THE DEVELOPMENT OF THE
GLOBAL FREE-FROM MARKET

Chris Brockman, Mintel

FDIN Free From seminar, Sept 2014
1. The expansion of the free-from concept
2. Global free-from innovation trends
3. Progress of free-from markets and forecast development of the sector
The expansion of free-from
FACTORY FEAR

PRODUCT RECALLS.

ALLERGY SCARES.

VILLAINOUS ADDITIVES.

WE’RE MORE WARY OF WHAT WE CONSUME THAN EVER BEFORE.
Of UK consumers (49%) agree with the statement: “The food industry provides food that is safe to eat” (April 2013, e.g. shortly after Horsegate)

Believe “contains no artificial ingredients” encourages trust in food

Prefer to cook from scratch so they can control the contents of their food
Chobani

From zero to a $1bn brand in just six years

POM Coconut

The ultimate healthy trendy drink: pomegranate + coconut water + stevia ($3m sales in year one for this one variant)
Nearly three-quarters (72%) of those who eat gluten-free foods in the US have *not been* diagnosed with celiac disease. Of those, 65% eat gluten-free because they believe it is healthier.

**Reasons for eating gluten-free foods other than intolerance/sensitivity, US, June 2013**

**USA: GLUTENFREESINGLES.COM**

A DATING SITE “WHERE YOU NEVER HAVE TO FEEL ALONE, AWKWARD, OR A BURDEN BECAUSE YOU ARE GLUTEN FREE”

**SOURCE: MINTEL; FACTORY FEAR**

**Enjoy Life With a GF Partner**

- Celiac
- Intolerant
- Healthy Diet
THE CONCEPT OF FREE FROM BLURS

Encompassing allergens as well as ‘undesirables’

1 in 5 US consumers think gluten is bad for you
FEAR STACKS UP TO HUGE SIGNIFICANCE

Sugar reduction in particular will see increased focus in 2014/15

- Salt reduction success give’s impetus to the war on sugar
- UK retailers have pledged to slash sugar from soft drinks for example

UK food & drink launches by selected claims (% of launches)

Source: Mintel GNPD
A SUGAR-FREE CHOCOLATE BOOM?

Belgian chocolate maker Cavalier is readying itself

- Expects sugar-free chocolate to become mainstream and is planning to rebrand to extend appeal

- Has seen sales growth of more than 50% over the last three years. Exports to 55 countries

- One of the few companies to have developed a chocolate product that uses Stevia (an important point of difference to other sugar-free chocolate makers, who use artificial sweeteners such as maltitol)

Cavalier sugar-free chocolate

Just 3% of global chocolate confectionery launches are currently low/no/reduced sugar
A diabetes time bomb will force attention onto special formulations.

- Since 1996, the number of UK diabetics has more than doubled from 1.4m to 2.9m (4.5% of population) and is estimated to rise to 4m by 2025.
- ‘Suitable for diabetics’ a claim currently seen on just 0.3% of global food & drink innovation but is likely to grow.
- Leche Pascaul has developed a range of products for diabetics, designed to help normalize glucose levels and with less glycemic load.

DiaBalance, Leche Pascaul, Spain

The brand collaborates with the Spanish Diabetics Association.
FODMAPS (Fermentable Oligosaccharides, Disaccharides, Monosaccharide’s and Polyols)

- Originally designed for IBS sufferers to help in reducing bowel irritation
- However, with more individuals experiencing digestive discomfort, along with gluten-free diets, FODMAP diets are emerging as an alternative therapy for those suffering digestive discomfort
- Almost nine in 10 (86%) Americans experienced some type of gastrointestinal issue during 2013

**Vogel’s Cereal, New Zealand**

**Sue Shepherd FODMAP Friendly range, Australia**
INCREASE IN PERSONALISED DIETS

45% of UK consumers would like more choice to personalize food

Customised food options proliferate

More personalised diets are likely

Shopwell – Your Personal Nutrition expert (US) matches foods to nutritional needs
Global innovation
– gluten & dairy/lactose free focus
LAUNCH ACTIVITY ACCELERATES

Proportion of food & drink launches that claim gluten-free or low/no/reduced lactose, global

Source: Mintel GNPD
LAUNCH ACTIVITY BY COUNTRY

7 countries account for around 70% of GF claim usage, lactose free more European-orientated.

Gluten-free NPD by country, 2010-14

No/low/reduced lactose NPD by country, 2010-14

*high share due to legislation requiring gluten disclosure

Source: Mintel GNPD
FREE FROM STILL A FRAGMENTED MARKET

4 of the top 10 most active companies in European gluten-free launches in last 5 years are retailers (Tesco, Asda, Morrisons, Aldi)

Lidl brings gluten-free to everyday discount lines

- PL broadens the appeal of the category (e.g. lower priced lines)
- After Dr. Schär (9% share of launches), no company accounts for more than 2% of total gluten-free launches in the period 2009-13
- Udi’s brand though has shown in the US & Canada that it can achieve fast growth through range expansion

Lidl gluten-free pasta made with corn & chickpea flour (Spain)
Accessible price points: €1.49 for 500g
BIG BRAND LAUNCHES IN THE LAST YEAR

