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DEVELOPMENT OF PRODUCTS WITH NUTRITION/HEALTH CLAIMS

Presentation outline

- **A short history of products with health claims and market development**
 - USA
 - EU
 - WBC

- **Main objectives**
 - To get the overview of the start, development and growth of products with nutrition/health claims
 - What were the factors and actors to facilitate this growth?

Discussion

- Starting points
- Market for food with health claims
 - Where and how the market was born?
 - Implications and problems
- An overview of food with health claims market development
- Perspectives

Starting points – food and health

- Around 2500 years ago Hippocrates first espoused the "food as medicine" philosophy.
 - Hippocrates advised against chemicals to heal the body if food could provide the same results.
- Obscurity by the end of 19th century.
- Discovery of the essential elements and vitamins, particularly in the context of deficiency diseases during the first 50 years of the 20th century.
- During the 1970s the shift in emphasis from under nutrition to over nutrition and disease.

Starting points – the analysis of health claims made on food

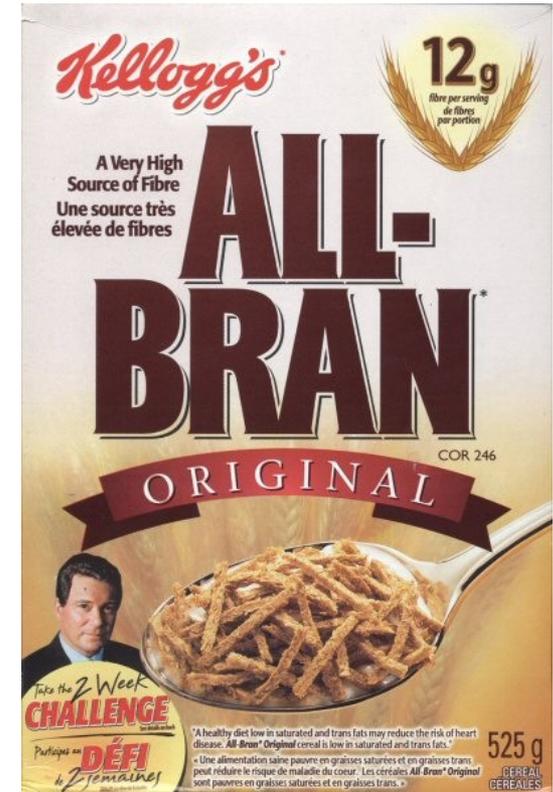
- **Health claims in food marketing are controversial**
 - Many government regulators and consumer advocates believe that such claims are bound to be misleading

A food shall be deemed to be misbranded if . . . its labeling is false or misleading in any particular . .

- **Consumer response to information on food labels**

history: Where was the market born?

- In the mid 1970s, nutrition and health research suggested a link between the consumption of fiber and the incidence of colon cancer.
- In October 1984, the Kellogg Company began advertising and labeling campaign that cited the National Cancer Institutes statements.
- This campaign was in direct violation of long-standing Food and Drug Administration (FDA) policy in the area, which essentially created a ban on health claims for food products.
- Private advertising added initial flow of information related to public health policy.
- Two periods:
 - pre-advertising period and
 - advertising period.



How was the market born?

- Health claims were prohibited both from
 - The Federal Trading Commission (FTC) and
 - The Food and Drug Administration (FDA)

It shall be unlawful for any person, partnership, or corporation to disseminate, or cause to be disseminated, any false advertisement . . . by any means, for the purpose of inducing, or which is likely to induce, directly or indirectly, the purchase in or having an effect upon commerce of food, drugs, devices, or cosmetics.¹

- Two agencies entered into the Memorandum of Understanding in 1971.
 - The FTC has primary responsibility with respect to the truth of falsity of all advertising (other than labeling) of food
 - The FDA has primary jurisdiction over all matters regulating the labeling of food.





All-Bran campaign

- Kellogg started with marketing campaign for All-Bran based on National Cancer Institute proclamations about diet and cancer:

The National Cancer Institute believes a high fiber, low fat diet may reduce your risk of some kinds of cancer. The National Cancer Institute reports some very good health news. There is growing evidence that may link a high fiber, low fat diet to lower incidence of some kinds of cancer. That's why one of their strongest recommendations is to eat high fiber foods. If you compare, you'll find Kellogg's All-Bran has nine grams of fiber per serving. No other cereal has more. So start your day with a bowl of Kellogg's All-Bran or mix it with your regular cereal.

