



DATAMONITOR

Insight Into Consumers' Functional Food & Drinks Needs

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FDIN Functional Foods Seminar
23rd February 2005

Agenda

- Market context
- Consumer insights
 - ‘Lifestyle’ health needs = largest addressable market
 - Consumers want immediate benefits for any condition
 - Consumers don’t fully appreciate benefits of ingredients
 - Taste is paramount and products must ‘fit’ with lifestyles
- Conclusions

Consumer trends

- Rising consumer awareness of, and active interest in health
- Growing trend towards self-medication
- An aging population concerned with health and beauty

Industry developments

- Technological advancements in ingredients:
 - New functionality
 - Efficacy
 - Taste & usability

Formulation developments have affected a number of ingredients

CALCIUM

- Recent data has linked calcium consumption to increased weight loss
- Studies showed that subjects ingesting lowest levels of calcium were six times more likely to be overweight

CoQ10

- Plays large role in energy production
- Recent findings show that CoQ10 supports oral and gum health
- CoQ10 depletes with age

LYCOPENE

- Associated with prostate health, eye health and cancer prevention
- New application in skin health and anti-aging have been developed

OMEGA-3

- Fishy taste, texture and instability have kept growth relatively low
- New powder form of omega-3 is heat-stable and tasteless and can be used in foods and drinks

BLACK COHOSH

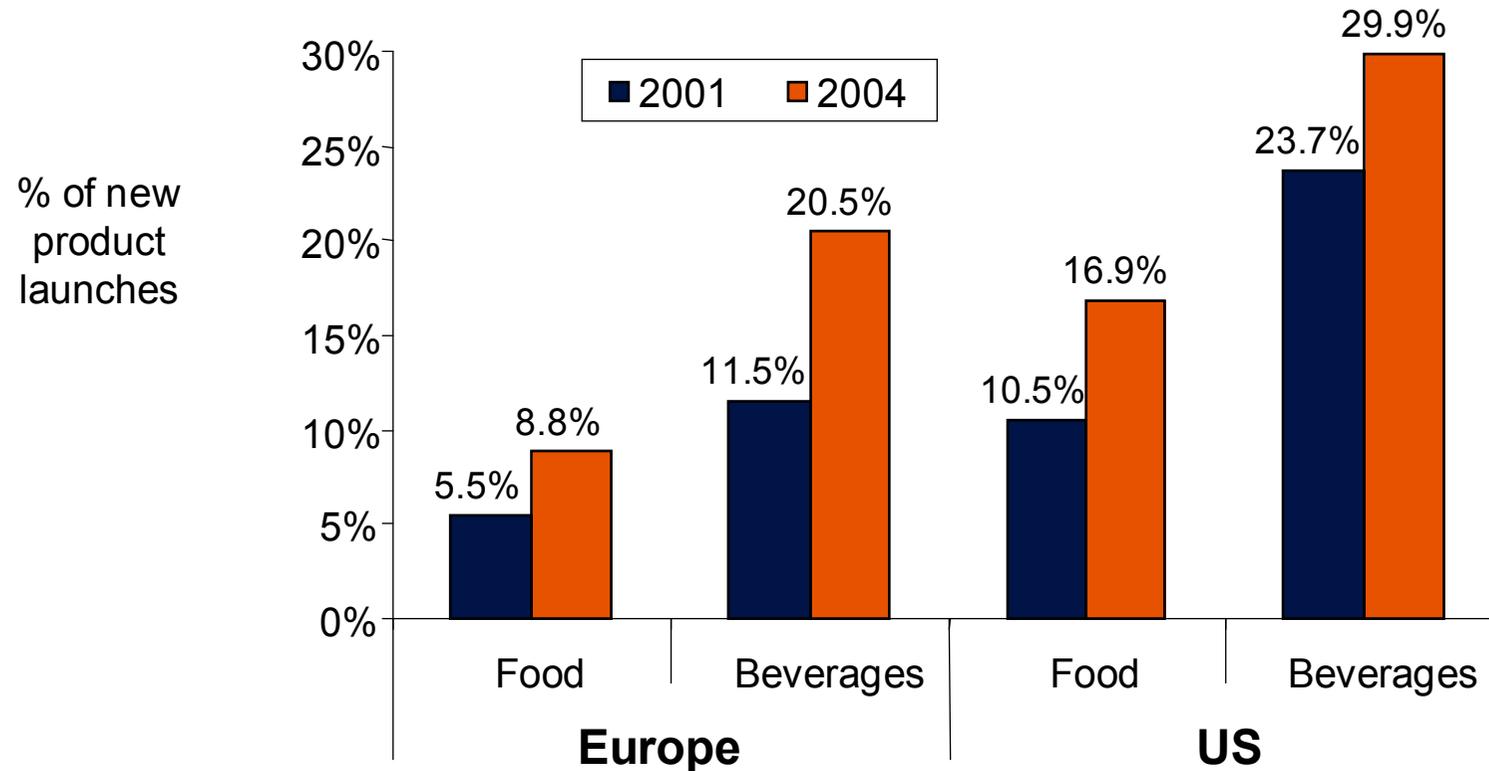
- Effective remedy for female health issues such as estrogen imbalance and menopause
- New studies are encouraging for efficacy in treatment of hormonal shifts

