

# The Future of Dietary Health and Wellness

“A Look at Future Trends in the  
Health and Wellness Based Dietary  
Market”

# Brief Overview of the Market

- The Perfect Storm
  - Consumer Education is drastically increasing
    - Worksite Wellness Programs
      - It is estimated that healthier diets might prevent \$71 billion per year in medical costs, lost productivity and the value of premature deaths associated with these health conditions.
    - Web Based Informational Sites
      - KCFit.net
      - Active.com
- Baby Boomers
  - 45 million younger boomers turn 50
    - Specific Diets will continue to increase
    - Ailments will lead to increased spending on preventative products.
- America's Obesity Epidemic
  - 42% of all grocery purchases are based on weight management.
  - Childhood Obesity
    - National School Wellness Policies



# What drives the next generation of consumers?

- The Hartman Group proposes there are ten significant consumer trends in which manufacturers and producers should pay close attention.
  - *Balance*
  - *Declining reliance on authority*
  - *Simplicity*
  - *Vitality*
  - *Mobility*
  - *Authenticity*
  - *Self-diagnosis*
  - *Fresh*
  - *Control*
  - *Customization*

# What drives the next generation of consumers?

- Self Care Phenomenon
  - “76% of consumers strongly or mostly agree that eating healthfully is a better way to manage illness than medication.”
- The Preventative Focus
  - Heart Disease
    - Number 1 killer and number 1 condition Americans are trying to prevent.
    - Reduction of salt and sodium will continue to be a focus.
      - Omega 3 Fatty Acid Increase
  - Diabetes and Pre-Diabetes
    - The number of Type II Diabetes is increasing exponentially.
    - Pre Diabetes will increase as doctor’s become more aware of the preventative measures that can be taken to avoid Type II onset.
  - Cancer
    - The links between diet and cancer are now obvious.
      - Antioxidant Claims Increase

# What drives the next generation of consumers?

- The future consumer is very demanding
  - Reduce risk factors
  - prevent disease
  - low in calories
  - provide higher performance
  - and taste wonderful all in a bite size morsel!
- Less Reliance on Affordability, more emphasis on perceived value.
- The Vitamin and Supplement Market

# Primary Health Benefit Platform

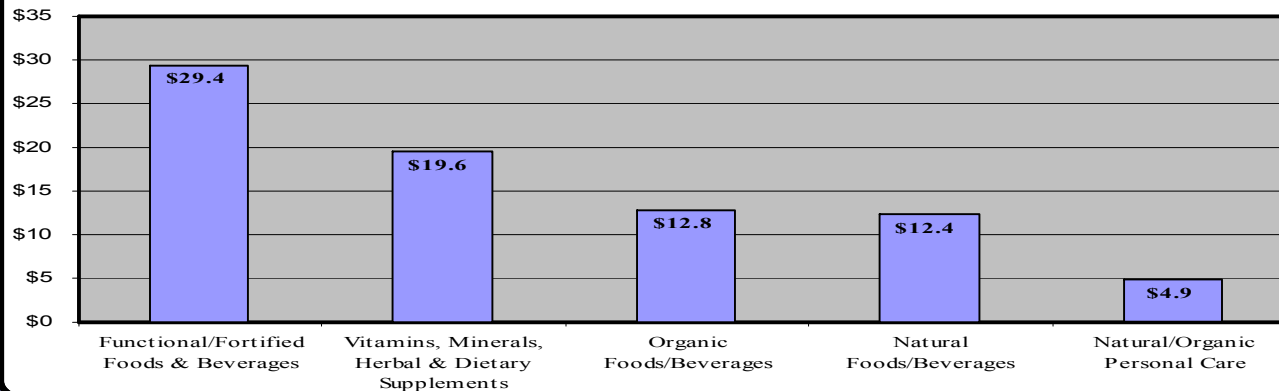
- In 2000, Healthfocus International identified five primary benefit platforms for functional and nutritional products.
  - All Health and Wellness based products fall into one of these five categories.
  - Many fall in one or more categories and are termed “multiple benefit” products.
  - These platforms can also give us a good description of the consumer demographic in each category.

