A Datamonitor report

Functional Food, Drinks and Ingredients: Consumer Attitudes and Trends

Exploring the Drivers and Inhibitors of Functional Food and Drink Consumption in Europe, North America and Asia

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Providing you with:

- **An extensive** sizing of functional food and drink markets by region, country, category and targeted health benefit
- **In-depth** qualitative and quantitative analysis of consumer drivers and inhibitors shaping market developments
- **The best** practice product and market innovation highlighting the most effective way to respond to changing consumer attitudes
- **A more** detailed geographic, product and consumer insight coverage

Use this report to...

Gain a detailed understanding of the current attitudinal and behavioral drivers and inhibitors across three key geographies

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Introduction

Consumers have moved beyond food and drinks simply to maintain everyday health. They are now seeking to optimize performance and reduce the risk, or delay the onset of diseases with functional food and drinks. This report concludes that the market drivers for functional product growth will have more influence than the inhibitors, making it a highly important area for investment.

Shopper spending on functional food and beverages is expected to nearly double in Europe and the US between 2002 and 2012 as consumers demonstrate a real desire and willingness to understand how they can eat more nutritiously or compensate for the lifestyle habits that contribute to poor dietary habits.

This report explores the broad range of factors currently influencing the functional food and beverage markets, primarily from the consumer perspective. Where relevant, it also addresses broader industry issues affecting market development.

Key findings and highlights

- Functional food and beverages are commonly associated with senior citizens trying to maintain vitality and reduce the risk of disease. However, lifestyle changes are resulting in younger consumers purchasing functional foods with greater regularity, in order to combat the myriad of health problems faced on a daily basis, such as fatigue.
- Overcoming consumer skepticism about a wide range of issues related to functional products and their purported benefits will be important in gaining long-term mass acceptance. Industry players should also be wary of pushing a food or beverage product's functionality too far.
- Sales of functional products are rising across all food and drink categories in the US and Europe alike, and growth rates continue to outperform growth in the food and drink categories overall. On a regional basis, the Asia-Pacific functional food and drink market will continue to outperform the US market over the next five years.

Reasons to buy

- **Gain** a detailed understanding of the current attitudinal and behavioral drivers and inhibitors across three key geographies
- **Recognize** the key growth areas in the functional food and beverage markets and how to capitalize most effectively
- **Use** the latest evidence to align product portfolios and marketing strategies with consumer attitudes and behaviors

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Sample pages from the report

The Future Decoded

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- **Consuming functional products to address a health issue is only one path of many that consumers can take** – the fact that functional foods sit somewhere between conventional foods and medicine, in some ways, reflects how consumers have numerous options available to them to address the various lifestyle problems that functional products cater for. For instance, consumers have a wealth of choices when it comes to lowering their blood pressure, ranging from taking up more exercise to changing their diet and lifestyle, to taking prescription drugs.

Functional Food, Drinks & Ingredients: Consumer Attitudes & Trends

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The Future Decoded

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Figure 1: The functional food and drink market is being driven by a broad range of drivers and inhibitors

The progressive evolution of nutritional science is driving a more concerted focus on functional product development

Aging populations looking to maintain vitality and fight disease are turning to functional products to facilitate 'healthy aging'

More discerning and demanding consumers' driving a trend towards positive nutrition

A "prevention over cure" approach to health is being adopted by consumers who are more aware of food and dietary issues and also nutrition and health promotion

Rising incomes and wealth and more developed consumer societies allow consumers to embrace costlier food and beverages that are both convenient and healthy

The struggle to stay on the 'health and wellness bandwagon'. Busier lifestyles means that it is harder to meet nutritional requirements using traditional food and

Increased availability, as food and beverage manufacturers put more emphasis on functional products

Rising hea… led to cons… preventa… manag…

DRIVERS

The func… bevera… enterin…

INHIBITORS

Consumers distrust the myriad of health claims associated with healthy food and beverages

A lack of … safety and … to try fo… i…

Lack of awareness towards ingredients with health boosting credentials

Healthy p… functi… beverage… ta…

Source: Datamonitor analysis 2007

Defining functional products: functional food an… components that provide increased health benefits b…

The definition of functional food and beverages is a co… "functional food" as a nutritional entity. Even in Japan, … was deemed that all foods are 'functional' because they… legislation means that there are several different definiti… valuations on the size of the industry can vary dramatica…

For the purpose of this analysis, Datamonitor defines… *beverage products that contain specific physiologicall… beyond basic nutritional functions (the term 'nutraceutic…* Functional products contribute a higher nutritional valu…

