

Key Trends in Functional Foods Products

By Sarah Medina, Contributing Editor

Imagine taste, function and nutrition all rolled up into one product—that is exactly what consumers are demanding nowadays. Consumers don't just want juice, they want natural juice that contains added vitamins and minerals. They have come to realize the effects of diet on health, and are actively seeking functional food products that enhance health beyond basic nutritional needs.

To help food manufacturers in their product-development endeavors, *New Nutrition Business*, a global nutrition business researcher and publisher, has identified 10 key functional products trends leading the market:

1. **Digestive health—mega-trend moves beyond tipping point.** Topping the list is digestive health, which isn't surprising given the marketing blitz featuring prebiotics, probiotics and fiber. Despite a recessionary climate, the cash register continues to get a workout as it registers escalating sales for products that help consumers achieve excellent digestive health.
2. **Intrinsic health benefit that's also convenient.** 'Convenience' ranked as the second most important market trend. We've seen many beverages claim to have health benefits or to provide some sort of functional value. But the major reason for its strong growth is likely its convenience to consumers. The ability to get healthy benefits in a conveniently sized beverage on-the-go is very appealing to consumers, particularly those with fast-paced lifestyles.

Top Trends in Functional Foods

The ever-exciting category of functional foods shows much promise for growth in the coming years. During his SupplySide 2010 presentation, Jeff Hilton, partner and co-founder, Integrated Marketing Group (IMG), provided a nicely detailed look at this category of foods, beverages and supplements—everything from statistics on current activity in the sector to consumer demographics, all the while outlining new opportunities for growth and using recently released products as key examples to show directions the functional category is taking.

With functional products, "it's all about honing in on specific health issues," said Hilton. Targeted health issues include immunity, healthy aging, diabetes, immunity, etc. Although sales were rather flat for 2009, he projected an uptick in functional product sales for 2010, even going so far as to suggesting that "2011 will be a banner year" for such products. This category sports an ever-increasing consumer base, which centers on people aged 25 through 54. Beverages lead the way when it comes to functional, taking 58% of sales.

Superfruits had a strong representation during the discussion, and Hilton said that he believes superfruit-centered products "are going to be around for a long time." Calling a product "natural" can help differentiate it, and "natural" product launches are outpacing organic 4:1. He noted that organic "is in a bit of an identity crisis." Tea was tapped as a strong segment in functional foods, and he said "probiotics and prebiotics are the hottest functional ingredient category right now."

The functional category is notoriously competitive—particularly when it comes to beverages. Hilton noted that 80% of new functional products fail, but that strong dedication to clinical research, educating consumers about the product and its key ingredients, and strong product promotion—complete with a well-constructed marketing plan—can help ensure success.

3. **Feel the benefit.** Functional foods and beverages that provide a benefit consumers can actually feel was ranked as the third most important functional food trend. When people can feel the benefit offered to them, they see that they are getting value for money. For example, consumers can quickly measure the benefit of fiber-fortified or probiotic products by experiencing improvements to their digestive health.
4. **Energy trend continues upward trajectory.** The energy trend is ranked as the fourth most significant key trend. Energy drinks are typically attractive to young people, with the energy drink market in the U.S. worth over \$6 billion and growing at 10% annually. Teenagers and young adults looking to study—or party—all night count on the shot of energy derived from popular energy drinks such as Red Bull. The market also attracts multitasking executives and time-pressed parents, and anyone looking for a caffeine- and vitamin-fueled kick to jumpstart a sleepy afternoon.
5. **Fruit and superfruit drive functional food trend.** The fifth most significant functional food trend focuses on fruits and superfruit, a marketing-derived term coined by the food and beverage industry about five years ago to refer to a fruit that combines antioxidants with high nutrient value and appealing taste. The term “superfruit” is applied to a wide variety of fruits, including mango, blueberry, cranberry, grape and pomegranate. The health halo that surrounds fruit focuses on its innate health benefits and the role of powerful superfruits, which are forecast to become a \$10 billion global industry by 2011.
6. **Antioxidant becomes primary wellness ingredient.** “High in antioxidants” is a ubiquitous marketing message featured by scores of drinks, foods and supplements. Ranking sixth on the functional food list, antioxidants have become a primary wellness ingredient, touted to improve heart health, mood and beauty. The researchers indicate that the antioxidant message has an increasingly limited affect in increasing sales. And increasing FDA label scrutiny, as evidenced by the FDA warning letter regarding Dr Pepper Snapple Group’s “Sparkling Green Tea Ginger Ale” antioxidant claim, make it difficult to use antioxidant fortification as a marketing tool.
7. **Weight management trend broadens as obesity rates rise.** A new study released by the Organization for Economic Cooperation indicates that three out of four Americans will

Nutraceuticals Market To Reach \$207B by 2016

The global nutraceuticals products market is projected to exceed \$207 billion by 2016, according to a new report from companiesandmarkets.com. The sector is being driven by demand for healthy food and beverage products, which presents growth opportunities in the functional food, beverages and supplement market.