# Primary Health Benefit Platform

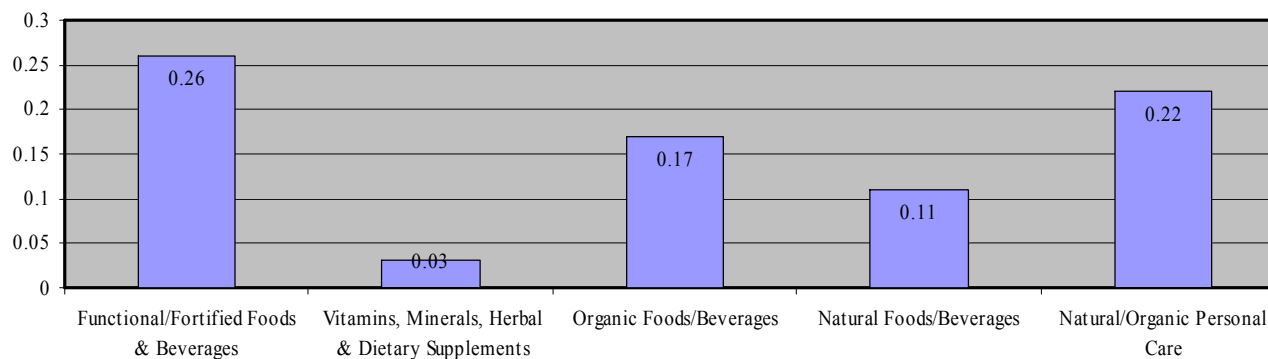
- Prevention
  - Health benefit and prevention of risks
- Performance
  - Health enhancement and peak abilities
- Wellness
  - Balance, moderation, and feeling healthy
- Nurturing
  - Growth and development; quality of life
- Cosmetic
  - Weight management, healthy skin, hair and nails

# 2005 Sales and Growth

## Health and Wellness Product Segments



## Percent Growth



# NMI Trends

- The National Marketing Institute
  - Based on research from over 15,000 consumer households.
  - Ranks Top Ten Health and Wellness Trends for 2006
  - Most comprehensive report available
  - Trends based on past seven years.

# Top 10 Functional Food Trends 2006

1. Kids at Risk
2. 100 Calorie Cutoff
3. Phytochemicals
4. Multiple Benefits
5. Healthy Fats
6. Mature
7. Glycemic Index, Gluten Free, Whole Grains
8. Natural
9. Performance
10. Fun

# Kids At Risk

- 74 million Generation Yers moving into a family situation
  - Individuals much more educated on Nutrition and Functional Food items than their older counterparts.
  - Don't miss out!
  - The Baby Boomer Comparison
    - Higher Health and Wellness Spending
    - A fitness membership, organic foods, and performance enhancing beverages are staples in their lives.
    - Internet has changed the education dynamic
- Health Conscious Mothers
  - Childhood Obesity
  - 41% avoid sugar
  - 30% avoid high fructose corn syrup
    - The "Oprah Effect"
- Higher nutrient density while
  - lower in fat
  - calories
  - sugar
  - sodium will be a focus

# Kids at Risk

- Kid Friendly packaging
- Build a Meals
  - Compare to Lunchables, Build a Pizza, etc.
  - Kids enjoy building their food, therefore the food provider that can come up with a healthy version that provides sound nutrition will have great results.
- Active Bacteria Cultures
  - Pro and Pre Biotics
- Reduced Allergens
  - Very Important to most parents. 5% of all children suffer from one of the following food allergies.
    - Milk, Egg, Peanuts, Tree Nuts, Fish, Shellfish, Soy, and Wheat
    - FDA now requires that these must be clearly identified on all packaged foods.

