Chilled out – global and local trends in chilled dairy and beyond

Summary

Top global food trends

Convenience – easy to prepare or freshly prepared, drive-and-go, grazing (dips are new dinner meal), active packaging (heats in can) innovative packaging for flavor/nutrition preservation.
Planetary and personal wellness – organic, ethical products, refillables, green packaging, superfoods, performance boosters, smaller servings.
Exotic and indulgent – phytochemicals/functional foods, gourmet, unexpected flavours (eg, savoury ice cream), religious food market: Halal, Kosher.
Freshness – community, farm-fresh, unprocessed, authenticity, less fat, from "low everything" (all that you take out) to unprocessed freshness.
Foods for certain age groups – kids, teens, baby boomers, elderly.

Top chilled dairy trends

Health– including functional foods and losing weight.
*Convenienc***e** – drinkable yoghurt, on the go packaging, sales in more places.
Indulgence - guilt free or premium.
Ethical/organic – becoming more important, because you should.
Kids – how to keep them healthy.

Top cross-category trends

Healthy plus – weight management, mood food, beauty.
Non-dairy trend – no longer just for allergies.
More snacking **–** an occasion not a food.
Organic – niche brands more successful.

The Australian outlook

Health and fitness – a preoccupation bordering on passion.
Guilt-free indulgence – rewards without guilt.
More functional foods – for a population resisting aging.
More yoghurt – appearing in more foods.
More ethical – because we think we should.

Top global food trends

See previous report prepared for Blue Marlin for more detail.

Top chilled dairy trends

Health

> "Much of our current research and new product development activities are focused on developing our health agenda." Dairy Crest, UK.

Many chilled dairy products are well placed to address health and wellness problems, such as obesity, type-two diabetes, heart disease, and certain cancers. There are also other potential areas of development:

Reduced/non-fat, vitamin-fortified, reduced-cholesterol, reduced-sodium, decaf/caffeine-free (or caffeinated), sugar-free, organic, and functional additives.

The health trend is also closely related to concern about obesity in the west. Diet-related food and drink market is forecast to grow by 3.1% in Europe and 3.6% in the US between 2006 and 2012.

Top 20 product tags on innovative products

Tag	2004	2006
Fresh	3.6%	3.4%
No Preservatives	*2.6%*	*3.0%*
Organic	2.8%	2.5%
Pure	2.6%	1.7%
Real	2.2%	1.5%
No Artificial Colour	*1.1%*	*1.4%*

Note the growing importance in the table above of the terms, no preservatives and no artificial colour, from 2004-2006.

Functional and cultured dairy – still underused

The functional drinks market is highly lucrative and still underused. Flavoured milk drinks have been launched as soft drinks, gaining sales over carbonated drinks. Organic milk and functional milk are increasingly marketed on their health benefits, gaining back market share from dairy alternatives.

Prebiotics are ingredients that stimulate growth of probiotics in the gut, and synbiotics are a combination of the two. Mintel's Global New Products Database (GNPD) shows that the number of new dairy products mentioning probiotic, prebiotics and synbiotics over the past five years has gone from 70 in 2002 to 238 in 2006.

Germany has the most probiotic, prebiotic and synbiotic product launches listed in the past five years (241), UK is second with 144 (including 2007 to date).

> Examples
>
> Tesco's functional milk drink is targeted at the health conscious who do not like soy. Its cholesterol-lowering milk is fortified with Reducol, a plant sterol.
>
> Each Yoplait Essence "wellness" drinkable yoghurt provides a shot designed to deliver a specific health benefit. Yoplait Essence Lower Blood Pressure and Cholesterol is a concentrated boost of plant sterols and potassium. Diets rich in plant sterols have been proven to lower cholesterol and

diets rich in potassium have been proven to lower blood pressure. Yoplait Essence Immunity Boost is a concentrated boost of probiotics and nature's body protecting nutrients iron and zinc to support the immune system.


Yoplait Essence

Stonyfield Farm

A new report, Cultured Dairy Products by Packaged Facts, identifies expansion possibilities particularly in the area of probiotic and prebiotic yogurt products in the US.

