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## Next Foods unveils 'Active Daily Nutrition'

by Julian Mellentin

Only a handful of food industry executives can lay claim to having created a totally new category: the members of this elite club include Dietrich Mateschitz, the founder of Red Bull; the Danone executives behind mega-brands such as Actimel and Activia; and Steve Demos, the man who invented the soy milk category in America.

Even fewer people can lay claim to having created two categories. But with the launch of America's first probiotic fruit juice, branded Verb: GoodBelly, Demos is aiming to make an even bigger impact on the US food industry.

The vehicle for this ambition is Next Foods, Demos' newest venture which is based in Boulder, Colorado, a small city which has for 30 years been a hub of health innovation in the US.

Next Foods' launch of GoodBelly isn't "just another product launch". It is likely to be the single-biggest development in functional foods this year in the US, challenging many people's business models. The brand's progress will be watched closely in Europe and elsewhere for a number of reasons:

- GoodBelly represents the first attempt to transfer to the North American market the ProViva probiotic juice concept which

has proven so massively successful in Sweden (see the October 2007 *New Nutrition Business* for full coverage).

- It creates a new category within what is the fastest-developing market for probiotic foods in the world.
- It is masterminded by an entrepreneur who has successfully created a new and innovative category and who has demonstrated both strategic vision and execution skills at a level that is extremely rare in the food and beverage industry.
- The company is led by a team of executives who have already shown their worth in the years they served under

Demos in the Silk soy milk business and who are deploying a business model that has proven successful for over 20 years.

"It's the same team that built Silk," Demos explained to *NMB*. This fact augurs well for GoodBelly's future: Silk is the brand that created the now billion-dollar US soy milk market and is now the world's biggest organic food brand.

"Many of my original VPs left after we sold that business. The Next Foods team are the people who were their direct reports at Silk. The original team are back as the board members of Next Foods and they're mentoring the people who are now the VPs.

It's an experienced team and with GoodBelly we can apply quickly the lessons that it took us 20 years to learn with Silk and get the brand into the mainstream in a lot less time than it took us with Silk."



### INSIDE GOODBELLY

GoodBelly is a 30% juice fruit drink based on two probiotic cultures, *L. plantarum 299v* and *Bifidobacterium lactis*. Each 80ml bottle delivers a guaranteed 20 billion active cultures of the two bacteria. The following claims

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# Raisio launches oat-based snack drink

by Kati Leskinen

The Finnish feed, food and ingredients giant Raisio is moving into new territory with its food division's latest launch, Elovena Välipalajuoma (Oat-Berry Snack Drink). An extension of the venerable Elovena oat-based cereal brand, the new beverage is a milk-free blend of oats, raspberries and blueberries. Each 250ml smoothie contains 11g or 44% of the RDI for fibre.

While oats have a long history in the diet of Finns, oatmeal can hardly be described as the ideal snack – even in instant versions, it lacks convenience and has lost most of its attraction among young consumers. Eager to breathe life into a stale commodity, Raisio set about developing an oat-based “drinkable fibre-rich snack” to move oats beyond the breakfast cereal category into the more lucrative on-the-go category.

Raisio is marketing the drink with a tagline that translates into English as: *The new drinkable snack full of pure power*. Significantly, the product is positioned on a snacking platform, rather than a functional one.

“We didn't want to over-functionalise the product,” Raisio's marketing director Johanna Siltala told *New Nutrition Business*.

## INGREDIENTS & NUTRITION FACTS FOR ELOVENA VÄLIPALAJUOMA (OAT-BERRY SMOOTHIE)

Water, oat flakes (10%), sugar, fibre (polydextrose), raspberries, blueberries, stabiliser (pectin).

### Per 100G:

Energy	200kJ (50 kcal)
Protein	0.7g
Carbohydrates	10g
– sugars	8.3g
– lactose	–
Fat	0.5g
Cholesterol	–
Fibre	4.2g
Salt	0.01g

“The new product is, first and foremost, a tasty and convenient snack. However, the roots of Elovena are in oatmeal, and the brand name carries a strong health heritage.”

But Elovena's history as the country's best-selling porridge brand creates challenges too, especially as most consumers do not consider the idea of drinkable oatmeal as particularly attractive. Raisio has anticipated this reaction by advertising Elovena Välipalajuoma with a slogan that translates as *Smooth as Silk* – thereby hoping to banish oatmeal's reputation for lumpiness from consumers' minds.

Elovena Välipalajuoma began appearing in the chiller cabinets of most Finnish supermarket chains in January and retails for around €1.50 (\$2.30). According to the company, consumers have latched onto the “drinkable snack” concept. “The launch has outperformed our expectations,” Siltala reports. “In less than three months we have sold over 600,000 units.”

What makes the product different from other oat-based beverages on the Finnish market is its firm mass-market positioning. “Elovena Välipalajuoma is marketed for the masses, not for a niche,” explains Siltala.

The results of Raisio's consumer testing confirmed that their attempts to redefine the way Finns think of oatmeal were working: “We did extensive taste tests prior to the launch. The consumer feedback has been positive all the way,” Siltala told *NNB*.

To create maximum interest in such a novel product, Raisio is making full use of all



the usual media. In addition to TV and print campaigns, the company used an online promotion which attracted 120,000 visitors to the brand's website ([www.Elovena.fi](http://www.Elovena.fi)). Raisio has also stepped up its usual amount of product sampling and in-store promotions to encourage trial.

According to Siltala, the Elovena Välipalajuoma brand extension is strategically important to Raisio; the company believes it has great potential. “New flavours and product formats are already in the pipeline,” she divulged.

Raisio's new oat-berry snack drink is the latest extension of the Elovena brand of oat-based products which first appeared in 1926. The brand's imagery, especially the

“Elovena girl”, is universally recognised in Finland and the brand is estimated to be the seventh most valuable in the country in 2007 by the market researcher Interbrand.

In 1999 Raisio introduced Elovena Plus – fibre-enriched oat flakes to combat cholesterol – and two years later Elovena instant oatmeal was launched. Last year, single-wrapped 30g oat-based fibre-rich cookies joined the Elovena range, which promise *long-lasting energy*.

Last year Raisio effected a dramatic turnaround in its financial performance. By consolidating its activities, restructuring licensing agreements and entering new markets with new products, the company turned a 2006 loss of €28.1 million (\$43.3million) into a €10.6 million (\$16.3 million) profit on revenue of €421.9 million (\$650.2 million), up from €402.6 million (\$620.4 million) the year before.

Continued from front page

appear prominently on the label:

*Promotes Digestive Health & Immunity*

*Contains clinically tested live and active cultures*

The strain *L. plantarum 299v* is one of the world's most-researched strains of probiotic bacteria and Next Foods licenses use of the culture from Probi AB, a science company based in the university city of Lund, in southern Sweden. Probi's logo appears discreetly on the packaging of GoodBelly.

The same *L. plantarum 299v* culture is the active ingredient in the ProViva probiotic juice brand, which has been on the market in Sweden since 1994, where it is a mass-market success story.

ProViva was the direct inspiration for GoodBelly, says Demos, and the closeness of the relationship with ProViva's manufacturers is shown by the fact that the GoodBelly label reads "Made in Sweden" and the packaging is exactly the same daily dose pack used on the Swedish market. Next Foods has plans to start production in the US very soon.

In addition to the two probiotic strains, GoodBelly communicates that it is:

- fat-free
- delivers only 50 calories per 80ml bottle
- free from dairy, soy and wheat
- fortified with 100% of the daily value of 10 vitamins and 50% of the daily value of five minerals.

The product has been launched in three flavours: Blueberry-Açaí; Strawberry-Rosehip; and Peach-Mango. The flavours were chosen, the company says, based on the most popular fruits in the US, as well as some superfruits such as rosehips and açai which US consumers are increasingly recognising for their antioxidant properties.

In line with Demos' strong belief in the value of organic agriculture and the importance of sustainability, most of the ingredients in GoodBelly are organic – although the organic message is nowhere made overt and the consumer would have to read the ingredient list to find that out.

The primary target consumers for GoodBelly are described by Next Foods as shoppers who are looking for an effective probiotic with taste – early adopters who have already tried probiotics but are searching for a scientifically valid form that will meet their needs and taste good.

Demos sees the main interest coming

#### GOODBELLY LABEL MESSAGES



The inside of the wrapper of the GoodBelly containers reads:

#### **GOOD FOR THE BELLY:**

*What makes each 2.7oz vitamin shot so belly-tickling good for you?  
20 billion gut-friendly Lactobacillus plantarum 299v live cultures.  
Lp299v for short (you can call them "good guy bugs") along with  
Bifidobacterium lactis, supports digestive and immune health.*

*Search the internet for Lp299v to view results of clinical studies on Irritable Bowel Syndrome (IBS). IBS is one of the most frequently diagnosed disorders among Americans. Learn more at [www.verb-goodbelly.com](http://www.verb-goodbelly.com)*

#### **AND A STRONGER IMMUNE SYSTEM:**

*Did you know that 70% of your immune system is located in your digestive tract? It's your body's first defense, and Lp299v is a proven way to support your immune system because it coaxes your natural immune responses while displacing harmful bacteria.*

#### **PLUS VITAMINS AT THEIR PEAK:**

*Yep. We got 'em. Daily requirements for A, B's, C, E, K and a whole lot more vitamins. Plus calcium and other important minerals in every serving.*

*Take Control of Your Health **Verb:** is Active Daily Nutrition*

#### **GoodBelly**

#### **Each shot...**

- Contains 20 billion of the active probiotics Lp299v and Bifidobacterium lactis
- Can help restore balanced digestive health
- Supports a stronger immune system
- Provides 100% of the daily requirements of 11 essential vitamins and minerals and is a good source of calcium

**Guaranteed.** *Try GoodBelly for 21 days. If you don't feel its benefits, we'll refund all your money – we're that confident in our product.*

#### **THE BOTTOM LINE:**

*Our squeaky clean ingredient list says it all. We're committed to helping you take control of your health by offering the good things your body needs to thrive in a once-a-day fruit drink.*

## EUROPEAN HEALTH CLAIMS IN PIPELINE FOR THE PROBIOTICS IN PROVIVA & GOODBELLY

Last summer associations representing the European food and drinks industry, in conjunction with the industry bodies for manufacturers of health products and dietary supplements, presented a joint proposal for a “positive list” of structure-function health claims (see the October 2007 *New Nutrition Business* for full coverage). Each of the probiotic strains included in ProViva, and now GoodBelly, were the subject of proposed claims in the positive list, which are reproduced below. They will not however be officially adopted by the European Commission until 2010.

Food or Food component	Health Relationship	Conditions of use (if any)	Nature of evidence	Example of wording
<i>Lactobacillus plantarum</i> 299v	Digestive system	at least 20x10 <sup>9</sup> cfu/day	Authoritative body Individual human studies Animal and in vitro studies (supporting)	-reduces flatulence/bloating.
<i>Bifidobacterium lactis</i> HNO19 AGAL NM97/09513	Natural defence/ immune system	at least 10 <sup>9</sup> cfu/day	Individual studies (human intervention animal studies and in vitro studies) review articles	-helps to strengthen your body's natural defences; -helps to strengthen the natural defenses of elderly; -contributes to enhance your body's resistance; -helps to positively influence a healthy immune system.

from more mature consumers. “A 50 year-old is interested in something that will help their digestion – it’s a problem that naturally affects more people as they age. Talk to a 21-year-old about improving their digestive health and they won’t understand what you’re talking about.”

GoodBelly is directly challenging dairy probiotics, such as Danone’s DanActive, which saw sales jump to over \$62 million (€40 million) in 2007 (see illustration below).

“Why not?” Demos says. “This is a product with excellent science and it tastes

good. Not everyone likes the taste of dairy, some people have some digestive issues with dairy. Americans have very low consumption of yoghurt and other dairy products compared to some European countries. GoodBelly provides an alternative.”

“And,” adds Demos, “it’s a beverage. The future isn’t in things you eat with spoons. They’re just not convenient enough. Beverages provide the convenience that people want – and I think beverages of all kinds are the future.”

### THE NEW ‘APPLE A DAY’

With the mainstream, mass-market consumer clearly identified as the target for GoodBelly, every effort has been made to widen the brand’s appeal as much as possible.

Mary Adams, Next Foods’ VP of marketing for GoodBelly who formerly

performed the same role for the Silk brand, says GoodBelly is positioned differently from other probiotics. “We see it as the ‘new apple a day’”, she told *NMB*, “meaning that one daily shot is all a person needs each morning to get enough probiotic cultures and a basic daily multi-vitamin to have the benefit of digestive health, immunity, key minerals and 100% DV of 10 essential vitamins”.

She adds: “Americans are so convenience-oriented, that we wanted to eliminate an extra step in their daily routine and consolidate probiotics, vitamins and minerals. By having one daily dose that will help support system health, we’ve made GoodBelly not only convenient, but cost-effective for American consumers who resist taking multiple pills throughout the day to get the same benefit they can now get in one daily shot of GoodBelly.”



Launched in Sweden in 1994, where it is marketed by Skåne Dairy, a small regional dairy company, ProViva was the world’s first probiotic fruit juice. It has grown to be a mass-market success in Sweden, with 2007 sales of €59 million (\$81 million) in a country of just 9.1 million people. To put that in context, a brand in the US with a similar level of penetration would be worth \$2.5 billion (€1.6 billion).

**PROBIOTIC + VITAMINS**  
**GoodBelly**  
Promotes Digestive Health & Immunity

## Move Over Dairy, GoodBelly Fruit Drink Is Here!

Introducing GoodBelly, the **first** daily probiotic and vitamin fruit drink that’s Vegan friendly, and **dairy, soy and wheat free.**



GoodBelly promotes digestive health and helps bolster the body's natural immunity. It is formulated with vital minerals and 100% Daily Value of 10 essential vitamins. GoodBelly's 20 billion live and active cultures make it the ideal fruit drink because its patented *Lp299v* probiotic does double duty by promoting **digestive health** and **immunity**. Google *Lp299v* for more information on GoodBelly's patented and clinically tested probiotic.



## Dare To Compare

Next Foods’ literature for GoodBelly includes a comparison of the plant-based probiotic juice with Dannon’s probiotic yoghurt-based daily dose drink, DanActive. According to their Nutrition Facts panels, an 80ml serving of GoodBelly contains twice the amount of live and active cultures (20 billion) as a 100ml serving of DanActive, as well as less fat (0g vs. 1.5g) and sugar (9g vs. 17g).

## DISTRIBUTION, AS EVER, IS THE KEY

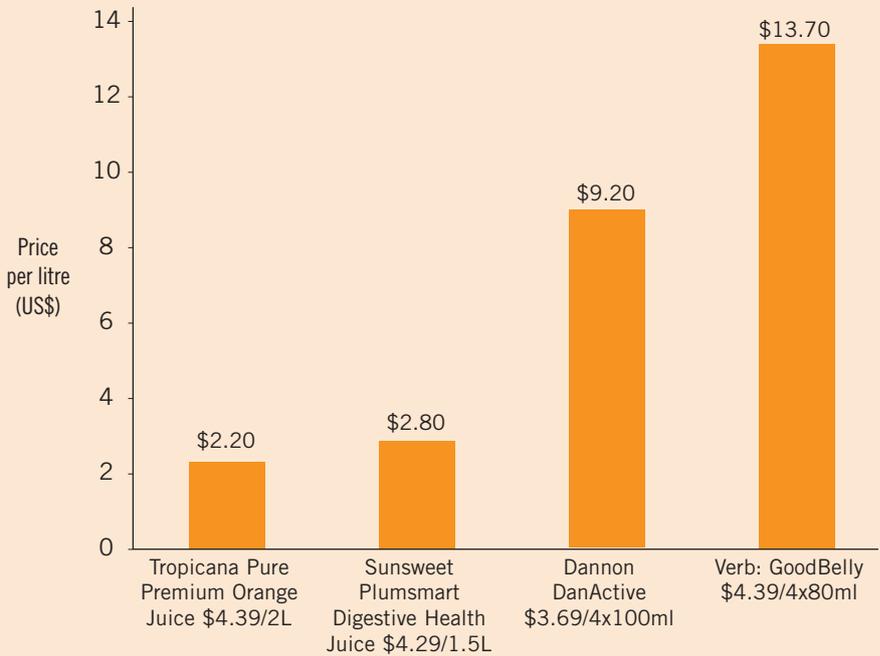
GoodBelly debuted in the Whole Foods Market natural products superstore chain in January and initial sales are said to have exceeded expectations.