GLUCOSAMINE

- Arthritis and joint disease are increasingly concerns for Baby Boomers
- New formulations are not shellfish-derived and can be used widely
- Beverage and candy forms are growing in popularity

Strong growth in the usage of nutraceutical claims

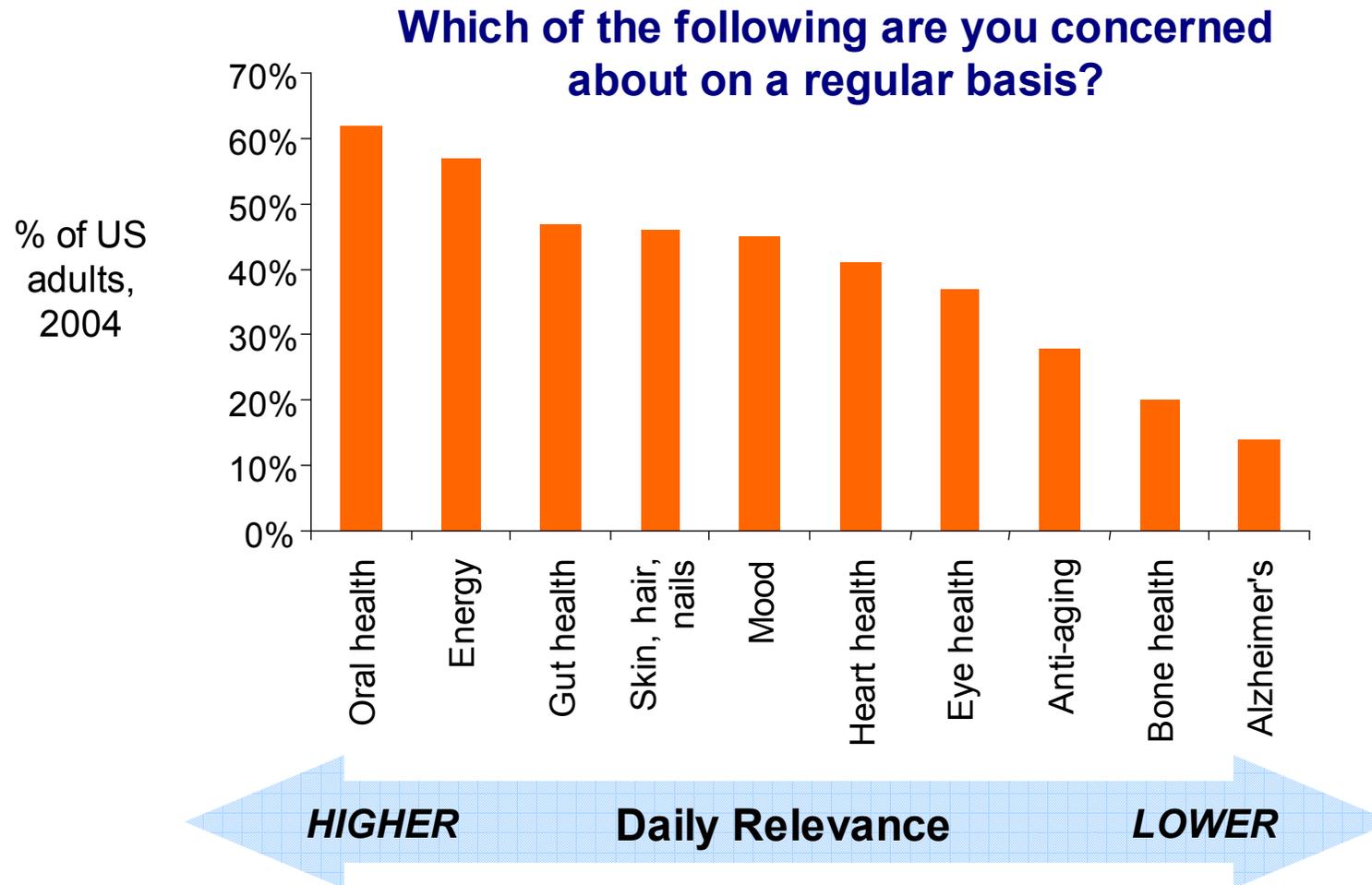
The number of nutraceutical claims made on-pack on new launches