- Packaged Facts forecasts that sales will grow to $15.4bn in 2010, reflecting an annual growth of almost 11% between 2005 and 2010.
- Cultured fluid products are expected to experience the strongest growth, increasing 38% per year in the period.
- Sales of probiotic shots are forecast to almost double annually.

The largest cultured dairy products manufacturers by sales:

General Mills	$US1.1bn
Dannon	$US883m
Stonyfield Farm	$199m.

Other firms are CoolBrands, Yofarm Corp and Dean Foods.

Convenience – drinkable yoghurt, on-the-go packaging, sales in more channels

The days of three meals a day are gone, with many people skipping breakfast, snacking between meals and eating late. Today, the pattern is more like five times a day, and it is probably impossible for someone to prepare five meals at home. Most likely, they will choose several takeaway or prepared options.

- Single serve is expected to continue to be an important option for consumers.
- The consumer palate is more adventurous and will explore alternative flavours, such as spicy and savoury.
- Developing products for particular consumer groups to snack on is important, eg, children, women, baby boomers and, in the US, Hispanics.
- One fast-growing category is drinking yoghurt.

Drinking yoghurt

Drinkable yogurt is for consumers looking to eat and drink healthy foods, but who have little time to stop and sit down. It is the fastest-growing food category in the world rising from 18.4% in mid-2005 to $7.76 billion in mid-2006, according to AC Nielsen Global Services.

Drinking yoghurts are one of the fastest-growing segments of China's dairy industry, with growth forecast by consultants McKinsey to be 30% each year in the next five years.

Molkerei Lanz' dual-consumption yogurt

Molkerei Lanz of Switzerland introduced in April 2006 an innovative pack for Lanz Jogurt Yo Drink, making it ideal for travelling consumption. The liquid is available in a double-ended container, a cross between a pot and a bottle. At one end, the pack is covered with a foil opening, enabling the yogurt to be eaten with a spoon, while on the other is a plastic screw cap, for drinking on-the-go. (No pix available)

Indulgence – guilt-free or premium

Health conscious consumers are seeking indulgent treats without compromising on their nutritional intake and what once seemed impossible is now possible – you can indulge without guilt! The persistence of the term, "guilt" in this research suggests that it is a pervasive emotion around food, and not limited to women eating chocolate!

The three most important innovation trends within indulgence are:

"low cal/low fat gourmet", eg, ?
"luxury/super premium", eg, Gu
"regional/authentic, eg, Yeo Valley.

The three top mini trends are:

"novel flavour combinations", eg, savoury ice cream
"ethnic flavours", eg, green tea
"exotic fruit flavors", eg, red kiwi fruit.

Guilt free

"Guiltless gourmet" is a natural progression from the "good for you" trend witnessed in the early 2000s, where the focus was essentially taking out unwanted elements, like fat or sugar. Moreover, the guiltless gourmet is willing to spend to assuage the guilt.

This trend is increasingly spreading to product categories not traditionally associated with indulgence, such as bakery products.

One example is eating dessert, which seems to be on the increase. Tate & Lyle suggests consumers are demanding desserts to be ever more slimming. 35% of consumers surveyed in the UK, France and Germany wanted reduced calorie chilled desserts, while a similar number said they wanted reduced sugar varieties.

Tate & Lyle's Dairy Dessert Rebalance 033 claims to offer a 35% reduction in calories and a 47% reduction in total sugars, while Dessert Rebalance 034 offers a 32% reduction in calories and a 59% reduction in total sugars.

Worth the guilt

67% of American adults agree that full-fat ice cream is worth the guilt,
73% of men and 66% of women say they would rather eat full-fat ice cream than full-fat varieties of other snacks, such as cookies, chips and candy.
Just over than half of US adults say they do not believe "decadent" flavours can be low-fat and still taste good.
Blind taste-tests indicate the average consumer cannot distinguish between low-fat and full-fat ice creams currently on the market.
Harris Interactive, June 2007, USA.