“Whole Foods Market saw GoodBelly at Natural Products Expo East [last year] and immediately knew that it fit their customer, their culture and that it was on the cutting trend of probiotics in a different formulation, appealing to a broader audience with its fruit juice form,” explains Adams. “We are currently in Whole Foods Market and Wild Oats nationally. While these stores are in the natural foods channel, they are also becoming mainstream in that many shoppers consider them their primary source for gourmet foods.”

The brand started its national roll-out in early March at the Natural Products Expo West trade show at Anaheim, in southern California.

“Getting distribution is key,” explains Demos. “There’s no point launching a mass-marketing campaign until the product is in distribution. That’s a big commitment – it can cost you \$8 million [€5 million] just to get national distribution with supermarkets

## COMPARISON OF PER-LITRE RETAIL PRICES OF GOODBELLY & DANACTIVE WITH NON-PROBIOTIC BEVERAGES



Source: Supermarket price check in a San Diego Albertsons

## NUTRITION FACTS FOR VERB: GOODBELLY

Serving Size 1 Bottle (2.7oz) 80ml	
Serving Per Package 4	
<b>Live and Active Cultures 20 Billion</b>	
<b>Amount Per Serving</b>	
<b>Calories 50</b>	Calories from Fat 0
<b>% Daily Value*</b>	
<b>Total Fat 0g</b>	<b>0%</b>
Saturated Fat 0g	0%
Trans Fat 0g	
<b>Cholesterol 0g</b>	<b>0%</b>
<b>Sodium 10mg</b>	<b>0%</b>
<b>Potassium 40mg</b>	<b>1%</b>
<b>Total Carb. 13g</b>	<b>4%</b>
Dietary Fiber <1g	2%
Sugars 9g	
<b>Proteins &lt;1g</b>	<b>0%</b>
Vitamin A 20%	Vitamin C 100%
Calcium 10%	Iron 0%
Vitamin D <sub>2</sub> 10%	Vitamin E 100%
Vitamin K, 100%	Thiamin 100%
Riboflavin 100%	Vitamin B <sub>6</sub> 100%
Folate 100%	Vitamin B <sub>12</sub> 100%
Biotin 100%	Zinc 50%
Selenium 50%	Manganese 50%
Chromium 50%	Molybdenum 50%
Pantothenic Acid 100%	

\* Percent Daily Values are based on a 2,000 calorie diet. Your Daily Values may be higher or lower depending on your calorie needs:

in America. But we need the product there first so when we promote it people can find it. And the level of retailer interest in a product that’s so unique and is coming from a bunch of people who’ve delivered success before is very high. We signed up six national supermarket chains at Expo West.”

Demos added that the distribution partnerships developed over the years with the Silk brand have proven invaluable in rapidly rolling out GoodBelly.

A marketing push for GoodBelly is therefore waiting in the wings while distribution builds. Sampling, says Demos, will be an important part of brand-building.

Adds Adam: “In addition to sampling at all Whole Foods/Wild Oats Markets nationally, we are running a test market to test various media, levels of couponing, events and other marketing programmes. The results of that test will determine what tactics we will use to launch GoodBelly.”

One of those tactics may be campaigns similar to those now widely used for probiotic products which invite the consumer to eat the product for a set period of time and get their money back if they don’t feel a difference – the so-called consumer challenge. Such a money-back guarantee already appears on the packaging and information leaflets for GoodBelly.

## THE PREMIUM POWER OF PROBIOTICS

GoodBelly currently retails in a pack of four 80ml (2.7oz) daily dose containers at a recommended price of \$4.39 (€2.85) per pack. By comparison, in the supermarket chain Albertsons a 4-pack of Dannon DanActive – the largest daily dose probiotic brand on the US market – which is packaged in 100ml bottles, costs \$3.69 (€2.39).

Given the much higher cost of GoodBelly’s raw materials – juice is a much more expensive ingredient than dairy – on a price-per-litre basis GoodBelly is inevitably more expensive.

As the Chart shows, on a per-litre basis GoodBelly costs around \$13.70 a litre, representing more than a 30% premium over 4-packs of DanActive, which come in at around \$9.20 per litre. Compared to “regular”, non-probiotic juice sold in standard cartons the premium is, of course, huge. The per-litre price of Tropicana Pure Premium Orange Juice at Albertsons is around \$2.20, less than one-sixth of the GoodBelly figure.

A quart (1-litre) pack of GoodBelly is planned to come onto the market soon.

For more on GoodBelly see Editorial on page 8.

# EFSA takes wind out of Southampton study's sails

by Paul Vincent

In the October 2007 *New Nutrition Business* we analysed the storm of media interest generated by the results of a study carried out by researchers at Southampton University which suggested that consumption of mixes of certain artificial food colours together with the preservative sodium benzoate could be linked to an adverse effect on children's behaviour.

The study had been commissioned by the UK's food regulator – the Food Standards Agency (FSA) – and its findings caused the FSA to revise its advice on additives to parents of hyperactive children. That advice currently states that eliminating certain artificial food colours from their kids' diets might have some beneficial effects on behaviour.

Following the publication of the results of what became known as the Southampton study, and at the request of the European Commission, the European Food Safety Authority's (EFSA) Panel on Food Additives, Flavourings, Processing Aids and Food Contact Materials (AFC) assessed the study's findings, taking into account other available scientific literature in the related area.

The Southampton study concluded that exposure to two mixtures of four synthetic colours plus a sodium benzoate preservative in the diet results in increased hyperactivity in 3-year-old and 8- to 9-year-old children in the general population.

In March the EFSA released the AFC's assessment, which states:

"The Panel considers that the steps taken for score normalisation and aggregation are mathematical transformations that might affect the assumptions of normality and independence of the data which are essential for the whole statistical analysis. Therefore, the authors' primary analysis was repeated using a more justifiable and conventional statistical model, and this was supplemented by a set of additional analyses with the aim of aiding the interpretation of the results.

"The Panel considers the re-analysis undertaken by EFSA, in which all single variables (minus the individual baseline value for that variable) were considered without normalisation, so that each subject served as

its own reference, as the most adequate. This re-analysis was undertaken both at the level of the individual parameters as well as on the aggregated scores."

What this essentially boils down to is that the EFSA's more rigorous results analysis, while it generated broadly similar conclusions to the Southampton study, nevertheless established that:

- (1) The Mix A [which contained Tartrazine (E102), Ponceau 4R (E124), Sunset Yellow FCF (E110), Carmoisine (E122) and sodium benzoate] versus placebo comparison was not statistically significant for the 3-year olds when all subjects were included (entire sample), while the significance for the  $\geq 85\%$  consumption and complete case groups was increased slightly and;

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The EFSA's conclusion should  
not come as a surprise.

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- (2) For the 8- to 9-year age group, the Mix A versus placebo comparison was no longer statistically significant in any of the three consumption groups.

The Panel noted that some, but not all, earlier studies have also reported effects of food colours on child behaviour and that the majority of these studies have been conducted on children described as hyperactive or with a clinical diagnosis of ADHD. The assessment continues:

"The Panel concludes that the [Southampton] study provides limited evidence that the two different mixtures of synthetic colours and sodium benzoate tested had a small and statistically significant effect on activity and attention in some children selected from the general population, although the effects were not observed for all children in all age groups and were not

consistent for the two mixtures. The findings may thus be relevant for specific individuals within the population, showing sensitivity to food additives in general or to food colours in particular.

"However, it is not possible to assess the overall prevalence of such sensitivity in the general population and reliable data on sensitivity to individual additives are not available."

The Panel accordingly concluded that the findings of the Southampton study could not be used as a basis for altering the Acceptable Daily Intake (ADI – a measure of the amount of a substance, such as a food additive, which can be consumed over a lifetime without an appreciable health risk) of the respective food colours or sodium benzoate.

The EFSA's conclusion should not come as a surprise. As we reported last year, Dr Paul Illing, Registered Toxicologist and Fellow of the Royal Society of Chemistry, cautioned against the Southampton study's results being taken as definitive:

"Nowhere does this study show the food sources of the food additives that children may be exposed to. Thus, the important question of whether the diets containing these quantities of food additives are typical of a well-balanced diet or are skewed by the eating habits of these two age groups cannot be addressed."

It would seem that the FSA, which drew considerable flak from consumer groups for not going further with its modification of its additives advice last September, was more than justified in showing restraint.

At the time some voices of objection were calling for the additives to be banned outright, but such a ban would have to come from the European Commission, not the FSA. And, as the EFSA's assessment of the Southampton study makes transparent, there are no scientific grounds for a regulatory change based on the available evidence.

While this latest chapter in the food additives debate seems now closed, the EFSA is currently conducting a review of all food colourings, including those used in the mixtures, and it expects to publish opinions on these by the end of the year.

# ‘Disruptive innovation’ is the driver of functional food success

‘Innovation’ is possibly one of the most over-used words in the food and beverage industry, often applied to a wide range of product ideas that are little more than incremental changes to existing product concepts. A company’s quest for industry-changing innovation can involve as much toil and strife as that of the Knights of the Round Table for the Holy Grail – and is almost always as fruitless.

Back in 1995 a Harvard Business School researcher Clayton M. Christensen came up with the concept of “disruptive innovation”, a concept which can be said to have had a profound impact on the business of food and health over the last two decades.

Disruptive innovation, says Christensen, is a product that overturns the existing status quo in a market. Disruptive innovations are broadly classified into two types:

- A low-end innovation, which is aimed at mainstream consumers who were ignored by established companies.
- A new-market disruption, which targets consumers who have needs that are not being served.

It’s the second of these that’s most applicable to innovation in functional foods. New-market disruption occurs, Christensen says, when companies create new markets and it can be seen that in functional foods (or health-enhancing foods, or whatever term you prefer) it is products that create new markets that are the most enduringly successful. In particular, it is products that are completely new and unknown to the consumer, which create new categories by creating new demand that didn’t previously exist, which enjoy the greatest success.

Christensen adds that even when firms recognise the existence of a disruptive innovation they are reluctant to take advantage of it, since it would involve introducing a product competing with their existing (and often profitable) approach to the market. The resource allocation processes of existing players encourages them to allocate their efforts where they can maximise existing profits and minimise risk to the existing business – hence an innovation that could be disruptive is one they will always shy away from. As a result that leaves the field open to

new entrants to the market who can, if they are skillful enough, bury the existing players with a disruptive strategy.

## IGNORING DISRUPTIVE INNOVATION IS NOT A STRATEGY

Christensen says established players can see these changes coming but are seemingly unable to do anything about it. Yoplait in North America, for example, has been fully aware for years of the success of probiotic dairy around the world and spent considerable time mulling over whether it should launch probiotic dairy products in its home market. It did not. Then Danone arrived with Activia – and within two years it had disrupted Yoplait’s strategy, forcing Yoplait into the position of a probiotic me-too and displacing it from the No.1 slot in the US yoghurt market. We find it hard to believe that Yoplait will ever regain that position, so thorough has been the disruption to the market caused by Activia (which has soared to over \$250 million (€160 million) in retail sales in just two years).

An example of disruptive innovation at its best can be found on the front page of this issue of *New Nutrition Business*, where we report the US launch of Verb: GoodBelly, a probiotic fruit juice. GoodBelly is a brand that’s being masterminded by a team that knows all about how to disrupt the status quo.

Entrepreneur Steve Demos, whose company Next Foods is marketing GoodBelly, made his name by creating the soy milk category in the US, and growing his Silk soy milk brand into the world’s biggest organic brand. One of the many disruptive things he did was to transform soy milk from being an unappealing product on the open shelf, found only in health food stores, talking primarily to a niche of people with allergies, to a chilled product sold in a regular milk-type carton, merchandised alongside cow’s milk in most supermarkets.

Having made his fortune with one disruptive innovation, Demos believes he has fastened on another. The ProViva brand of probiotic fruit juice was a disruptive innovation when it was first launched in Sweden in 1994, offering all the benefits of probiotics and of fruit without any of the negatives of dairy. It has grown to be a mass-market brand in Sweden, with retail sales of €52 million (\$81 million) in 2007 – up 35% on 2006. Bearing in mind that Sweden has a population of just 9.1 million, were GoodBelly to achieve a similar degree of penetration in the US market it would be a \$2.5 billion (€1.6 billion) brand.

Demos figured out this opportunity for himself. He and his team had enough experience and insight to know that there is no point in anyone now launching a new probiotic dairy product. That market is



A disruptive innovation that will create a new category debuts in America.

already established and well-guarded. They chose instead to create a new category.

An article published last year in the Harvard Business Review, titled “Strategies to Crack Well-Guarded Markets”, underscores the importance of new category creation.

Successful new market entrants, say the authors Bryce and Dyer, “don’t engage in frontal attacks, because market leaders ... will stop them in their tracks with price wars, ad blitzes ... and other retaliatory tactics”. One of the examples they give is a comparison of the performance of Red Bull with Virgin Cola. The latter staged a head-on assault on the US cola market – a stronghold held by Coke and Pepsi – with ad blitzes and comparable pricing but never secured more than 1% of that market.

Red Bull, on the other hand, entered the US with a niche product, in innovative and entirely new packaging, priced at twice the price of any regular soft drink and distributed (at first) only through bars and convenience stores. The company did not use advertising blitzes, and instead relied initially on sampling. The reward for this unconventional approach was that Red Bull was able to create a new category and a loyal following from which to move into the mainstream and build a brand with over \$700 million (€520 million) in US retail sales – a 65% market share of the energy drink category – just 8 years after its



The world’s first probiotic juice. A disruptive innovation and a mass-market success, the brand is still growing at 35% per annum 14 years after it was launched.

launch. It retains the largest market share to this day.

Demos has the advantage of deploying a proven business model for a disruptive innovation – with the same team that built Silk – that will ensure that GoodBelly becomes a success, and it will become the largest probiotic juice brand, with all others who follow set to be undifferentiated me-toos.

Established juice players such as PepsiCo’s Naked and Tropicana brands and Coca-Cola’s Minute Maid and Odwalla brands will not be able to compete – because although they will have watched this innovation coming and known of its possibilities from its success in Sweden, they chose to do nothing until it was too late – just as Christensen forecast. Instead, a new company (Next Foods) is entering the market with a new brand (GoodBelly) that will disrupt the status quo and creating a new category, which it will then proceed to dominate.

In Europe the success of ProViva has been widely known for years – so the failure of any of the existing probiotic dairy players, or juice companies, to adopt this disruptive strategy is all the more striking. Now there’s an equal chance that someone new will enter the market and do so soon, with the splash GoodBelly is currently making in the US.

### DISRUPTIVE STRATEGY ALL ALONG THE SUPPLY CHAIN

While we have so far talked only about brands, it’s worth remembering that it was science and technology that made the disruptive innovation of probiotic juice a possibility.