# 100 Calorie Cutoff

- Single Serve and 100 calorie packaging
  - Portion sizes packaging = major growth opportunities
  - Low calorie v.s. low fat/lowcarb
    - A Practical Approach
  - In 2005, sales of low-carb food fell 33.7% while low-calorie or light foods increased 2.5%
    - “Sales of light products grew 2.5 percent in the past year, compared to 0.6 percent total category growth.
- Beverage Institute for Health and Wellness
  - Aspartame
    - sweetener found to be safe for human consumption



# Phytochemicals

- Antioxidants
  - Products that claimed an antioxidant benefit jumped 19% in 2005.
  - Poised for a double digit growth in 2006.
  - Second only to Glycemic Index as next blockbuster trend according to ACNielsen.
- Fruits and vegetables
  - Pre packaged fruit and vegetable juices will be a major player in the future
  - Portion Sized Fruit and Vegetable items have potential for major growth
    - Healthy Options for Fruit and Vegetable Dips
- Flavenols
  - Chocolate
    - Chocolate/ cocoa sales increased 8% globally in 2005 due to it's relationship to polyphenols, according to ACNielsen.
    - Polyphenols are correlated with Heart Health.
- Lycopene, Lutein, Resveratrol
  - Next mainstream phytochemicals according to Sloan Trends.

# Multiple Benefits

- Consumers want the most benefit for their cost and time.
  - Allows for decreased caloric intake
  - Can combat multiple health risks
  - Decreased time for meals (preparation to clean up)
  - Decreased Food Safety Needs
- Whole Family Benefit
  - Calcium
    - Osteoporosis, Osteopenia, and proper bone formation.
  - Lutein
    - Formation and Maintenance
      - Cellular membrane
      - Retina
- The Golden Goose
  - Low Calorie Energy Foods and Drinks
  - Energy supplied from sources other than sugar
  - Caffeine

# Healthy Fats

- Omega 3 fatty acids
  - EPA
  - DHA
    - Infant Formula
- Cooking Oils
  - Olive oil has seen a dramatic increase due to its link to Omega 3's and Heart Health.
- Trans Fats
  - Half of all shoppers try to avoid trans fats.
  - Reduction or Elimination of trans fat levels in products – “in the short term, lack of trans fats will be a differentiating factor in product selection. Longer term it will cease to be a source of competitive advantage as more companies come on line with trans-fat-free products.”

# Mature and Aging Population

- Cater to the aging population.
  - More elderly with increased spending = major market growth potential
  - Major Preventable Chronic Diseases
    - Osteoporosis
    - GERD, Acid Reflux
    - Type II Diabetes
    - Many Cancers
- Baby Boomers and Specified Dieting
  - PH Diets
  - GI Diets
  - Genetic Diets
- Disease Management Products
  - Nutraceuticals
  - Glycemic Index and Diabetes
  - Hypertension
  - Cholesterol
- Pro and Pre Biotics