Just desserts

> "The use of Swiss Alpine milk will help consumers to recognise these are indulgent but low-fat and natural." Emmi.

The UK yoghurt and pot desserts market was valued at £1.6 billion last year, up 4.7% year-on-year [TNS year to 28 January 2007].

In the UK, sales of chilled desserts have been buoyant, rising by around 40% at current prices to achieve a market value of £393 million in 2006. These are larger packs, suggesting the market expansion is being driven by a rise families or groups of people sharing a dessert.

The small cold eating sector - which consists mainly of individual portions in a twin pack - remains the largest in both volume and value terms.

- Cream cakes are the UK shoppers' favourite. Around £115 million worth were sold last year, taking 30% of the chilled dessert market.
- Sponge puddings take 11% and trifles take 9% market share.
- Chilled custard sales rose by 22% over the two years to 2006 to £11 million.
- Cheesecakes enjoyed the fastest sales growth in the sector - up 57% to £33 million in the two years to 2006.
- Their popularity reflects the British desire for indulgent desserts to share.
  Source: Mintel.

Several dairy companies and analysts believe desserts will play a key role in driving Europe's strong added value dairy market over the next few years.

> Dutch dairy group, Campina said it hoped to "give an impulse to the dessert segment and provide consumers with more variety and diversity". Optiwell Griespudding is Campina's third dessert launched under the Optiwell brand, which also produces a milk drink, yoghurt drinks and yoghurts that contain 0.1% fat.

Optiwell puddings

Gu brownies

> The Emmi Swiss range is a premium dairy offering made from Swiss Alpine milk. It is being launched in Waitrose on 6 August 2007. The Emmi Swiss range includes Emmi Swiss Muesli Yoghurt and Emmi Swiss Fruit Yoghurts and a natural set yoghurt.
>
> Gü, the aptly-named chocolate pudding company, is turning over £6.5m a year in more than 2,000 stores around the UK. Gü claims to have become the number one premium chocolate puddings brand in the UK and to have a 1.4% share of the chilled desserts market. Gü is "the only dessert company doing chocolate at the top end".

Ethical/organic – becoming more important

The organic sector is growing strongly in the UK, US and Australia, because it taps into both the health and ethical/sustainable trend. Moreover, people are affluent enough to be able to afford the extra cost. Once seen as the preserve of health food shops, supermarkets now actively encourage the purchase of organic produce.

- UK supermarket Tesco last year said it would pay organic milk producers £400 per year in an attempt to ensure the organic dairy sector kept up with rapidly growing consumer demand.
- Consumer demand for organic dairy products was growing 45% year-on-year.
- Organic milk makes up roughly one pint in every 30 in the UK.

> "We will be focusing on innovation and bringing new British products to the market, like our recent launch of 250ml cartons of organic milk aimed at lunchboxes." Tesco.

Many new parents start to buy organic produce when they have children, believing that they are offering their children superior nutrition and reducing their exposure to chemicals.

Kids – how to keep them healthy

Brains, digestion, naturalness and healthy snacking are the drivers in kids' nutrition. Omega-3s, probiotics and calcium are now being added to innovative kids dairy products.

Go-Gurt Fizzix™ is a new yogurt snack made of Yoplait yogurt with a fizzy sensation and has the same nutrition as Yoplait Go-Gurt. Comes in Blue Raspberry Rage/ Strawberry Watermelon Rush, Wild Cherry Zing/ Strawberry Lemonade Jolt, and Triple Berry Fusion/ Fruit Punch Charge

> "We are planning further extensions this year as well as ramping up the health message." Gerry Roads, Yoplait.

Yoplait Dairy Crest added Petits Filous Plus, a daily-dose yoghurt drink that contains bacteria to help keep children's digestive systems in balance, to its menu in August last year, backed by a £6m advertising campaign.

Petits Filous Plus

Danino yogurt

Danone's Danino yogurt is specifically aimed at children and claims to "nourish both their bodies and their minds" as it contains 20mg of MEG-3 DHA in each 100g serving, as well as vitamin D, calcium and protein. The focus used to be on MEG-3 for heart health, but is increasingly associated with its good impact on the brain and thus mental development of kids.