Probi AB, the Swedish science-based company that is the supplier of the active ingredient in both GoodBelly and ProViva (the probiotic bacteria *L. plantarum 299v*) is the seedbed from which this particular disruptive innovation has sprung. Probi first isolated its bacteria, which is rare in being a non-dairy, plant-sourced probiotic, back in the early 1990s and worked in collaboration with its local Swedish partner – Skåne Dairy – to create ProViva juice. Probi has since then been working doggedly to widen and deepen the scientific research into *L. plantarum 299v* and to commercialise the concept more widely, with ProViva as the success model.

Probi’s founder, serial entrepreneur Kaj Vareman, who was interviewed by *NNB* back in 1999, understands very well the key to success that so many science-based businesses overlook – that innovation has nothing to do

with the number of patents you have; the successful commercialisation of invention is all that counts. And in a food and beverage market dominated by me-toos, the best opportunity that a science-based ingredient company can give its partners is not an ingredient that will result in an incrementally different product that looks like all the others on the shelf, but an ingredient that offers the opportunity for disruptive, new category-creating innovation.

### INNOVATION IN THE DNA

Collectively, food and beverage companies spend thousands of hours and millions of dollars on consultants in an attempt to create innovations. Such investment is largely wasted. Too often such processes produce me-toos that seem innovative to their creators but aren’t innovative in the eyes of the consumer, nor do they improve the consumers’ lifestyle, or create a new consumption occasion.

Innovation is about people. You cannot make a group of managers innovative. Innovation is in the DNA, it cannot be created by systems or imposed on people who don’t have the skills or aptitude.

Many of the great entrepreneurs of our industry are people who would have never been heard of had they stayed in



Silk was a disruptive innovation that created a new category and became the world’s biggest organic brand.

corporate life – they were mavericks who never really fitted in.

Dietrich Mateschitz, the founder of Red Bull, had the vision to create the energy drink category in the West – and let's not forget that the energy drink concept was labelled as certain to fail by supermarkets and beverage companies right up until the late 1990s. Steve Demos, having invented the soy milk category in America, has not been content to retire on his millions – with innovation in his DNA he sought out the chance to create another new category in the US.

Only a very few corporates seem to have such innovative DNA – Danone and Emmi Dairy for example. One answer to the question of how to innovate may be to hire more maverick thinkers – but that would cause most corporate managements unbearable pain. The only realistic way forward for companies who want to innovate is to be more willing to embrace risk and take more new ideas to the market, sooner. Until established companies accept that there is no choice but to embrace this reality, we will see more and more new entrants changing the status quo, creating new categories and turning established companies into spectators on the sidelines.



Steve Demos



Dietrich Mateschitz

Kaj Varemán

Innovations come not from corporate committees but from entrepreneurs who want to change the status quo and create new markets.

## NEW CATEGORY CREATION

Creating a new category based around an innovative product is very rare in the food industry. But it is one of the most successful and well-proven strategies in the global market for functional foods and it is also the strategy pursued by some of the most conspicuously successful companies of the last few decades.

New category creation depends on the development of a new type of food or drink and a new type of consumption occasion. The new product and the new consumption occasion should contribute to the identification and fostering of a new type of consumer need – one that has not been properly addressed before.

Marketers lean heavily on consumer research to tell them what consumers want and then try and match brands to those wants. But what market research tells you is only what people already know, it won't tell you what consumers don't yet know they might want.

With very few exceptions, the strategy of new category creation usually necessitates the creation of an entirely new brand – one of the riskiest things any marketer can do in their career. In fact, creating a new category is less risky than doing a me-too – the cost of building the brand will be far higher, but the chance of failure appears to be no worse and the returns can be massive.

New category creator brands provide some of the most comprehensive best-practice models. Examples of products which have created new categories and consumption occasions include:

- Yakult and probiotic fermented milk drinks for digestive health
- Actimel and probiotic drinks for immune health
- Alpro and Silk and the soy milk category
- Gatorade and sports drinks
- Up & Go and the liquid breakfast in Australasia
- Naked and Innocent smoothies
- Red Bull and the growth of the energy drink category

There are some clear advantages to a strategy grounded in new category creation:

1. New category creation is an opportunity to grab consumers' interest through the newness of your proposition.
2. If you use packaging innovation to create a new category then you are defining the direction in which many of your competitors must go and you are defining the packaging format they must adopt. You are in effect establishing your credentials as a market leader and innovator. Once the first one or two companies have established a new category everyone else is a me-too – and the strategy textbooks say that “followers” tend to perform less well than those who create and define a market. The first players in tend to carve out and hang onto the largest share. This is exactly what Red Bull achieved in energy drinks, still holding onto a 60% share twenty years after it was launched.
3. Companies can earn far higher margins than in established categories since the new category enables the creation of new price points which consumers cannot readily compare to existing brands.

There are also some disadvantages:

1. It's undeniably challenging and difficult to create new categories. The opportunities are hard to spot. The need to innovate in packaging requires an integrated product development approach such that a new product development is as dependent for its success on the packaging engineer's creativity and skill as on the food technologist's new ingredient and the marketer's communications plan.
2. Creating new categories has turned out so far to have been a long-term effort with few new brands getting into profit within five years of launch. This can be too long a timescale for short-termist financial backers and bonus-conscious senior management.

Source: Mellentin & Wennström, *The Food & Health Marketing Handbook* (2003)

# Arla Foods shakes up UK milk market

Scandinavian dairy Arla Foods is currently scoring a hit in the UK with two premium liquid milk brands aimed at very different consumers – those who can drink milk, and those who can't. In doing so Arla is proving that it's possible to make a success of liquid milk brands in a UK milk category that's long been dominated by cheap own label products. RICHARD CLARKE reports.

The first Arla brand creating a splash is Cravendale, which is marketed on the basis that it is filtered and so purer (and longer lasting) than other fresh milk. Cravendale saw its sales rise 33% to £111 million (\$222 million/€142 million) in the year to 23 February, according to supermarket sales data tracker Information Resources Inc. (IRI).

Meanwhile sister brand Lactofree, the UK's only lactose-free cow's milk, enjoyed a sales uplift of 124% to £3.7 million (\$7.4 million/€4.7 million) in the same period, and plans are now afoot to extend the brand into yoghurt and cheese.

Both brands are benefiting from intensified marketing efforts. Arla Foods is spending £10 million (\$20 million/€12.8 million) on marketing Cravendale this year, while Lactofree will benefit from a £3 million (\$6 million/€3.8 million) push.

The recent success of Cravendale – the brand is now 10 years old – has come about through increased penetration in a highly mature category, says brand manager Louise Barton. "Penetration of total milk is 98.5% of households, so we recognised the No.1 objective was to persuade more people to consider Cravendale as their choice of milk. Our marketing message has really resonated and penetration is up 19% year on year at just over 18% of households. And that also means there is still a great opportunity to convert lots more households."

The marketing message Barton refers to centres around surreal TV adverts featuring animated models of a cow, a pirate and a cyclist. Fast-paced and madcap, one shows the three protagonists on the hunt for Cravendale and getting upset when they find it's sold out at the supermarket. This prompts a frantic hunt for their favourite milk brand. In another, the trio compete in a game of musical statues for the last glass of milk in the fridge.

This campaign replaced one that featured a slogan that has entered advertising folklore in the UK: "Cravendale tastes so good the cows want it back". That campaign heightened brand recognition and awareness among consumers but they "didn't necessarily know what it meant", says Barton. "They weren't making the connection between that and the fact Cravendale was filtered and naturally purer. It was time to move on."

The new ads address this by inserting, in the context of the mini-story in each ad, the words: "Cravendale isn't just any milk. It's filtered to make it purer." Barton

admits the new campaign is "off the wall" but says taking such an unusual approach was necessary. "The penny dropped that just because we sit here and think about milk all the time, it doesn't mean consumers are doing the same. So, the challenge was to jolt people out of their apathy and make them think about milk. We needed to do something outside of people's expectations."

The adverts sign off with the Cravendale website address, [www.MilkMatters.co.uk](http://www.MilkMatters.co.uk) and the site is another key part of Arla's strategy for the brand. It contains fun stuff, but also lots of information about the nutritional value of milk, all peppered with references to Cravendale's greater purity, naturally.

"As the No.1 milk brand we wanted to assert our knowledge and expertise in a more serious way than the advertising," says Barton.

Arla will also be using the Internet to spread the Cravendale message proactively. "From a digital point of view we've changed



The above is a still taken from one of the new "off the wall" Cravendale TV ads in which animated models of a pirate, a cyclist and a cow go on a Cravendale hunt when they find it has sold out at the supermarket.

our strategy,” she explains. “We realised that people don’t really go to milk websites so we want to take our content and put it where people are.” One such initiative is a poll to find out how Brits put milk in their tea. This will be appear on internet forums dedicated to tea, of which, says Barton, there are many. The TV adverts have also been posted on YouTube, where they’ve been viewed around 200,000 times.

## LACTOFREE AUGMENTS ITS NICHE

Though much smaller than Cravendale, Arla’s other liquid milk brand, Lactofree, is making real progress in what could become a sizeable niche. Brand manager David Cherrie says that like Cravendale, Lactofree has benefited from a new TV advertising campaign – the first for the product, which was launched in February 2006.

The simple, 20-second execution shows Lactofree being poured and spilled to a moody soundtrack which closes with the following voiceover: “Lactofree. The full taste of real milk. Just without the lactose.” It aired on the ITV terrestrial channel for the first time at the beginning of January in the north of England and ran for a month, during which time volume sales rose 30% on the previous month in the region. This demonstrated to Arla that advertising the brand was worthwhile and the company will begin rolling the campaign out nationally from 7 April.

Cherrie admits the company was nervous about investing in TV advertising for such a niche product. “The brand had never been on TV before and advertising on ITV is very expensive, so there was concern in the company. We decided to do it on a regional basis to see what impact it had. It was a toe in the water, but it worked well beyond our expectations.”

Sales have also increased off the back of efforts by Arla to raise awareness and understanding of lactose intolerance. To achieve this, the company has been running advertorials in glossy women’s magazines. These include recipes using Lactofree instead of standard milk and feature case studies of people diagnosed with the condition who have developed effective coping mechanisms.

“Lactose Intolerance can affect anyone but we found that ABC1 women aged 25 to 55 were most responsive to our message,” says Cherrie. “They are simply more interested in health than other groups and receptive to health messages.”

The web is a vital tool for spreading the word about Lactofree and lactose intolerance. Just as it has done with Cravendale, Arla wants to use the brand’s website – www.LactoFree.co.uk – to educate people.

Cherrie says: “We are focusing on positioning the website as the font of all knowledge on lactose intolerance. When people type ‘lactose intolerance’ into a search engine they will be taken to the Lactofree site where they can find out everything about the condition.”

Arla will also turn the site into what it calls a “community hub” where people can exchange ideas and experiences. One example is a restaurant guide driven by user-generated content.

“One of the things people with lactose intolerance often say is that they don’t like going out to eat because they are worried restaurant staff and their friends might think they are fussy eaters,” says Cherrie.

“People will be able to upload their suggestions for restaurants that are friendly to those with the condition. There will also be a forum to discuss lactose intolerance and a case studies section so people can upload their own stories to help others.”

Targeting consumers through the medical community is also important, says Cherrie. “We have an advisory panel to help us communicate with health professionals. It includes a gastroenterologist, a pharmacist and some GPs.”

It’s vital to target sufferers early on, adds Cherrie. “When people are diagnosed as

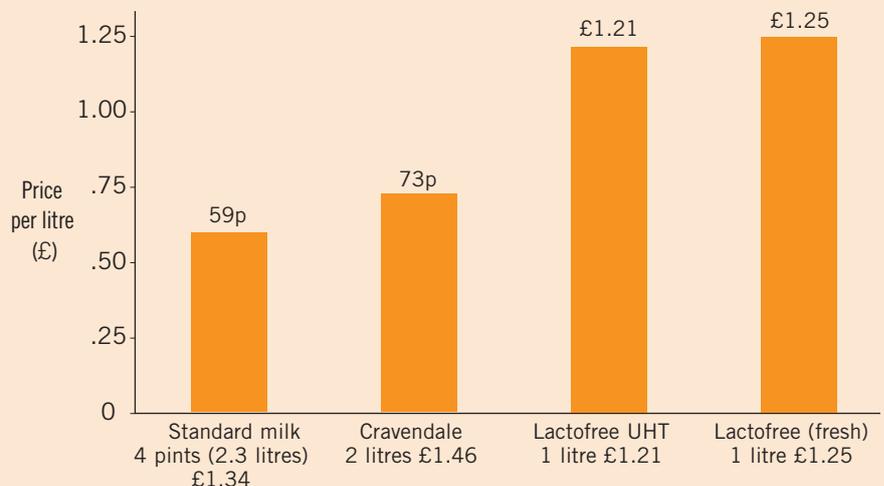
lactose intolerant it’s usually by a dietician or a doctor. If people then go down the soy milk route, it’s a big upheaval for them. For them to then give up soy milk and go down a different route, such as Lactofree would be another big upheaval, so it’s important to get people at the point of diagnosis.” Arla puts leaflets in doctors’ surgeries and uses field marketing representatives to raise awareness of Lactofree among the GPs themselves.

The total amount Arla is spending on marketing Lactofree this year – £3 million (\$6 million/\$3.8 million) – is extraordinary when you consider that the brand is currently worth only £3.7 million (\$7.4 million/€4.7 million) a year, according to IRI. But Cherrie says the company believes there is major potential in the brand.

“We are very committed to this brand. Allergies and food intolerances are becoming top-of-mind thanks to increased awareness in the media and among consumers. And there’s a big market. Estimates are that 15% of the UK’s population [around nine million people] is lactose intolerant so we are just scratching the surface.

“We also think there is an opportunity to stretch it beyond milk. At the moment we are looking at developing yoghurt and cheese so we will have a true cross-dairy brand. When we did our research we found that yoghurt and cheese were the products people missed most when they gave up dairy after being diagnosed as lactose intolerant.” Lactofree yoghurt is set for a launch as early as this summer, he concluded.

**PRICE COMPARISON OF STANDARD MILK AND ARLA'S PREMIUM BRANDS**



Source: Tesco

# Lifeway Foods spreads the kefir gospel

Lifeway Foods has made its brand of kefir – a cultured milk beverage that contains 10 probiotic cultures – palatable to enough Americans to grow to a \$39-million (€25-million) company. Now, pursuing further growth, Lifeway has begun segmenting and targeting the market demographically with niche versions of its ever-expanding line which now includes yoghurts, cheese and puddings. DALE BUSS reports.

“Our positioning is that we’re a healthy dairy company focused on probiotic products,” says Julie Smolyansky, CEO of the Illinois-based Lifeway Foods, which was founded by her father in 1986.

Lifeway’s approach has certainly worked. Last year it was ranked 94th on *Fortune’s* list of fastest-growing small businesses and is one of only 20 companies to have made that list three years in a row.

Sales grew a phenomenal 40% last year, says Smolyansky, as its product line and distribution grew, and as American consumers began embracing probiotic products in general, especially Dannon’s Activia and DanActive (see the March 2008 *New Nutrition Business* for full coverage of this phenomenon). Besides riding the wave of interest in probiotics, however, Smolyansky’s strategy has been to slice up the market and aggressively seek narrower targets as well.

This has worked swimmingly with ProBugs, an organic whole milk kefir targeted at kids which first appeared on the market in 2006 and has since grown into a \$300,000 (€190,000) product, according to Information Resources Inc. (IRI), which tracks sales in supermarkets, mass merchandisers and drug stores (excluding Wal-Mart). It comes in three

flavours: Orange Creamy Crawler, Sublime Slime Lime and Goo-Berry Pie, each sold in a 4-pack of single serving 5oz pouches with a twist-off cap.

The above sales figure vastly understates ProBugs’ overall sales, however, because natural products stores and other outlets that aren’t surveyed by IRI have been the friendliest by far to ProBugs. Smolyansky

declined to break out ProBugs’ sales but she did reveal that it is achieving “continual record sales each month”.