- Campaign started with following statement
 - At last some news about cancer you can live with.



What did happen after?

- FDA: statement made on product is misleading.

It is a claim containing express support for a statement about a possible -- not certain -- way to reduce -- not eliminate -- the risks of some -- not all -- kinds of cancer.

- FTC: statement is adequately supported.

In fact, we understand that Kellogg consulted the NCI when it developed the ad and that the NCI was satisfied that the statement accurately portrayed its findings. This is, no doubt, reflected in the careful qualifications included in the text of the advertisement. Moreover, the qualifications are integrated into the claim itself . . . Thus, the ad has presented important public health recommendations in an accurate, useful and substantiated way. It informs the members of the public that there is a body of data suggesting certain relationships between cancer and diet that they may find important.

Market reaction

What were effects of departure from long-standing FDA policy on health claims?

- ❑ Other companies reported that they investigating ways to use similar diet-cancer relationship information in their advertising.
- ❑ Competitors respond (introduction of new cereals with more fiber).
- ❑ Within a year after the All-Bran campaign
 - Sales of all high-fiber ready-to-eat cereals had increased by 37%;
 - High-fiber products had increased their relative share of the total cereal market from 6.1% to 8.4%.



Kellogg continue

- ❑ Common Sense Oat Bran label emphasized the importance of soluble fibre:

Enjoy foods that are low in saturated fat and those that contain "soluble" dietary fiber (some experts believe that soluble fiber may prevent absorption of substances that are made into cholesterol in your body).

cholesterol screening.

- ❑ The public/consumers could benefit from health information from food labelling.

health claims market development

- Public health: nutrition and diseases
 - Deaths by leading reasons
 - Cardiovascular diseases and cancer
 - Are they food/diet born diseases?

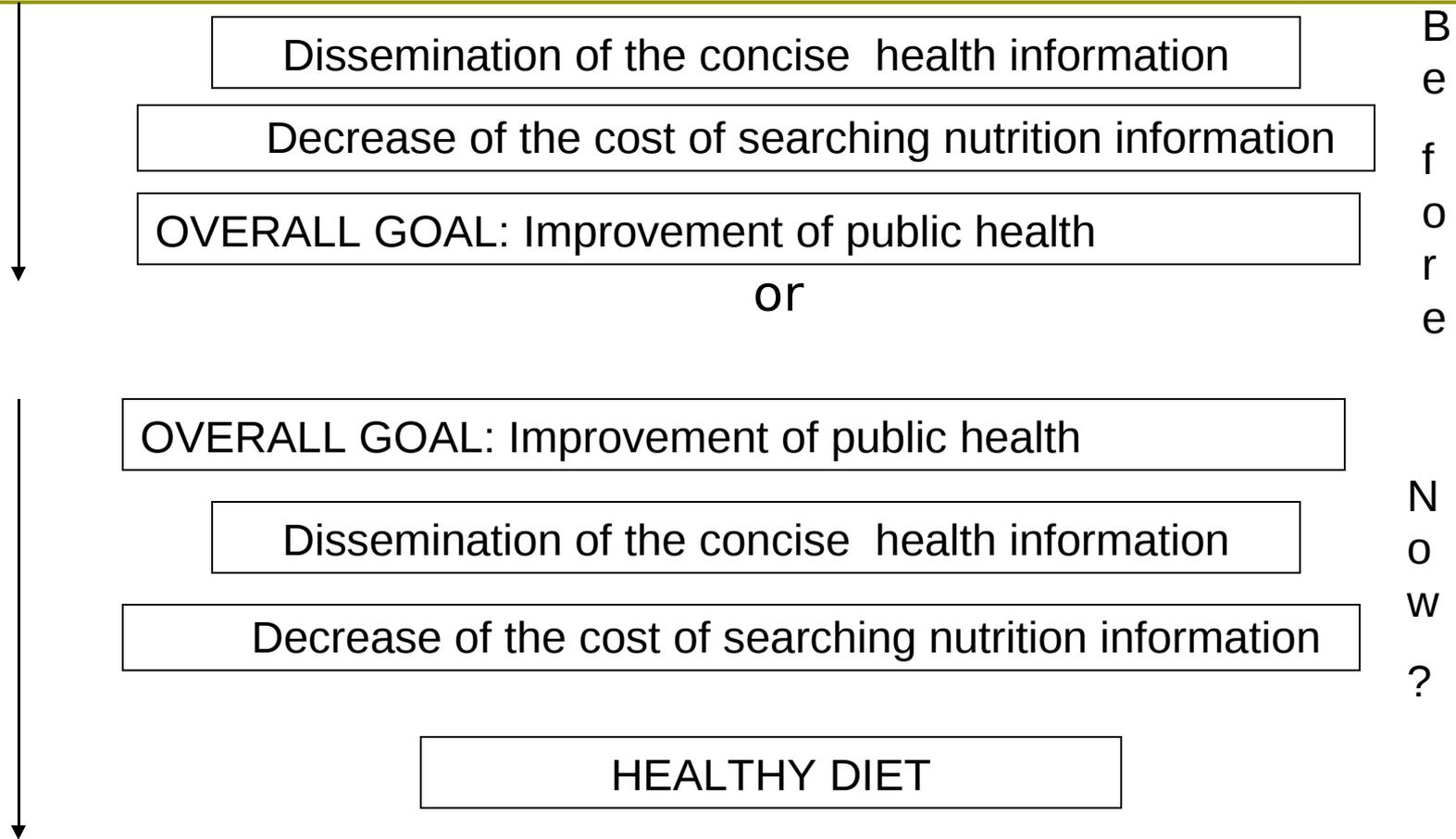
 - Public health authorities found commercial advertising of health claims to be useful supplement of public health policy.
 - Governments need to work with private sector, consumer groups, academics and research community.