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Consumers health concerns are short-termist



Functional gut health: consumer insight

There are more users of gut health functional products than those with actual gut illness

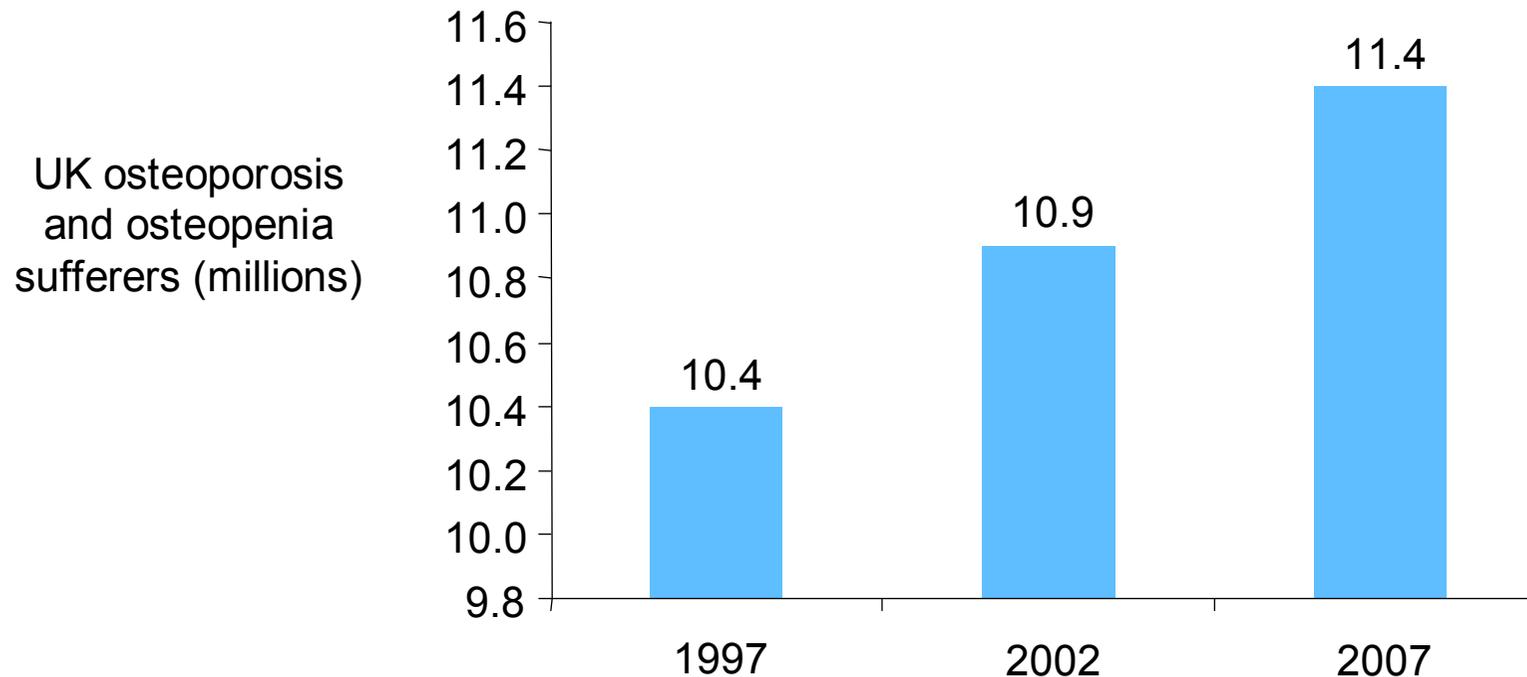
(Millions Europeans)	Regular functional food/drink users	Those with illness	At-risk groups of
Heart health	4.0	109.8	191.4
Bone health	2.2	74.5	117.3
Gut health	3.7	1.4	6.5