Smolyansky singles out ProBugs’ success as a major revelation for Lifeway. “ProBugs was the first step in creating granularity in our marketplace,” she told *NNB*.

“It has very specific messaging toward what moms need to know about the benefits of the product and making it a very child-friendly package. And when kids touch this product, they fall in love with it. It becomes

part of their life and ritual from when they wake up to when they go to sleep.”

Smolyansky sees similar potential in aiming products directly at senior consumers and women and Lifeway has such products in development.

## UNLIMITED POSSIBILITIES

The rapid acceleration of Lifeway’s sales is in part due to Paris-based Groupe Danone having held a 20% stake in the company since 1999. Access to Danone’s distribution relationships helped Lifeway’s products into the chiller cabinets of supermarkets, grocery stores, gourmet shops, delicatessens, and convenience stores across the US.

The company currently offers, in addition to its Original Kefir, 10 low-fat varieties and six non-fat varieties – all in 32oz plastic bottles. Five of the low-fat varieties are also packaged in 8oz bottles. There’s also an extensive range of organic kefir, which includes a soy-based product called SoyTreat, as well as low-carb kefirs and puddings.

Other products include drinkable yoghurts, branded LaFruta, that are marketed in America’s Hispanic communities. And the company has just introduced Kefir Wellness Bars which come in Chocolate Crisp, Sweet & Salty Peanut Kefir and Pomegranate varieties.

“The world is pretty endless for what we could do in terms of products,” Smolyansky told *NNB*. “It’s a matter of: What do we have time to do? It’s very expensive to launch a new product, and we already have a couple in the pipeline. As we continue to grow our products, both new and existing ones, we’re set for the next four years for product development. But as we see trends happen, we can still launch and tailor to them.”

Smolyansky sees huge growth potential for its Greek Style Kefir. Greek yoghurt is high in



fat, being made from whole milk and heavy cream, and has a strong taste that greatly amplifies the notes found in regular American yoghurt. It is not sugared or otherwise sweetened. Yet despite these apparent drawbacks, Greek-style yoghurt products have begun to catch on in the US market, in part because of increasing consumer interest in the Mediterranean diet.

“The whole Greek category is doing really well,” Smolyansky says. “It’s positioned as an indulgence. It really should be consumed with honey and granola, almost as a dessert. People really enjoy it that way.”

And yet, Smolyansky argues, Greek-style yogurt is consistent with a healthy diet:

“Yoghurt is not all about low-fat products. Not all fat is bad, and a little bit in moderation can actually do a lot of good, depending on where you are in your lifestyle and how active you are. After Atkins, some people have changed their opinion – now they’re saying that you’re not fat because you eat fat.

“And a lot of people who consume natural foods are simply purists – they prefer their food not to be messed with, meaning they also don’t want things taken out of it. They want to consume it as it is, naturally.”

Lifeway believes so strongly in the prospects for Greek-style yoghurt that the company recently acquired its only significant US-based rival in the industry, Helios. Helios will henceforth be positioned as a low-fat and organic brand of Greek-style yoghurt. Lifeway recently introduced a new Blueberry flavour as well as a single-serve, 8oz bottle of Helios kefir.

## SWELLING THE NUMBERS OF CLUB MED

Lifeway is trying to take maximum advantage of Americans’ growing awareness of the Mediterranean diet by tilting more of its marketing of the Greek-style product toward this position. For example, in its business-to-business marketing with chefs and foodservice operators, Lifeway makes sure its representatives point out menu possibilities

such as using Greek-style yoghurt as a dipping sauce and a raw ingredient for recipes.

At the high-profile Sundance Film Festival, Lifeway now makes Greek-style yoghurts and recipes an option in the gift packages that it provides for celebrities and other guests.

Lifeway also engages prominent celebrity chefs in marketing kefir, and samples its products at some of America’s largest music and community festivals. All of its marketing thus far has been of this grassroots kind; the company remains “far away” from doing any national television advertising, Smolyansky says.

“Not everyone even knows what kefir is yet. It still needs some help. So we focus on sampling, where people can actually try our products. We’re getting in touch with the market and the consumer and letting them taste it. It’s also an opportunity for us to interact with consumers, not just give them the product. They have to figure out and learn about kefir to really appreciate it.”

Kefir originated in Eurasia, where its digestive health benefits have been known for centuries. It is particularly good in re-establishing necessary intestinal microflora which may have been destroyed by antibiotic or other medical treatments.

For those reasons, Lifeway also has a huge devotion to the general education of American consumers about the benefits of kefir and of probiotics. It is working with Georgetown University researchers, for example, on a study of how ProBugs can combat infantile diarrhoea, the results of which are due this year.

“As more and more doctors and researchers talk about the benefits of probiotics,” Smolyansky says, “it really helps the whole category”.



## ALIGNING NUTRITIONAL GOALS WITH ENVIRONMENTAL GOALS

In April 2007 Lifeway announced that it had agreed to purchase 100% renewable energy for the electricity used in its operations.

“As a natural foods company, we have always been committed to clean, safe and healthy eating. The purchase of renewable energy can help create a clean, safe and healthy environment for Chicago’s communities,” Smolyansky said at the time. “This aligns our nutritional goals with our environmental goals, demonstrates good corporate citizenship, and shows our customers that we are dedicated to their health as well as that of the planet because the two are so closely intertwined.”

On the heels of the runaway success of its ProBugs product for kids, Lifeway is developing new versions of kefir that it could aim specifically toward women and toward elderly consumers.

It is also working on a kefir product with added omega-3s. “We’re still kind of working on what our messaging would be around the benefits,” Smolyansky says – whether they will focus, for example, on heart-healthy positioning or on brain development, the latter of which is central to Danone’s Danino line of kids’ yoghurt-based products in Canada.

Smolyansky neatly summed up Lifeway’s ongoing mission in the following way:

“We are just trying to get the word out that, as we see people who consume probiotic products two and three times a day, they have so many fewer health problems, especially gastrointestinal problems. Instead of chewing antacids, they’re naturally getting the benefits – which also include calcium and protein – from the foods they eat.”



The latest additions to the rapidly expanding Lifeway product range are probiotic snack bars with “10 Live & Active Kefir Cultures”.

# Honest Tea equips itself for serious brand-building

It's time for Honest Tea, the 10-year-old pioneer and leader of America's organic tea market, to spread its wings. After selling a 40% stake to the Coca-Cola Co. and refurbishing the tastes and brand appearance of its product line, the \$20-million (€13-million) company is preparing to improve manufacturing, broaden distribution and beef up marketing in order to meet a professed goal of \$100 million (€65 million) in annual sales during the next three years. DALE BUSS reports.

Despite the recent uplifting developments at Maryland-based Honest Tea, CEO and president Seth Goldman has his feet planted firmly on the ground. "We've got a lot of brand-building to do," he told *New Nutrition Business*. "We're also looking for new distribution channels in new parts of the country."

Coke's investment in the company is perhaps more significant than may appear at first blush. The Honest Tea stake is the first acquisition by the beverage giant's new emerging brands unit, whose aim is to incubate small brands outside of the company's traditional business model and purposefully accelerate Coke's growing diversification into non-carbonated products. One of Coke's most recent such moves was its acquisition late last year of Fuze, a line of nutrient-enhanced fruit and tea beverages.

While Coca-Cola executives weren't available for comment for this story, the cola giant apparently intends to learn in its alliance with Honest Tea from the experience of Gary Hirshberg, the founder of Stonyfield Farm and a member of the Honest Tea board since 2002. Between 2001 and 2003, Group Danone bought a total of 85% of the shares of New Hampshire-based Stonyfield, yet the French dairy giant retained Hirshberg as CEO.

## COKE JOINS A BUZZING TEA PARTY

The first chapter of the next phase of growth for Honest Tea was underway before announcement of the Coke investment. Honest Tea has just launched the result of that work: a new lineup of both new products and revised formulations in 16.9oz/500ml PET plastic bottles with reconceived labelling.

"After 70% growth in 2007," said Goldman, who uses the title of "Tea EO", "it's time to take Honest Tea to a wider

audience and this new tea line is the perfect package to do it."

The products in the range now include Citrus Green Energy Tea (pictured), Honey Green Tea, Lemon Black Tea, Peach White Tea, and Pomegranate White Tea with Açai.

Both Citrus Green Energy Tea (the newest addition) and Honey Green Tea provide 250mg of epigallocatechin gallate (EGCG), the key antioxidant found in tea, per bottle. Pomegranate White Tea and Peach White Tea each each contain 150mg of EGCG. All of the teas remain at or below 40 calories per serving and 85 calories per bottle.



Honest Tea also improved both the communication of health benefits and the brand messaging conveyed by the packaging of the PET bottles. The level of EGCG takes a prominent position on the front of the label to better communicate the drinks' antioxidant benefits. Also, the company hired a design firm to bring a more vivid design to the packaging.

But by the way Goldman describes his deal with Coca-Cola, these changes in Honest Tea's product line soon will measure as relatively minor amid the vast expansion and change that he plans at the company.

"The next three years will be important for us to build the brand the way we want," he said. Coke and Goldman "agreed that it was too early to put the brand totally into mainstream channels".

So far Honest Tea has eschewed national advertising in traditional media, which is of course very expensive. Instead, Goldman relies largely on public relations, product placement and other means of guerrilla marketing to create buzz for the brand. Among his successes has been an unofficial endorsement of Honest Tea by talk show queen Oprah Winfrey, who featured the product in her magazine. Among other acknowledged Honest Tea customers – and much touted by the company – are US presidential candidate Barack Obama and Karl Rove, former top election aide to President George W. Bush.

## A CAREFUL COLLABORATION

For continuing to build the Honest Tea brand, Goldman said, he's not in particular counting on help from Coca-Cola – as long as he's still Tea EO – even though Coke now has two members on the Honest Tea board.

"Coke would agree that they're not brand builders in this area per se," Goldman

explains. “They can do amazing things once the brand is built, but they’re not the ones to take it from \$20 million to \$100 million. Entrepreneurs are the ones to do that.”

Goldman stressed that Coke’s move is “just an investment” in Honest Tea. “We’re still very much the same company that we’ve been building. We’re still running it and the distribution strategy, working with natural foods distributors and independent beverage distributors.”

In fact, recently, Honest Tea worked out distribution deals with a number of major mainstream supermarket chains on the East Coast, including Safeway and Giant stores.

Distribution, of course, is an area where Coke will be of immediate benefit to Honest Tea. The product line is still largely distributed through natural foods channels, and Goldman sees Coca-Cola as being of huge help in broadening the products’ markets both geographically and in types of channels, especially for the plastic bottles.

Many more restaurant and other foodservice clients of Coke will quickly open to Honest Tea, Goldman said.

Goldman also is counting on Coke to help Honest Tea improve its manufacturing quality and efficiency as well as in reducing the “environmental footprint” of its packaging.

“Both our glass and plastic packaging right now are heavy,” Goldman said. “Coke will be able to help us make them lighter. And they’ll be able to demand the attention of suppliers of recycled content for packaging, which we don’t have the scale to do right now.”

## HIRSHBERG TO HELP KEEP THE COMPANY HONEST

Goldman is also expecting tremendous benefits from the way that Coca-Cola has gone about investing in Honest Tea and from Hirshberg’s involvement. He said that Coke’s creation of its emerging brands unit – and the taking of a minority stake in Honest Tea rather than purchasing it outright – represent a significant departure for the Atlanta-based beverage-market leader.

“What it really says is that you can’t just take a natural or organic brand and plug it into a mainstream channel overnight and it all works,” says Goldman.

Furthermore, he adds, Hirshberg’s guidance in the entire process was instrumental because “his model with what he did with Danone is what we tried to model our deal after”.

“Our biggest learning from [Hirshberg] is that with a brand that is driven by a founding entrepreneurial and management team, you want that team around unless you get to the point where you’re so well-established that it doesn’t matter,” Goldman explains.

“There are so many cases in the world of natural and socially responsible businesses where one gets bought and the product and brand equity gets diluted – and entrepreneurial passion gets diluted as well. The acquiring company ends up saying, ‘What did we get?’”

Based on how Honest Tea and Coke handled their deal, that’s not a question Goldman expects Coca-Cola executives to be asking him.

## HONEST KIDS LINE TO GET DISTRIBUTION BOOST

“Coke is going to help us right away in the distribution of our Honest Kids line, and we’re working with [Coke’s] Minute Maid division to expand the distribution of that line,” Goldman told *New Nutrition Business*.

Honest Kids – a line of organic fruit-based drinks for children packaged in a portable pouch – was launched a year ago. At the time Goldman reported the drinks were getting the “fastest response we’ve had to anything we’ve ever offered to retail buyers”. Honest Kids helped propel the company’s sales to \$23 million (€14.5 million) in 2007.

Available in flavours called Berry Berry Good Lemonade, Goodness Grapeness, and Tropical Tango Punch, Honest Kids are certified organic and carry less than half the sugar and calories of many other kids’ drinks. They also provide a day’s supply of vitamin C. The suggested retail price for Honest Kids is \$4.49 (€3.41) for a box of eight single-serve pouches.

Goldman said he was following his instincts and his family into the kids’ beverage segment, beginning with his disappointment over the products that were available for his young children to take to school.

“They’re bringing pouch drinks to school, and I’m looking at the caloric profile, and there is more sugar and calories in these major brands of juice pouches than in a can of Coke,” Goldman said. “And there’s high-fructose corn syrup. Yet people have the perception that these pouches are healthier. The convenience I appreciate – but I was guilty as charged with giving my kids these pouch drinks to take to school.”

Despite the rising competition in the kids’ better-for-you-drink category, Goldman was in no doubt Honest Tea should enter the fray. “This is going to be a big opportunity and a big need,” he said at launch.

“Give a kid a choice, and of course they’ll choose candy or soda. But if you can give them something that is refreshing and quenches their thirst, it’s a good comparison. They’re thirsty at lunch; these drinks taste good – and it’s not as if they need all the sugar.”

Prior to introducing Honest Kids, the company’s first departure from tea-based beverages was the adult-oriented Honest Ade line of fruit drinks, launched in Limeade, Cranberry Lemonade, and Pomegranate-Blueberry flavours.

The extension to kids’ fruit drinks thus became more logical. “We didn’t do a deep, quantitative study to decide if we should do it – just like we didn’t do with Honest Tea in the first place,” Goldman says. “We just figured that if we could make a product taste good and it would have the same caloric profile as Honest Ade, why shouldn’t kids be able to get it too?”



Introduced a year ago, the Honest Kids line of fruit-based drinks helped Honest Tea notch up sales of \$23 million (€14.5 million) in 2007.

# Mood Food finds an online home

February saw the launch in the UK of a first-of-its-kind website called MoodFood ([www.MoodFoodCompany.co.uk](http://www.MoodFoodCompany.co.uk)), which is home to a carefully selected family of foods and beverages claimed to help consumers feel the way they want to feel. Over 300 natural products – sold individually and in combination packs – can be purchased and MoodFood even offers a home delivery service. PAUL VINCENT reports.

The MoodFood website, which also offers helpful tips and nutritional advice from international experts around the world, is the brainchild of Morna Laird, a former marketing manager at Edinburgh-based Nairn's, a forward-looking and innovative company which has featured prominently in the pages of *New Nutrition Business* in recent years.

Just over a year ago, while working at Nairn's, Laird attended an event organised by Scottish Enterprise's Scottish Food and Drink, where Julian Mellentin presented his *10 Key Trends in Food, Nutrition & Health 2007*.

"Following Julian's presentation," Laird told *NVB*, "I felt that by combining his three trends of Mood Food, The Marketing Power of Naturally Healthy and Healthy Snacking, I would have a great idea for a company".