- Effects:
 - First-order effects (dissemination of the health information)
 - Second-order effects (firms reaction)

Benefit: First-order effects

- Information cost components:
 - The out of pocket of purchasing information (e.g. price of book or magazine)
 - The value of time spent on
 - Searching information,
 - Absorbing information and
 - Understand information
- HEALTH related marketing messages can be
 - A Catalyst for inducing consumers to search more
 - An effective way to communicate with sub-populations not reachable by other information sources
- HEALTH CARE costs can be reduced if better informed consumers choose more healthful food.

Benefit: First-order effects



Example:

Kellogg's campaign effects

NCI and Kellogg cooperated to bring fiber-cancer information to consumers;

NCI and the Giant supermarket chain in the Washington, D.C. area cooperated to encourage consumers to reduce cancer risk by making dietary changes away from fat and toward vegetables and other fiber sources;

The director of marketing at Hoffman-LaRoche, a pharmaceutical firm, recently said that probably the single most important factor in getting consumers to understand and respond quickly to lowering their intake of saturated fat has been the advertising being done by the fats and oils manufacturers,

even

A dental researcher noted, "All this attention [to plaque reduction] is good; it creates an atmosphere where people pay more attention to oral hygiene.

Second-order effects

□ Forms

- Increasing the demand for health research
- Improvements in products quality

□ Problems

- Free rider position
- Resume of R&D activity by industry leader

All-Bran and Kellogg today



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FOOD CONSUMER SCIENCE IN THE BALKANS



SEVENTH FRAMEWORK PROGRAMME

EU

- An overview of fermented dairy products history
 - In Roman period: fermented milk products were used for treating gastrointestinal infection.
 - Metchnikoff (1907) suggested that consumption of yogurt, kefir and sour milk containing lactic acid bacteria was connected with good health and longevity.
 - Henneberg (1926) proposed production of so-called “reformed yogurt”.
 - In Germany started mass production of yogurt with lactobacillus at the end 1980`s.



TABLE : FREQUENCY OF PURCHASE FOR PARTICULAR FUNCTIONAL FOOD CATEGORIES IN DIFFERENT REGIONS

Functional product purchased regularly	Asia/Pacific	Europe	North America	Global average
	%	%	%	%
Whole grain, high-fibre products	37	38	55	40
Iodine-enhanced cooking salt	32	30	24	32
Cholesterol-reducing oils and margarines	28	27	41	31
Fruit juices with added supplements/vitamins	32	26	32	30
Yoghurts with acidophilus cultures/probiotics	30	20	22	25
Milk with added supplements/vitamins	25	12	23	19
Bread with added supplements/vitamins	24	10	25	18
Fermented drinks containing 'good' bacteria	21	14	4	17
Soy milk	27	6	10	14

