

How to Succeed in Functional Foods: 5 Insights to Chew On



By Peter Leighton

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unctional foods & beverages have demonstrated not only their staying power as a new category of products, but they have actually been driving growth in the food industry.

The global market for functional foods & beverages will reach \$176.7 billion in 2013 with a CAGR of over 7%. Beverages lead the category, growing at a rate of 10.8%, with foods increasing at 6.9%. Euromonitor looks at fortified/functional products as a \$246 billion segment of health and wellness-positioned packaged foods and beverages, equaling about one third of the category. Between 2007-2012 this segment showed a 42% sales increase (compared to 29% achieved by organic products and 28% registered by the better-for-you category), and functional foods & beverages now comprise about five percent of the overall US food market, which is stagnant in comparison at about 1-3% annual growth.

The following summary outlines five insights that drive success in this growing, but complex category:

1

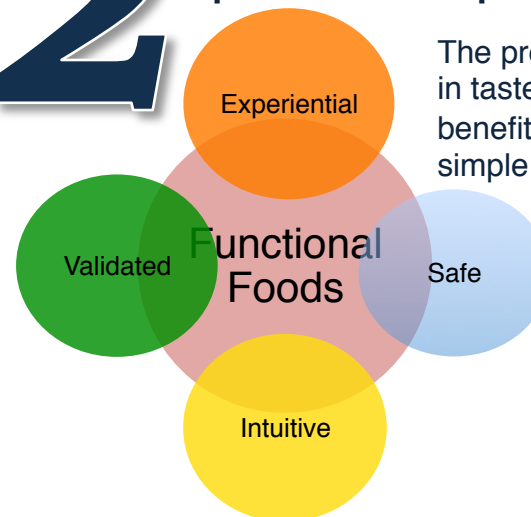
Consumers don't want to eat from their medicine cabinet.



Successful functional products provide a wellness benefit but they don't masquerade as a therapeutic. Rely on science for validation, not as a primary selling point. For "serious" health conditions, consumers have Rx options that are more validated and reimbursed by insurance.

2

Four factors must converge in the product development process.



The product must be **experiential** in taste, convenience and/or user benefit; It must be an **intuitive** or simple concept/delivery system for the consumer; It must be endorsed, **validated**, and adopted by stakeholders; And it must be **safe** at various "doses".

4

Provide a lifestyle antidote.



Consumers are not going to alter their behaviors very much. What they want is an antidote to their toxic lifestyle habits or a no-compromise alternative to their current product choices.



Abunda is an integrated consulting group, designed to offer top tier management and strategic solutions to growth-oriented companies. Our mission is to deliver value through innovative market approaches and increased profitability. Abunda delivers solutions for the life sciences, health & nutrition and functional foods markets. www.abundasolutions.com

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Avoid line extending from an existing brand.

Most successful functional products built new brands and created new sub-categories. Existing brands likely don't carry "functional" credibility. If you put lipstick on a pig, it's still a pig.



3



5

Taste & convenience are critical.

Consumers eat to enjoy, and everything else is secondary. If a product cannot deliver on taste and provide a convenience benefit, it doesn't matter how functional it is, consumer adoption will be low.

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