Laird sees huge potential in the emerging area of mood food. "I really believe that people are not fully aware of the big impact on your overall wellbeing that food can have," she says.

"Good nutrition really does make you feel better in all aspects of your life, not just your waistline. All areas of your mood – energy levels, concentration, happiness – can all be impacted by eating well."

For Laird fad diets and conflicting information are making it difficult for people to know what they need to do to be healthy. She feels that for many people healthy eating is seen as a chore: it's something they feel they *should* do, not something they *want* to do.

## WHAT MOODFOOD DELIVERS

Visitors to [www.MoodFoodCompany.co.uk](http://www.MoodFoodCompany.co.uk) get access to:

- **Advice on the right kinds of food to eat to improve your mood.** Visitors



to the site are asked how they are feeling: passionate, energised, happy, focussed, healthy or relaxed? The foods and beverages available from MoodFood are categorised according to which of these six states they promote.

- **Advice on how to eat healthy.**

The principles of healthy eating are explained, which have "been obscured by the smokescreen of fad diets".

- **Tasty, natural foods for healthy snacking.** Access to over 300 natural foods for tasty, healthy snacking, that suit a variety of diets. Most are free from artificial additives, have no added

sugar, are gluten-free and are suitable for vegetarians and vegans.

- **Ethical food.** MoodFood prefers to deal with "the good little guys who care about more than the bottom line". A lot of the brands available are organically grown or have fair trade credentials.
- **Access to a wealth of information.** MoodFood is building up a searchable library of articles from across the globe on the impact of food on your mood. The site also has information on the benefits of individual foods.

MoodFood's products are all sourced from what Laird calls "good-guy brands known for their passion and integrity in producing great tasting, simple, wholesome foods and snacks that have not been messed around".



At [www.MoodFoodCompany.co.uk](http://www.MoodFoodCompany.co.uk) visitors are asked whether they want foods to make them passionate, energised, happy, focussed, healthy or relaxed.

Laird's former employers' products feature, along with products sold under the Nakd, Pertwood, Rocks Organics and Meridian brands.

"We have taken each area of mood and given the customer advice on which type of foods to eat to improve that area," Laird told *NVB*. "For example, on our home page, customers can select an option to find foods to make them feel energised. We then give the customer details of the type of foods they should eat to have a positive impact on that area of mood. Then, they can click through to buy from a range of natural snacks which fall within those food groups.

"So, for energised, we recommend low GI foods, whole grains etc., then when the customer clicks 'Shop for Energised Foods' they will be taken into a list of all the natural snacks we stock that will give them energy, including Nairn's Oat Cakes, Pertwood Porridge Oats and Alara Mueslis.

The website has been fully reviewed and endorsed by nutritionist Kerry Torrens, a graduate of the Institute for Optimum Nutrition, who has a special interest in the diets of children and young people and is project director for the children's charity Food for the Brain.

Another important figure in the founding of MoodFood has been John Holroyd, Nairn's sales and marketing director. His advice and guidance have been "most welcome", says Laird, who describes him as being "really switched on to the whole healthy eating market".

Laird is currently focusing on building the brand in the UK:

"We know the food we stock tastes great and is also good for you, and we are really keen for people to try the service. Our promotional activities include third-party partnerships with our brands, email campaigns and PR. Our marketing plans were drawn up and before launch we laid the foundations to give the site a boost as soon as it was live."

"In the longer term, I believe that mood food will be huge outside the UK – especially in New Zealand, Australia, and South Africa – and we will be looking to expand into these areas. It's a big dream, but I believe it's a great concept, and I am very confident in its success."

## MOOD FOOD: A HUGE OPPORTUNITY

Significantly, the new MoodFood website is fully embracing the natural mood-enhancing

properties of foods and completely eschewing foods featuring extrinsically added functional ingredients scientifically proven to enhance cognitive function.

The important connection between food and mental wellbeing and cognitive health is only just beginning to be paid the attention it deserves. The whole area of mood food represents a huge opportunity for the global food and beverage industry and is today where products for heart health and digestive health were 15 years ago – embryonic segments with huge potential.

One of the challenges posed by the area of mood food and brain health relates to its definition(s). The terms embrace many aspects of psychological health and there are some who regard the whole area as somewhat questionable. However, it's worth bearing in mind that the International Life Sciences Institute's (ILSI) definition of a functional food (one that "contains a food component (whether a nutrient or not) which affects one or more targeted functions in the body in a positive way") allows for foods that affect psychological as well as physiological functions.

### MOODFOOD COMBOS

In addition to classifying the 300 natural products it offers into six different mood categories, MoodFood also offers combination packages, priced between £9.99 (\$20/€12.70) and £59.99 (\$120/€76.15). Among the 17 currently available are:



**Bright Spark! Focus Pack:** 16 products including Q1 Herbal Teas White Tea with Goji Berries (25 bags), Lyme Regis Pomegranate & Blueberry bar (35g), Rowse Fairtrade Natural Chilean Clear Honey (340g).



**Great Start Breakfast Pack:** 8 products including Nairn's Oatcakes (250g), Meridian Cranberry & Orange Spread (284g) and Pomegreat Pomegranate & Raspberry juice (1L).



**Passion Pack:** 10 products including Rocks Organics Cranberry Cordial (360ml), Suma Pine Kernels (125g) and Mornflake Pure Oats (500g).



**Relax with a Cup of Tea Pack:** 6 products including Nairn's Stem Ginger Oat Biscuits (200g) and Q1 Herbal Teas White Tea with Blackcurrant (25 bags).



**Smart Kids Lunchbox Pack:** 12 products including Suma Peanuts (125g), Peter Rabbit 100% Fruit Bars (30g) and Nakd Banana Bread bar (30g).

# Barry Callebaut opens up functional chocolate frontier

In a bid to further distinguish itself among the world's bulk chocolate producers, Swiss-based Barry Callebaut is in the process of developing three innovative applications: high-antioxidant chocolate, probiotic chocolate and toothfriendly chocolate. While the latter two concepts still have some way to go before becoming a consumer reality, the company is currently test-marketing a new chocolate called simply "Antioxidant" in Germany, as KATI LESKINEN and PAUL VINCENT report.

While understandably excited about the test-marketing of Antioxidant chocolate, Hans Vriens, chief innovation officer at Barry Callebaut, told *New Nutrition Business* that "it will take months, if not years until the first probiotic or toothfriendly products can be found on the market".

Barry Callebaut's functional chocolate launches thus far have been "pure test marketing cases to see how new concepts fly," explains Vriens.

He continues: "Our concept-to-market cycle often takes 1-3 years, and up to six years if the new technology is complex. We made the first prototypes of antioxidant chocolates in the late 90s, and only now are the first products starting to hit the market."

Two pieces or 20g of the new Antioxidant chocolate are said to have twice the antioxidant content of a glass of red wine. On the front of the 100g tablet the following messages appear (translated into English): *For wellbeing* and *High in valuable antioxidants*.

Antioxidant is available in both milk and dark variants and retails for €1.49 (\$2.29), which represents roughly a 30% premium over the price of regular chocolate in Germany.

"Frankly," confides Vriens, "most consumers know amazingly little about antioxidants – what they are and how they really work. Nevertheless, people have a vague idea that they make foods somehow healthier and are ready to pay a premium for that."

Stollwerck, a German subsidiary of Barry Callebaut, is marketing the Antioxidant brand and visitors to its website ([www.stollwerck.de](http://www.stollwerck.de)) learn that antioxidants support:

- blood circulation
- the cardiovascular system
- good cholesterol levels
- memory and concentration

- cell protection and young-looking skin.



## PROBIOTIC CHOCOLATE 'STRIKES A CHORD' WITH CONSUMERS

Barry Callebaut has already dedicated six years of research to the development of probiotic chocolate and Vriens is convinced

that the investment will soon pay dividends.

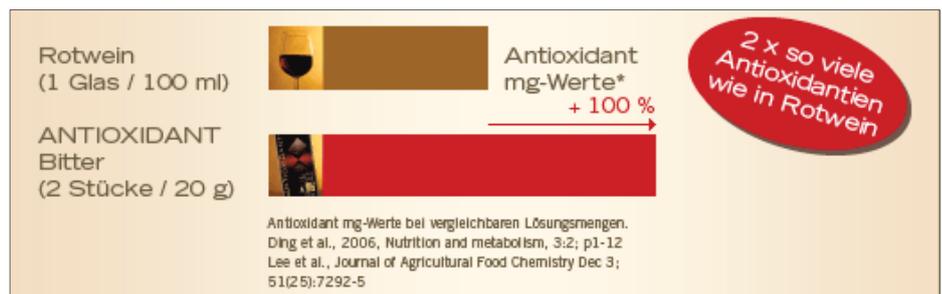
"This concept has really struck a chord with the industry. We introduced probiotic chocolate last October and we now have about 15 consumer-specific projects running"

The company's exhaustive R&D, says Vriens, has identified chocolate as a superior carrier of probiotic bacteria. According to tests carried out by the company, probiotic bacteria supplied from chocolate had a survival rate three times higher after passing through the stomach and small intestine than when the same bacteria was supplied by dairy products.

"Moreover," he adds, "probiotic chocolate does not require chilling. Dairy products have a shelf-life of days whereas our chocolate can be stored for over 12 months."

But while there is undoubtedly an accelerating trend towards chocolate – traditionally marketed as an indulgent treat – being re-positioned for its health benefits and even as a functional food, the dairy category has unquestionably captured the probiotic highground and the question has to be asked: Will consumers accept a digestive-health benefit from chocolate?

The results of Barry Callebaut's consumer research have convinced the company that consumers are increasingly seeking functional benefits from chocolate. A recent international consumer survey demonstrated



Taken from the website of the German chocolate manufacturer Stollwerck, this graphic explains that two pieces or 20g of the new Antioxidant chocolate have twice the antioxidant content of a glass of red wine.

that 19% of consumers in Western countries would welcome the idea of probiotic chocolate. In the US, the percentage was nearly twice as high: 35% of respondents claimed to be interested in a chocolate that offered to strengthen their immune system.

“It is clear that the probiotic end-products will have to be distinguished from conventional chocolate in terms of shape, size and format,” Vriens told *N/B*. “As chocolate is high in fat and sugar, it is crucial to keep the serving size small. We call this ‘portion control’ – at this stage of development 13.5 grams of chocolate contains an equivalent amount of probiotics to a daily dose probiotic dairy drink.”

## CHOCOLATE THAT’S TOOTHFRIENDLY

Another first for the company is the development of toothfriendly chocolate which incorporates isomaltulose, a sucrose-based carbohydrate and a natural constituent of honey and sugar cane.

It is in the kids’ segment that toothfriendly chocolate has its most obvious potential. A recent survey conducted by Barry Callebaut among mothers in the UK showed that 73%

would be interested in buying toothfriendly chocolate for their children.

“The benefit of toothfriendly chocolate is straightforward,” says Vriens. “We are the first chocolate manufacturer to offer a chocolate which has undergone clinical trials and has obtained dentists’ endorsements. By using isomaltulose as a sweetener, our chocolate does not have any accompanying laxative effects sometimes experienced in sugar-free [artificially sweetened] products.”

Barry Callebaut is set to launch naturally sweetened toothfriendly chocolate in the near future. The first isomaltulose-based chocolate prototypes have been tested and proven to be safe for teeth in a pH-telemetry test conducted by the University of Zürich. According to Vriens, chocolate sweetened with isomaltulose tastes “every bit the same as with sugar”.

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“Probiotic end-products will have to be distinguished from conventional chocolate in terms of shape, size and format.”

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Importantly, the European Food and Safety Authority (EFSA) has now acknowledged isomaltulose as a “non-cariogenic sugar”. This is an important step in the process of defining a “desirable” nutritional profile for a product to be eligible to bear a health claim.

## AGGRESSIVE ASIAN EXPANSION

Barry Callebaut AG is one of the world’s largest producers of bulk chocolate with annual sales of more than €2.5 billion/\$3.8 billion. The company has its headquarters in Zürich, Switzerland. Barry Callebaut focuses on selling cocoa and chocolate products to industrial processors and consumer goods manufacturers worldwide.

At the same time as it is developing functional chocolate concepts for its established markets, the company is aggressively expanding into Asia. In January this year the company opened a new Chinese manufacturing plant near Shanghai to take

maximum advantage of the evolving eating habits of the region where Western foods such as chocolate are becoming increasingly popular.

The Suzhou plant will cater for local trade buyers from the food industry, hotels and restaurants, and will initially manufacture up to 25,000 tonnes of chocolate a year.

Barry Callebaut first entered Asia last year – moving into India as part of its plan to increase its share of sales generated outside Western Europe and North America to 20% by 2010 from the current figure of 11%.

Recognising the potential of the rapidly expanding chocolate market in Japan, the company entered into a new alliance with the Japanese company Morinaga in September 2007.

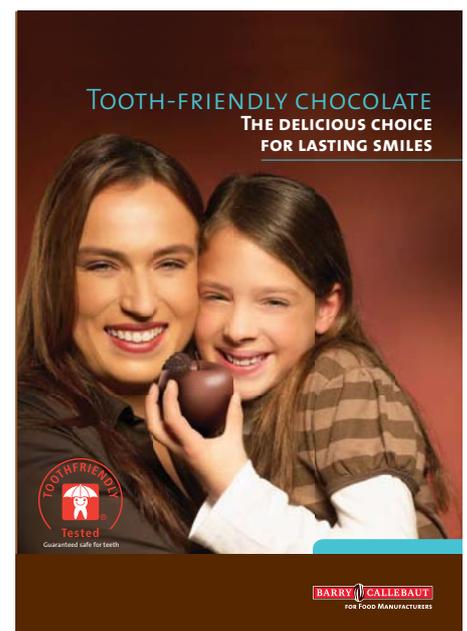
Barry Callebaut predicted then that the 10-year supply agreement with Morinaga, one of Japan’s largest confectionery companies will double the Swiss company’s volumes in Japan.

The company is leasing production facilities from Morinaga and will operate the cocoa and liquid chocolate department at the Amagasaki factory near Osaka. Barry Callebaut aims to start deliveries to Morinaga by the end of 2008.

The supply agreement is for 9,000 metric tonnes of liquid chocolate a year and, following an upgrade, the total factory production capacity will be 20,000 tonnes.



Waiting in the wings: Stollwerck, a German subsidiary of Barry Callebaut, is planning to test market Choc+ probiotic chocolate in Germany this September.



As this Barry Callebaut brochure suggests, it is in the kids’ segment that toothfriendly chocolate has its most obvious potential.

# Reinventing the essence of the apple

Faced with declining profits in the traditional commodity market for apples, a group of apple entrepreneurs in the UK decided to focus on adding value to apples through health and novelty. The result is a range of food, beverage and supplement ingredients based on an unusual apple which has red flesh all the way to the core and health benefits proven by science. What's more, this apple, which grows well without pesticides, will soon be able to claim carbon neutrality, meaning it hits all the hot buttons in today's food industry. JULIAN MELLENTIN reports.

An apple a day may keep the doctor away, but for marketers and growers of apples, the profitability of apples has been looking pretty sick in recent years. The apple is a commodity that the trend towards healthy eating seems to have passed by.

Fresh fruit consumption is actually falling in some places, even in ultra-healthy Japan, where young people's consumption of fresh fruit has slid sufficiently to alarm the country's Ministry of Health.

Worldwide, per capita consumption of apples is flat and intense price competition has wiped out the profits of many growers who have watched new, premium-priced superfruits enjoy rapid growth and capture the crown of "healthiest fruit", usually based on a promise of a high antioxidant content.

In such an adverse climate, a group of entrepreneurs in the west of England decided that the best course of action was to reject traditional commodity thinking and focus on bringing science and marketing innovation to the apple.

