



Business Insights

For a clearer market perspective

Navigating Health Claim Regulation in Food and Drinks

Making substantiated claims in a
changing regulatory environment



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Business Insights' portfolio of consumer goods management reports is designed to help you make well informed and timely business decisions. We understand the problems facing today's consumer goods executives when trying to drive your business forward, and appreciate the importance of accurate, up-to-date, incisive product, market and company analysis.

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Our consumer goods portfolio of reports can be used across a wide range of business functions to assess market conditions and devise future strategies and cover the **food & drinks, health, nutrition, ingredients, packaging** categories and key consumer issues including **eRetail** and **marketing**.

Report Overview...

In 2007 new legislation (Regulation 1924/2006) came into effect in the European Union (EU) and its effects will dramatically change the marketing landscape for health claims in foods and drinks. In general there is broad support for the regulation within the industry, with consumers and manufacturers recognizing the benefits it will bring in terms of greater consumer protection and an improved regulatory framework. However, major criticisms of the process for putting the legislation into effect have emerged. The new legislation is changing the "rules of the game" for marketing products featuring nutrition and health claims in Europe and adapting to these changes will be crucial. Food and drinks companies need to ensure they are in a position to update their marketing messages not only to account for the additional science required to pass regulatory requirements, but critically to start to re-engage consumers whose trust in these products is low.

'Navigating Health Claim Regulation in Food and Drinks: Making substantiated claims in a changing regulatory environment' is a new report published by Business Insights that examines the many challenges facing companies due to regulations. From corporate and marketing strategy down to tactics for marketing individual products, this report analyzes and gives advice on how marketers should be responding to threats and identify the opportunities associated with the new regulations.

Pages 125


Figures 6


Tables 10


"Develop a clear understanding of the changing health claim regulations and their influence on future product development and innovation with this new report..."

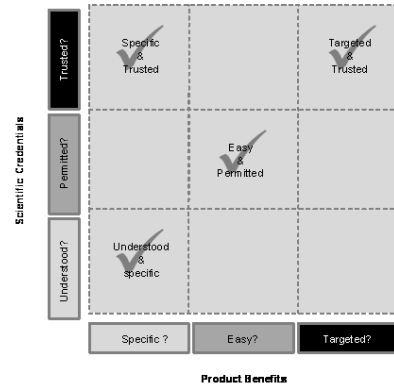
Key Findings...

 **77%, of European consumers do not believe that manufacturers' health and nutrition claims are trustworthy** and this acts as a strong inhibitor to future growth.

 **Product claims need to be more specific and clearer for consumers to understand.** Another crucial mistake to avoid is offering too many claims for one product.

 **Scientific substantiation of products is key, but supporting science needs commercializing in the right way.** Product benefits must remain at the core of marketing messages, but consumers must also be able to know of and, if they want to, access, the supporting science.

 **Consumers are much more favorable to certain carrier foods (and drinks) for certain functional ingredients.** Ensuring that the right combination of ingredient, carrier food and benefit is provided to consumers is crucial to success.



A framework for assessing product strengths and weaknesses

“By turning a number of consumer insights into assessment criteria, and then by judging performance against them, products' strengths and weaknesses can be evaluated from a consumer perspective. This can therefore also be used to assess both existing products in the market and appropriate products within the development pipeline...”

Use this report to...

- **Analyzes the latest product innovation patterns across Western Europe and North America** and identify the different claims strategies being used across various regions between the food and drinks industries.
- **Implement the best-practice strategies of leading innovators in the food and drinks market** using this report's analysis of companies including Danone, Actimel, Light & Fit Pomegreat, Pistachi Oats.
- **Understand how the new regulation will not just affect how to have a health or nutrition claim approved,** but crucially how the marketing landscape will change as a result of this regulation and what areas of your marketing need updating as a result.
- **Identify how current regulations are influencing how to market products** and how your company should navigate this complex landscape.

Key issues...



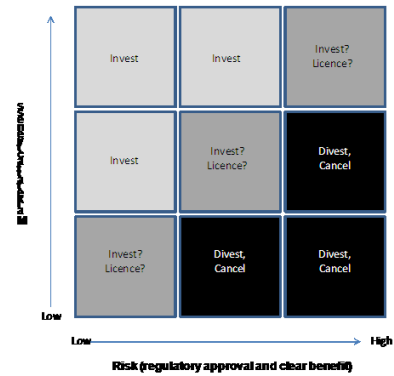
Consumer Loyalty. The biggest issue facing marketers is how to overcome the lack of trust most consumers have in products. The industry will need to welcome the new regulation and hold itself to very high standards in order to start re-engaging the majority of consumers who remain skeptical of product health benefits.



Private Label Threat. Increasingly, manufacturers will need to assess whether they offer more “positive nutrition” as opposed to “negative nutrition” in their portfolios. Offering more positive nutrition products is likely to help to defend against Private Labels more effectively.



Stricter health claim regulations. The new regulations will make the marketing environment stricter in Europe than in North America. Marketers will need to assess whether they operate different brands between the regions, or whether meeting European standards first and then rolling products out to North America is a better option.



An initial framework for segmenting product development portfolios by risk

“This figure provides a theoretical framework for segmenting product pipelines on this basis. It should be noted that the diagram is only a starting point: companies would need to make their own judgments based on individual circumstances, the trade-offs involved and perhaps most importantly checking the results against their own competitive strengths...”

Your questions answered...

- How will the new regulations alter the marketing landscape for products making health and nutrition claims?
- What are the most crucial consumer insights that affect whether or not a product is successful in this market?
- How should marketing strategies be updated as a result of the new regulation?
- Would legal challenges to the new regulatory legislation actually be of benefit in the long term?
- How can corporate strategy and business operations be improved in order for companies to be better positioned?
- What types of product benefits should be offered in the future in order to maximize consumer appeal and stave off the threat from Private Labels?

Sample Information

Chapter 5: Product claims strategy

Claims by type and by industry

An average of 2.6 claims is made by a product making any claim

Table 5.2 below provides data on recent product claims being made, split according to the industry (either food or non-alcoholic beverages) the products were launched in and the type of claim made. 17,223 claims were made by new product introductions across North America and Western Europe in the past year. Given that the total number of product launches that had any claim was 6,625 this means that the average product with any claim actually made between

two and three claims each (2.6 to be precise). In some regards this is not surprising, products often try to highlight as many benefits as possible to consumers and many products can have multiple benefits. However, it also shows a potential first flaw in strategy – consumers on average have to work out and understand between two and three claims for each product. In a busy supermarket aisle that can take more time than a shopper potentially is willing to devote to it.

Beverages focus on “positive” nutrition, but food focuses on avoiding the “bads”

The table also highlights that the product positioning used vary between industry segments. Given that approximately there were three times as many instances of food claims compared to non-alcoholic beverages; it can be seen when looking at the same relative measure for specific types of claims that beverages disproportionately favored high/added nutrient and functional claims, where the number of claims by drinks was broadly half the number made by foods. This highlights that marketers are making the most of drinks’ ability to act as an effective delivery mechanism for nutrients and value-added ingredients. In essence this is more of a positive nutrition stance; consuming these products offers additional health benefits. In contrast foods focus more on low or no (bad) nutrient content, i.e. positioning products making claims as being “less bad” for you than regular foods, a negative nutrition stance.

Table 5.2: % share of different claims being used, by type, in North America and Western Europe, in new product launches between April 2008 and April 2009

	High/added	Low	No	Functional
Beverages (non-alc.)	35.3%	14.8%	35.9%	14.0%
Food	26.4%	19.8%	46.8%	7.1%

NB: any one product can feature more than one claim.

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