, we work together with clients to transform their businesses and generate real change. Our people are engaging to work with and trusted by clients to get the job done. We have offices across Europe, Australasia, America, Asia and the Middle East.

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About fdf

For over a century, the Food & Drink Federation (FDF) has supported food and drink manufacturing in the UK, by contributing to policy and legislation and championing our members' views on key policy areas.

Our skilled teams of experts work with businesses, government, regulators and our members to create a business environment for the industry to thrive. As the UK's largest manufacturing industry, we contribute over £42 billion to our economy, supporting half a million jobs making products that are loved in the UK and beyond.

Our industry is at the heart of the nation's daily lives, providing nourishment and joy with a wide range of affordable and nutritious products for all. Join us in creating a secure, sustainable future for food and drink.

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