Headquartered deep in rural Herefordshire, the heart of the UK's traditional apple-growing region, privately-owned Coressence is a company that since 2005 has been reinventing the apple in collaboration with plant breeders, horticulturalists and food and pharmaceutical scientists. The result is a red-fleshed apple, branded Evesse, from which the company processes a range of value-added ingredients for food, beverage and supplement applications – ingredients that deliver both health and environmental benefits and bring a new point of difference.

"We took the decision to highlight the key benefits of flavanols in apples and not to refer to antioxidants, which is a concept that

is rapidly becoming discredited," Richard Wood, Chief Executive of Coressence, told *New Nutrition Business*. Like his fellow directors, Wood – whose background is in the pharmaceutical industry – is not an apple grower. As so often in the food industry, it's people who are new to the field who seem to do best at creating new opportunities.



Working closely with Plant Breeders, the UK's foremost plant breeding company and a shareholder in Coressence, the company initiated a breeding programme to develop an exclusive source of apple varieties possessing a high concentration of flavanols.

"We set out to identify the varieties with the highest levels of flavanols," Wood continues. "Some of the older varieties which are no longer commercially grown have higher than 250,000mg of flavanols per kg – in excess of green tea and cocoa.

"Most plant apple breeding has been driven by needs such as long life, transportation, white juicy flesh, sweetness – and it has led apples away from many of

the characteristics that confer the optimum health benefits."

Today Coressence owns seven apple varieties – three old "heritage" varieties and four new ones, and four of its varieties are covered by plant varietal rights (PVRs), which are to the protection of the intellectual property of fruit growers what patents are to the rest of industry – a right of ownership which means that no one else can produce that variety of plant or fruit commercially without licensing it from the owner of the PVR.

The result of its work is an apple variety with red flesh like a strawberry. "It makes an interesting fruit that leads in directions that are unusual for our industry," Wood observes.

"You would need about 370 modern apples to get the same flavanol content as one of these varieties," Wood adds. A side benefit is that the very high flavanol content has given the fruit a very long shelf-life.

Coressence has not allowed itself to be locked into the traditional apple-grower thinking that hampers most apple breeding programmes – that the apples should actually taste good. The flavour of the red apple, says Wood, is something which "most people would not like at all", because of the very high flavanol content, although the next phase for his company is to develop edible varieties, which he believes are not very far off.

Taste doesn't matter because Evesse apples are grown for processing and all the fruit are transformed into a range of ingredient products (see Box), including juice extracts, freeze-dried whole fruit freeze and patented extraction of pure flavano-3-ols for use in supplements, cosmetics and as pharmaceutical-grade materials.

## THE SCIENCE BEHIND EVESSE

To develop and establish the health benefits of Evesse the company works closely with a wide range of specialist researchers, such as the UK's Institute for Food Research (IFR) and the Queens Medical Centre in Nottingham, which has done considerable work on flavanols' cardiovascular health benefits. The push of the clinical studies conducted to date has led Coressence to focus, in terms of product benefits, on the heart health area and the marketing tagline for Evesse is "Evesse helps maintain a healthy circulation".

Long-term, randomised, double-blind, placebo-controlled crossover studies have shown a significant effect in subjects in terms of improved vascular dilation as a result of consuming Evesse, as well as improved blood flow, better delivery of oxygen to the dermal layer of the skin and dramatic improvements in the health of the dermal layer.

Sport recovery, says Wood, is also an area of interest for Coressence. "We have seen in studies a 5%-8% improvement in blood flow in the system within half an hour to an hour of consumption and it can take higher levels of lactic acid and CO<sub>2</sub> away from the skin," explains Wood.

"If you are a peak athlete at the limit of fitness you can't get enough of a benefit but for the majority of people this is an excellent

way to get improved sports performance. The benefits also apply to animals – such as racehorses, but the biggest market would undoubtedly be supplements."

The strength of the science behind Evesse led Coressence to submit a health claim petition under the European Union's new health claims regime. "We were the only people submitting apple for a flavanol health claim – there were six for chocolate flavanols," Wood explains. "We put in the claim in relation to the specific composition of epicatechin monomers so not anyone can use the flavanols in apples claim if it is approved."

## COLLABORATION WITH SMOOTHIE OPERATOR

Wood says that Evesse will appear as an ingredient in at least one cosmetic and one food product in the near future, but the first launch in the public domain was the debut in the UK market, in February, of an organic smoothie formulated with Evesse. The product is the latest in the range from RDA Organic, a small all-organic smoothie brand which has been on the UK market since 2002.

RDA's Evesse Juice is retailed in 250ml bottles and is stocked nationally by Waitrose, the UK's most upscale food retailer. Each bottle will carry a neck label explaining the

benefits of Evesse apples and showing a comparison of the flavanol content of other superfruits and cocoa beans.

"Joining up with Coressence has given us a great opportunity to include in our juice range a natural ingredient obtained from organically grown British fruit," said Patrick O'Flaherty, RDA's founder and CEO. "Previously the major source of the bio-active form was cocoa, but cocoa just doesn't work in the natural organic fruit juice market."

Coressence is aiming their juice extract at the fresh, high-premium area of the juice market. "It's our low-hanging fruit opportunity," says Wood. "Most juice producers are in a position where they cannot differentiate their product – everyone can get hold of blueberries; everyone can put a superfruit in; everyone talks about antioxidants and how their juice has more than the other brand." Citing advertising for Welch's purple grape juice that compares its antioxidant content favourably to oranges, Woods comments: "There's no point of difference. We're not talking about antioxidants – we're bringing a genuine, science-based difference."

## THE FUTURE FOR CORESSENCE

Coressence's business model will see it licensing its PVRs in North and South America and South Africa with local partners responsible for marketing Evesse products. The plan is also to develop Evesse into an ingredient brand that will be flagged up on products that contain Evesse.

Coressence's chairman, Nicholas Saphir, is a leading figure in the UK's organic foods industry and is also chairman of the UK's biggest organic milk supply co-operative. Hence, it isn't surprising that the company plans to make all of its fruit organic – another benefit of the breeding programme.

"The interesting thing about our apples," says Wood, "is that they grow with little or no inputs because of the high disease resistance from the high flavanol content." The company also plans to become carbon neutral in due course.

Coressence has set out to create a new category of healthy apples and apple ingredients based in science, but it also is keeping a clear eye on the need to provide its partners with true points of difference. It's a strategy that can act as a model for anyone thinking about how to breathe new life into old commodities.

## THE EVESSE PRODUCT RANGE

**Evesse Apple Granules** are produced by freeze-drying Evesse apples. These apple granules blend with cereals, granola, muesli and nutrition bars. This product has a shelf life of 24 months. The company says blending up to 10% (50g per 500g) in cereals and mueslis provides the required bio-active amount.

**Evesse Juice** is produced by pressing fresh Evesse apples. It is designed to be blended with a wide variety of fruit juices, waters and sports recovery drinks and has a shelf-life of nine months in storage. It is suitable for aseptically filled drinks. The company says blending up to 75ml/500ml provides the required bio-active amount.

**Evesse Fructose** is a natural fructose sweetener produced by water extraction from freeze dried Evesse apple granules. This syrup combines fruit sweetness with bio-active flavanols. It is intended as a replacement for corn syrup derived fructose and other non-natural sweeteners.

**Evesse Red** is a natural food colour for use in supplements and foods. It is a dry powder which contains up to 20% (-)-epicatechin monomers. The product has a 24-month shelf-life.

**Evesse EPI** is a 95% (HPLC) (-)-epicatechin grade for use in advanced supplements and pharmaceutical applications. This product is also available as an assay grade.

# Omega-3 food & beverage launches surge in Norway

Despite Norway's reputation as one of the best sources of marine omega-3s, just 29 foods and beverages fortified with the fatty acids were launched there between 2003 and 2006, according to the Mintel Global New Products Database (GNPD). Last year, however, no fewer than 24 new omega-3 products hit the market and the boom is continuing in 2008. New ingredient formulations and applications are being introduced by both big and small players in the Norwegian food industry. PATRICIA WIKLUND and PAUL VINCENT report.

When it comes to omega-3, Norway has one of the highest levels of consumer awareness in the world. Most Norwegians have been brought up taking traditional cod liver oil (known as "tran" in Norwegian) as a supplement and eating a large amount of fish.

"Approximately 50% of consumers supplement with tran or omega-3 and the market has grown substantially during the past few years," Siri Heggelund, a product manager at Mills DA, one of Norway's biggest food companies, told *New Nutrition Business*.

However, as the Chart shows, not only did the number of new omega-3 foods and beverages launched in Norway dramatically increase in 2007, there was also a shift towards new applications such as dairy- and juice-based products.

Norway's first omega-3 juice was launched under the Vita hjertego brand by Mills DA in May last year. The original Orange & Strawberry variety was joined by Apple & Orange in February.

As there is still no RDI for omega-3, Mills DA follows the recommendation of the International Society for the Study of Fatty Acids and Lipids (ISSFAL), which is an intake of 500mg of EPA/DHA per day. Two glasses (300ml) of Vita hjertego juice contain 180mg omega-3, 170mg of which is EPA and DHA (34% of the ISSFAL daily intake).

The juices are stocked in supermarket chiller cabinets, close to regular juices and other functional juices (such as probiotic and antioxidant-rich juices). Vita hjertego is packed in 1-litre cartons and retails at NOK30 (\$5.85/€3.80), which represents a price premium over normal juice but not over other functional drinks, Heggelund says.

Mills DA has over 10 years experience in heart-healthy functional foods: in 1997 it launched a cholesterol-lowering spread under the Vita hjertego brand (the result

of a collaboration with Ullevål University Hospital) and has since extended the brand to include other areas of heart health.

Accordingly the company is focusing its communications for the new juices solely on omega-3's heart health benefits. "The target consumers are adults who are concerned with heart health and therefore want to choose healthy products," explains Heggelund.

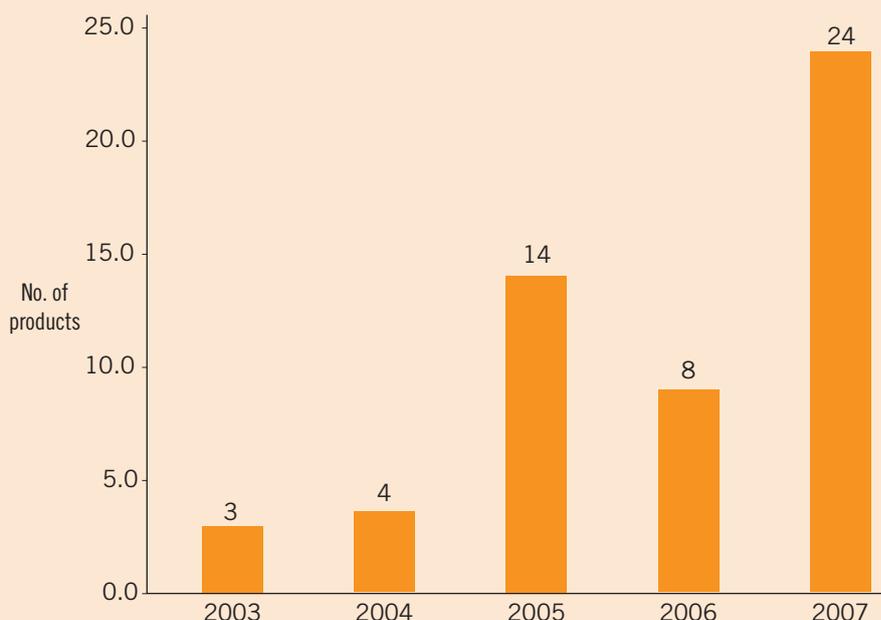
"It is important that the communication of the products is clear and consistent," she adds. "There is an educational need in the population, especially concerning the differences between plant-based and marine omega-3s. It is important that this is communicated clearly."

The omega-3 ingredient used in the Vita hjertego juices was developed by Sweden's Skåne Dairy, which markets the hugely successful plant-based probiotic fruit juice ProViva (see this month's lead story and the October 2007 issue of *New Nutrition Business*).

## WHEN IT COMES TO OMEGA-3 SIZE DOES MATTER

The most notable recent omega-3 launch in Norway was a product called TINE Yoghurt Omega 3. A dairy co-operative and Norway's largest food producer, TINE turned over NOK 15.3 billion (\$2.9 billion/€1.9 billion) in 2006 and employs more than 5,000 people.

FOODS & BEVERAGES CONTAINING OMEGA-3 LAUNCHED IN NORWAY (2003-2007)



Last year there were 24 new omega-3 foods and beverages launched in Norway, just five fewer than the total launches there between 2003 and 2006.

Source: Mintel GNPD

TINE Yoghurt Omega 3 comes in 4-packs of 125g pots and is available in two varieties: Blueberry and Strawberry & Rhubarb. The yoghurt contains 0.2g of polyunsaturated fatty acids per 100g, of which 120mg is omega-3 fatty acids (100mg of which are long-chain EPA and DHA). Like Mills DA, TINE cites the ISSFAL recommended daily

intake of 500mg of EPA/DHA on packaging. Each pot of TINE Yoghurt Omega 3 provides 25% of that amount.

The product is positioned as providing a good start to the day for the whole family. Packaging reads:

*A tasty and simple way to increase the intake of marine omega-3 fatty acids for both you and your family.*

On the TINE website ([www.TINE.no](http://www.TINE.no)), visitors learn that:

“The marine omega-3 fatty acids EPA and DHA have a documented beneficial effect on the heart, immunity and brain functions. These fatty acids are essential for the body, but as it cannot produce them itself, it needs to receive them through the diet. If you eat too little oily fish and don’t take cod liver oil regularly, you’ll have a low intake of these fatty acids. With TINE Yoghurt Omega 3 you get the EPA and DHA in a natural and tasty way. TINE Yoghurt Omega 3 contains only 1.8% fat and does not smell or taste of marine fat.”

TINE has its own ingredients division and developed its EPA DHA OMEGA 3 branded ingredient in-house. It is an emulsion and contains 20-30% omega-3 fatty acids.

Espen Thomassen, sales director for TINE Ingredients, says the advantage of the TINE’s ingredient is the nature of the oil. “It has a low oxidation level,” he told *NVB*.

TINE is able to control the whole value chain from raw materials to end product

“Currently dairy is the most interesting application area, but ready meals and fruit drinks are where the future growth will be.”

applications. Its omega-3 ingredient is currently being used in a bread marketed by the Swiss-based retailer Coop, and in Arla Foods’ Lätt & Lagom margarine in Sweden.

“Currently,” says Thomassen, “dairy is the most interesting application area, but ready meals and fruit drinks are where the future growth will be”.

TINE, whose ingredients division had traditionally focused on milk and whey-based ingredients has entered an increasingly tough market with its omega-3 ingredient and will be relying on its breadth of experience across the value chain to give it a competitive edge.

### YOU DON'T HAVE TO BE A BIG FISH TO BE SMART

Pharmalogica, a small Norwegian R&D company that creates formulation solutions for the fortification of foods, beverages and

### COMMUNICATING OMEGA-3'S BENEFITS IN NORWAY



The text of this Norwegian print ad for Mills DA's Vita hjertego omega-3 juice translates as follows:

#### Marine omega-3 has never tasted so good

Vita hjertego juice is a tasty and simple way to increase your intake of marine omega-3. Scientific studies show that marine omega-3 fatty acids (EPA and DHA) have beneficial effects on heart health. Marine omega-3 fatty acids are primarily found in fish and cod liver oil, but many people don't eat enough fish. Therefore, start your day with Vita hjertego juice with marine omega-3.

Visitors to the TINE website ([www.TINE.no](http://www.TINE.no)) can learn more about omega-3 and its health benefits and about TINE's own EPA DHA OMEGA 3 branded ingredient.