There is a market for targeting long term health

- Of course, there are potentially large addressable markets for targeting medical / long term health concerns

Bone health: consumer trend

The number of people suffering from bone health conditions is rising in the UK



NB: Osteoporosis = brittle bones; osteopenia = weak but not brittle bones

Heart health: consumer trend

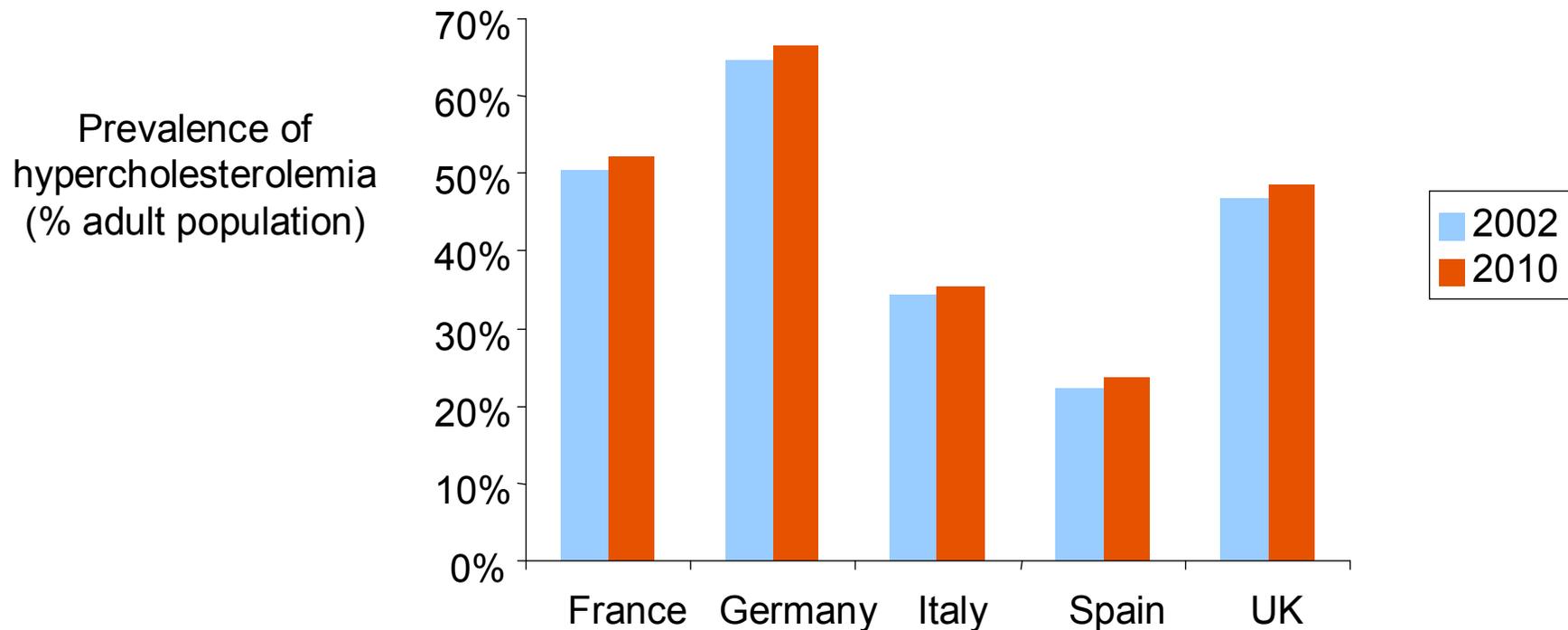
Hypertension is an age-related effect that is rising as the population ages