According to the [“Nutraceuticals: Global Markets and Processing Technologies” report](#), the functional foods segment is expected to reach \$49 billion by the end of 2011 and be worth more than \$67 billion by 2016, representing a growth rate of 6.4%. The nutraceuticals food market is the second-largest market, generating an estimated \$49 billion in 2011 and \$67 billion in 2016, for a CAGR of 6.4%.

Growth in the functional food and beverage market has been driven by consumer interest in healthy living, particularly from the younger demographic, although the ageing population also has been conducive to sector expansion. Factors restraining growth in the nutraceuticals segment include the time taken between concept and product launch, as well as the impact of false product claims, which have affected consumer confidence.

be overweight by 2020, unless comprehensive measures are taken to fight the obesity epidemic. As obesity rates climb in the U.S. and globally, it is no surprise that “weight management” was the seventh most significant food trend, with a focus on satiety, calorie-burning and fat-burning ingredient properties.

8. **Healthy snacking fuels metabolism.** Healthy snacking can complement a weight-loss plan and is a convenient way to satisfy hunger while getting the vitamins and nutrients one’s body needs. “A focus on building markets for new snack concepts rather than simply following on with predictable products has already led to the creation of some innovative snacking concepts,” says Julian Mellentin, the author of the New Nutrition report and co-author of “The Functional Foods Revolution: Healthy People, Healthy Profits?” and “Commercializing Innovation: The Food & Health Marketing Handbook.”
9. **Looks matter—packaging.** Packaging innovation is key to attracting and retaining higher-margin loyal consumers to food and health-product innovations. “Companies who target the niches of the most health-conscious consumers find loyal consumers with high levels of repeat purchase—80% repeat purchase rates are common,” says Mellentin. “Brands targeted at the most health-conscious niches have thrived even in recession, even in very price-sensitive markets, even at premium prices.”
10. **Bones and movement.** As our population of people over the age of 40 grows exponentially, the bones and movement category gathers momentum as an increasing number of people have reason to be aware of the health of their bones and joints and are turning to products that support joint and bone health.

How Nutraceuticals Are Changing Food

Consumer interest in wellness and nutraceuticals is affecting how major packaged food and foodservice companies are doing business. In a presentation at [SupplySide West](#), William A. Barrier, Ph.D., vice president, R&D, International Dairy Queen and Orange Julius, and DeAnn Liska, Ph.D., director of nutrition science, The Kellogg Co., discussed how their companies are reacting to the health-and-wellnesstrends and how they are turning these trends into opportunities.

With the U.S. nutraceuticals food market expected to be worth \$43 billion by 2013, this is a trend that cannot be ignored, Barrier said. He compared the “old” food scientist ingredient palette of gums, starches, oils and flavors with the “new,” more-complex palette that includes phytosterols, probiotics, fatty acids, minerals and an ever-growing list of good-for-you ingredients. Orange Julius has applied the new palette to a range of products, including a probiotic smoothie and a white tea smoothie.

The category to watch, Barrier said, is functional milks, including omega-3-fortified milks, cholesterol-lowering milks, milks enriched with vitamins and minerals, and milks targeted to a specific health issue or demographic. “Within the international milk market, functional milks are outpacing all other areas of the market, particularly in Western Europe and North America,” he said.

Liska discussed how the lines between food, nutraceuticals and pharmacy has blurred, yet, she said, “Consumer acceptance and expectations differ, and science, regulatory and quality requirements differ.” One factor consumers do agree on is that flavor is most important for any food product.

Just ask yourself, are you more aware of what you eat than, say, a year ago? We will most likely continue to see strong demand for functional foods and beverages in many categories for years to come. Take functional protein products, for example. They continue to gain market share in the sports-nutrition market. I wouldn't be surprised to see that market follow closely behind digestive-health products in the near future.

Taste is definitely a priority for consumers, but with the growth and increasing awareness of health and wellness, people are searching for foods and beverages that go beyond their basic nutritional needs. The food industry constantly evolves and introduces new products that acknowledge concerns, including obesity and weight management. Since the food industry evolves and trends do change, it is important for manufacturer's to identify, incorporate and balance what the consumer wants and what is required for healthy living.

Healthy living encompasses more than just a healthy body. The world population is growing, food supply is shrinking, water supplies are becoming more limited, and food production is competing for land with housing and the production of fuel crops. In the coming decades, as global agriculture faces the prospect of a changing climate and the challenge of feeding the world's growing population, renewable plant protein may be part of the solution to deliver food to regions vulnerable to food deficits.

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