

Some key trends in health and how to connect to them

*Natural Products New Zealand Conference
Julian Mellentin*

April 2010

Presented by

**NEW NUTRITION
BUSINESS**

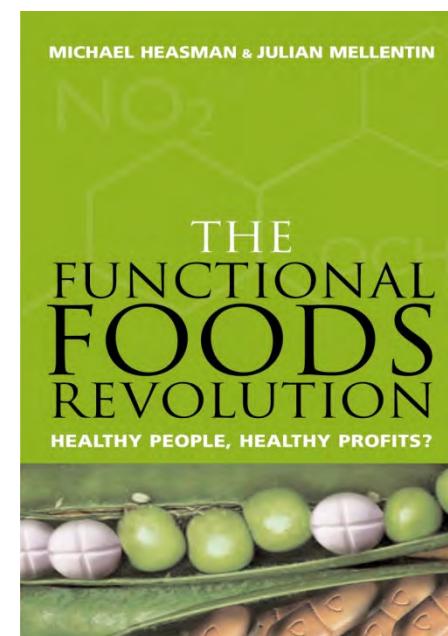
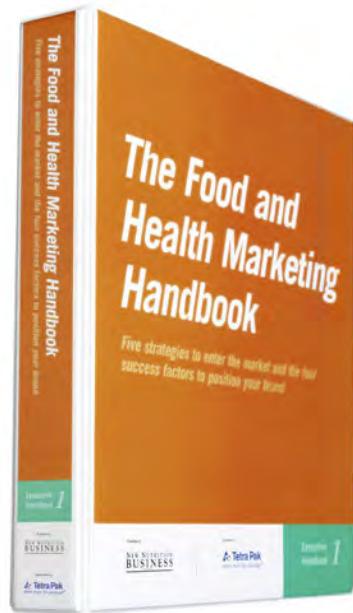
Presentation

Director of a company dedicated solely, since 1995, to researching, analysing and forecasting developments in the business of food and health, globally.

Offices in New Zealand, London and affiliates in Finland and Japan.

Publishes *New Nutrition Business*.

Julian is also co-author of *Functional Foods Revolution*, the best-selling (54,000 copies sold) and first-ever book on the business of functional foods, now translated into Japanese. He is also co-author of the *The Food & Health Marketing Handbook*.



NEW NUTRITION BUSINESS

Digestive health – a mega-trend moves beyond the tipping point

Digestive health – recession proof

- Italy, the economy shrank by 6% – the worst decline for any major European economy – sales of Danone's premium-priced Activia digestive health brand actually grew by an impressive 19.5%, to €222.5 million (\$325 million).
- UK, the economy shrank by 5.2%, worst fall since the 1930s, and the overall yoghurt market was static, yet according to Nielsen data sales of the Activia brand grew 15.2% to over €210 million (\$314 million).
- US, General Mills' Fiber One breakfast cereal brand increased its sales by 20%, to over \$225 million (€150 million).
- Sweden, the ProViva probiotic juice brand, based on one of the world's most-researched probiotic bacteria, increased its sales by 8% in a juice market which saw no growth.
- Asia: Sales of Yakult grew by 42% in China, 21% in the Philippines, 31% in Malaysia and 44% in the USA.

Digestive health – recession proof

- In the US, General Mills' Fiber One breakfast cereal brand increased its sales by 20%, to over \$225 million (€150 million).
- In the US Yakult increased its sales by 44%.
- In the US Danone Activia's sales growth slowed to 8% – still above the category growth rate of 3% and despite an economic downturn and adverse media reporting of a legal threat to Activia's claims. Total sales hit \$355 million (€240 million) in the year to August 2009.
- In Sweden, the ProViva probiotic juice brand, based on one of the world's most-researched probiotic bacteria, increased its sales by 8% in a juice market which saw no growth.
- In Asia sales of Yakult also grew by 42% in China, 21% in the Philippines, 31% in Malaysia and in double-digits in many other markets.

Digestive health – the power of “feel the benefit”

The most successful digestive health brands have succeeded despite being sold at premium prices.

