THE KNOWLEDGE BANK

Delivered by
Scotland Food & Drink Partnership

Health & Wellness

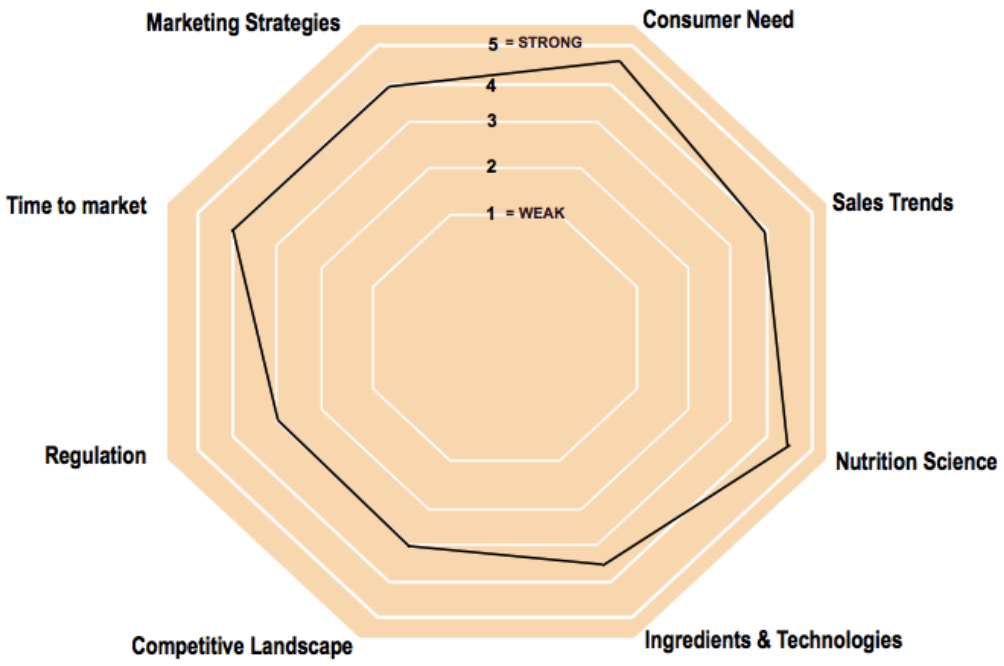
Opportunities for Scottish food and drink businesses in the UK and key international markets

Insight commissioned by The Knowledge Bank from New Nutrition Business – June 2021

A key trend will stick around and will produce growth in demand for F&B to connect to

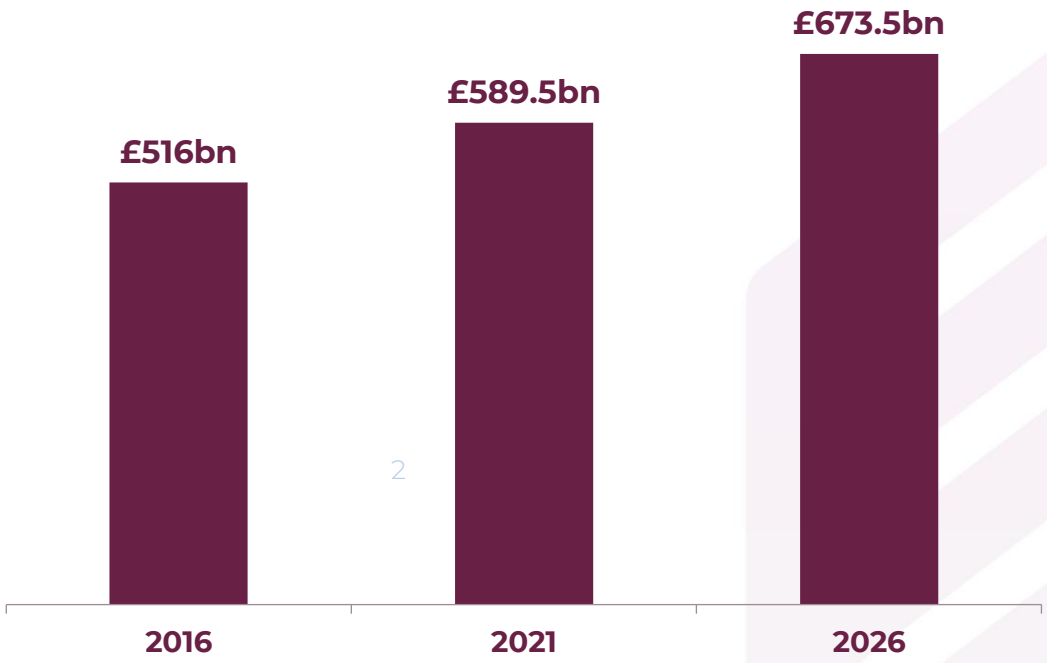
Projected increase in global value sales of health & wellness food and drink market

We evaluate every emerging trend on every parameter



Global Health & Wellness Food and Drink market growth predictions

(based on CAGR 2.7%)



Source: Global Wellness Institute

There are five mega trends within health & wellness

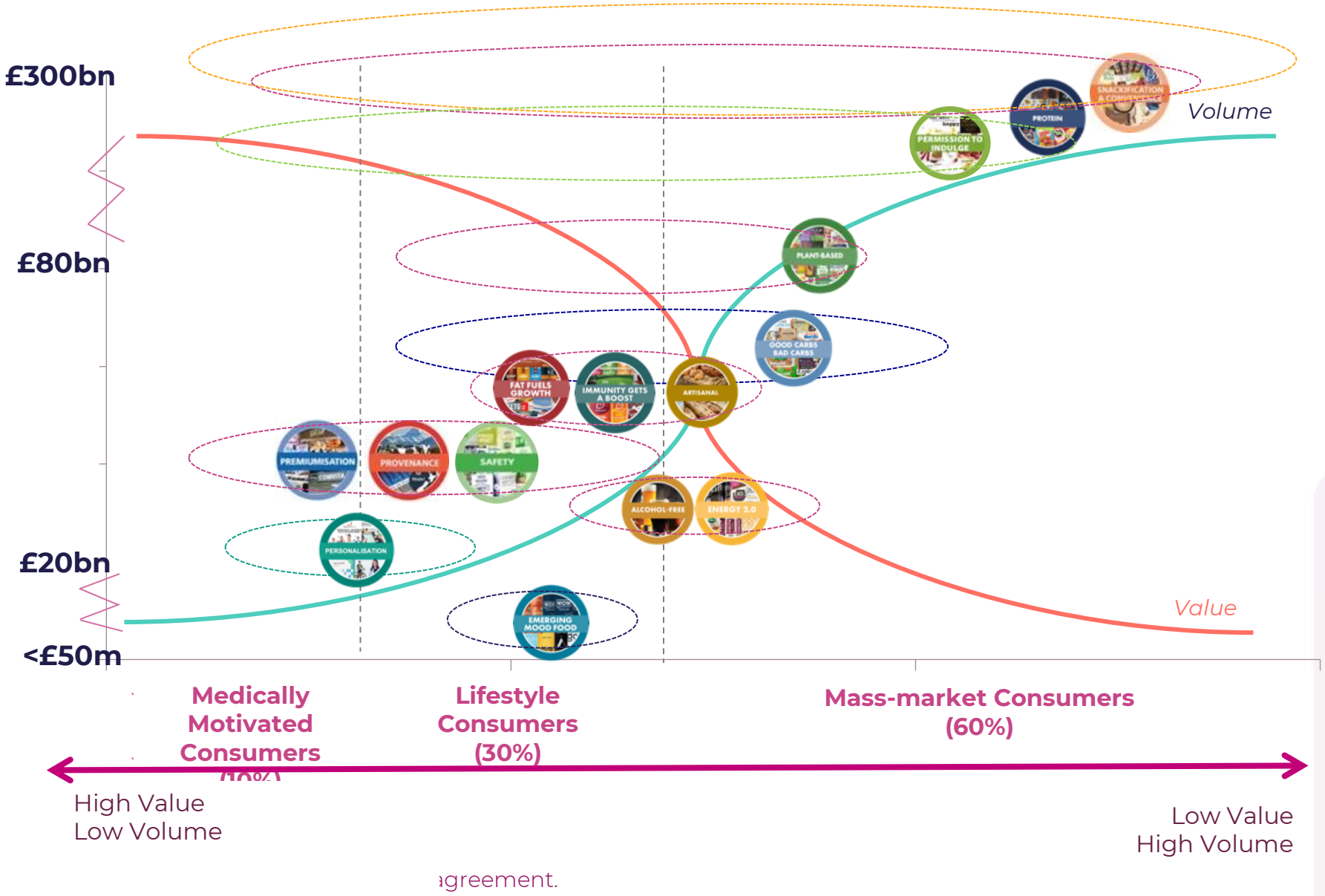
Four trends are distinguished as hygiene factors while there are various growth trends

MEGA-TRENDS

Health & Wellness Growth Trends

Hygiene factors

Where on the lifecycle do the different trends belong?



agreement.

An explanation of the different consumer segments

1. **MEDICALLY MOTIVATED CONSUMERS:** These are the people who have problems – often medicalized problems such as lactose intolerance or coeliac – and seek a solution. They are willing to pay premium prices for something that delivers the specific benefit they need and, once they have found a product that works, they are loyal consumers. They are an early adopter market. Because of their need for an effective product, the technology segment is the perfect target for companies based in science.