In most sectors the big guns have arrived

Launched in North America and Europe in Dec 2013

Italy: €3m sales (3 SKUs) in 44 weeks since launch

Weston Foods (Canada)
Extensive bakery range launched in Canada and US in Aug 2013

Launched across Europe in 2013/14

Italy: €4.1m sales in 49 weeks (1 SKU)

Germany: €430k sales in 27 weeks (1 SKU)
BUT DOESN’T ALWAYS WORK

Heinz’s Deliciously Gluten Free launches fail to impress

- Perhaps relying too much on gluten free as the sole selling point
- A Tomato Frito sauce in Spain under the Orlando brand (also Heinz) has done better. It is gluten free but also promotes zero added salt and sugar and is also free of colourants and preservatives

Cumulative sales €2.8m for this one variant after two years since launch in 2011 (Heinz, Spain)

After over a year since launch the two pasta sauces have sold <£100k combined. The penne pasta has sales of only £285k after 73 weeks since launch
In Europe, a GF product is more likely to be organic, low in sugar and fat, with no additives or preservative than a ‘regular’ product.

BUT, cleaning up the label will need to be an ongoing focus.

48% of UK free-from consumers think free-from foods are often higher in fat/sugar than regular foods

The same % think free-from foods have more additives than regular foods (July 2014)
KIND Healthy Grains Maple Pumpkin Seeds with Sea Salt Bar (US)

Van’s Natural Foods The Perfect 10 Gluten Free Baked Crackers (US)

All natural product, free from gluten and GMO. The bars contain five super grains, including oats, millet, quinoa, amaranth and buckwheat, providing 18g of whole grains per serving.

Feature six wholegrains, including brown rice, oats, millet, teff, quinoa, and amaranth, and four types of seeds. No artificial colors, flavors, preservatives, hydrogenated or GMO oil, gluten, dairy, corn, or cholesterol.
MULTIPLYING HEALTH BENEFITS CAN WORK

Adding more benefits than just free from can bring in other users

- Free from gluten, wheat & lactose
- Sunflower seeds provide essential amino acids, vitamins & minerals
- Linseed a source of omega-3
- Quinoa rich in protein, unsaturated fatty acids, iron and calcium
- Sorghum provides iron, copper, silica, magnesium, phosphorous, vit B6 & B1
- Fibre-rich product from chestnut flour
- Free from added hydrogenated fats & preservatives

The result: **€1m in 47 weeks (1 SKU)**
BUT INDULGENCE ALSO STILL KEY

Udi’s cookies – full of taste, sweet/salty/crunchy treat

Ilumi – irresistible taste you can trust

Udi's Gluten Free Salted Caramel Cashew Soft-Baked Cookies

Ilumi Slow-Cooked Chicken Casserole free from gluten, nut, and milk
GF PENETRATION IS NOT EVENLY SPREAD

Gluten-free penetration in launches of cereal-based products, globally, 2010-2014

% of launches within each category

Source: Mintel GNPD
A SURGE IN SNACK INNOVATION

22% of North American US and 13% of European bars launched in 2013 were gluten free

Developing the GF snacking market in Europe is a clear objective of the Udi’s brand, taking advantage of some of the major trends: rise of breakfast snacks, ancient grain crisps etc.
GF PIZZA GOES MAINSTREAM IN US

No.2 US pizza player Schwan Food takes advantage

Mintel, March 2013:

“The first of the major retail pizza brands to move into gluten-free will have a significant advantage as it will probably preclude the other mainstream brands from entering for the time being (that is the pattern seen in other sectors)”

Freschetta Gluten Free Four Cheese Medley Pizza (US)

- Launched **Nov 2013**
- This one variant has sold $1.5m after 37 wks

Source: Mintel GNPD IRIS
GF BEER STARTS TO SEE A RETURN IN US

Still very niche but some US brands are seeing progress

• Launched in May 2012, after 2 years on the market, Omission gluten-free pale ale had amassed cumulative sales of $4m for this one variant (a lager launch adding a further $2.2m)

• Gluten free is now the 5th most popular claim used on beer sold via US restaurant channels (+46% in usage between Q1 2013 and Q1 2014)

• At retail level, still only 1% of beer launches in 2013 in the US carried a gluten free claim (same as in Europe)

• BUT major brands are on their way!

Omission Gluten-Free Pale Ale
Brewed with malted barley (Widmer Bros Brewing, US)
GERMANY LEADS THE WAY ON LACTOSE-FREE

Moving from specialist to mainstream, and from dairy to non-dairy

• Germany’s lactose-free launch penetration is the highest in Europe

• In 2013, Germany’s lactose-free dairy launches (14%) nearly matched the rate of lactose intolerance (15%)
OTHER PLATFORMS EMERGING

Digestive issues with dairy lead to other approaches

New Zealand based A2 Corporation believe that individuals are often incorrectly diagnosed as lactose intolerant, when their intolerance is in fact to A1 casein.

Some European products adopt a wider approach, targeting those who might not be sure about the source of their digestive troubles.