The creators of Smartfish describe their “Smartweek” marketing tactic as being “all about delivering complete daily doses to consumers”.

supplements with omega-3, was behind one of the hottest 2007 omega-3 launches. Smartfish, a fruit juice formulated with salmon oil was a winner at the Anuga trade show last autumn and has been universally praised for its good taste.

Smartfish retails in Norway’s mass-retailer and convenience store channels at a hefty NOK35-NOK39 (\$6.80-\$7.60/€4.45-€4.95) for a 750ml carton and is now also available in 200ml single serve cartons for NOK15 (\$2.90/€1.95). On the back of the 750ml pack is written: *1.5dl [150ml] contains: 705mg omega-3, 225mg DHA, 150mg EPA and 75mg DPA.* This means that one 150ml glass of Smartfish contains 375mg of DHA/EPA, more than twice the amount of DHA/EPA (170mg) supplied by 2x150ml glasses of Vita hjertego and three times as much as one pot of TINE Yoghurt Omega 3.

According to Pharmedica’s owner Henrik Mathisen, Smartfish’s packaging is designed for “people who are information seekers”. The innovative “Smartweek” concept (see photo), he says, “is all about delivering complete daily doses to consumers. It is important to people, and it is important that people understand it”. “It’s a totally new concept to buy the daily

dose of omega-3 in the chiller cabinet next to the milk,” says Mathisen. “That is why we have to be patient. We see that in shops where we’ve applied product sampling, the sales are increasing strongly. The distribution is also increasing and we have reached a point where three of Norway’s four biggest retailers have taken the product.”

International expansion is also on the cards: “There has been a lot of interest from Sweden and Denmark, so we expect it will not take long before the product will be available there,” Mathisen told *NNB*. Pharmedica recently scored a coup when the airline SAS began offering Smartfish on Norwegian domestic flights and Mathisen says the feedback has been “amazing”.

The marketing of Smartfish has two main thrusts. First, people are given the chance to sample the product and have their questions answered in shops and at various health and beauty expos and sports events. Second, Pharmedica is using traditional advertising media as well as new media like YouTube, where visitors can watch the famous Norwegian snowboarder Terje Håkonsen competing at the age of 122 and putting his longevity down to having consumed Smartfish regularly.

## HOW THEY COMPARE

Product	Mills DA Vita hjertego juice	TINE Yoghurt Omega 3	Pharmedica Smartfish
			
<b>Packaging</b>	1 litre carton	4 x 125g pots	750ml & 200ml cartons
<b>Varieties</b>	Apple & Orange Orange & Strawberry	Blueberry Strawberry & Rhubarb	Blend of pomegranate, apple, pear, aronia, passion fruit juices
<b>Omega-3 per serving</b>	2 glasses (300ml) contain 180mg omega-3, 170mg of which is EPA/DHA – 34% of the ISSFAL recommended daily intake	One pot (125g) contains 150mg omega-3, 125mg of which is EPA/DHA – 25% of the ISSFAL recommended daily intake	1 glass (150ml) contains 705mg omega-3, 225mg of which is DHA, 150mg EPA and 75mg DPA – 75% of the ISSFAL recommended daily intake

\*For comparative purposes, a daily dose of two capsules of the popular Möller Omega 3 supplement contains 940mg of omega-3.

## FUNCTIONAL & HEALTHY-EATING NEW PRODUCT LAUNCHES

Each month we summarise new product launches from around the world.

• Part 1: North America • Part 2: Rest of the World

All new product information is sourced exclusively from Mintel's GNPD (Global New Products Database), which can be visited at [www.gnpd.com](http://www.gnpd.com). Mintel can be contacted at 18-19 Long Lane, London EC1A 9PL, U.K.. Tel. +44-(0)20-7606-4533, Fax +44-(0)20-7600-3327

Country	Company	Brand & Product	Description
<b>PART 1: NORTH AMERICA – FOODS &amp; BEVERAGES</b>			
<b>BABY FOOD</b>			
USA	Ross Products	Similac Ready To Serve Organic Infant Formula	Contains iron, DHA and ARA, special nutrients found in breast milk. This product is kosher certified and retails in a 1 quart bottle.
<b>BAKERY</b>			
Canada	Weston Bakeries	Wonder Headstart 100% Whole Wheat Bread	Contains 12 essential nutrients, whole grains and added omega-3 DHA which supports the normal development of brain, eyes and nerves. The product is described as fresh and contains 15mg of DHA per serving. It is free from trans fat and retails in a 675g pack.
<b>BEVERAGES</b>			
USA	Balance Water Company	Balance Water	A line of functional, non-flavoured spring Water with homeopathic Australian flower essences. Balance Water products include: Water for Mind; Water for Women; Water for Traveling; and Water for Children. Each product contains a specific flower infusion based on its targeted audience or function.
USA	Coca-Cola	Minute Maid Enhanced Tea	This product is available in a Pomegranate flavour with 12% fruit juice and vitamins C and E which are an excellent source of antioxidants. This kosher certified product is available in a 59oz plastic bottle.
USA	Glow Beverages	Glow Mama	A drink aimed at mothers and mothers-to-be with a kiwi flavour. This product contains 15% juice (kiwi and white grape), evaporated cane juice and added vitamins, calcium and fibre. It is available in a 12oz bottle.
USA	Hansen Beverage Company	Hansen's Natural Dragonfruit Sparkling Drink	A sparkling refreshment with pure fruit flavour. This natural product contains 90 calories. It is Kosher certified and free from caffeine, sodium, preservatives and artificial colours. It retails in a 4 x 10.5oz pack.
USA	Mars	CocoaVia Cocoa Flavanol Beverage Mix	An artificially sweetened milk chocolate-flavoured product that is claimed to promote a healthy body through healthy circulation. It provides a concentrated amount of cocoa flavanols with 200mg per serving. This product retails in a pack containing five single serve pouches. The packaging is made with 100% recycled paperboard. Also available are: Dark Chocolate Unsweetened; and Milk Chocolate Naturally Sweetened.
USA	Omega 3	Omezing Water	A pure and healthy water fortified with omega 3, 6, and 9. The product has an extended shelf life, a ten-times concentrated formula, requires no refrigeration and is neutral in odour and taste. It is available in Orange; Strawberry Kiwi; and Fruit Punch and retails in a 20oz bottle.
<b>BREAKFAST CEREALS</b>			
Canada	Belgo & Bellas	Yog Active Junior Probiotic Yogurt Cereal	Contains crunchy rice flakes with probiotic yoghurt and chocolatey pillows. The product contains yoghurt pearls with active lactobacillus acidophilus bacteria, no preservatives and is enriched with vitamins and minerals. It is suitable for children and is available in a 350g pack.
USA	General Mills	General Mills Aspire Immune Support Cereal	Consisting of wholegrain wheat and corn flakes. This kosher certified product contains Cranberry and Orange flavoured clusters with real strawberries. The product contains 100% daily value of vitamin C, E and 50% of daily value of zinc to help support a healthy immune system. It retails in a 38oz pack.
<b>DAIRY</b>			
Canada	Parmalat	Parmalat Astro BioBest Maximmune Probiotic Drink	Claimed to be a good source calcium, is low in saturated fat and cholesterol and is free from trans fat. The product contains Immunofit, a probiotic culture blend that is claimed to strengthen the immune system. Two flavours are available: Vanilla and Strawberry. The weekly pack contains seven 94ml portions, plus one extra portion
USA	Stremicks Heritage Foods	Disney Little Einsteins Reduced Fat Milk	Homogenized and ultra-pasteurized with 37% fat reduction compared to whole milk. This rBST-free product is fortified with vitamins A and D and also contains omega-3 DHA, a nutrient derived from environmentally sustainable vegetarian source to support brain and eye development in infants and children and heart health through every stages of life. It is an excellent source of calcium and vitamin D and contains 32mg of DHA per serving.
<b>DESSERTS &amp; ICE CREAM</b>			
USA	Kemps	Kemps Frozen Yogurt	Made with live and active cultures. This product is fat-free and available in a Pomegranate Swirl flavour. It is claimed to be delicious, creamy and a good source of Omega-3 EPA/DHA essential fatty acids. The product retails in a 1.75qt tub. Also available in the range are the following flavours: Wild Blueberry and Sweet Cream; and Key Lime.
<b>SNACKS</b>			
USA	Think Products	Think 5 Energy Bar	Available in the following varieties: Chocolate Covered Red Berry and Red Berry. The product is free from gluten, a good source of omega-3, and high in fibre. It is said to deliver delicious nutrition on the go and retails in a 2.8oz pack.

# NEW PRODUCTS

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Country	Company	Brand & Product	Description
<b>PART 2: REST OF THE WORLD – FOODS &amp; BEVERAGES</b>			
<b>BABY FOOD</b>			
Spain	Hero	Hero Baby Buenas Noches Crema de Judías Verdes con Patatas (Green Beans & Potato Cream Baby Food)	A night meal for babies aged up six months. This product is said to be easily digested to provide a good night's sleep. It contains olive oil, essential fatty acids and a balance of proteins. It is low in sodium, gluten and additives-free and is retailed in a 230g pack. Also available in this range are: 7 Vegetables; and Spinach varieties.
<b>BAKERY</b>			
Australia	Freedom Foods	Freedom Foods 100 Healthy Calories Multigrain Wraps	The easy way to control serving sizes. They are made with wheat flour, nutritious wholegrain flour and added multigrains. The wraps contain no artificial flavours or colours and have a low GI. The wholegrain contains all three layers of the grain, the bran, the germ and the endosperm to provide more fibre, protein, many important vitamins and minerals as well as phytochemicals and antioxidants. These low fat, high fibre wraps are an excellent choice for lunches with sandwich filling, or with dips, stir-fries or curries. This GM ingredient free product retails in 175g pack containing five 35g wraps.
Germany	WHG Weissenfelder	Filichen Das Knusper-Brot Dinkel Spelt Crisp Bread	This product is organic and retails in a 75g pack. Also available are the following varieties: Diät (Diabetic), which is free from gluten; Vital, which is low in sugar and sodium; Original; Wellness Active; and Ballaststoff (Fibre).
Japan	Fancl	Germinated Pop Rice (Tasty Salt)	4 pieces x 8 wrappers of rice crackers made with germinated unpolished rice, seasoned with "snow salt" from Miyako Island in the south of Japan. It contains no colourings, chemical seasonings, preservatives, and is low in calories, said to be a perfect kid's snack. There is also a pack of three boxes.
Sweden	Göteborgs Kex	Göteborgs Brago Bokstavskex	Wholegrain alphabet biscuits that contain 58% wholegrain, 13% fibre, 30% less sugar and contains no trans-fat or hardened fat. The product is available in a 175g carton. Also available is Brago Cocos, coconut flavour biscuits, which are free from trans fat and are available in a 225g pack.
UK	Mr Bagels	The Food Doctor High Bran & Seed Bagels	Designed by The Food Doctor nutrition experts to provide a healthy alternative to white bread. The bagels are high in fibre, a good protein source, low in fat, suitable for vegetarians and kosher certified. The pack contains four units.
<b>BEVERAGES</b>			
Belgium	Unilever	Lipton Linea Thé Vert aux Agrumes (Green Tea with Citrus Fruits)	Twice as rich in catechins as regular green teas and free from calories. This product is claimed to aid in weight control and is available in a 46g pack containing 20 tea bags. Also available in RTD form, in a 500ml bottle.
China	PepsiCo	Quaker Qing Chang Instant Corn Drink	Made of quality oats and grains with special technique. It is enriched with chicory powder, sesame and dietary fibre. This drink should be mixed with milk and can be served hot or cold. The product is available in a Sesame flavour and retails in a pack containing 16 x 25g sachets.
Colombia	Zava Group	Zavasoy Quinuatti Alimento Tipo Malteada Sabor Vanilla (Vanilla Nutritional Beverage)	A complete beverage that contains a soy, quinoa, omega-3 and -6, proteins, minerals, vitamins and fibre. This product is sweetened with Stevia and suitable for diabetics. It is free from gluten, lactose, maltodextrin and cholesterol. This product is said to be formulated to satisfy nutritional needs, and is recommended for weight control or people suffering hypertension. It is retailed in a 300g carton. Also available in this range are: Strawberry; Chocolate; and Cappuccino flavours.
France	Vitagermine	KaliBio Cool Fruits Organic Smoothies	Available in Apple, Apple-Banana, Apple-Pear, and Apple-Peach-Apricot flavours. They are made with 100% fruit with no added sucrose and contain added acerola for additional vitamin C (excluding the Apple variety). These smoothies are formulated exclusively from organic non-GMO ingredients and are designed to meet the energy requirements of children.
India	GlaxoSmithKline	Boost Health Drink	With advanced energy boosters provides 100% of the RDA of iron. This product features B vitamin and minerals that work together to help unleash energy.
India	The Himalaya Drug Company	Himalaya Herbal Tea Stress Tea	Said to relieve physical and mental fatigue, to rejuvenate body and mind, to fortify the immune system and to improve resistance to stress. The anti-stress product is available in a pack that contains 20 x 2g tea bags.
Japan	Calpis	Calpis Fizz Light Style Tasty Apple	A low-alcohol (4% by volume) beverage made with Calpis lactic acid bacteria drink, organic apple juice and apple liqueur. It has 50% less calories and 75% less sugars, compared to regular FABs. It is targeted at health-conscious consumers concerned about calorie and sugar intake.
Japan	Coca-Cola	New Aquarius Sports Drink	This isotonic drink has been reformulated with 40% more sodium than its previous edition, to enable better absorption of water into the body. It is still low-calorie, but has a lighter aftertaste and sweetness. Launched in time for Beijing Olympics, in 300ml bottle cans, 350g cans, 1L PETs, 2L PETs, and rounded and angulated 500ml PETs.
Japan	Meiji Seika Kaisha	Non-Fat Diet Mango Pudding	A jelly drink with 10% mango juice. It contains konjac and dietary fibre to appease appetite, nutrients that can be deficient while dieting, and has four B vitamins and calcium that satisfy one-third of daily required values. It is also non-fat and has only 50 calories yet has a rich texture to satisfy palatability.
New Zealand	Fruco Beverages	Fresh Up Energy Drink	Available in Apple & Raspberry with Acai and Guarana. The product features low GI, and is free from added sugar.
Sweden	Lantmännen Axa	Axa Balance Protein+ Recovery Vanilla	Sweetened only with fruit sugar and contains 30g of protein. The product is available in a 300ml bottle. Also in this range are: Protein+ Recovery Chocolate; Fullkorns Smoothie Cappuccino; and Fullkorns-Smoothie Lingon & Tranbär.