2. **LIFESTYLE CONSUMERS:** Also an early adopter market, these people have no specific medical need but are motivated by a lifestyle of health and wellness. This group has a strong skew towards more affluent, better-educated, consumers, often with high disposable income. They are willing to pay a premium for any brand that supports their health and wellness. They prefer new, characterful brands over those from large companies. They shop the health food stores and the healthier-foods aisles. If you are launching a totally new concept, starting by winning loyalty in this group is a good plan.

3. **MASS MARKET CONSUMERS:** Mass market consumers are pragmatic and do not want to take risks with spending their hard-earned money. Mass market consumers find appeal in brands they know and trust and products that have been around for a while. Overall, mass market consumers are reluctant to take risks with benefits, ingredients and brands they haven't heard of. If you go into the mass market, you need to be confident that what you are offering makes sense.

An established brand meeting the needs of a trend will be able to develop and grow

For new entrants, there will be a period of time to meet that consumer need before market saturation

Established brands

For a brand which is already in the market and connecting to a trend can continue to develop and grow this far beyond the point when the window of opportunity is closed to new entrants. A good example of this is gluten free – it's hard to imagine how a new entrant in the gluten free market will be able to create a point of difference as the space is already so crowded in all categories. But that doesn't mean that the market is about to disappear for those brands already established in that space

New entrants

It is difficult to predict how long a key trend will remain an opportunity or becomes a hygiene factor for example. Where possible, we provide an estimate for the period of time that this trend will remain an opportunity for new entrants.

Some of the factors that can influence the presence of a trend in the market are:

Industry activity and product innovations: the more novelty and innovation that exists around a trend the more likely it is for it to stick around

Channels and distribution: the easier it is for consumers to access products connecting to that trend the longer the trend stays relevant

Science developments: if new and strong science keeps appearing in support of the trend or its products, the trend is likely to become stronger

Media attention/ celebrities and "experts" endorsements: the more communication there is about the trend the more likely it is to reach consumers

Governmental and regulatory changes: changes in regulation can either fuel or help to stop a trend in the market

"Feel the benefit": if the trend connects to a clear benefit that consumers can feel, it is more likely to stay around longer than if it doesn't offer a tangible benefit

Mega-Trends

The Mega Trends are the “must-do” trends in Health & Wellness, and are drivers of growth in all categories

Fragmentation is one of the most powerful and far-reaching mega trends

Consumers' personal definitions drive the fragmentation of diet beliefs, behaviours and markets

Declining faith in experts is driving fragmentation

The credibility of experts has declined thanks to perceived frequent changes in dietary orthodoxy – such as the flip-flops of advice about eating eggs and the 'discovery' by consumers that there is no scientific basis for avoiding dairy fat, as they have been advised to do for 40 years.

Companies are increasingly trying to cluster different benefits under one brand. Brands must cater to a range of different dietary patterns. The days of delivering one brand with one set of benefits that appeals to a mass of people are over.

The consequence of fragmentation is, according to IRI: "average first-year sales of successful brands have settled at a lower level than in the past – the average new brand now has about half the level of sales of five years ago."

Fragmentation has enabled proliferation of small brands

Large multinationals have struggled with fragmentation for many years

Large multinational have tried to solve this by acquiring successful small brands and by developing innovation funds which allows them to invest in new ideas and start-up brands at arms length

Many large organisations have a much larger portfolio of much smaller brands than would have been the case 5-10 years ago

Pepsico's Hive has created a stable of new healthy brands the their key categories of interest.

The fragmentation of the health and wellness marketplace into a range of niches means that Scottish SMEs could be well placed to succeed – the key is identifying the niche and staying focused on a defined group of consumers

Naturally functional remains the king of trends

It is powerful and over-arching, influencing all the other trends and affecting all categories.

What people want, more than anything else, is for their foods and beverages and ingredients to provide a benefit they perceive as natural and intrinsic to the food

The clean label movement is also a key part of Naturally Functional – eliminating artificial ingredients, shortening ingredient lists, and using familiar store cupboard ingredients helps create consumer confidence in the natural healthiness of a product

Consumers love everything that they perceive as being natural carriers of benefits. Naturally functional foods don't need to be backed up by scientifically-supported health claims

Being naturally-functional it's behind the successful reinvention of hundreds of foods

Thanks to its natural health halo, almonds have become an welcome ingredient in many food products – and are one of the most profitable and popular superfoods of the 21st century.

From $800m in 1999

To $5 billion in 2019

Snackification is the most powerful, consistent and long-term trend

If a snack version of your product isn't already part of your strategy, you should rewrite it

SNACKIFICATION

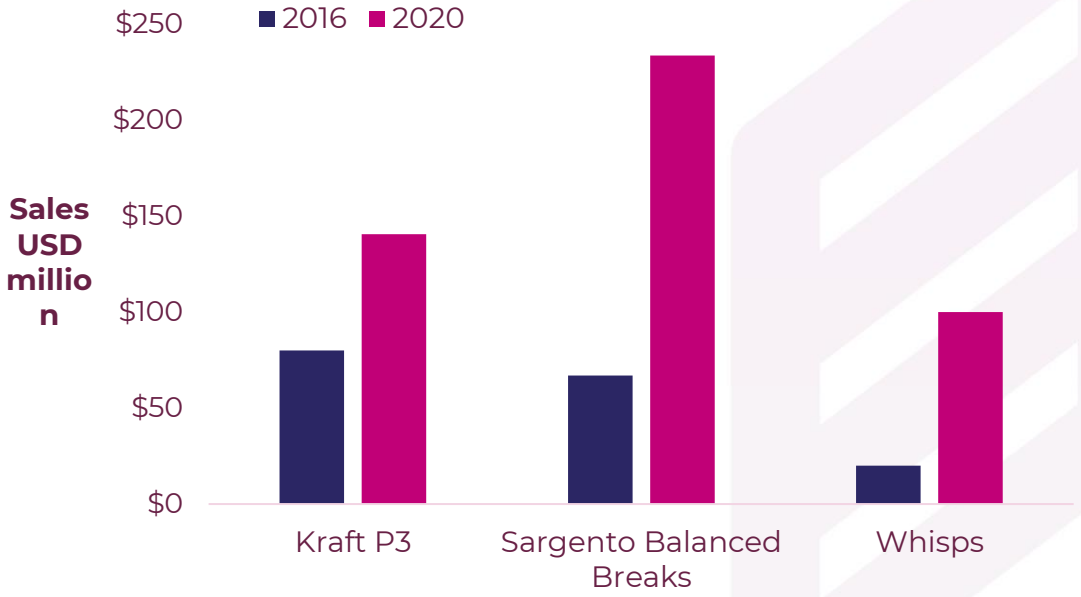
Snacks offer companies a wealth of opportunities for creative new product development, growth and better margins

It's all about innovating with NPD for on-the-go, convenient, portion controlled and tasty products

Eggs are an excellent example of transforming a commodity into a value-added, ready-to-eat snack

Consumers love to experiment with new products and taste experiences but buying something new is risky. A single-serve format reduces that risk.

In the US, cheese snacking is a success story



There is an opportunity to innovate and differentiate within animal protein

Successful examples in cheese, eggs, meat and fish

Fish snacks in France

*Traditional French meat snack brand Justin Bridou was reinvented as a modern, more convenient snack ("no need to cut or remove the skin") and has since seen **sales double**.*

Fish snacks in Japan

*Singapore-based Irvin's has added a successful fish skin variant to its salted egg crisp line. It uses waste skin from local fish processors and **70% of its customers are female.***

Meat snacks in US

*The Old Wisconsin brand of natural meat snacks was one of the biggest successes of 2020, its **sales rising 33% to $103 million.***

A well-thought-out sustainability strategy is a basic 'must-do' for every company

Interest in sustainable products peaks after the age of 30

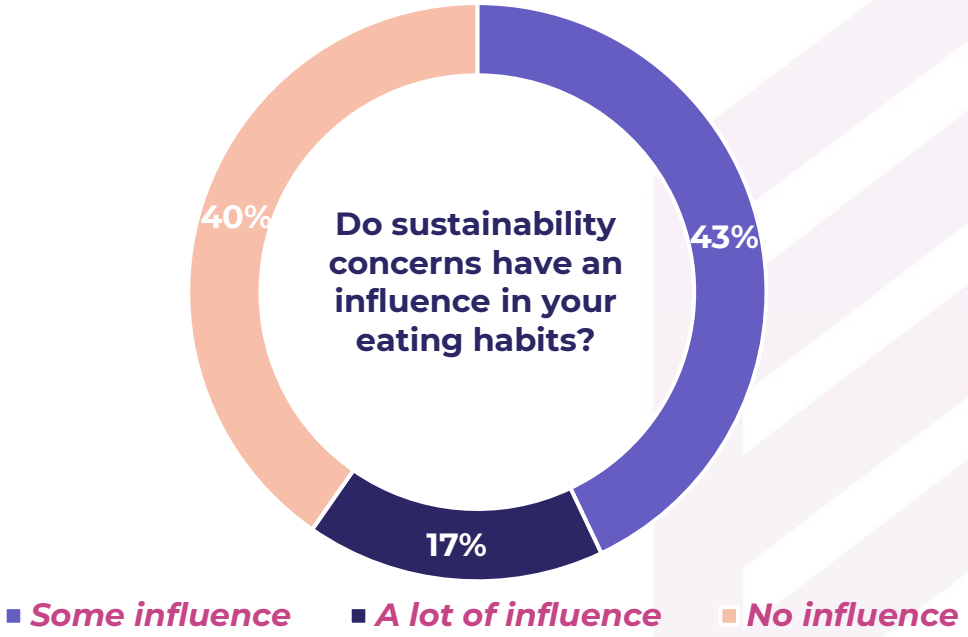
Sustainability has been steadily moving up consumers' agenda for food and drink for a number of years.