# Glycemic Index, Gluten, Whole Grains

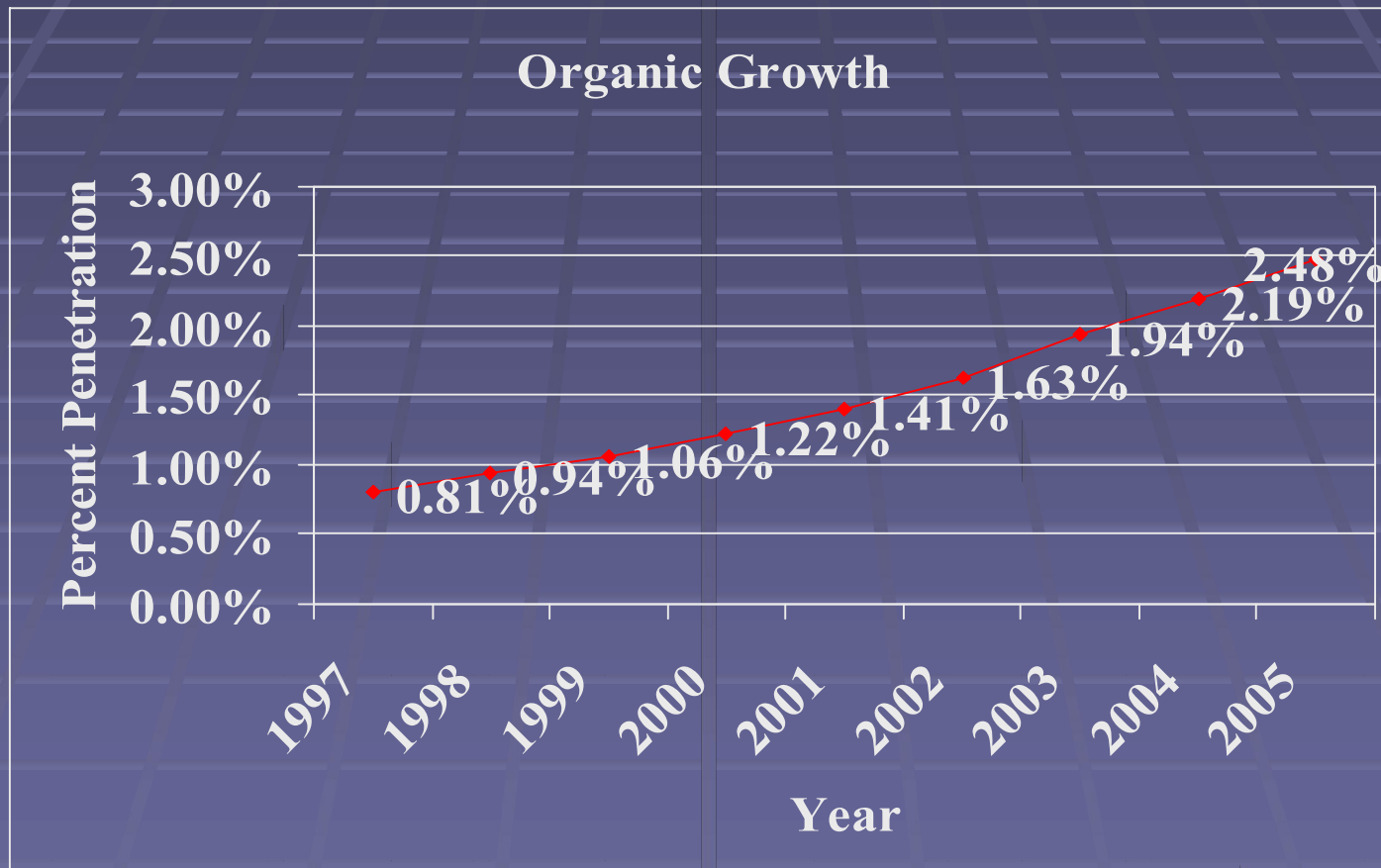
- Glycemic Index Diets
  - Athlete's Lead
  - Prevention of Type II diabetes
  - According to ACNielsen, Glycemic Index will be the next blockbuster food trend.
- Gluten Free
  - Medical Field
  - Naturalists
  - The Real Deal
    - Allergies
    - Intolerance
- Whole Grains
  - Short term growth may be seen, most reports say that market will peak quickly, similar to trans fats.
  - Wheat v.s. Whole Grain

# Natural and Organic

- Organics
  - Organic foods/beverages showed a 17% increase to almost \$13 billion in the US in 2005. \$23 billion globally in 2003.
  - Sales continue to rise at double-digit rates, with high single-digit rates expected through 2010.
  - Has household penetration peaked?
    - The “freshness” trend is pushing the market into more categories, not necessarily to more household penetration.
  
- “The natural and organic product market offers continued strong growth potential for the next five years; however pricing pressures will accelerate as more private label offerings are brought to market.”



# Organic Growth Potential



# Performance

- Performance based foods include any product that focuses on
  - Increased Energy
  - Strength
  - Mental Awareness
- Decline in carbonated beverage sales.
- The “Sugar Crash”
- Bottled Water
  - \$9.8 Billion in 2005
  - Projected to jump 50% by 2009
- Green Tea
- Zeniths 2005 Global Energy Drinks Report
  - US experienced a 68% compound annual growth rate in the past five years. And will surpass Japan as the world’s largest market by 2009.