Functional Food, Drinks & Ingredients: Consumer Attitudes & Trends

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The Future Decoded

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- **Consumers, especially older demographics, are making attempts to improve their heart health, but could do more** – in 2007, the International Food Information Council (IFIC) commissioned its fifth survey to study Americans' awareness and attitudes toward 'functional foods'. It found that heart-related and circulatory conditions, including general heart health, blood pressure, stroke, and high cholesterol remain top health concerns of consumers. More than half (53%) of all Americans cited heart disease as their top health concern, similar to 2005 (54%), but an increase from 2000 (40%). Nevertheless, it seems that US consumers can do more. In 2007, Daiichi Sankyo commissioned Harris Interactive to investigate the attitudes of US consumers suffering from high cholesterol levels. The research found that, while the majority (95%) of sufferers believe a better quality diet and more exercise will lower cholesterols, only 50% believe that they are doing everything they can to lower their cholesterol levels. A 2007 report by Eurobarometer entitled "Health in the European Union" revealed that 38% of EU25 consumers had taken a cholesterol test in the last twelve months. This figure represented a considerable increase (an increase of nine percentage points, up from 29%) since the last set of results published by Eurobarometer in 2003. Furthermore, 13% of Europeans had recently changed their life in order to lower blood cholesterol. In terms of demographics, a considerably higher number of older respondents than younger counterparts have recently adopted measures to lower their cholesterol (24% of the 55 and above age group versus 2% of the 15-24 year old respondents). This is unsurprising given that blood cholesterol increases with age.

Table 5: Consumers suffering from heart health problems (millions), Europe and US, 2002-2012

Millions	2002	2007	2012	CAGR 02-07	CAGR 07-12
France	16.0	16.8	17.9	1.1%	1.2%
Germany	24.1	25.2	26.5	0.9%	1.0%
Italy	17.2	17.9	18.5	0.8%	0.7%
The Netherlands	3.7	3.89	4.1	0.8%	0.8%
Spain	11.1	11.6	12.2	1.0%	0.9%
Sweden	2.6	2.6	2.9	0.2%	1.8%
UK	16.1	16.8	17.53	0.8%	0.9%
Other Europe	14.2	14.8	15.5	0.8%	0.9%
Europe Total	***105.0***	***109.6***	***115.0***	***0.9%***	***1.0%***
US	67.5	73.1	79.5	1.6%	1.7%
Overall	**172.5**	**182.8**	**194.4**	**1.2%**	**1.2%**

Source: Datamonitor analysis DATAMONITOR

An aging society is leading to more bone health problems being reported, most notably osteoporosis

- **Osteoporosis is the dominant bone health disease** – osteoporosis is characterized by low bone mineral density, leading to an increased risk of fractures. Datamonitor estimates that over 25 million women across the US, Western Europe and Japan suffer from osteoporosis. Postmenopausal women form the largest osteoporosis prevalent group, with over 40% of postmenopausal women being sufferers. The World Health Organization

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THE FUTURE DECODED
- **Introduction: The functional food and beverage market is entering a critical era**
  - Defining functional products: functional food and beverages contain specific physiologically active components that provide increased health benefits beyond basic nutritional functions
- **TREND: Consumers are more aware of food and dietary issues and are monitoring and adjusting what they eat and drink accordingly**
  - Consumers have increasingly pro-active dispositions towards improving their general health
  - Consumers are actively looking to improve their health through diet on a global scale
  - Consumers are paying more attention to nutritional details and want to know more about functional products
  - Key takeouts and implications: health and nutrition is set to stay at the top of the agenda for the years ahead, creating a real incentive to invest in functional food and beverages
- **TREND: Aging populations are showing a strong concern and desire to improve their personal health**
  - Aging is the dominant demographic trend across Europe, North America and much of Asia
  - Older consumers are making more concerted, active attempts to eat and drink in a healthier manner
  - Functional foods and drinks that target senior consumers are growing in popularity because they are a more vulnerable demographic
  - Key takeouts and implications: an aging society exacerbates the need for preventative or treatment benefits from food and beverage products
- **TREND: Consumers are looking for functional antidotes to both short-term and long-term physical and emotional health problems**
  - The prevalence of long-term illnesses is increasing across Europe, North America and Asia, with hypertension being the most common problem
  - Diagnosis rates of heart-related health problems are growing in Europe and the US
  - An aging society is leading to more bone health problems being reported, most notably osteoporosis
  - The number of consumers suffering from gut health problems is relatively low, but growing rapidly
  - Individuals are increasingly reporting day-to-day emotional and physical health problems, such as fatigue and sleep deprivation
  - Continued increases in both adult and childhood obesity are paving the way for new satiety enhancing functional food and beverages
  - Busier lifestyles means that it is harder to meet nutritional requirements using traditional food and drinks, while less developed countries still have high nutritional deficiencies
  - People are even looking for 'easy' ways to make themselves more beautiful with beauty foods
  - Key takeouts and implications: despite long-term health problems becoming more apparent, consumers want solutions with more short-term, day-to-day relevancy
- **TREND: Consumers are spending more on functional food and drinks across Asia, Europe and the US**
  - The US functional food market continues to witness impressive growth rates
  - The value of the European functional food and drink market is significantly lower than the US
  - Sales of functional food and drink products in Asia are being driven by increasing levels of disposable income and the long-established presence of such products
  - Key takeouts and implications: functional food and beverages will continue to be driven by strong sales in the US and Asia-Pacific, while the European market is yet to reach anything like full potential
- **INSIGHT: Consumers are overly optimistic about their diet and are making more concerted efforts to consume a balanced and varied diet**
  - A sizeable majority of consumers consider themselves to be in good health and perceive their diet relatively positively
  - Diversity and balance in diet is growing in importance, especially as people suffer from 'dieting-fatigue'

"...The reality of the time-starved consumer makes the idealized scenario of a balanced, nutrient-rich diet difficult to achieve, and so creates a market for functional products that looks set to continue well into the future..."