Interest in sustainable products peaks after the age of 30, in line with increased disposable income and earning potential. Consumers with children are on average more interested in sustainable products than child-free consumers.

Two thirds

of parents say that they are interested in giving their children food that's sustainably produced

However, sustainability on its own is not normally enough for a brand to succeed. All of the other key factors need to be in place too. But if all other things are equal, consumers are increasingly selecting the more sustainable option



Source: 2020 report by the European Consumer Council

Sustainability can mean many different things for consumers

It can cover anything from packaging to production practices

SUSTAINABILITY

PACKAGING

Clover Sonoma is the first dairy in the US to use a fully renewable plant-based milk carton.

UPCYCLING WASTE

Artisan meat producer Willowbrook Farm uses sustainable insulation made from waste feathers to maintain chilled temperatures in its direct-to-consumer delivery boxes.

REGENERATIVE AGRICULTURE

Danone-owned Happy Family brand is pioneering making sustainability a primary positioning – packs are clearly marked “Regenerative & Organic” – without charging any price premium.

Weight wellness is the over-arching driver of many consumer food choices

Even if consumers don't acknowledge it, it is the driver of many trends

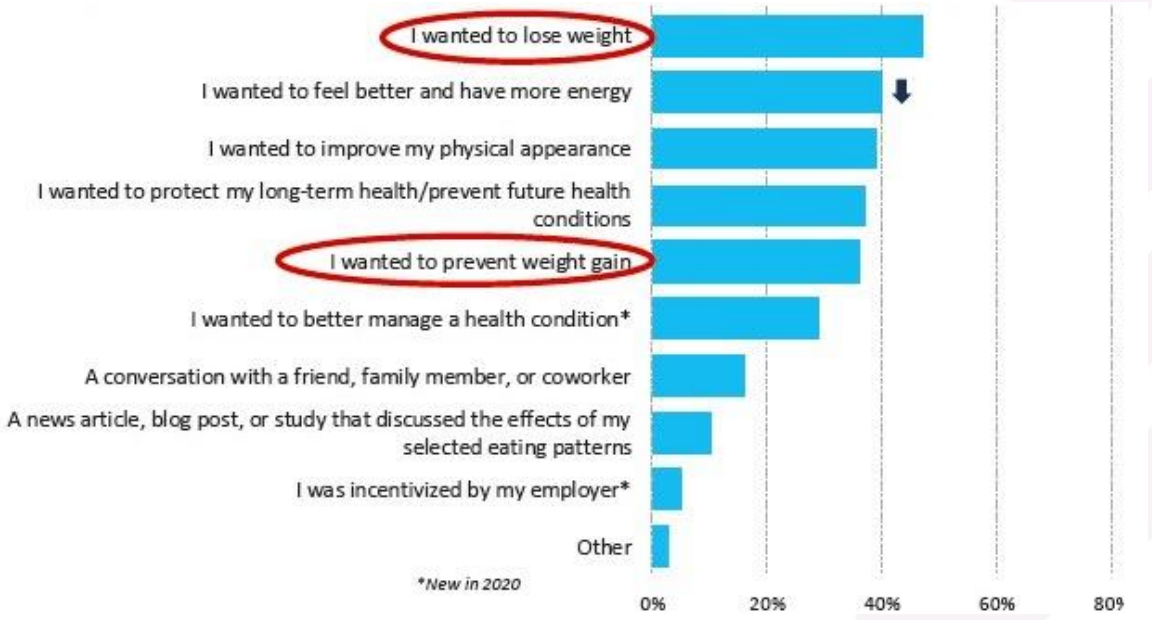
Weight wellness has shifted from being about a special category of foods to being an everyday part of people's lifestyles. It's no longer something reserved for the person in the household who is "on a diet" but a broader part of maintaining health. It can be anything from keto diets (more fat) to sugar reduction, from more protein to fewer (and better) carbs, and even plant-based.

As a result, promoting your brand as being for weight loss won't get you very far; better to connect to one of the trends that signifies weight loss in people's minds, such as Protein, or provide portion control through packaging innovation.

Weight management is strongly connected to the Fragmentation mega-trend. For some consumers, it means eating less fat or counting calories. For others it means eating more fat, intermittent fasting or more plants.

Weight wellness influences the decisions of product developers every day, even when products are not sold with any stated weight management benefit.
A key aim is to create products that have as few negatives as possible for a weight-conscious consumer – that is, most consumers.

Motivators for adopting a new diet
(of those who followed a specific eating pattern)



Source: IFIC Survey 2020

Hygiene Factors

Like the Mega Trends, Hygiene Factors are also “must-do” trends in Health & Wellness – they don’t necessarily lead to growth but they provide a better chance of success for brands which can to connect to them

Hygiene factors should be considered when developing a new product/ targeting a new mar

By themselves they are not enough of a point of difference to provide a good growth opportunity

The Digital Revolution was accelerated in many markets last year due to the Covid-19 pandemic, with many consumers adopting online shopping and getting more aware of D2C brands and products. Particularly important in Asia, e-commerce has become a mainstream way of reaching consumers and a must-do in the post-Covid world.

Overlapping with many other trends, Premiumisation is about consumers being willing to pay more for a benefit they believe the product gives them – for example, organic foods' premium pricing is not a barrier for consumers motivated by the belief that organic is healthier, safer, or tastier." In fact, premium price can help build consumer trust that they are purchasing a better quality, and therefore healthier, product.

Still one of the biggest areas of consumer need, it is highly fragmented – and illustrating the effect of the Fragmentation Mega-Trend – it's an active area of NPD that's set to become both more challenging and more interesting. Making a digestive benefit 'front and centre' is now less effective as consumers have so many options in all categories which can serve their digestive wellness needs. However, as Digestive Wellness offers a "feel the benefit" effect, it can be very successfully combined with other benefits such as Protein or Sugar.

Sugar is now the number 1 dietary demon. The industry has been successful in finding solutions for consumers' sugar fear, and the new approaches to sweetness – less, better, more natural, lower calorie – are becoming something consumers expect to find on all products. Reduced sugar on it's own is not enough of a benefit in most categories to ensure the success of a brand – in fact often this fuels consumers concern about taste. However, in combination with other benefits such as Protein or Energy, reduced sugar can be a sinning formula.

Key trends

Relevant opportunities. These are the trends driving growth in health & wellness which are most relevant to food and drink businesses in Scotland.

These key trends drive the global F&D industry

The potential for Scottish companies across regions shows differing opportunities

	Plant-based	*Provenance*	*Safety*	*Alcohol-free*	*Protein*	*Fat*	*Good carbs*	*Artisanal*	*Permission to Indulge*	*Personalisa-tion*	*Energy 2.0*
UK	High	Medium	Medium	High	High	High	High	Medium	High	Medium	Medium
North America	High	Medium	Medium	Low	High	High	High	Medium	High	Medium	Medium
Europe	High	Medium	Low	Medium	Medium	Low	Medium	Medium	High	Medium	Medium
Middle East	High	High	High	High	High	Low	Medium	High	High	Low	High
Asia	High	High	High	High	High	Low	Medium	High	High	Medium	Medium

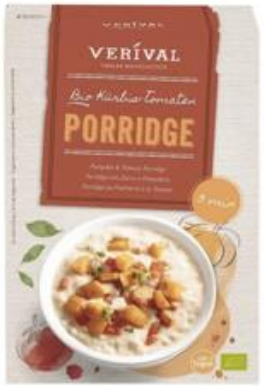
Key: ***High potential*** ***Medium potential*** ***Low potential***

Plant based is a trend beyond vegetarians and vegans

Everyone wants to eat more fruit and veg but in more convenient forms

Plant-based is not about replacing meat – people want to consume more plants alongside dairy and meat. The whole of the plant-based trend has been driven by creative new product development and extreme convenience.

PLANTS BLENDED WITH 'GOOD' CARBS



Austrian cereal company Verival (part-owned by Kellogg) has focused its efforts on adding plants to its products in creative ways. The brand offers two types of porridge with added vegetables – one with pumpkin & tomato and one with broccoli. The products contain 3-4% vegetables.

REAL VEGETABLES REPLACE STARCHY CARBS

Nestlé's offers a range of low-carb range of ready meals, sold under the brand Life Cuisine, where the traditional starchy carb has been replaced by cauliflower and it is promoted for providing "all the flavors without all the carbs".

PLANTS BLENDED WITH MEAT

US-based Misfit Foods launched in 2019 three blended sausages featuring 50% chicken and 50% vegetables. They're available in Whole Foods stores across the US.

Plants connect to many other growth trends – digestive wellness, better carbs – and businesses are being creative in making the most of these connections.