Rachel's Organic claims it is the first organic drinking yoghurt for kids. According to MD Neil Burchell, organic products have taken a 10% share of the yoghurt market (in the UK) and the company predicts it could do the same for the drinking yoghurt category.

Confectionery

Danisco has launched a series of fruity flavourings for two new hard-boiled yoghurt candies - Yogfruit, with peach, cherry and banana options, and Yogberry, comprising strawberry and raspberry. The overall candy flavour is of fruity, mildly fermented yoghurt. Fruit yoghurts are tipped to experience strong market growth in the years ahead. Danisco's Yogfruit and Yogberry concepts demonstrate some top opportunities for confectionery manufacturers to share the benefits of the growing yoghurt trend. (No pix available)

Top cross-category trends – Convergence of trends

The most noticeable trend is that there is a convergence of trends, with single products aiming to cross them. For example, healthy eating, organic ingredients and indulgence (chocolate soymilk) or convergence of the health, premium, convenience and ethical trends (Fairtrade coffee).

For this reason, it is not always easy to put particular concepts underneath any particular trend. Organic may be seen as healthy, or ethical, or sustainable. Functional foods may be seen as healthy, convenient or indulgent.

The 'magnificent seven' food trends to 2013

Megatrend 1: Beyond health – functional foods
Megatrend 2: Über-convenience
Megatrend 3: 'Posh nosh'
Megatrend 4: Ethnic influences and fusion flavours
Megatrend 5: Halal food
Megatrend 6: Sustainability
Megatrend 7: Naturally good for you.

The magnificent seven food trends in 2013, Aroq, May 2007.

Healthy plus – weight management, mood food, and beauty

- "Health" as a proposition achieved the highest average rating at 3.5, and 65% gave it a rating of 4 in a recent study of innovations.
- 39% of all products launched between 2004 and 2006 had a healthy proposition.

Some brands have exploited growing consumer interest in fresh, healthy foods that also have provenance:

Yeo Valley

Rachel's Dairy

- Yeo Valley and Rachel's Dairy have grown in the organic sector.
- New Covent Garden Soup has exploited interest in fresh, chilled soups.

- Quaker Oats is strong in hot cereals and in oat-based cereals with cholesterol-reducing characteristics.

  "Functional foods and nutraceuticals (food products with health benefits) offer substantial growth opportunities for food and beverage companies." analysts, Julius Baer.

Drinks marketers targeting busy people who want to be healthy are formulating new functional drinks such as "Yes," short for "Your Essential Source." A single serving contains vitamins, minerals, amino acids, essential fatty acids, antioxidants and powerful herbs.

Pepsico is launching a fortified juice drink under the Tropicana brand. The orange juice is fortified with Benecol, a stanol-ester ingredient that actively lowers cholesterol.

Alpro's Soya & Fruity is believed to have influenced the launch of the new Tropicana functional juice. Alpro launched Soya & Fruity as a fortified blend of soymilk and fruit juices in June 2005. It was, until now, the only cholesterol-lowering juice drink in the UK.

High melatonin milks, headed by pioneer Finland's Ingman Dairy, are supposed to promote better sleep. They are creating a profitable new segment that could be worth $US400 million in annual sales.

The French food group Danone started the trend for functional yogurts when it launched an edible yogurt that is said to benefit skin health from the inside out.

Givaudan has released a new skin product in a spray-on dried yoghurt powder, Yogurtene Balance Powder. It is claimed to rebalance the body's natural PH balance, retain the skin's moisture and protect the collagen lattice in the skin to keep it firm. (No pix available)

Organic – niche brands more successful

Major food manufacturers have not usually been successful in introducing organic variants. Their strategies have been to acquire niche brands that are serving the organic sector. Examples include Cadbury's acquisition of Green & Black's, Mars' ownership of the Seeds of Change brand, and Danone's subsidiary Stoneyfield Farm.