Narrow approach: A1 casein intolerance

Wider approach: “Easy to digest”
MUCH MORE TO COME IN UK DAIRY FREE

Almond and coconut milks drive growth in US

- Silk alone is a brand worth $667m in the US & its almond milk sales (+44% in 2013) have surpassed its soy milk sales for the first time
- The range of non-dairy milks is evolving (new varieties, flavours) and appeals on HEALTH (47% of consumers) & TASTE (33%) over lactose intolerance (19%)

US sales of non-dairy milk ($m)

Source: Mintel
What’s ahead
UK MARKET STILL HAS GROWTH TO COME

Sales growth of free-from foods in the UK slowing but still impressive

Source: Mintel
### UK: SIGNIFICANT LEVELS OF BUY-IN

Types of free-from foods bought or eaten (last six months), UK, July 2014

<table>
<thead>
<tr>
<th>Type of Food</th>
<th>% of Adults</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gluten-free</td>
<td>18</td>
</tr>
<tr>
<td>Dairy-substitutes (eg soya milk, soya cheese, oat milk)</td>
<td>17</td>
</tr>
<tr>
<td>Wheat-free</td>
<td>15</td>
</tr>
<tr>
<td>Lactose-free dairy products</td>
<td>14</td>
</tr>
<tr>
<td>Dairy-free (eg dairy free biscuits)</td>
<td>12</td>
</tr>
<tr>
<td>Reduced lactose dairy products</td>
<td>11</td>
</tr>
<tr>
<td>Nut-free</td>
<td>11</td>
</tr>
<tr>
<td>Egg-free</td>
<td>10</td>
</tr>
<tr>
<td>Soya-free</td>
<td>8</td>
</tr>
</tbody>
</table>

#### 15% of consumers state they avoid gluten/wheat

- 7% because of an allergy/intolerance (personal or within the household)
- 8% as part of a healthy lifestyle

(July 2014)

Source: Mintel
US MARKET STILL GROWING

Total gluten-free food and beverage market reached sales of $10.5bn in 2013 as the market experienced growth of 44% from 2011-13

Steady growth for the gluten-free bread and snacks market

Source: Mintel/SPINS/Nielsen

*52 weeks ending June 11, 2011; June 9, 2012; June 8, 2013
Adapt product to current trends

• On-the-go consumption is booming. Free from should take advantage of growing trends such as on-the-go breakfast, rise of quick, convenient lunchtime snacks...

Think indulgence

• Udi’s has “revolutionised” the market with overly indulgent recipes and flavours. This is a clear asset if you want to target the wider “lifestyle” GF dieters

• 38% of UK free-from users think free-from foods don’t taste as good as regular foods

• 49% agree that they would use more free-from products instead of regular products to incorporate flavour variety into their diet (eg coconut milk, almond milk)

(July 2014)
10% of all kids targeted food is now labelled as gluten-free in Europe (28% in North America so far in 2014)

- So far in 2014, 50% of all new baby food launches in Europe are gluten-free (almost double the 2012 level)
- This is likely to influence parents choice when the child switches to conventional food
- Winning over the mother means the entire family is likely to eat/drink the same free-from brand

**Kid’s (5-12) food with a gluten-free claim, Europe (% of launches)**

- 2010: 5.3%
- 2011: 5.9%
- 2012: 7.8%
- 2013: 10.7%

**Gluten-free claim grows in new children’s food launches**

Rice Krispies gluten-free (no barley malt) generated cumulative sales of $9.3m in first 2 years (US)
A NEW OPPORTUNITY: FREE FROM KIDS

No kids used in the manufacture of these products

Schär Gluten/Lactose-Free Milly Friends Biscuits, Europe

Santiveri Noglut Gluten-Free Jungle Biscuits, Portugal

Virginias Gluten- and Lactose-Free Cookies, Spain

Tesco Free From Kids Cereal, UK

Schär Gluten-Free Milly Magic Cereal, Switzerland
Established brands have new markets opening up to them

Middle East market an emerging opportunity – a good 5 years behind the UK in terms of penetration and range development

With a growing focus on health and wellness in this and other emerging regions, free from is a good opportunity

As well as UK & Ireland, **Genius** for example now sells in France, Spain, Holland, UAE, Australia, the US and Canada
**IN SUMMARY**

- The growth of the market will naturally slow, but free from is here to stay as it reflects a fundamental shift in the way consumers approach food.
- Customisable and individualistic eating patterns are becoming the norm.

---

- Healthy lifestyle positioning widens user base by leveraging healthy eating trends.
- Penetration into other channels such as foodservice growing.
- Technology offers scope for brands to better connect with engaged consumers.

---

- In the 90’s only 10-15% of UK coeliacs were diagnosed. The level has increased to almost 25% in 2013.
- 18 million (and growing) Americans have non-celiac gluten sensitivity.

---

**Widening availability for the masses**

**Rising levels of disease/intolerance incidence & diagnosis**
CHRIS BROCKMAN
Research Manager, Mintel Food & Drink

Tel +44 20 7606 4533
Email cbrockman@mintel.com
Twitter @mintelnews

© 2014 Mintel Group Ltd. All Rights Reserved. Confidential to Mintel