Prevalence of hypertension by age group, 2002:

	20-29	30-39	40-49	50-59	60-69	70+	Total
France	6.3%	11.0%	22.0%	35.6%	53.9%	67.3%	22.8%
Germany	3.9%	12.8%	24.3%	41.8%	56.8%	75.1%	27.0%
Italy	8.9%	16.7%	34.3%	51.6%	69.6%	68.6%	32.6%
Spain	8.1%	16.5%	33.6%	51.3%	72.3%	67.6%	30.2%
UK	13.9%	16.3%	27.9%	43.6%	63.9%	75.9%	28.6%

Cholesterol health: consumer trend

Prevalence of hypercholesterolemia is high and forecast to rise across Western Europe

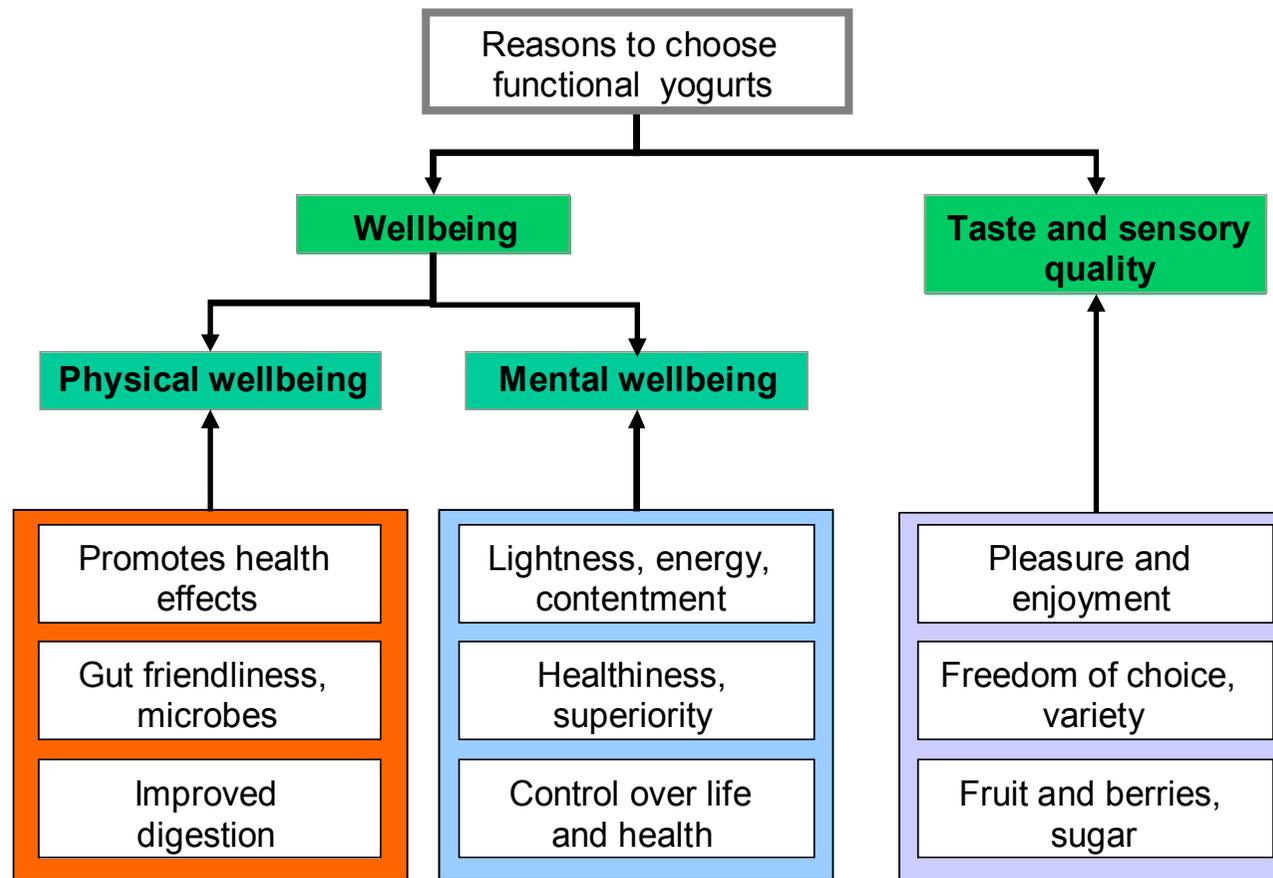


There is a market for targeting long term health

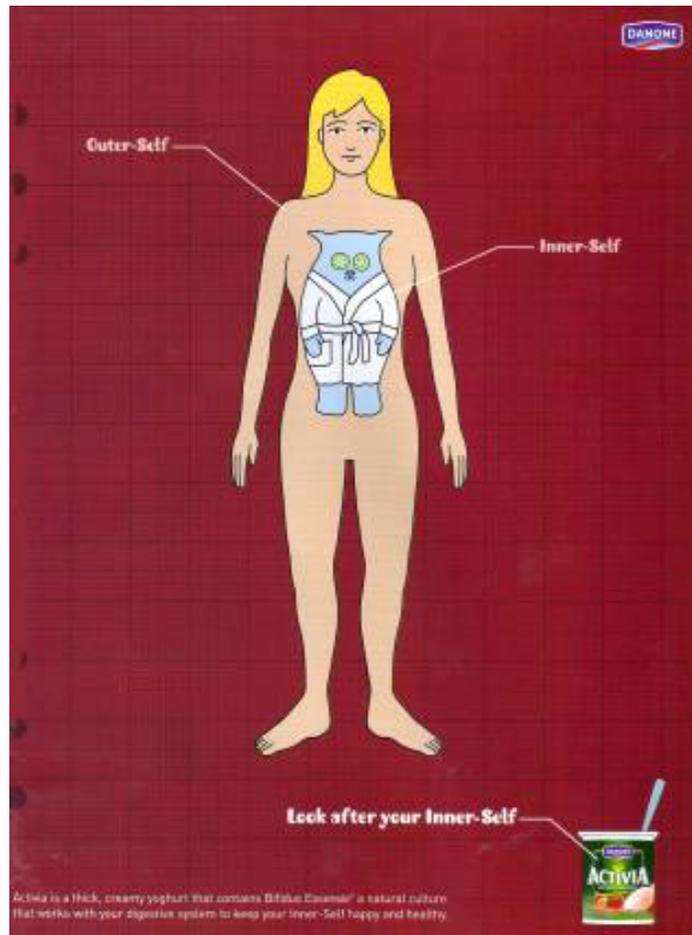
- Of course, there are potentially large addressable markets for targeting medical / long term health concerns
- BUT unless you offer lifestyle benefits you will only get those that have:
 - a) sufficient concern AND
 - b) are convinced of its benefits over medical solutions (Rx, OTC)
- Consumers want to feel good now, no matter what condition you are targeting

Functional gut health: consumer insight

Consumers enjoy “indulging” in health – they want to feel good now



Focusing on lifestyle benefits and mental well-being



Danone:

“Keep your Inner-self healthy and happy”

“Thick and creamy yoghurt”

Yakult:

“Friendly bacteria”