Sourced from ACNielsen Functional Foods and Organics Consumer Behaviors and Attitudes survey, November 2005, available online at http://www2.acnielsen.com/reports/documents/2005_cc_functional_organics.pdf

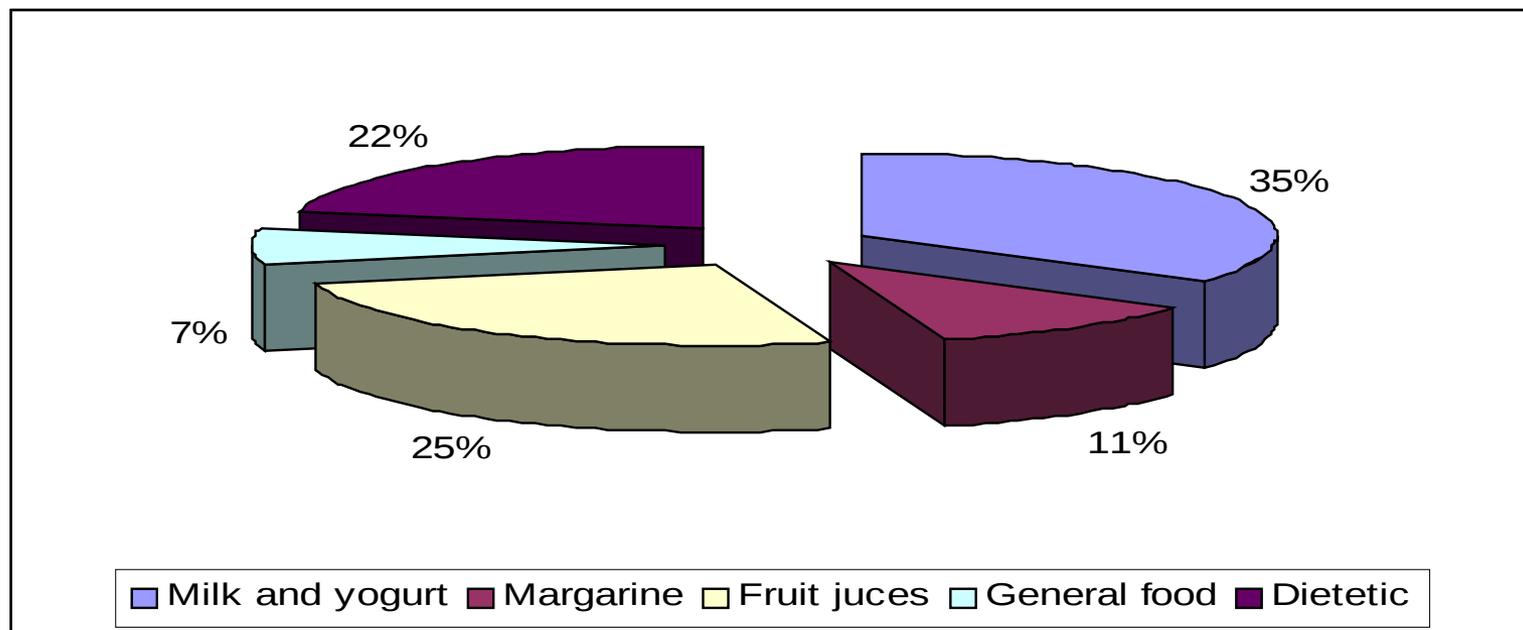


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FOOD CONSUMER SCIENCE IN THE BALKANS