Michael Hughes, Functional Food, Drinks and Ingredients: Consumer Attitudes and Trends

  - Key takeouts and implications: consumers suffer from an 'optimistic bias' with regard to their diets and are looking to embrace a more balanced and nutritious diet
- **INSIGHT: Consumers are skeptical about the sensory appeal of functional food and drinks**
  - Consumers are most influenced by the taste, enjoyment and quality of the food and drink they consume
  - Healthy food is often perceived as bland and uninspiring
  - Key takeouts and implications: despite consumers making active attempts to eat healthier, they will not compromise sensory benefits for nutritional goodness
- **INSIGHT: Consumer awareness and understanding of functional food and drink claims and benefits is limited**
  - Consumers have an increasing awareness about which food categories are good for them, without knowing a huge amount about the actual healthy component
  - The impact of socio-demographics on consumer awareness towards functional food and beverages is inconclusive
  - Motivations for buying functional foods reflect a lack of knowledge about the specific health benefits of certain ingredients
  - Key takeouts and implications: awareness of functional products is increasing, but there is a general lack of understanding about the more detailed benefits derived from ingredients/food components
- **INSIGHT: Consumers have a lack of trust in food and drink manufacturers and in functional products more specifically**
  - Consumers are skeptical about pharmaceuticals which may impact long-term adoption of functional products
  - Consumers find health claims confusing and contradictory
  - BUT, consumers are beginning to recognize the role that certain foods or food components play in reducing the risk of certain diseases
  - The credibility of functional claims is enhanced in certain scenarios
  - Consumers are skeptical about the price of functional food and drink
  - Consumers are showing a distrust towards food and drink with artificially inserted ingredients
  - Key takeouts and implications: overcoming consumer skepticism about a wide range of issues related to functional products and their purported benefits will be important in gaining long-term mass acceptance
- **INSIGHT: Natural ingredients are becoming a more important feature of functional products**
  - New functional products released are touting the benefit of 'natural' health-boosting ingredients
  - New functional groceries in Asia-Pacific are commonly touted as being high in vitamins
  - New functional products in the US are reflective of consumer desire for health and convenience
  - New functional products in Europe continue to be high in vitamins and calcium
  - Key takeouts and implications: natural functional ingredients are becoming more popular
- **INSIGHT: Consumers of all ages are driving sales in the functional food and drink market, albeit for differing reasons**
  - Parents are starting to take greater responsibility for the improvement of child health levels
  - The lifestyles of young adults are becoming increasingly pressurized
  - Older consumers are still an important demographic group for functional food and beverage manufacturers
  - Women, married couples and highly educated consumers are more likely to buy functional foods
  - Key takeouts and implications: although older consumers remain an important demographic group for the functional food and drink market, sales are being driven by a younger audience
- **Conclusions: the market drivers for functional products will have more influence than the inhibitors making it a highly important category for investment**

ACTION POINTS

- **ACTION: Develop a broad range of products offering antidotes to the myriad of problems consumers face**
  - Reassure postmenopausal women about the benefits of functional foods
  - Respond to the growing interest in mental wellbeing

For a full list of tables and figures please refer to www.datamonitor.com

“...Consumers are starting to question nutritional claims made by food and drink manufacturers. It is essential, therefore, that functional foods are not positioned as a magic bullet solution but as part of a balanced and varied diet...”

Michael Hughes, Functional Food, Drinks and Ingredients: Consumer Attitudes and Trends

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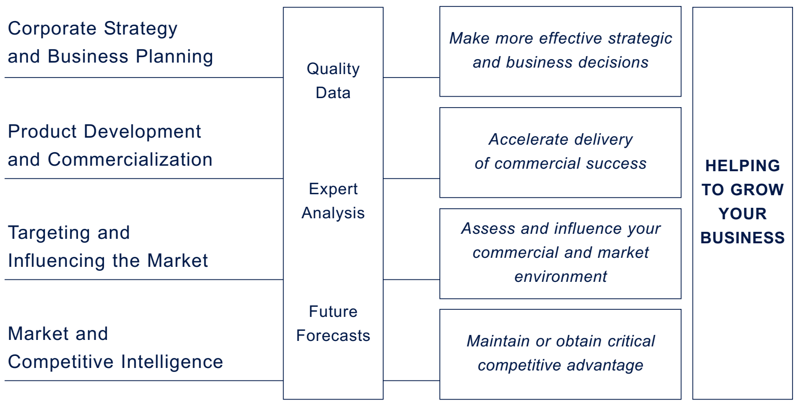

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Source: Datamonitor Customer Research

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