Ads about not caring what others think – feeling superior to the average Joe

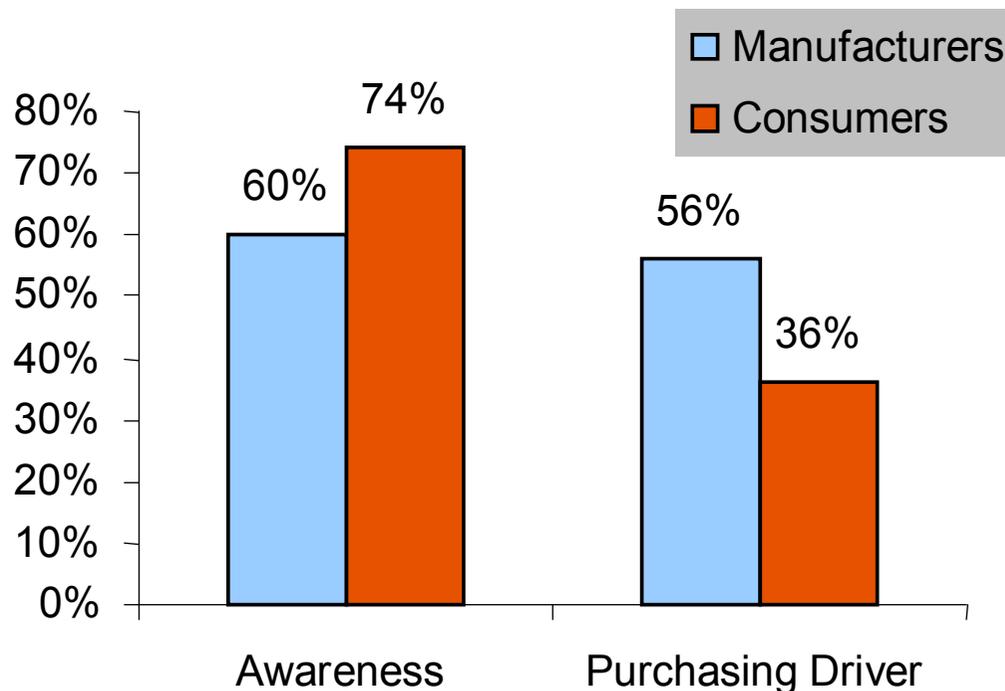
Consumers want quality of life not just longer life

Why consumers want the 'feelgood' factor:

- Life expectancy is rising, we expect to live longer
- But it's not enough to just prolong an average / unfulfilled life
- World Values Survey data shows that consumers values are shifting from materialism to post-materialism – from security to quality of life
- We want to be happier, be in control, live the celebrity lifestyle, have satisfying careers not just secure ones... = Quality of life