WBC



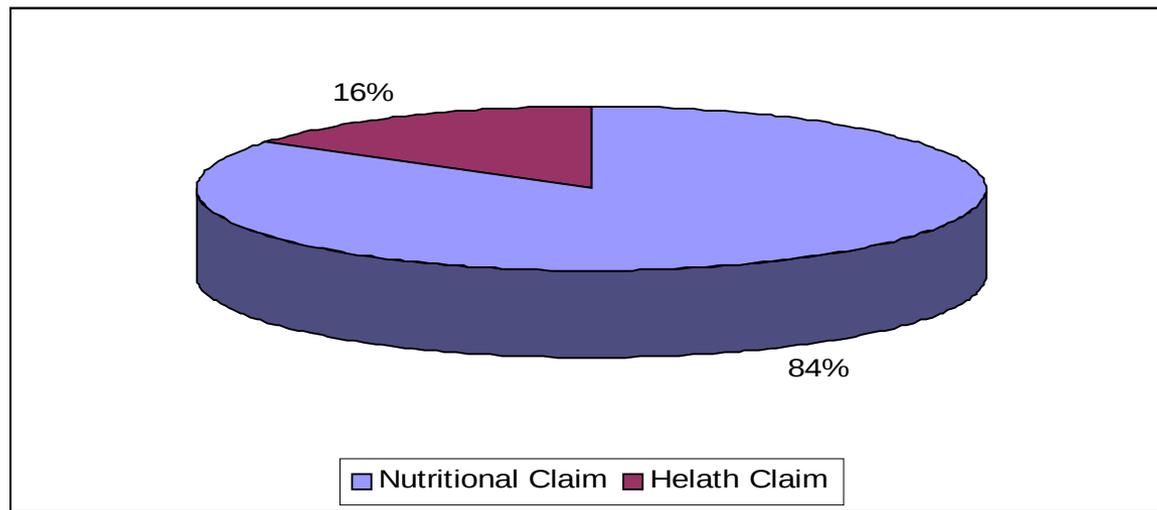
Graph 1. WBC market structure by group of products with nutritional/health claim

Copyright: Stojanovic, 2009. Focus-Balkans Project



WBC

- Food with health claims market starts during the second half of 1990`s.



Graph 2. WBC food market structure by claim

Copyright: Stojanovic, 2009. Focus-Balkans Project

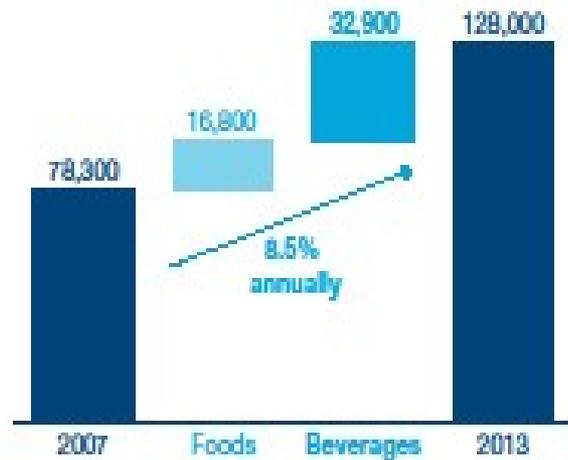


Japan

- Japanese Government started R&D projects on functionalities of food in 1984.
- An affluent component of the population
 - well-educated
 - health-conscious
 - time-poor consumers
 - earning a relatively high income
 - leading a stressful
 - yet active and healthy lifestyle
- The baby-boom generation reshaping the demand for food and nutrition / pulling the demand for the functional food products with distinct health benefits.
 - The elderly population with increased prevalence of diet-related diseases.
 - The median age in Japan is almost 43 years and by 2050, 35% of the population is expected to be over the age of 65 (Leung, 2006).
- Japan and the US - two most highly developed markets for novel food products.
- Japanese market of food with health claims legislative is most developed.
- Foods for Specified Health Use - FOSHU covers largest list of products.

Global perspectives

Figure Beverages lead global market for functional foods, growth by form, 2007-2013F (\$M)



Sources: Nutraceuticals World, BCC, Deliamonitor, Beverages World, New Nutrition Business, The Food Institute Report, Jufitaries, Foodnavigator-usa.com; Scientia Advisors

- Functional foods sales are expected to grow.
 - The world's functional food market is growing at 7% to 10% annual growth rate (Atkinson, 2007).
 - The most prosperous market is Asian.
 - **Omega-3 enriched foods** make up the strongest sector of the functional foods market in the US, and **phytosterols** of the European market.

(Source: Cognis Nutrition & Health: concepts in modern nutrition)

Conclusion

- The Economist Global survey:
 - health is the most important factor in determining personal happiness (over 75% of respondents saying it was “very important” in this context).

- Other surveys report about trends relevant on a global scale:
 - the desire for individualized nutrition
 - the need to control body weight
 - the use of foods rather than pharmaceuticals to positively influence mood and mental health.

Thanks for your attention!

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