Provenance messages provide reassurance and excitement

It's one of the most successful strategies that a company entering Asian or Middle East markets can adopt

THE POWER OF PROVENANCE

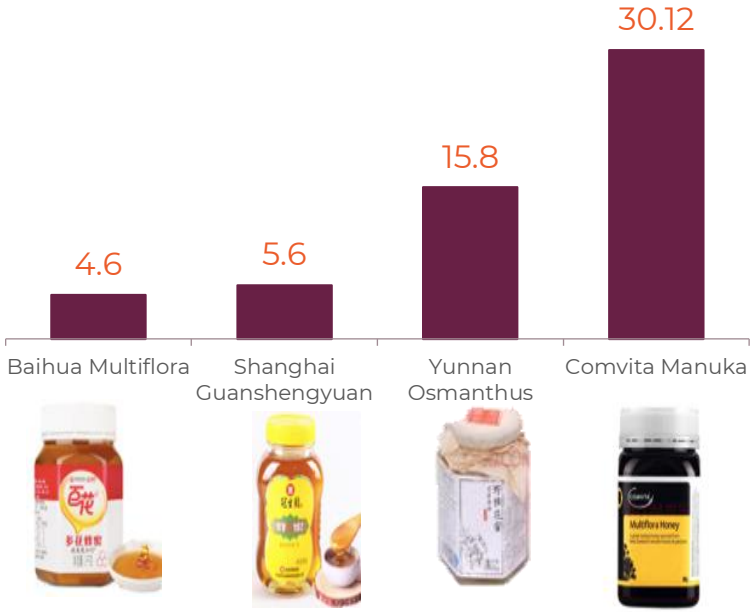
The provenance message is often seen as a quality symbol in Asia, where food safety and quality are key concerns. Asian consumers – particularly those living in the big cities – are often prepared to pay a premium price for a product carrying provenance claims.

"In Ireland, two-thirds of the land is used for agriculture and green grass covers 80% of the agricultural land area."

Hong Kong-based Meishijia Foods launched butter biscuits in 2020. The packaging features the claim that the product "features a British flavour".

Comvita has established itself as a premium honey brand, costing 7x more than other options in the market due to its New Zealand origins and promoted higher-quality.

Price comparison of Chinese honey vs Comvita Manuka honey (£/1kg)



"Our focus is on that greater China market, so mainland China, Hong Kong, Taiwan and Macau, and then Chinese nationals. We have such a loyal consumer based in mainland China and Hong Kong, and where Chinese nationals tend to live - they've already got this strong association with the Comvita brand, which they see as a luxury, premium product."

- Brett Hewlett, Comvita chief executive

Safety is a hygiene factor in regions like Europe and North America

In other places (Asia, Middle East, Latin America) various scandals have meant that food safety is still a top concern for consumers

Consumers are willing to pay more for a product made somewhere they consider safe (like Europe or Australia).

In China, dairy safety has become the biggest concern since the scandal over Three Deer milk powder poisoned with melamine. **In Asia, safety concerns are one of the biggest justifications for premium pricing.**


FOOL ME ONCE

Ten years after China's infant milk tragedy, parents still won't trust their babies to local formula

CHINA - TOP FOOD SAFETY CONCERNS:
1. Contamination in milk 80%
2. Food poisoning 76%
3. Antibiotics and growth hormones in meat and poultry 72%
4. Food adulteration 70%
5. Salmonella, E. Coli in meats 70%

Sources: Consumer's Associations in Beijing, Hebei and Shandong, Fonterra Ingredients

Consumers are identifying their own personal needs and preferences

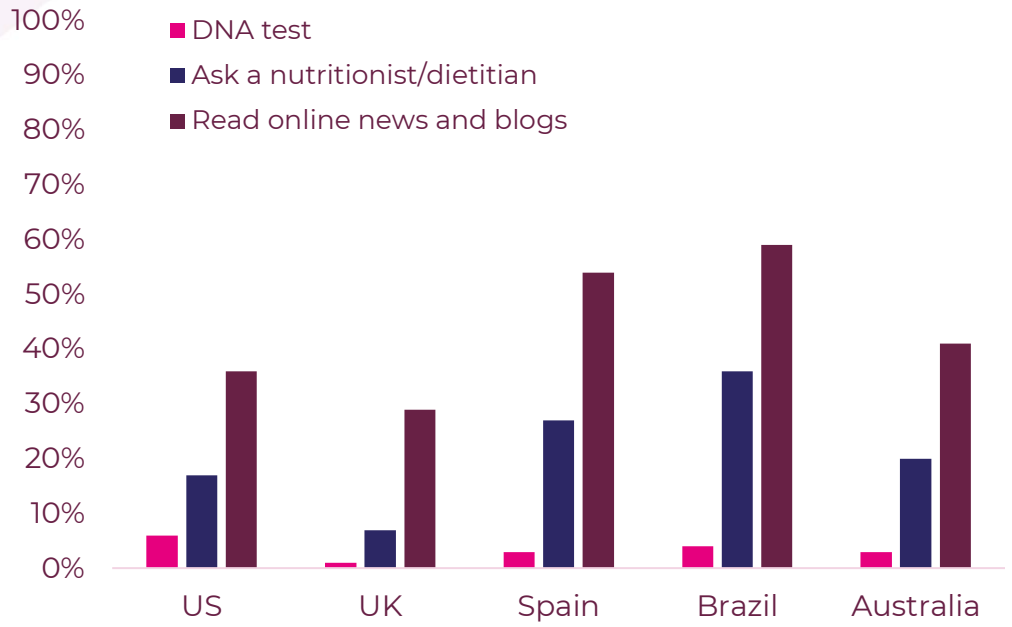
These are not necessarily based on medical diagnosis or scientifically-tested nutritional needs

Consumers are experimenting with what they think it's best for them (going gluten-free, low-carb, avoiding dairy, etc…) and see how they feel.

Online channels and "influencers" are playing a significant role on creating awareness of different diets, strategies and health topics – **consumers feel empowered and in control**.

Consumer personalisation is driven more by personal research and lifestyle than by science-led testing.

Where do consumers go for info on food, diet & health?



The Internet is where people go first for their information, the huge diversity of information about health and nutrition on the internet helps drive diversity of consumer beliefs

DNA tests have very little influence on people's health beliefs as they are still emergent in most markets. Their influence will remain marginal for some time, perhaps more than 10 years.

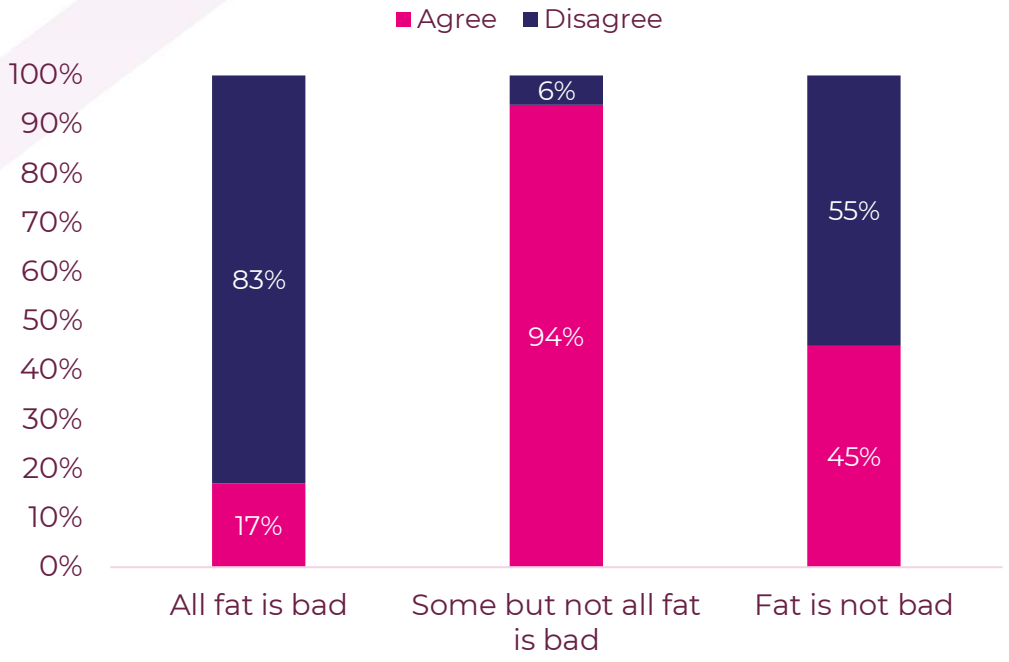
Source: New Nutrition Business Consumer Survey 2020

Consumers are losing their fear of fat

They are gradually moving from avoiding it to understanding that it's OK to have some fat in moderation

While the belief that 'fat makes you fat' is still strong in some countries (in Asia and the Middle East for example) and some consumer groups, among health-aware consumers in the west, it is increasingly discredited.

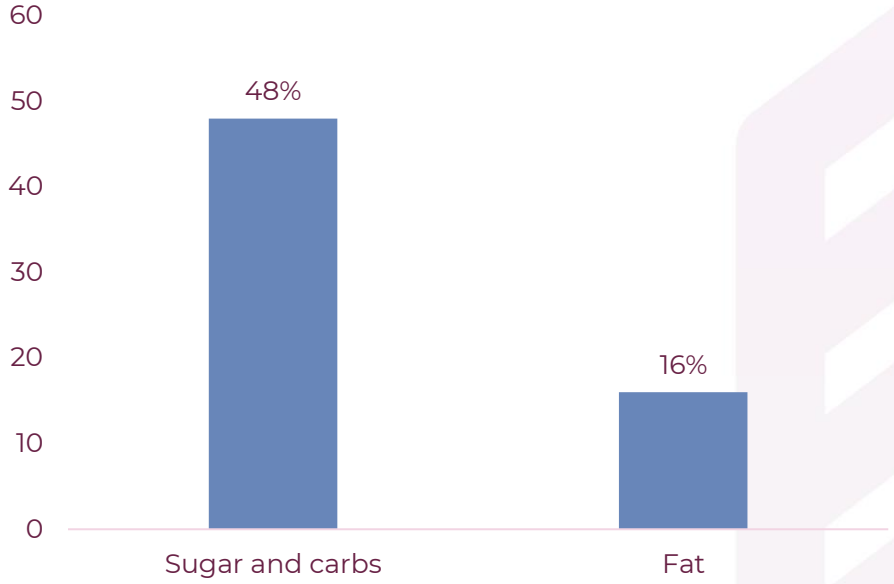
Consumers' views on fat are nuanced: most consumers are aware that fats can be bad and unhealthy, but that some fats are healthy and good for them. **About 25-30% are trying to eat more healthy fat.**



Source: NNB consumer survey, 2020

Sugar replaced fat as the dietary demon: back in 2010, fat was the dietary demon, and 70% of Americans surveyed by IFIC were trying to reduce their fat consumption. Now the tables are turned.