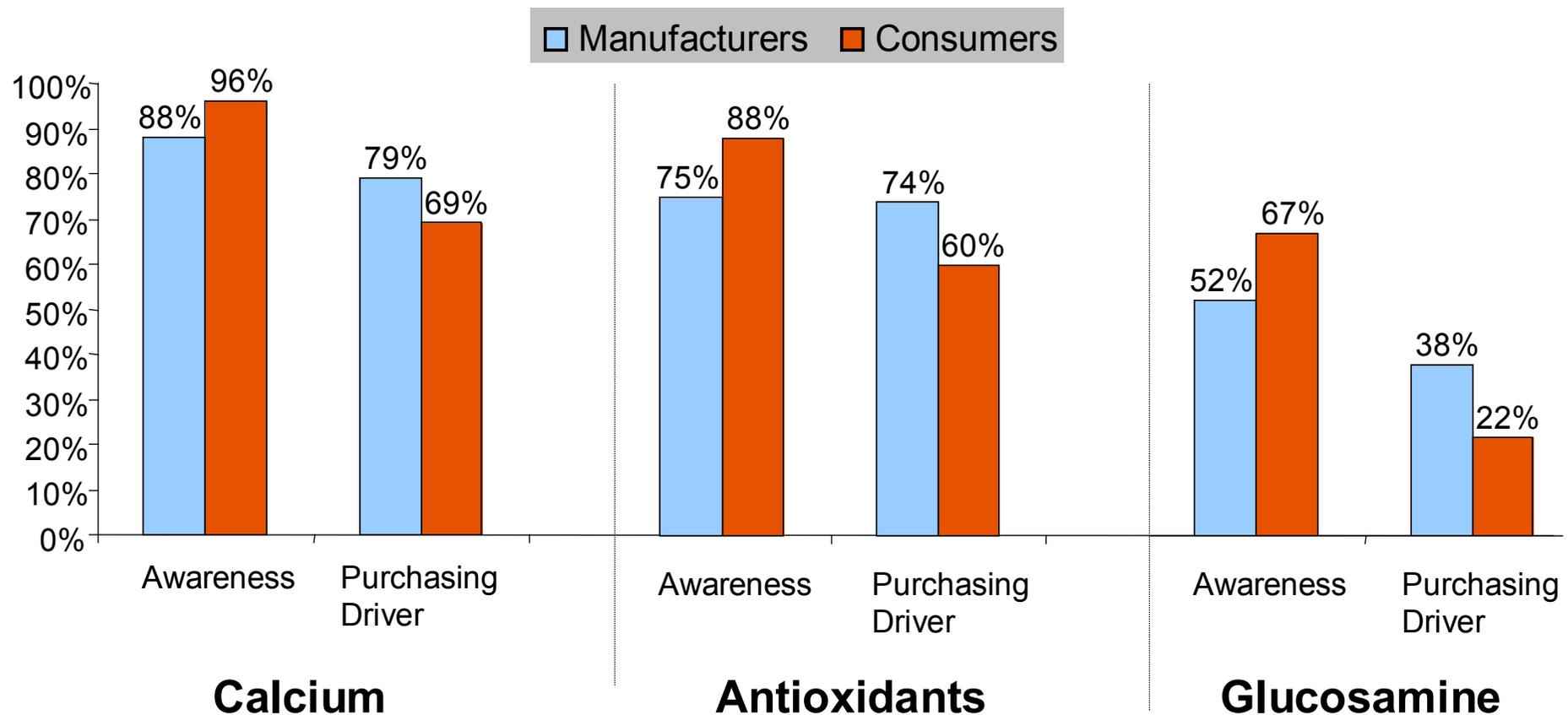
Consumers don't value benefits of ingredients as highly as they should?

Manufacturer's perceptions of consumer's awareness of and purchasing driver for **Omega 3** and consumer's actual response



Manufacturers need to focus on educating consumers about the benefits of functional ingredients

Consumers don't value benefits of ingredients as highly as they should?



Consumers want good taste and 'fit' with their lifestyles

- Taste is still more important than health
- Convenience dominates lives – the demand for quick fix solutions
 - Few people like making significant lifestyle changes (e.g. only 1% of dieters achieve permanent weight loss) - people want quick fixes
 - So make products simple and easy to use
 - Does the product meet the occasion? – portable, ready-to-use, single serve etc.

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Conclusions

- The largest addressable market is in ‘high daily relevance’ areas such as performance boosts and presentation rather than long term disease prevention / treatment.
- Long term health needs can be exploited, but show immediate benefits (mental well-being) to reach the broadest market among those that are interested.
- In either case, offer consumers immediate benefits – mental well-being / feelgood factor and communicate these in a positive, non-threat based way.
- Build your products’ functionality on credibility – offer specific health benefits, don’t be general.
- Don’t forget the ‘basics’, its got to taste good and ‘fit’ with their lifestyle.

Don't forget: Is your offering better than alternative solutions?

- Does your offering really provide a better consumer solution than existing options?
- Often you will be up against some powerful competitors:
 - Medical functional food/drink vs. Over-the-counter medicines
 - Energy boost food/drink vs. Coffee
 - Anti-stress functional food/drink vs. Cigarette; Alcohol
- Often it won't be. So don't invest in haste

Checklist for success

Your offering has:

- High daily relevance 
- Specific, clearly communicated benefits 
- Offers immediate mental well-being 
- Positively marketed, lifestyle positioning 
- Taste 
- Convenient fit with lifestyles 
- Best vehicle / format for delivery 

Why it's important to consumers:

- *“Something I care about”*
- *“I understand it, I believe it”*
- *“Makes me feel-good now”*
- *“It’s yum” - (I’ll buy it again)*
- *“I can get it, it’s easy to use”*
- *“It’s my best bet for getting this”*

Datamonitor Contact Details:

For further information regarding any queries please contact:

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Thank you