The benefit of good digestive health is one for which a sizeable minority of consumers are willing to pay and these consumer have high repeat purchase rates (80% is common).

Marketers of products with a digestive health platform have a big advantage which is that consumers are most persuaded by and most loyal to products where they can feel an almost immediate benefit.

With digestive health you can very quickly find out if a product is effective or not and if it gives you the benefit of better digestive health – and, therefore, an improvement in your quality of life.

The ageing population is here...

Growth ahead for heart health, cholesterol-lowering

Europe's population is ageing – of 500 million people 20% are over the age of 65 and the average age of the population is 41. By 2030 30% will be over the age of 65.

Italy : 20% of the population is already over the age of 65, the average age of the population is 42 and the average Italian can expect to live to the age of 80.

And in Italy Danone's Danacol cholesterol-lowering brand earned €72.7 million (\$106 million) in sales in the year to 2009, a 28.8% increase - even while the Italian economy contracted by 6%.



© New Nutrition Business

NEW NUTRITION BUSINESS

Ageing boomers breathe new life into heart health benefit

Given that today's over-50s, and in particular over 65s, have little or no debt, have often accumulated significant assets and have more disposable income to spend on their health than any previous generation, the long-awaited rise of the cholesterol-lowering foods market is perhaps here at last.

The leading brand in cholesterol-lowering – Benecol – also did well against the backdrop of recession, growing its sales by 14% (in the year to June 2009, according to IRI) in a super-premium priced category that grew 4%.



A market driven by the over-50s

Esther van Onselen, marketing manager for Benecol Europe at McNeil, says cholesterol-reducing products are a category that attracts almost exclusively older consumers:

“Our spreads are consumed predominantly by people who are over 60. Our yoghurt drinks, launched back in 2003, got people into the fridges who were a bit younger, around 50, 55-plus.”

“Cholesterol reduction and being motivated to do something about it is really something that comes onto your radar after the age of 40-45.”



A market driven by the over-50s

Another brand that is enjoying 20% annual growth thanks to older consumers is MiniCol, a cholesterol-lowering cheese, marketed by Swiss dairy Emmi. Like those who purchase Benecol, its consumers tend to be aged 45 and above. The highest proportion is in the 55-64 age group and the second biggest group are 65-74. MiniCol has a repeat purchase rate of 86%.



New markets created by the over-50s

If you have joint pain you know soon enough whether a product is helping to relieve that pain. The Elations brand, a juice beverage based on glucosamine, makes just that promise. Following clinical trials with 500 subjects Elations claims to “Improve joint comfort in just 6 days”. According to Mike Burton, Elations director of marketing, “that has shown to be an incredibly meaningful claim”. The result of being able to deliver such a clear benefit is that Elations sales were about \$55 million (€37 million) by the end of 2009, up from just \$15 million (€10 million) in 2008.



New hope for bone health

Demographic change is also driving some forward-thinking European dairies to launch “bone health” brands. Bone health represents a significant area of opportunity and one that has only been fully developed in Asia.



Smart marketers talk directly to the target consumer

The ambassador for Densia is Coco Comin, a dance choreographer who is famous in Spain, a former dancer with the Barcelona Corps de Ballet and the founder of Spain's leading school of dance.