What is the source of calories most likely to cause weight gain?



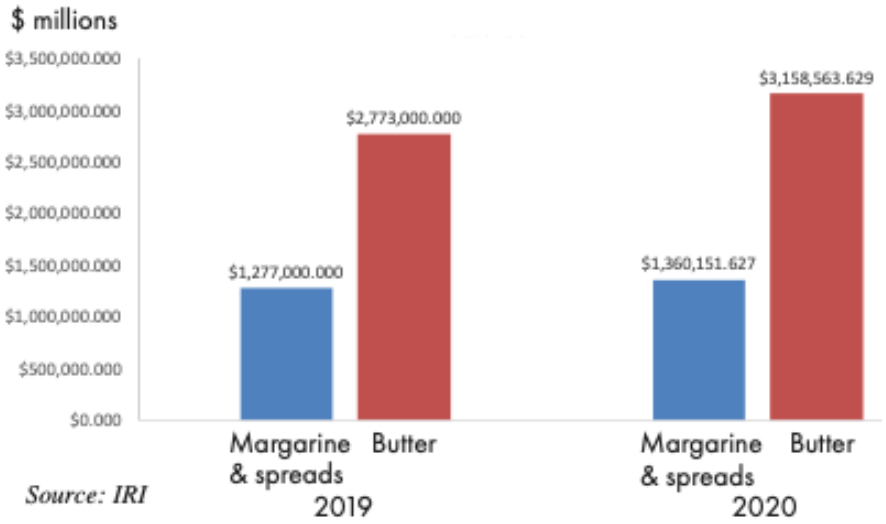
Source: IFIC US consumer survey, 2020

Low-fat products are experiencing a long slow decline

While products such as whole milk, butter and others are experiencing a resurgence

In some markets, "more fat" is becoming normal in more categories.

US butter sales continue to surge: sales grew 13.9% in 2020 while spreads grew 6.5%.



General Mills in the US is venturing into keto with its :ratio brand. This keto-friendly brand offers yogurt and snack bars which are high in fat (15-17g), low in carbs and sugar (1-2g) and have 12-15g of protein per serving. The yogurts have avocado oil to increase the fat content, and the bars contain nut blends and coconut oil.

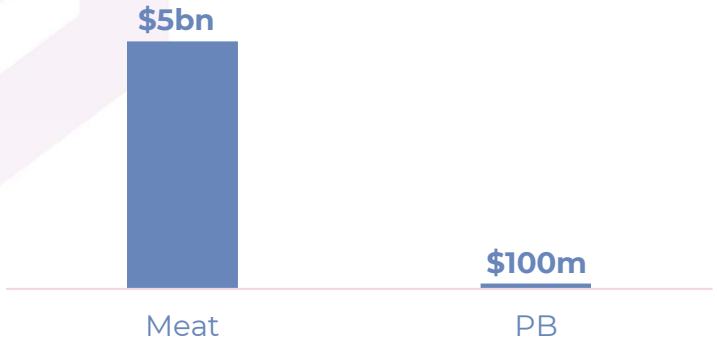
This 10% fat yoghurt is an own-label product from Marks and Spencer. Tesco also has a 10% fat own-label yoghurt.

People want innovations based on animal protein as much as plant protein

Meat consumption is stable or rising

Covid has reinforced how much consumers want to get their protein from familiar, traditional sources.

Sales increase of meat vs plant-based meat substitutes in the US during Covid:



Protein is the nutrient that can do no wrong. Unlike fat or carbs it has never had any negative association in dietary guidelines in science, or in consumers' minds.

Animal protein's big advantage over plant protein is quality and nutrient density of food is a concept just starting to enter the consumer conscious. There's a 5-10 year window in which to capitalize on this **quality advantage.**

Chobani Complete: "Packed with protein and offers the full set of 20 amino acids, including all nine essential amino acids, which are the building blocks of proteins for the body"

Giving consumers 'permission to indulge' in animal protein

Address and communicate sustainability with grass-fed and regenerative agriculture

This is a huge opportunity that has only begun to be tapped. There are a number of strategies available for all sources of animal protein – dairy, meat, egg and fish:

1. **Build dairy protein's quality advantage**
2. **Cheese snacking**
3. **New directions with collagen**
4. **The successful snackification of meat**
5. **Egg snackification and convenience**

Vital Proteins started with high protein collagen powders and expanded its products portfolio to include drinks and snack bars. Between 2014 and 2019 it grew into a $200 million (€170 million) annual sales business.

'Permission to indulge' strategy in action: processed meat brands in France, the UK and elsewhere are busily taking out the 'bad' preservative – nitrates – and enabling consumers to go on enjoying them without health concerns.

Protein is becoming more diverse, creating a wealth of niches for new proteins

It's an oversimplification to say that this is about replacing animal protein, most consumers want both animal and plant-source in their diet

Protein quality will matter more in the future. In plant-based, there's an opportunity to move beyond pea protein, currently used because it is widely available, and develop and use better-quality plant proteins.

However, price will be a determining factor in the growth of any alternative protein – existing options like pea are very competitively-priced and this has proved to be a real barrier to the development of other alternative proteins such as hemp and lupin.

Unilever's Graze offers the twin benefits of plant protein (4.4.g per bar from soy and oat) and less sugar. The brand uses chicory root fibre, claiming the product has "at least 45% less sugar than the average cereal bar".

Nestlé's Yes! snack bars range in Europe is high protein bars packaged in a recyclable paper wrapper – the twin benefit of protein and sustainability. Each bar has 10g of protein from nuts and pea. Sold in the UK, Germany, the Netherlands, and the Czech Republic.

Carbs face challenges: The heat has come off fat and turned on carbs

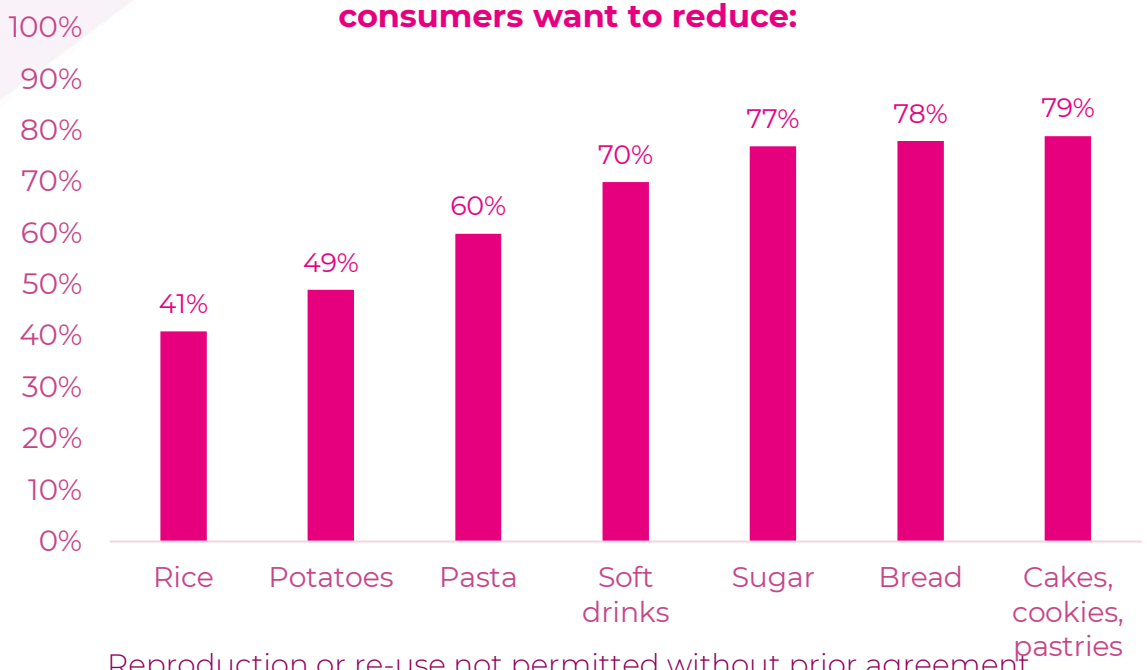
This is fuelled by the popularity of keto and low-carb diets plus emerging science

Change in carbs is being driven in part by the low-carb/keto trend, and also 2020 has highlighted a link between diabetes and risk of death from Covid. On top of that, low-carb diets are now approved by institutions including the diabetes associations in Canada and the US.

