

Functional Foods in Europe: The Health Claim Issue

Consumer Research, Market Experiences and Regulatory Aspects

WORK IN PROGRESS

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Abstract

The world market for functional foods and beverages is highly dynamic, in many ways it must be characterized as an even experimental environment. Compared to the world's largest regional market, Japan, with estimated value sales of US\$11.7 billion in 2003 (Euromonitor, 2004), and the US market, with value sales of US\$10.5 billion, the European markets are less developed, however. Hence, the 2003 values of the "big four" European markets was: UK (US\$2.6 billion), Germany (US\$2.4 billion), France (US\$1.4 billion), and Italy (US\$1.2 billion).

The fact that the European markets for functional foods generally are less developed, compared to US and Japanese markets, has often been attributed to a more restrictive respectively in-consistent health-claim legislation in and between the individual European countries. With the approval by the European Parliament of the main principles of the harmonized regulation COM/2003/0424, this situation is about to change.

This article review the regulatory aspects, the results of consumer research and the marketing strategies regarding the use of health claims for functional foods in Europe; and comment on the correspondence between consumer attitudes, marketing experiences and the new EU regulation.

1. Regulatory Aspects

Historically, companies attempting to launch a functional food in Europe have faced a host of different legislative frameworks. These regulated the approval of products, the kinds of nutrition information required on labels, and the types of functional and health claims that were allowed in connection with a product, often in a way that was highly inconsistent between the different EU member states. After a first attempt at harmonization which technically prohibits all product-related communications from attributing properties for prevention, treatment or cure of human diseases to food (European Parliament and Council of Europe, 2000), but was not consistently enforced throughout the EU, the situation is about to change again. On July 16, 2003, following a lengthy period of stakeholder consultation process, the European Commission proposed a harmonized regulation COM/2003/0424 on nutrition and health claims made on foods, including dietary supplements (Commission of the European Communities, 2003). In May 2005 The European Parliament approved the demand for nutritional documentation, which has been described as the cornerstone of the proposal.

At the time of writing, it is somewhat difficult to foresee the final wordings of the health claim legislation, not to say when and exactly how the different EU member states will implement it into national law. However, it is possible to anticipate a number of principles which must apply for the national implementations. The first principle is that of a “positive list” of allowed health claims. The current draft of the regulation contains

definitions and examples; the final list will be published by the European Commission within three years of adoption of the regulation. A distinction will be made between “established” health claims, for which scientific evidence is sufficient and uncontroversial, and “novel” health claims, for which scientific evidence is not as yet sufficient. For novel claims, individual scientific evaluation and pre-marketing approval will be required. Only claims that can be substantiated will be permitted on the EU level after an evaluation by the European Food Safety Authority.

The second principle is that certain types of health claims will not be permitted in product-related communications at all. This concerns all health claims that are not clear, not accurate and meaningful, or cannot be scientifically substantiated. Also, certain types of foods will be excluded altogether from the possibility of making health claims in connection with them, based on their nutritional profiles. The European Commission will publish a list of such foods within 18 months of adoption of the regulation. Candy, and beverages with alcohol content above 1.2% are already included in the list; certain types of energy-dense foods are likely to follow.

The upcoming legislation poses a number of challenges to marketers of functional foods. On the opportunities side, the legislation will substantially reduce the uncertainty faced by producers who in the past often saw themselves at the mercy of a convoluted variety of national regulators with policies ranging from the most laissez-faire to the strictest command-and-control. On the problems side, the upcoming regulation will constrain the positioning strategies that are possible for functional foods. To sum up: What will be

allowed in the future are health claims of the narrow, scientific, evidence-based type that, whereas holistic health claims and positioning in terms of general well-being, will not be possible any more. The later is a serious challenge to the current practices and experiences of the marketing strategies for functional foods in Europe.

2. Marketing Practice and Experience

Since functional foods first became a buzzword in the 1990s, feverish activity has ensued on all levels of both the food chain and the pharmaceuticals supply chain (Brännback, De Heer & Wiklund, 2002; Menrad, 2003).

Analyses of past successes and failures of functional foods suggest, however that the most important factor is the ability to develop and market a high-quality food product. This is the reason why pharmaceuticals companies generally failed to gain a foothold in the functional foods market (Euromonitor, 2004; Menrad, 2003). See also: (Van Cleef, Van Trijp, Luning & Jongen, 2002).

Specifically, a lack of competencies in the optimization of sensory properties of foods, a lack of negotiation power in securing retail distribution for the products, and a lack of experience with attractive pricing and packaging of foods have been made responsible for the failure of high-profile launches such as the Novartis' Aviva range (Euromonitor, 2004; Menrad, 2003).

The second factor in product success or failure has been the use of creative and alternative media strategies, to surpass the health-claim legislation in the most restrictive

EU-member states, eg.: Denmark and (to a smaller extent) Sweden. Hence the successful launches of Gaio yoghurt in Denmark and Proviva Fruit-soup in Sweden has been strongly influenced by a strategic combination of mass media advertising conveying holistic well-being appeals and press releases luring national media journalists into reporting more specific health claim information, which could not have been legally conveyed by advertising (Bech-Larsen et.al., 2005).