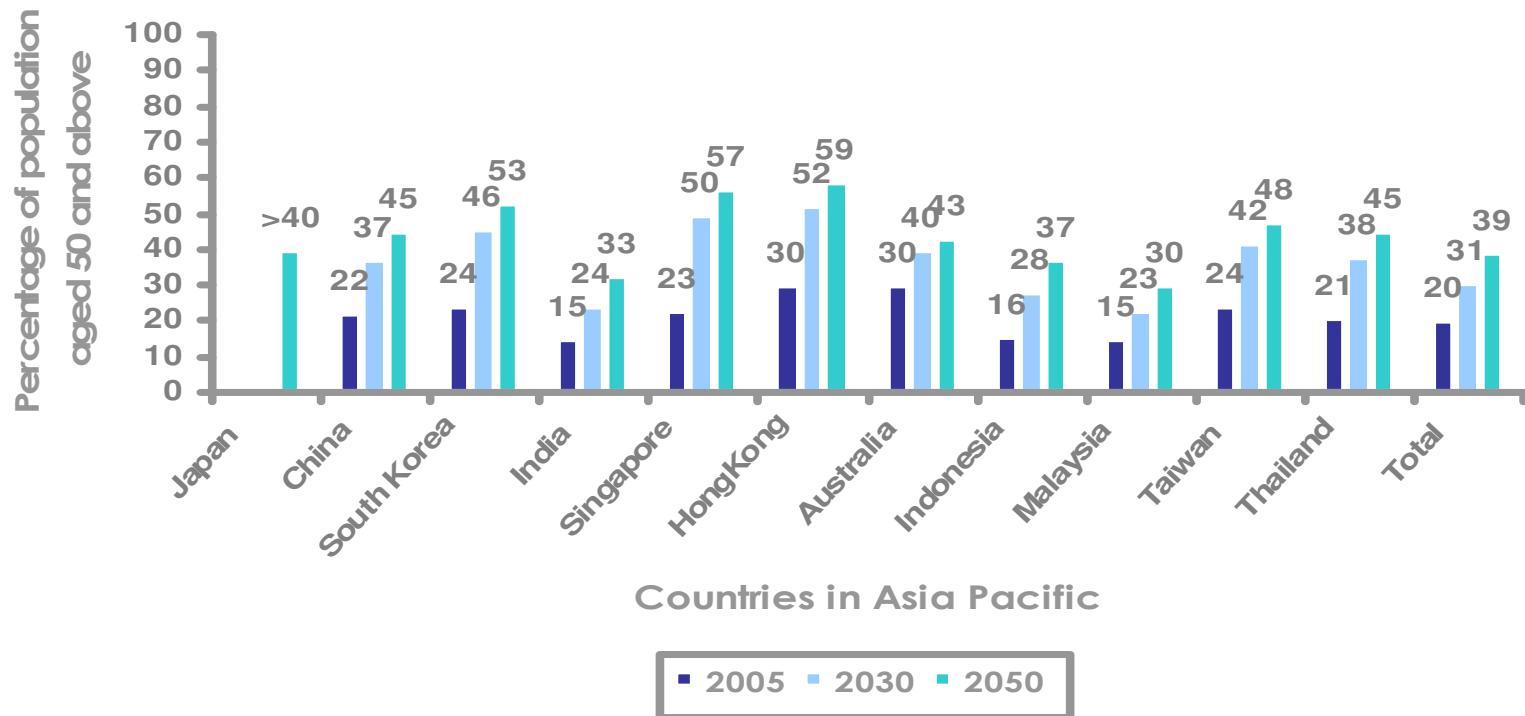
Fonterra's successful Anlene bone health brand, which targets women over 40, is represented in Indonesia by TV newsreader Mallika Sarabai.



Ageing populations are here now – even in Asia

20% of Asia is >50 years old now, rising to 40% by 2030

Asia Pacific's demographic transformation



Source: Spire Research

© New Nutrition Business

NEW NUTRITION BUSINESS

China's one-child policy causing working-age population to shrink



Already, 20% of the residents of Shanghai are over the age of 60 So many residents have reached retirement age that city officials are urging local companies to persuade their aging staffs to stay on the job longer. The government has injected \$618 million into the public pension system over the past two years to keep it solvent.

Natural and convenient

Intrinsically healthy – superfoods

Natural health benefits are also an idea that's easy for the media to understand and easier still for time-pressed journalists to explain.