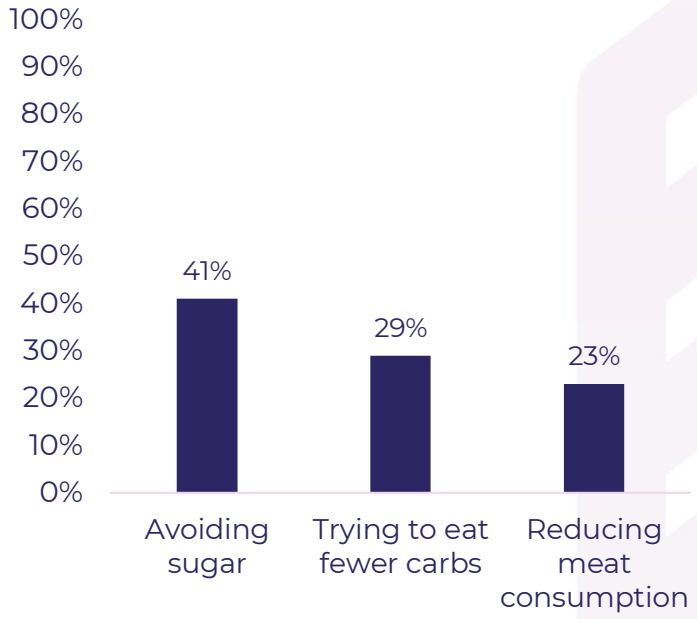
Although the largest segment of people are trying to reduce sugar, reducing carbs is in second place – ahead of meat reduction.

Carbs offer comfort (as the lockdown trend for baking showed) and most consumers want to continue eating them. The good news is there is plenty of scope for offering improved versions of their favourite carbs that give them "permission to indulge".

Bread and bakery top consumers' list of carbs consumers want to reduce:



% of consumers claiming to do the following:



Source: NNB survey of 3,321 respondents in 5 countries

From plant-boosted carbs to low-sugar baked treats, new innovations are appearing

Cutting carb intake, avoiding digestive problems, or provide energy or "permission to indulge" are popular with consumers

Four carb strategies:

- Better/ fewer/ greener carbs
- Carbs for honest indulgence
- Trim the volume
- Carbs for energy

BETTER WITH TASTE, AUTHENTICITY & PROVENANCE

From Ireland, sold in LA, with better carbs, provenance, artisanal production and a sustainability halo. Small Irish family-owned company Flahavan's "rolls, kilns and steams" its oats to yield "nutritious oatmeal with undeniably perfect taste and texture". It offers three minimally processed varieties in the US which it says have a "distinctively creamier taste because the oats are cooked with the outer shell on".

REINVENTED TRADITIONAL CARBS FOR ENERGY

UK bakery Soreen reinvented a traditional 'malt cake' as an on-the-go snack for cyclists, runners and other sports enthusiasts. This year it offered free sports sessions with purchase. Soreen has also reinvented itself with snack-oriented NPD and by harnessing the health halo of fruit inclusions. In 2019 the company had 3.6% growth to reach sales of £37.1m.

Consumers love when a brand/product offers them ”permission to indulge”...

with a treat that they would otherwise feel guilty about having

There are many strategies that companies across categories can use to offer ‘permission to indulge’:

- lowering sugar
- adding protein
- incorporating more plants
- emphasizing benefits such as digestive wellness which allow people to go on enjoying higher carbohydrate products
- invest in ”fatty” and creamier texture when decreasing sugar
- trim the volume to offer a reduced number of calories per portion

Nutella’s B-ready is a good example of ‘permission to indulge’. A cookie filled with Nutella and with just 100 calories, it’s done well in France and Italy and in 2018 was the most successful new product in the UK.

Major German dairy company Ehrmann ventured into the bakery category in December 2020 by launching high-protein cookies. The brand has had great success with its high-protein mousses and puddings, in Germany and internationally. The cookies are promoted for containing 20% protein and for being a source of fibre.

Thinner, smaller or less bulky products consistently produces sales success

A “more protein + less sugar” strategy is being used to reinvent categories

REDUCING PORTION SIZE BY MAKING A THINNER, SMALLER OR LESS BULKY PRODUCT CONSISTENTLY PRODUCES SALES SUCCESS.

This “trim the volume” strategy has been successful worldwide for brands such as Oreo Thins. Grupo Bimbo’s Sandwich Thins made IRI’s Top 10 Pacesetters list of most successful food and drink launches in 2019, selling $103 million (€88 million). Launched in 2008, they were updated in 2018 with a new formula “packed with whole grains and made with olive oil and sea salt”.

A “MORE PROTEIN + LESS SUGAR” STRATEGY IS BEING USED TO REINVENT CATEGORIES AND CREATE ‘PERMISSION TO INDULGE’

GRENADE offers very indulgent high protein and low sugar/carb snack bars (10g of protein and 2g of sugars per 60g serving). It has become the UK’s most successful snack brand, with over £50m in retail sales in the 12 months to Sept 2020, a 37% increase over the previous 12 month period.

Quest Hero protein bars show the power of the blend – it’s sweetened with allulose, together with erythritol, sucralose and stevia – and of “permission to indulge”. They’re said to taste “like a candy bar” but have only 4g net carbs and 200 calories.

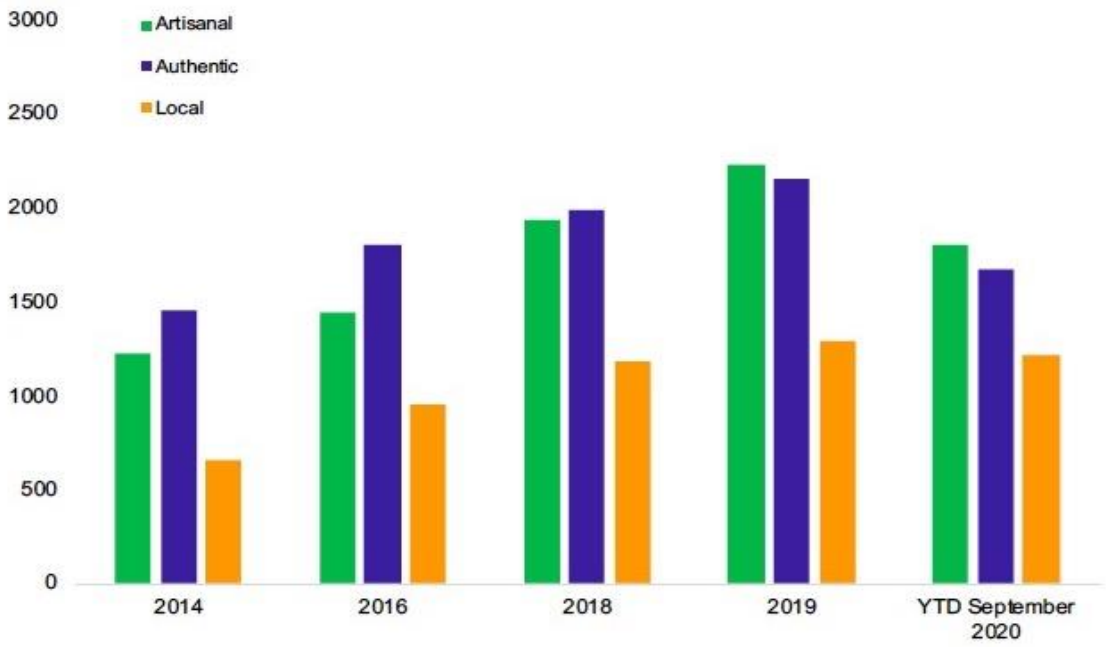
Artisanal is perceived as healthier and ‘cleaner’, providing permission to indulge

Promoting something as ‘artisanal’ or ‘authentic’ means an opportunity to charge a premium price

Ten years ago, provenance and artisanal motivated consumers skewed towards having higher education and higher income. Brands connecting to such messages tended to be niche. Now the appeal is much broader, and products with an authentic image or produced in an artisanal style are often mainstream.

There has been a steady increase in the number of products launched which reference artisanal, authentic or local. Latin America has seen the strongest growth, with Europe close behind.

F&B products launched globally with selected claims:



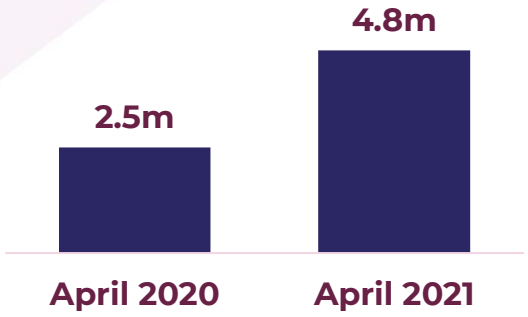
Source: GNPD Mintel

Consumers' have associations of artisanal being higher quality and better taste

This offers opportunities across categories – from bread to dairy

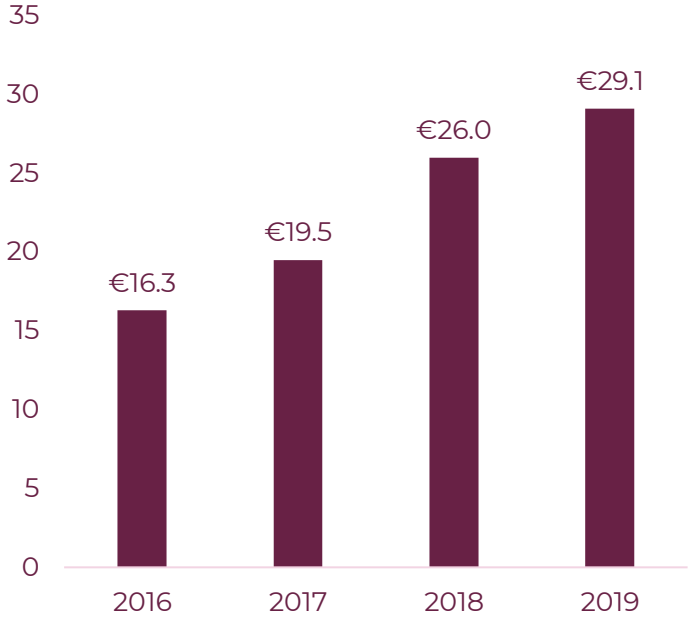
Sourdough is an example of a bread commonly perceived as more "artisanal". Consumer interest in sourdough peaked as the country went into lockdown, and interest has remained relatively high since. In the UK, sales of artisan sourdough bread increased 60% in 2020

Instagram posts using the hashtag #sourdough - end of April 2020 vs April 2021:



Yogurt brand Pastoret is a family-owned company from Spain. Its premium artisanal yogurts and indulgent dairy desserts are listed in retailers in Spain, Portugal, UK, France, and Italy. The brand is positioned on provenance, traditional and artisanal production style and quality, coupled with high standards of animal welfare. This has driven steady sales growth.