The third factor concerns the positioning of products. Analyses of past launches of functional foods suggest that only those products managed to survive that had sufficient mass-market appeal. These were mainly products for which communications created a holistic health image (e.g., Danone's Actimel), often in a positive framing such as promotion of general well-being and the prolongation of youth. Products with highly specific functional or health claims, appealing only to small market niches, tended to fail (Euromonitor, 2004), particularly when communications used a negative or too scientific framing such as the prevention of specific diseases. It may seem paradoxical that, the more "evidence-based" a functional claim is, the less likely it is to appeal to the consumer market. However, qualitative research suggests that consumers do not generally have the necessary background knowledge to evaluate specific functional claims and relate them to their personal health unless they, or a person very close to them, have been diagnosed with the disease or nutrition problem in question (Hagemann & Scholderer, 2004; Holm, Brombach, Jansson & Murcott, submitted; also see Verbeke, in press).

3. Consumer Research on Health Claims

Although consumer acceptance has regularly been identified as the decisive factor in the successful marketing of functional foods, surprisingly little research has actually been conducted on this. Up until now, no more than ten articles have been published in peer-reviewed journals that empirically investigated European consumers' acceptance of functional foods. This "quality" research is complemented by a substantially larger amount of "grey" literature and an even higher number of opinion pieces and overview articles that in one or another way refer to consumer acceptance, but do not actually report original data (for reviews, see Frewer, Scholderer & Lambert, 2003; Menrad, 2003).

A central concept in much of this research is the general health orientation of consumers. As already found in studies of US consumers (e.g., Gilbert, 2000), general health orientation varies systematically as a function of age and gender. Women tend to be slightly more health-oriented than men, and middle-aged and elderly consumers tend to be substantially more health-oriented than younger consumers, which is usually mirrored by similar patterns in awareness of functional foods and intentions to buy functional foods (Bech-Larsen & Grunert, 2003; Poulsen, 1999; Urala & Lähteenmäki, in press; Verbeke, in press). Multivariate analyses suggest that the reason behind women's higher awareness of health issues is the heightened responsibility they feel for the well-being of other

family members (related to the still dominant role of women as the main purchasers of foods in a household), and that middle-aged and elderly consumers are more aware of health issues simply because they, or members of their immediate social environment, are much more likely to be diagnosed with a lifestyle-related disease than are younger consumers (Verbeke, in press), a situation which helps overcome the phenomenon known as “optimistic bias” in the health behavior literature, that is, people’s general tendency to see only others at risk from lifestyle diseases, but not themselves (Frewer, Scholderer & Lambert, 2003).

A second finding is that functional ingredients with a well-established and broadly appealing health image are much more likely to be accepted by consumers than functional ingredients which are unfamiliar or appeal only to consumers with rather advanced medical or nutrition knowledge (Bech-Larsen & Grunert, 2003; Menrad, 2003; Poulsen, 1999; Urala & Lähteenmäki, in press). Hence, it is much easier to gain consumer acceptance for a functional food that is enriched with compounds that are well-known for their health benefits (such as calcium, Vitamin C, or omega-3 PUFAs) than it is for compounds that are practically unknown to the general public (such as selenium or xylitol).

A third finding is that consumers do not always perceive a “match” in functional foods between the carrier food and the functional ingredient it is enriched with (Bech-Larsen & Grunert, 2003; Urala & Lähteenmäki, 2003; Urala & Lähteenmäki, in press). The main reason behind this is that consumers expect off-flavors in foods when they are enriched

with ingredients that prompt a sensory expectation which is incompatible with the carrier food (e.g., when a fruit yoghurt is enriched with omega-3 PUFAs extracted from fish oil; Bech-Larsen & Grunert, 2003; Luckow & Delahunty, 2004a; Luckow & Delahunty, 2004b; Tuorila & Cardello, 2002). This adds to the general observation that only very few consumers are willing to buy functional foods which are inferior in taste to their non-functional counterparts (e.g., Euromonitor, 2004; Menrad, 2002; Urala & Lähteenmäki, in press; Verbeke, in press). As a rule, consumers seem to evaluate functional foods first and foremost as foods. Functional benefits may provide added value to consumers but cannot outweigh the sensory properties of foods.

4. Marketing Implications of EU-legislation and Consumer Attitudes

From the product market experiences and consumer research reviewed above, it becomes clear that the successful marketing of functional foods requires skills and resources that go far beyond the capabilities of many companies attempting to enter the market. The review also reveals that the upcoming EU-legislation that is focusing on specific health claims, which can be scientifically proved and at the same time outlawing claims of the holistic-well being types, are at stakes with current marketing practices as well as consumer preferences.

If claims as those which will be allowed in the new EU-legislation are to be developed into an effective tool for the marketing of functional foods, extensive groundwork will be required. Health education activities will be necessary that can provide consumers with the background knowledge which they need in order to evaluate the relevance of a specific claim for their personal health. Such activities require enormous resources and may yield effects only after considerable amounts of time; hence, joint efforts by several actors in the food chain and public health administrations will be needed in order to reach a critical mass.

As regards the strategic use of a combination of advertising and other promotional tools and media (the third factor determining past success and failure for functional foods) it is likely that picture will turn upside down. Hence the positioning in terms of holistic well-being claims that was so successful in the past, but to be forbidden in product-related

communications in the future is not likely to disappear. It can be expected that such claims will be communicated more or less exclusively through other channels, utilizing means which are classically associated with public relations and generic promotion activities rather than product advertising.

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Figure Captions