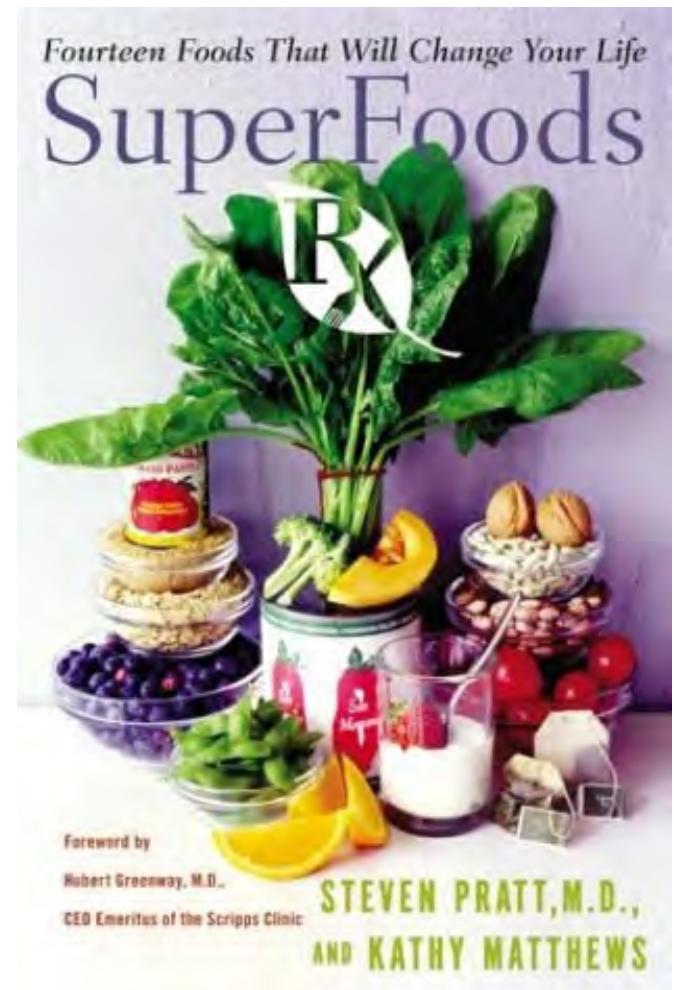
The media might be suspicious of GMOs and functional foods, but it is always hungry for stories about foods with an intrinsic health benefit: oats, almonds and heart health; cranberries, blueberries and antioxidants are all foods whose sales have benefited from media buzz.

The media has played a bigger role in driving awareness of some foods than industry has: blueberry growers, for example, can take no credit for the popularity of their berries – that was a direct result of media reporting of scientific studies on blueberries' intrinsic health benefits.



Intrinsically healthy – superfoods

As a result of the confluence of consumer acceptance and media interest, the idea of “superfoods” has taken hold and magazines, websites and books regularly carry lists of “Top-20 Superfoods”.



Natural plus convenience key to success

The trend is for foods with an intrinsic health benefit to be used as ingredients in more convenient product formats, their presence intended either to provide a health benefit or – if they’re not present at sufficient levels to have any measurable effect – simply to create a “health halo”.

While it’s true that sales of some whole fresh foods with purported health benefits – such as spinach and broccoli – increased sharply in the period 2005-2007 as the “superfoods” frenzy took hold in the media, it’s also the case that the growth in many categories has come to an end.

The reason is clear – whole fresh foods are not convenient enough for most consumers.

People want benefits to be both natural and as convenient as possible – and supplements and beverages (and beverages that are like supplements) are among the main beneficiaries.

And people want the guarantee of the power and convenience of a “concentrated dose” of what’s good

The idea of a product offering a “concentrated dose” of whatever benefit the consumer already expects it to have is one of the most powerful in marketing.



New Zealand blackcurrants

Meiji is one company marketing the eye health benefits of a concentrated dose of polyphenols from cassis (New Zealand blackcurrants) in drinks and supplements.

Markets products under “Cassis-i” brand with blackcurrants from Just the Berries.

2005 launched “Cassis-i” 130ml drink.