Pastoret's sales grew by 12% between 2018-2019 (€ million):

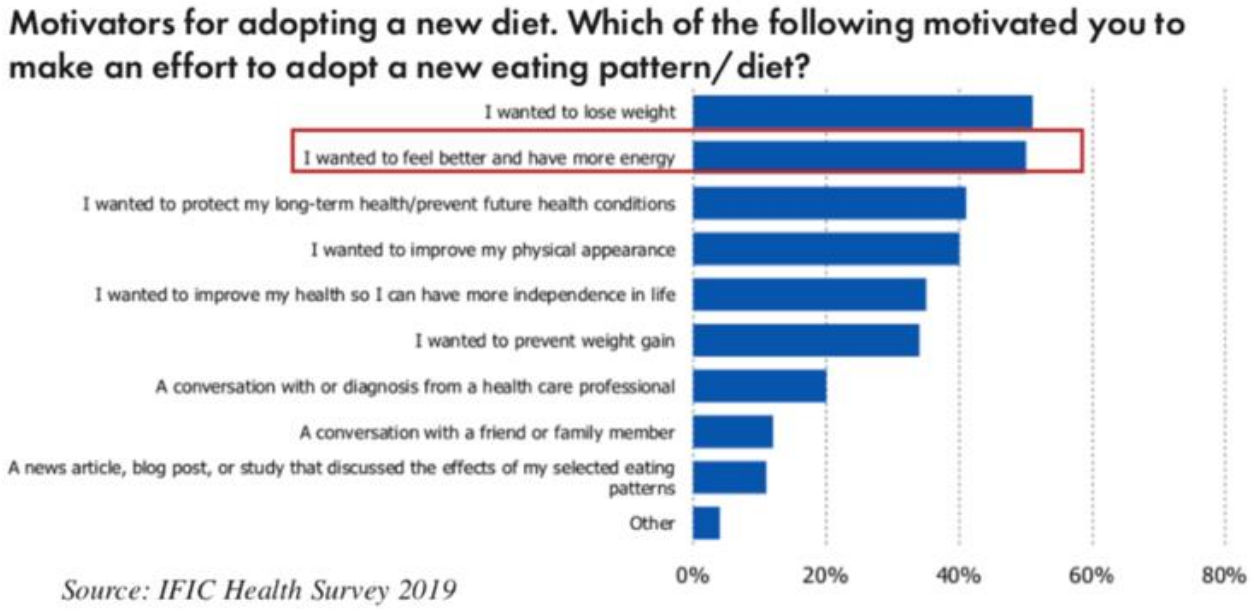


Source: EIEconomista

Consumers have become more open to where they get their energy

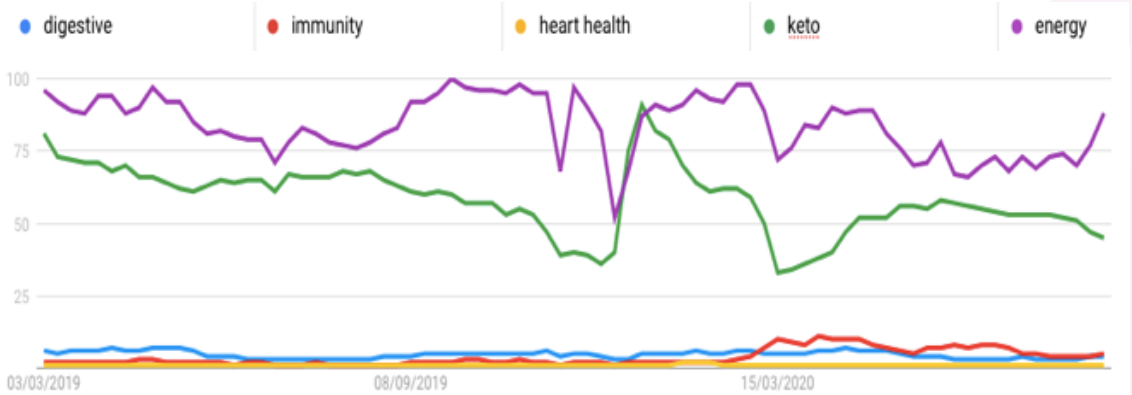
In the last 10 years, people are embracing many ingredients in their quest for energy

Across 32 countries, “energy” is consistently among consumers’ top-5 or top-6 needs



Even during the pandemic online searches for “energy” were higher than for other popular terms like “keto” or “immunity”.

Google searches in the US for selected key terms:



Consumers look for two types of energy for different needs

Slow and fast energy options for differing consumer needs

Slow energy

Taken to mainstream by products such as Belvita with claims of sustained energy

Breakfast cereals and bakery can benefit from oats' association to slow energy.

Wholegrains, nuts and seeds are examples of foods perceived as providing slow energy

Fast energy

Dominated by energy drinks

Also a key need for sports products

Recent demand for more "natural" solutions has led to innovation in formats and ingredients offering

Consumers are accepting caffeine in products beyond coffee and energy drinks

Veloforte®
#FUELBETTER

A combination of a fast energy kick and slow energy release is currently a relative white space in most categories.
This could be a very interesting innovation area to explore for Scottish companies – particularly for sports and other foods to go

Alcohol consumption is decreasing in many key markets

In Western markets, this is primarily driven by health concerns

24%

of European consumers say their alcohol consumption decreased during 2020

Unit sales of low & no alcohol beverages increased by over

22.3%

In the UK during 2020

In Asia and the Middle East, many consumers are already avoiding alcohol for cultural or religious reasons.

This means an opportunity to innovate more in the alcohol-free space – particularly sophisticated and premium beverages such as spirits or cocktails. Unlike the alcohol-free beer segment, which is approaching saturation in many markets, this is a category with plenty of room for innovation.

The most successful companies connect to more than one trend

Layering the trends has been behind the success of some of the fastest growing brands

Graze is a good example of this

MEGA-TRENDS

D2C model allowed customers to tailor their preferences from the outset

Recipes used health halo of nuts, seeds, wholegrains and fruit with a non-uniform, natural appearance

Founded on single serve snack - multipacks of a single product were only introduced later, when the brand entered multiple retail

Recycled cardboard outer packaging from the outset, Graze also focused on the reduced food waste due to tailoring the product to customer's tastes.

Portion control on all products and less than 100 kcal on many from the outset. Later they also focused on high protein messaging

Graze was conceived as a direct to consumer, online business – premium priced from outset

Recipe formulation to be low in sugar and tailored packs to cater to different diets

Hygiene factors

Graze was conceived as a direct to consumer, online business. It uses the DARWIN algorithm to tailor snack boxes according to the preferences customers enter online.

Graze was premium priced from the outset at £3.49 per 4 portion delivery boxes. Even in retail, the brand is still relatively premium priced, with portion packs retailing at around £1.49 each

Recipes are formulated to be as naturally low in sugar as possible, and this is communicated on pack and via social media

Graze allowed customers to tailor their boxes so that they were gluten or dairy free. They also highlight fibre content on pack

Graze successfully connects to all 5 Mega Trends as well as all 4 Hygiene factors

Nine health and wellness growth trends are also incorporated into Graze's proposition

MEGA-TRENDS

Health & Wellness Growth Trends

Hygiene factors

Future potential - trends

Two trends which are showing potential for food and drink but have specific challenges for companies to overcome first which are currently inhibiting growth

Immunity is a high-risk area and an immunity strategy will need careful consideration

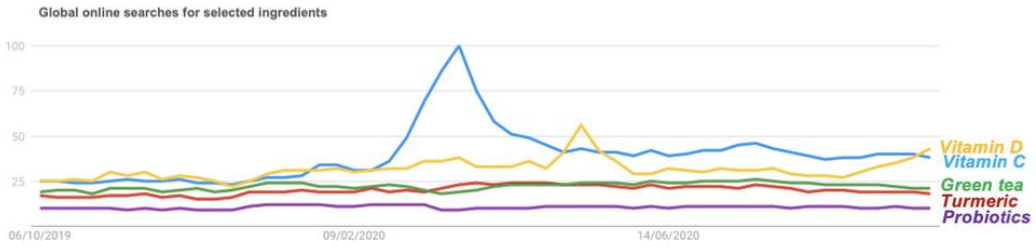
Risk is amplified by the me-too goldrush of brands piling into this trend and the direct competition with supplements

Immunity has long been important to Asian consumers, and now Covid has focused people's minds on keeping their immune systems healthy. Covid-19 has now provided a sharp reminder to western consumers, too, that there are good reasons to carefully choose items that contribute to the health and well-being of the individual and the family.