Yeo Valley and Rachel's Organics have been successful niche brands in the UK, and Wallaby Yogurt (purporting to be Australian-style yoghurt) and Horizon Organic in the USA.

In a 2005 survey by Nourish Foods and Metier Consulting of organic consumers in Australia, Pure Harvest (5.8% of all mentions), BioNature (5.4%), Parmalat (5.2%) and Spiral (4.1%) were the most popular. Around 2.5% of all mentions were for Coles Organic. Twenty-eight brands accounted for around 67% of all brand mentions.

Fruit for health

POM Wonderful, LLC is a privately owned company and brand of pomegranate juice, advertised as one of the most powerful naturally-occurring antioxidants. It is sold in distinctive double bulb-shaped clear plastic bottles. Its taste has been described as similar to cranberry juice.

Red kiwi fruit is following green then yellow kiwifruit. A team of researchers in Italy and New Zealand has found that a newly developed variety of red-fleshed kiwifruit contain anthocyanins, bright red pigments that are highly potent antioxidants, which protect against heart disease and cancer.

Sunsweet Growers Incorporated is an agricultural marketing cooperative founded in 1917 in California. Sunsweet is the largest dried fruit plant in the world and best known for prunes but also produces cranberries, apricots, nectarines, pineapples, mangoes and dates. Other recent Sunsweet products include Ones (individually-wrapped prunes), Jumbo Red Raisins (from large red flame Chilean grapes), PlumSweets (chocolate-covered prunes), PlumSmart plum juice, and Specialty mangoes, blueberries, cherries, and berry blends.

Non-dairy trend – no longer just for allergies

European sales of soymilk and non-dairy drinks are expanding by over 20% per year. High market growth rates are due to product innovations and consumer demand for health drinks (chosen for convenience, we suspect, as much as health).

Dairy alternatives are proliferating with many retailers adding chilled soymilk and rice drinks to their product ranges.

The largest market for chilled soymilk is in the UK, which has doubled every two years. Supermarket private labels account for almost 60% of all soymilk sales in the UK.

Odwalla Soymilk claims to be the first soymilk in the US to contain DHA or docosahexaenoic acid, providing consumers with 20% of the recommended daily value of the fatty acid.

More snacking – an occasion not a food

A new research report from the International DairyDeli'Bakery Association, Snacking Trends: A World of Opportunity, says retailers, food and beverage manufacturers, have not caught up with today's broadening view of snacks and snacking.

Rather than thinking of snacks as a type of product, we should think of snacking as a type of eating occasion, with availability and variety of product influencing how consumers snack.

> "PepsiCo's goal of getting consumers to reach for a Quaker Milk Chillers rather than a cookie or a candy bar when craving a snack is something that US dairy processors really need to factor in to their product development efforts." Jose Cubillos, Dairy Management.

Danone taps into this trend for snacking on yoghurt and food combinations. Danone's chilled dairy products is forecast to be 65% of the group's turnover five years from now and currently generates 56% of total revenues – twice as much as Danone's drinks division and four times as much as its biscuits and cereal division.

- Specialised yoghurts for aiding digestion and boosting health are dominated by Danone, maker of Activia yoghurts and Actimel probi-otic yoghurt drinks.
- Light & Fit Crave Control is claimed to be the only reduced-sugar non-fat yogurt made with fruit, cereal and ProteinFiberPlus to help satisfy hunger.

The outlook for Australia

The market for dairy food in Australia increased from 2000-2005 at 3.9% pa. Per capita consumption of yoghurt, dietary supplements, and sports drinks are rising rapidly, suggesting that health and fitness is a preoccupation in diets. This, and the trend for guilt-free indulgence, was forecast in 2004 by the CSIRO:

> "The coming Australian food revolution is all about one-stop, guilt-free indulgence, say the researchers who are already hard at work designing it. Health, convenience and enjoyment are the main consumer drivers behind sweeping changes in the healthiness, composition, flavour and quality of foods grown and produced in Australia. CSIRO, 2004.