Sales in 2006 were JPY2.5bn (€15



© New Nutrition Business

Source : Meiji Seika HP, Japan Cassis Association and GNG Analysis

NEW NUTRITION BUSINESS

HOME NEWS カassisについて 活動報告 みんなで質問！ 日本カassis協会とは



I Love Cassis

活動報告

日本カassis協会とは

お問い合わせ

NEWS

カassisについて みんなで質問

日本カassis協会のサイトへようこそ！

日本カassis協会は、「味よし」「体によし」「取り入れやすい」の3大魅力を国民の皆様へお伝えし、生活における、カassisの存在感をますます高めていくことを、第2回カassisサミットにて宣言しました。

1月23日は「カassisの日」

日本カassis協会

カassisについて 知っていると、得をするカassisについてのあれこれ 詳しくはこちら →

NEWS

2008年01月10日 寒～い冬「冷える女性」に、カassisでぽっかぽか！

2007年10月10日 読売カassisシンポジウムを開催しました

2007年09月05日 読売カassisシンポジウム開催のお知らせ

2007年07月26日 カassisをつかったおいしいクッ

カassisについて

カassisの栄養素

目に良いカassis

カassisの豆知識

生産地情報

カassisを知っていますか？カassisはベリー類のなかで、ポリフェノールをたくさん含んでいます。

なぜカassisが目にいいのか。物を見る仕組みから、クマの退治方法まで、知つて得するカassisの秘密が満載！

カクテルなどリキュールでの利用が一般的なカassisですが、いったいどのくらい昔からあるのでしょうか？

ニュージーランドでは、カassisを「ベリーの王様」と呼んでいます。現地でのレポートなどをご紹介します。

詳しくはこちら →

詳しくはこちら →

詳しくはこちら →

詳しくはこちら →

The power of a “concentrated dose” of what’s good

The “daily dose” format has become one of the defining product formats of the global nutrition business. Long-established in Asia and South America, it has been growing in popularity in Europe over the last decade and is now, at last, taking off in America, after years of resistance to the concept from American beverage marketers.

It’s a format that achieves differentiation and premium pricing, and reassures consumers that they are getting a guaranteed “concentrated dose” of the ingredient that provides the benefit they are looking for.



Differentiation through a “concentrated dose”

But faced with a plethora of me-too antioxidant messages, even Pom Wonderful’s eye-catching bottles have seen sales stagnate with the well-known brand settling down at valuable but nevertheless niche levels of sales. The company’s response has been to take the same route that has proven effective in many other categories and introduce a product that gives a “concentrated dose”.

PomX Shots provide a dose of 1,300mg of antioxidants per 3oz (88 ml) bottle. And with a retail price of \$2 (€1.35) a bottle, they are – in common with most dose products – super-premium priced, equivalent to \$22 (€14.85) a litre.

The objective of the launch, Pom Wonderful President Matt Tupper told *New Nutrition Business* in an interview, is to give a more certain dose of antioxidants than its competitors can offer, in a more convenient form.



A concentrated dose for bone health

Anlene Concentrate: The “daily dose” version of Fonterra’s successful Anlene bone health brand, each 110ml pack of UHT milk provides a concentrated dose of calcium and other nutrients for bone health.

With a message of “four times as much calcium as regular fresh milk”, each 110ml pack delivers 500mg of calcium.

First launched in Thailand it has since been rolled out into many Asian markets, where, contrary to expectations, it has succeeded despite retailing at a super-premium price.

For its target market of health-conscious women over 45 the price – equivalent to \$4 (€2.67) a litre – is worth paying. It’s an example of a successful brand creating a high-value, low-volume niche with high repeat purchase patterns.



A concentrated dose of energy

The market leader remains the brand that created the category – Living Essentials’ 5-Hour Energy – with a 70% market share.

It’s a premium-priced brand, with a 2oz (59 ml) bottle retailing for around \$33 (€22) per 12-pack – equivalent to an impressive \$41 (€32) per litre.

5-Hour Energy has driven the creation of the new energy shots category from zero to as much at least \$600 million in 2009 and retains a 70% market share.



**Innnovation is not just about
“new ingredients” - it’s in
every aspect of the product
and the supply chain**

True innovation at work

The emerging coconut water market is just an example of new category creation, based on an all-natural product, through complete innovation.