# Fun

- Healthier versions of traditional items.
  - Healthy Fillings and Frostings
  - Healthy Desserts
  - Cookies
    - High Protein Cookie
    - Fortified Cookies
    - Fiber
  - Grab and Go Snacks
- The Fingers Theory
  - Dip and Scoop
- McDonald's Milk Jugs campaign
  - very cool graphic design concept
  - re-sealable,
  - Single serve, 8 fl. oz.
  - 1% low-fat white or chocolate milk.

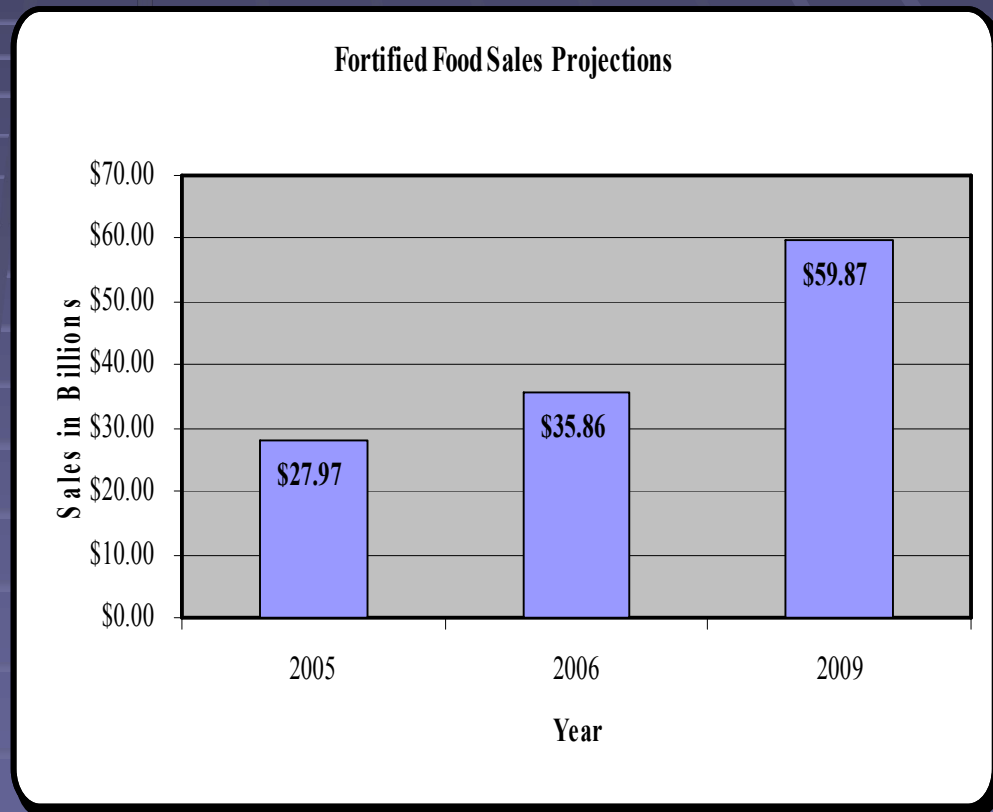


# Looking to 2010

- What is the future consumer going to look for in their dietary choices?
  - Portion Sizing
    - 61% of consumers say they want to cut down the amount of food they eat.
    - Personal Testament
    - Look through all products and determine which ones, if not all, can have an alternate portion controlled packaging.
      - Consumers are willing to spend more money for convenience.
      - Cost to Producers
        - More Units – Less Product
    - Jump on board ASAP!
  - Reduced Side Effects
    - Flavored Bottled Water
      - Energy Drink Producers are worried
  - Nutrient Density
  - Natural and Organic
    - Will continue to grow however this trend has about an average lifespan of 10 years.

# Looking to 2010

- Fortification
  - 65% of adults used a fortified food or beverage in 2005.
  - Increased ability to fortify foods and beverages with newly discovered functional elements is the next frontier of health and wellness.



# 2010 and Beyond!

- Nutrigenomics
  - Genetic Profiling
    - Due to the Human Genome Project
    - This the future
    - Start researching NOW!
- Biotechnology
  - Already a staple in American Agriculture
    - However, new products are on the horizon.
      - Iron enriched rice
        - Dramatic Effect on Global scale

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