Since health is a major concern in Australia, bordering on passion, it will influence food and drink consumption for years to come. The Australian Institute of Health and Welfare (Australia's Health 2004) highlighted CVD, cancers, diabetes, arthritis and other musculoskeletal conditions, high blood cholesterol and obesity as major health concerns for Australia.

The yoghurt picture

Per capital consumption of yoghurt	
Australia	5.5 kg/yr
US	3.5 kg/yr
France	22 kg/yr
Switzerland	27 kg/yr
Finland	39 kg/yr

Source: Dairy Australia.

Consumption of yoghurt is increasing and is beginning to find its way into more foods and drinks, for its positive digestive properties.

A recent AC Nielsen survey in Australia in spite of the trend for people to eat reduced fat products, especially in the dairy category, most prefer taste over low fat in virtually all yogurt varieties. Growth is increasing in the regular fat segment and declining in both volume and sales value in no-fat varieties.

- Consumers are also choosing specialty or premium yogurts.
- Natural yogurts received a boost in sales because of more use of yogurt in cooking.
- Three quarters of consumers who buy yogurt, say it is "a convenient, healthy, nutritious snack."
- The main times for eating yoghurt are breakfast and dinner, but much is eaten by children and young adults between meals.
- Older adults are more likely to eat yoghurt as part of a main meal.

Growth in functional foods

While the population is aging, many people, as in other countries, are resisting it through their food and drink consumption. Consumers do not like to buy foods that imply they are aging or sick, so functional foods must be promoted as convenient, nutritious and tasty with specific health benefits.

- Euromonitor International claims probiotic products make up 89% of the A$187.6m Australian fortified/functional yoghurt market.

- It ranks Jalna as no 3 in the Australian functional yoghurt market, behind Yakult and Parmalat's Vaalia.

Grocery channel growth Dec 05-Aug 06

Sports drinks	10.9%
Yoghurt	20.8%
Dietary supplements	21.5%
Total channel growth	6.3%

Retail World and AC Nielsen.

NATURAL FOOD Jalna OF THE LAND

100% made in Australia.
A family company,
100% Australian Owned.

> Jalna – enriched yoghurts
>
> Jalna's Calcium+ product is enriched with calcium and vitamin D. This is particularly important since recent studies have shown many Australians have low vitamin D levels. Jalna's Vitalize Heart+ product builds on the health benefits of omega-3. Vitalize Immune contains vitamin C and echinacea, both of which have long been linked to common cold prevention, and antioxidant-rich acai berry, raspberry and pear.

Ethical – because we should?

This trend is still in its early phase and is likely to continue at a slow rate. It is seen in the growth in organic and Fairtrade products and a greater interest in the origin and production values of the ingredients (provenance) and corporate social responsibility.

Demand for sustainable and ethical food is growing although stated intentions are not always matched at the checkout. If rural producers could pitch themselves as good environmental guardians would shoppers pay a premium for their produce?

Victoria's Department of Primary Industries, for example, plans to hold briefings around the state to encourage farmers to take on sustainable production, a trend that other states are following closely.

Appendix

A case study in consistency of message

Case study: Flora

Flora is the largest selling brand in the butter and margarine category and a consistent leader in the 'health' segment. A story built around the contribution of a balanced diet to a healthy heart has long been the central feature of Flora promotion. It is family-centred and includes a dedicated website and a number of healthy heart initiatives, for example, a heart testing roadshow in 2006 and 10-year sponsorship of the London marathon as well as a family marathon (in 2005).

Initially, the health claims of Flora were based on its high content of unsaturated fats and low saturated fat content. In 2005, the brand was re-launched following the inclusion of omega-3 and omega-6 oils. Then, a Flora Omega 3 Plus spread and probiotic drink, including omega-3 from fish, were added.

The brand was also extended through the development of the Flora pro.activ products. These include plant sterols - promoted on their ability to lower cholesterol. New products in the pro.activ range (yoghurt drink in 2004 and mini yoghurt drink in 2005) have been supported strongly at launch. Flora is a good example of a masterbrand strategy built around a long association of the brand with an important consumer issue: 'heart health'.

References available on request.