German-based Green Coco is creating a new category by innovating in every possible aspect of its business:

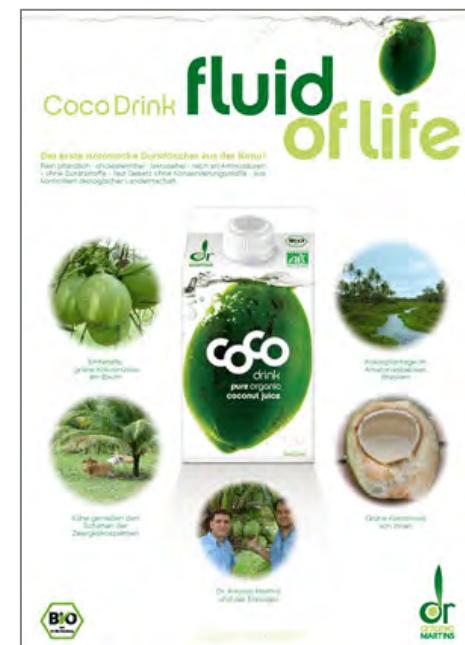
- in the supply chain
- in processing technology
- in products
- in taste
- in the brand
- in consumer benefits



All-natural innovation

Coconut water – the translucent fluid found inside young green coconuts – has been studied for its health properties since the 1940s and has a good nutritional profile. It is widely consumed in Asia, the Pacific and Brazil.

The head of the United Nations FAO agriculture service even described it as “a natural isotonic beverage with the same level of electrolyte balance as we have in our blood.



Innovation to create new markets

Supply chain: leased own coconut plantations in Mexico

Processing technology: developed proprietary technology

Products: first coconut water on the European market

Brand: created a new brand, Dr. Antonio Martins

Consumer benefits: all-natural, hypo-allergenic, isotonic, no-sugar-added

A €4 million (NZ\$8 million) investment by four founders.

So far: retail sales of 15 million litres in 2009 in Germany, in speciality distribution channels. Products retail at 100% premium over comparable juices and isotonic drinks.

And a focus on environmental sustainability



Green Coco juice is the only product on the coconut water market that is certified organic. The company has made environmental sustainability a core part of its strategy. It is certified CO2 neutral and its coconut-growing practices are audited by the Rainforest Alliance.

Finally....an ingredient is not a benefit

It's very easy to get carried away at the product development stage with the potential of differentiating your product with a new ingredient, but **consumers do not buy products because of their ingredients** (unless they are consumers for natural or organic products or “gluten-free” or some other free-from proposition).

Consumers buy products for benefits that are relevant to them.

Just because consumer awareness of an ingredient is high, that doesn't mean that awareness will translate into sales.



A checklist to develop a health benefit strategy includes:

- What benefit can science substantiate?
- In the eyes of the consumer, is this benefit credible for this product?
- What competing products in the same category are claiming same benefit?
- What competing products in other categories are claiming the same benefit, how successful or unsuccessful have they been and why?
- To which consumer group is the benefit relevant?
- How large is the target consumer group and what are the implications for the likely size of the brand and also for the communication strategies that we must use to reach the target consumers?

A checklist to develop a health benefit strategy includes:

- What benefit can science substantiate?
- In the eyes of the consumer, is this benefit credible for this product?
- What competing products in the same category are claiming same benefit?
- What competing products in other categories are claiming the same benefit, how successful or unsuccessful have they been and why?
- To which consumer group is the benefit relevant?
- How large is the target consumer group and what are the implications for the likely size of the brand and also for the communication strategies that we must use to reach the target consumers?

Some success factors for innovation in nutrition and health

The key to success in health is your willingness to be innovative in every aspect of your business – merchandising, supply and every other factor!

1. Technology that works
2. Offer a relevant benefit - an ingredient is not a benefit!
3. Focus on creating value – not just volume
4. Use packaging innovation - differentiate
5. Significant investment – try to build a business on the cheap and you will be disappointed.

NEW NUTRITION BUSINESS

Want to know more?

Contact: julian.mellentin@new-nutrition.com

Or visit: www.new-nutrition.com