But this is not the clear and huge opportunity that many people think it is. Consumer interest may last only as long as the obvious threat does.
In addition, it's hard for food and drink to deliver an immediate and clear benefit – consumers only know if it's working when they don't get ill and that can be attributed to any number of things!

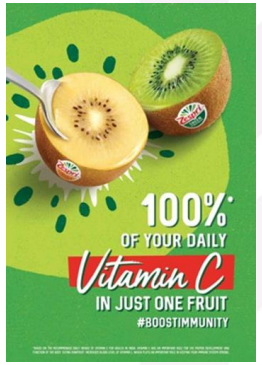
Immunity has been a top 10 trend in the past, but the challenge of consumers feeling the benefit has pushed them away from food and drink and towards supplements.

Consumers' strongest immunity interest is vitamins C &D: the peak in online searches for vitamin C during lockdown in many countries clearly shows the strength of the association in consumers' minds between vitamins C and D and immunity.



Source: Google Trends

Consumers' motivation to boost their immune health has been an element in the success of many products in Asia, such as chicken broth and kiwifruit (Zespri, the world's biggest kiwifruit grower, markets its fruit its immune-boosting high content of vitamin C).



A high-risk area, your strategy needs careful planning and investment in execution

Food has long been used to boost mood – and Covid has reinforced the behaviour (baking banana bread during lockdown for example). Many everyday foods are already linked with improving mood, including chocolate, coffee and tea.

Many everyday foods are very well- established in popular belief as helping you improve how you feel. Chocolate is a mood food for many people, along with ice cream, coffee and tea, loved the world over for their uplifting effects. But in 2020 interest in 'comfort foods' surged: 40% of Americans say they are now eating more indulgent and comforting foods than before Covid-19.

Nootropics have a huge failure rate – chances of success can be improved by focusing on the benefit rather than the ingredient. Delivering a benefit people can feel is crucial, but challenging.

Banana Bread, Comfort Me, Dammit!

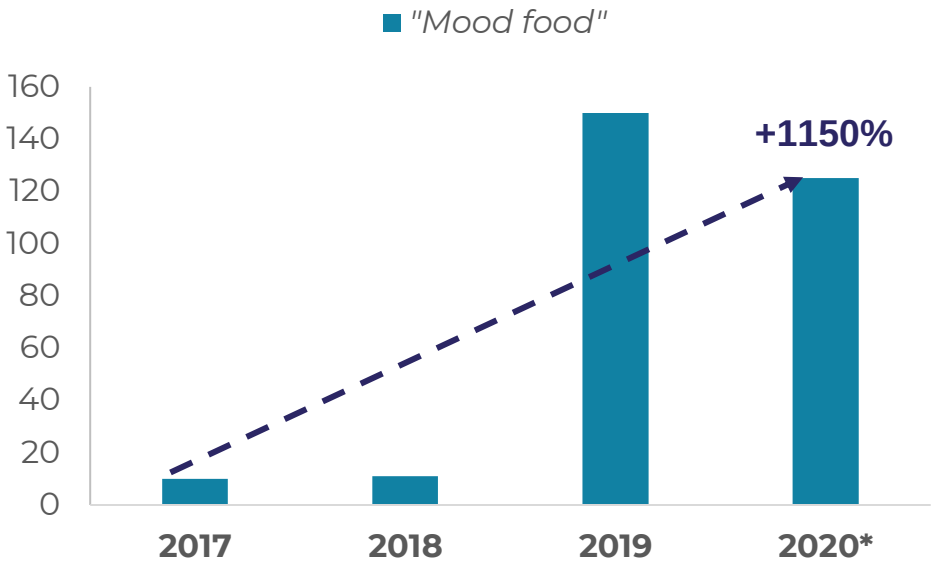
bon appétit

BY ALEX BEGGS

March 21, 2020

How to make banana bread, the ultimate comfort food of lockdown

UK online articles on mood food have boomed



*Source: Google UK *October 2020*

Future potential - markets

Sports nutrition

Rapid growth in the Sports nutrition market, preference for “normal foods” to boost sports performance, and fit with existing food processing capabilities mean that this is a market with good potential for Scottish businesses

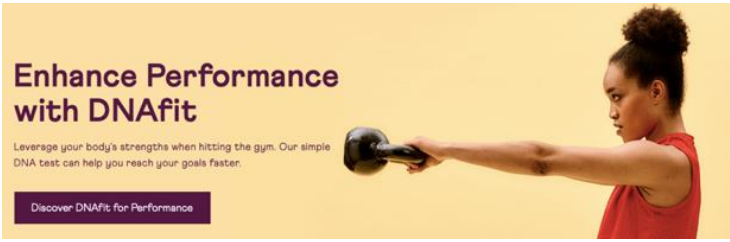
Sports consumers are usually the early adopters of nutrition and health trends

An underserved segment – Digestive wellness + Energy or Protein for sports

From fun runs to weekend cycling hours, sport activities have made its way into the life of many consumers beyond professional athletes or serious amateurs.

To achieve their ultimate goals - often weight related ones – many turn to sports nutrition products, which also appeal to a wider group of health or weight conscious consumers who see sports orientated products as a healthier option than regular products.

DNA tests for optimal performance are an example of an early-stage service being strongly targeted at sports consumers.



Digestive wellness is an issue for serious amateurs as the ingredient mix in standard sports nutrition gels, bars and powders can lead to digestive discomfort.

There are very few products targeting sports people currently on the market which are positioned around digestibility, while offering other sports related benefits such as protein or energy, as well as convenience and great taste.

Veloforte panforte sports bar – a blend of fruit, nuts and spices – "works with your body's natural digestive cycle".

"Ease of digestion is critical to active lifestyle people. Typically sports nutrition causes gastric distress from a mix of too many carbs, too many synthetic ingredients."
Marc Giusti, founder of Veloforte

Non-human food

Rapid growth in the pet food market, and fit with existing food processing capabilities mean that this is a market opportunity which should not be ignored

The time is right to explore opportunities in pet food

The main growth trend in pet care is Humanisation – that is owners trying to incorporate pets into more and more aspects of their human lives, like holidays, exercise, nutrition and health care with companies introducing new kinds of products and services to capitalise on this trend.

Scottish brand the Arran Dog Bakery has successfully capitalised on this specialist niche, offering premium, artisan treats based on human recipes and flavours such as popcorn and carrot cake.

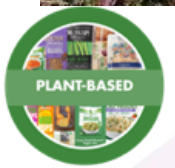
Many of the trends that we see in the human food industry are mirrored in pet food:

42% of pet food buyers consider their pet a "foodie" according to Mintel.

Brands using human grade food, and homemade-style recipes featuring gourmet ingredients are growing significantly

Most major pet food brands now allow consumers to customise their pet's diet according to factors such as breed, age, energy levels and any health issues.

Online brands like Tails.com offer food tailored to the specific needs of individual pets



34% of UK dog food buyers believe it is good for pets to regularly have a plant-based meal instead of a meat-based one.

Flexitarianism for pets, reducing red meat consumption and adding vegetables and other plants to recipes, is on the rise

Petfood is currently one of the fastest-growing segments in the global food industry

Offers opportunities for Scottish meat, seafood, bakery, snacks, and fruit and vegetable businesses

Pet food market

The petfood market was worth £67bn in 2018, but is forecast to grow to £102bn by 2024.

In the UK, pet food sales totalled £2.9bn in 2020, growing 16% since 2015. Volume sales also grew in that period, but only by 3%, reflecting the growing trend towards Premiumisation in the UK market.

Growth is particularly notable in China, where the petfood market was worth more than £5bn in 2019 and growing is growing by 30% per year. It is set to be 10% of the global market vs 1% a decade ago.

"Petfood will be the next infant formula in China – a boom sector"

Mars executive , in an interview with NNB

Pet owners are very brand-loyal, meaning that to date there is very little white label penetration in the pet food market. Just 2 companies - Mars and Nestlé – dominate petfood globally, with a combined 45% market share.

Given the growth rates in the sector, other large multinationals have also recently shown interest in petfood – in 2018 General Mills acquired Blue Buffalo in the US for a reported $8bn.

Source: Euromonitor, Mintel, industry interview

SUMMARY

Summary of key opportunities for Scottish food and drink businesses

- **Snacks**: Innovate with NPD for on-the-go, convenient, portion-controlled and tasty products that offer companies a wealth of opportunities, growth and better margins.
- Innovate and differentiate within **animal protein**
- Give consumers '**permission to indulge**'. Particularly important in animal protein but can be applied across all categories**.**
- In plant-based, **move beyond pea protein** and develop and use better-quality plant proteins.
- Promote something as **artisanal or authentic**; it means an opportunity to charge a premium price. This applies across categories from bread to dairy, and could see particular success in Asia or the Middle East.
- Offer a **combination** of a **fast energy** kick and **slow energy** release. This is currently a relative white space in most categories.
- Innovate more in the **alcohol-free** space – particularly sophisticated and premium beverages such as spirits or cocktails
- **Target the sporty** - sports consumers are usually the early adopters of nutrition and health trends
- **Explore pet food** - currently one of the fastest-growing segments in the global food industry

THE KNOWLEDGE BANK

Delivered by
Scotland Food & Drink Partnership

Thank you

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