# NEW PRODUCTS

Taiwan	Standard Chem. & Pharm.	Dressing Slim Beauty Tea	A natural tea which contains over ten herbs described as effective and as a safe way to increase body metabolism and help manage weight in a healthier way. This healthy and natural beauty tea contains no Western medicine and chemicals. It is suitable for vegetarians and is retailed in a 20 x 4g carton.
<b>BREAKFAST CEREALS</b>			
Australia	Cereal Partners	Uncle Tobys Plus Antioxidant Lift Cereal	Made with cranberries, blueberries and sultanas. It is wholegrain, rich in antioxidant vitamins A and E to help balance free radicals and support the immune system and is high in fibre to help consumers feel fuller for longer and to maintain a healthy digestive system. This product has been approved by the National Heart Foundation and retails in a 500g carton.
Finland	Quaker Oats Scandinavia	Quaker Mini Fras Breakfast Cereal	A corn and crispy oat cereal aimed at children. The small pillows of cereal contain less sugar and salt, and have a very low fat and high fibre content. The product is available in a 300g carton.
Mexico	Kellogg	Kellogg's Special K Cereal Kit	Contains a face towel, a 510g packet of Special K cereal, and one box containing six bars of apple and pear cereal bars. The cereal contains 14 vitamins and minerals, and the cereal bars contain 11. This product is claimed to help the consumer feel and look good. It is made without fat or cholesterol, and with folic acid, calcium, iron and protein.
Philippines	Abbott Laboratories	Abbott Healthy Heart Breakfast Pack	Contains one 53.4g pack of Ensure meal replacement beverage powder with fibre, and one 33g pack of Quaker instant oatmeal, which is 100% natural. The Ensure powder features a Chocolate flavour and provides linoleic and linolenic fatty acids. It is low in saturated fat and cholesterol, contains fructo-oligosaccharides (FOS) for a healthier digestive system, and is free from gluten and lactose. The Quaker instant oatmeal helps to reduce cholesterol.
<b>CONFECTIONERY</b>			
Germany	Mederer	Trolli Actifruit Fruchtgummi (Fruit Gummy Candies)	Fortified with a vitamin B-complex from quinoa cereal to provide more body power. The product contains natural aromas without artificial colourants. According to the manufacturer, this product strengthens the body's natural defences due to fruit and vegetable concentrates with organic-active ingredients.
Japan	Kanro	Refreshing Lemon Lozenges	Lemon flavoured lozenges with vitamin C equal to one lemon per candy. It contains healthy manuka honey from New Zealand, and domestic lemon juice, targeted towards children up to the elderly.
<b>DAIRY</b>			
Brazil	Batavia	Batavo Naturis Soja + Suco Alimento com Soja e Suco de Caju (Soya Drink with Cashew Fruit Juice)	A source of calcium and contains no cholesterol or lactose. This 100% vegetal drink retails in a 1L tetrapack carton.
Brazil	Natural Products	Matte Leão Chá Verde Com Soja e Limão (Green Tea Soy Beverage)	A soy- and tea-based drink with Lemon flavour. This product is cholesterol-, lactose-, preservative- and sugar-free, is low in calorie and rich in vitamin C. It is retailed in a 1L pack.
Finland	Valio	"Valio Gefilus Hyla Rasvaton Jogurtti (Yoghurt)	A low-lactose yoghurt with Blueberry and Forest Strawberry flavours. This product contains 0.3% fat and lactic acid bacteria, which is said to enhance natural defences and to promote the well being of stomach and intestines. It is retailed in a 500g pack containing 4 x 125g cups, two of each flavour.
Germany	Euco	Gut & Günstig Probiotic Fitness Drink	Contains strawberry flavour and inulin. This product also contains LA-5 and BB-12 cultures, which are claimed to stimulate natural digestion and power of resistance. These yoghurt drinks have a low fat-content and are available in a pack containing 6 x 125ml bottles of yogurt drink. Also available are Plain and Orange varieties.
Hungary	Sole-Mizo	Mizo Kaukázusi Kefir Drink	A Caucasian-style Kefir drink which has been prepared with 100% Hungarian milk. This homogenised, half-fat product contains living flora and is retailed in a 450g carton.
Italy	Latterie del Matese	Matese Quotidiano Benessere (Daily Well-Being) Probiotic Drinking Yogurt	Suitable for everyday consumption to improve digestive function. This unflavoured yogurt is made with fermented milk and live lactic ferments L. casei 431 and LA5. The product retails in a pack containing six 100g bottles.
Italy	Parmalat	Parmalat Vita 7 Latte Intero UHT Vitimizzato (Whole UHT Milk)	Made with seven vitamins: A, D3, B1, B2, B6, B12, and PP. This product is claimed to be ideal for growing children, elderly people and for those recovering from illness. The milk retails in a 500ml carton.
Japan	Calpis	Inter Balance L-92	A concentrated probiotic drink made with L-92 lactic acid bacteria, chosen from the company's years of research as the most fitting bacteria for intestinal health. It is to be diluted to three times its volume.
Saudi Arabia	Al Safi Foods Est	Al Safi Yoghurt	A natural product made with fresh cow milk. This product contains seven nutritional benefits which build strong bones, contribute to growth, energize muscles, facilitate lactose digestion, balance intestinal flora, balance weight and provide a delicious taste.
South Africa	Danone Clover Danone Danino	Strawberry Flavoured Low Fat Yoghurt	Suitable for growing kids. Each yoghurt is made using the Danino growth formula containing calcium, vitamin D, vitamin B2, vitamin B12 and biotin. The product contains no artificial colourants or flavourants. These halal certified sweetened yogurts contain two times more calcium than milk. This product retails in a pack containing 6 x 75g tubs.
<b>DESSERTS &amp; ICE CREAM</b>			
Austria	Ja! Natürlich	Ja! Natürlich Sorbet Himbeere (Raspberry)	An organic, fresh, fat-free sorbet with 34% fruit. It is made according to an original Italian recipe. This product is free from added aromas or lactose, and retails in a 500ml tub. The tub is made with material that can be disposed with waste paper.

# NEW PRODUCTS

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Hungary	Sojade	Soya Dessert with Bifidus	A fresh raspberry and passionfruit flavoured dessert enriched with fruit pieces and live Bifidus ferment. It is claimed to be a 100% vegetable blend made with ingredients from organic farming, and without the use of lactose, cholesterol or gluten. This dessert is 100% dairy free and is available in a 2 x 100g cluster pack. This product is certified by AB, Agriculture Biologique, and contains no GM ingredients.
New Zealand	Emerald Foods	New Zealand Natural Zilch! No Added Sugar Sorbet	Gluten-free and contains less than 1% fat; a good source of omega-9. It features a Boysenberry-Açai flavour and is a rich natural source of antioxidants. The product is retailed in a 946ml tub.
<b>PROCESSED FISH, MEAT &amp; EGG PRODUCTS</b>			
New Zealand	Premier Fine Foods	Beehive Shaved Ham Twin Packs	Available in Champagne Ham and Honey Baked Ham varieties. The Shaved Champagne Ham is tasty honey cured, 97% fat free, gluten-free, naturally wood smoked, and sealed-in deli freshness. The twin pack is in a 100g size, 50g each.
<b>SIDE DISHES</b>			
Australia	Berconia Food Service	Berconia Brown Rice Spaghetti Pasta	Made with 100% natural brown rice. The product is a rich source of fibre and is made with sustained energy. It is free from gluten, fat and cholesterol, can be cooked in seven minutes and retails in a 350g pack.
Israel	Northern Lights Foods	Northern Lights Organic Wild Rice	High in fibre, low in fat, rich in protein and stacked with minerals and essential vitamins. According to the manufacturer, this rice contains 50% more protein than plain white rice. The product is organic and kosher certified, and retails in a 250g pack.
<b>SNACKS</b>			
Australia	Fonterra Brands	Anlene Berry & Sultana Bars	Snack bars with a delicious yoghurt style base. The product is made with a tasty combination of wholegrain, cereals, fruits and essential bone nutrients, and is specially formulated to help achieve adults' optimal bone maintenance. The bars contain added magnesium, zinc, protein, calcium and vitamin D. The product is retailed in a pack containing 5 x 35g bars.
India	Naturell	RiteBite Smart Nutrition Bar	Contains Shankpushpi to help increase memory capacity, an extract from leaves and stem of Brahmi for improved intellect, and an extract from roots of Ashvagandha for increased sense of wellbeing. This product is suitable for vegetarians. Also available in this range are Assorted Bars, which contain the following flavours: Butterscotch, Merry Berry, Choco Delight, Smart, and Fruity Choco.
Ireland	Kraft Jacobs Suchard	Dairylea Dunkers Nachos	Made with calcium, vitamin D and no artificial colours, flavours or preservatives. The product contains one-third of recommended daily calcium intake for children in every serving and is made with real cheese and milk. It is available in a pack of four 42.5g servings.
Malaysia	Vitality Brands Worldwide	Well, Naturally Freggie Very Berry Bar	A snack bar made from eight different fruits and vegetables with a fruity taste. The product is rich in antioxidants and wholegrain, contains less than 6% fat and is free from trans fat. It provides a source of fibre and contains no artificial colours or flavours. This product is retailed in a 30g pack. Also available in this range is a Blackcurrant Bliss variety.
New Zealand	Smartfoods	Vogel's Pita Mixed Grain Crisps	Made with natural ingredients and New Zealand olive oil, with a mix of grains and seeds to create a wholesome pita base. The snacks contain no artificial flavours or colours, and are low in cholesterol. The product is available in a Nelson Garlic and Parmesan flavour.
South Africa	Pioneer Foods	Safari Just Fruit Bar	Available in a Berry flavour and is made with 100% fruit and with no artificial colourants. This certified kosher product contains low GI, no added sugar and is gluten free, high in energy, high in carbohydrates, virtually fat free, high in fibre, virtually free of saturated fat and low in sodium. According to the manufacturer, dried fruit bars are naturally trans fatty acid and cholesterol free foods. Just Fruit Bar is suitable for vegetarians and endorsed by Diabetes South Africa.
<b>SOUPS</b>			
New Zealand	Pitango Innovative Cuisine	Pitango Organic Gazpacho Summer Soup	Said to be refreshing, cool and light. The product is 99% fat free, vegetarian, microwaveable and does not contain GE, gluten, preservatives. It is low fat and calories, and retailed in a 600g pack.
<b>SPREADS</b>			
Germany	Siroperie Meurens	Choco Fruit Chocolate Spread	Made using a process where vegetable oil is replaced by fruit juice concentrates. It has only 13% fat, and 40% less calories than regular chocolate spreads. The product can be used as spread, filling, dip or fondue and also as a topping.
India	Scandic Food	Dana Danish Pineapple Diabetic Jam	Contains 45% less calories than ordinary jams. It has no added sugar, colourings or artificial flavours. The product is retailed in a 315g jar. Also available is Danish Raspberry Preserve retailed in a 340g jar.
<b>SWEETENERS &amp; SUGAR</b>			
Germany	Damhert	Tagatasse Prebiotic Sweetener	Damhert of Belgium is launching Tagatasse, a sweetener based on Tagatose which has a prebiotic effect which is said to contribute to a balanced intestinal flora. In addition, with a glycaemic index of +/- 7.5, the product is suitable for diabetics and contains only 1.5 kcal per gram. It can also be heated up, so is suitable for cooking and is not bad for teeth.
Guatemala	Agave International	Sweet Cactus Farms Blue Agave Nectar Organic Liquid Sweetener	This product is organic certified and suitable for vegans and diabetics. It is free from gluten, nuts or dairy and has a low glycaemic index. This USDA certified product is retailed in a 8oz bottle.

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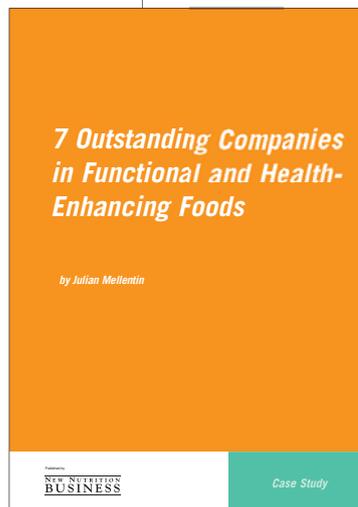


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# 7 Outstanding Companies in Functional & Health-Enhancing Foods

Our latest report, *7 Outstanding Companies in Functional & Health-Enhancing Foods*, provides insights into the strategies of the most outstanding companies in the field of food and health – insights that anyone can apply to their own business.



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## The criteria for inclusion in this report were very simple:

- companies whose strategies in food, nutrition and health are the most advanced and most successful
- companies whose strategies best illustrate the direction of the “functional foods revolution”
- companies from whom the most can be learnt about how to be successful in the business of food and health.

Our selection includes some large companies with diverse portfolios (Danone, Unilever, PepsiCo) as well as very focused companies (Yakult Honsha and Pom Wonderful) and an entrepreneurial startup (Innocent Drinks). Common to all these companies, despite their very different starting points, is a demonstration of how to be successful in food and health.

## The seven companies are:

1. Danone (global)
2. Unilever (global)
3. PepsiCo (global)
4. Emmi (Switzerland)
5. Yakult Honsha (global)
6. Pom Wonderful (US)
7. Innocent Drinks (Europe)

*7 Outstanding Companies in Functional & Health-Enhancing Foods* explains how these companies have connected to many of Mellentin’s 10 Key Trends in Food, Nutrition & Health (eight or nine of the trends, in the cases of Danone, Unilever and PepsiCo).

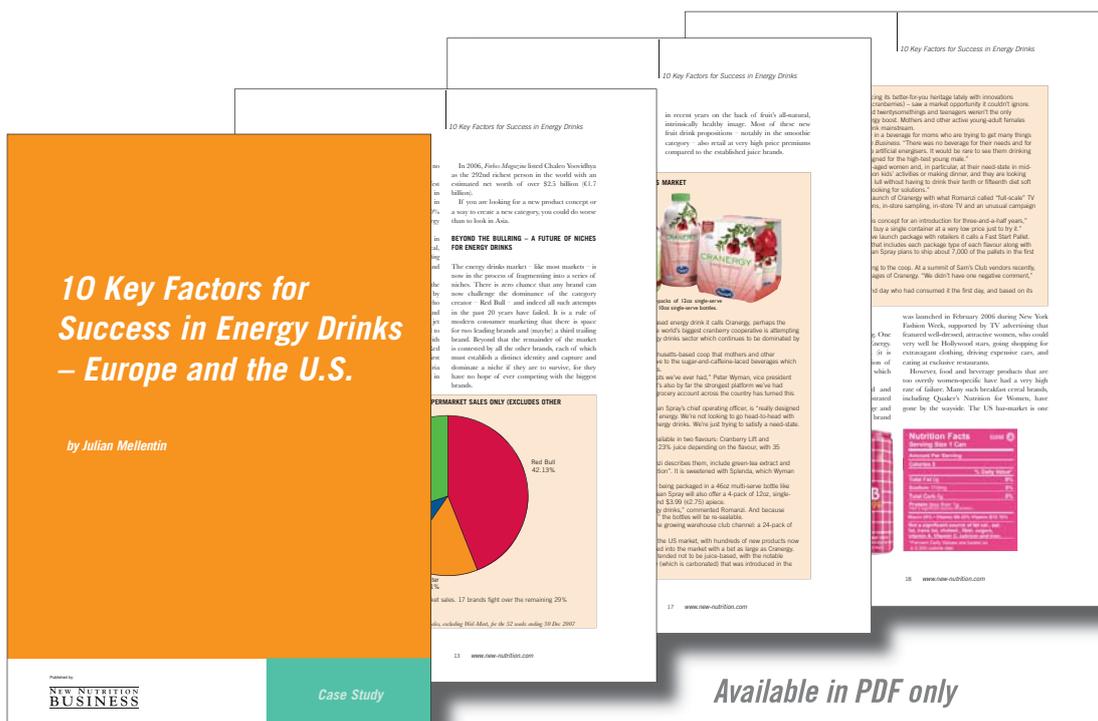
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# PUBLICATIONS

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*Our case studies and reports give you unique insights into the vital and changing food, beverage and nutrition market.*

## CASE STUDIES

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### **7 Outstanding Companies in Functional & Health-Enhancing Foods **NEW!****

Our latest report provides insights into the strategies of the most outstanding companies in the field of food and health. Companies featured in the report have the most advanced and successful strategies in nutrition and health; have strategies which illustrate the future direction of functional foods; and deliver valuable lessons about how to be successful in the business of food and health. Our selection includes: Danone, Unilever, PepsiCo, Emmi, Yakult Honsha, Pom Wonderful and Innocent Drinks.

### **10 Key Trends in Food, Nutrition & Health 2008**

Our annual review, *10 Key Trends in Food, Nutrition & Health*, is one of the most sought-after publications in the food industry. The report identifies the 10 mega-trends that will have the most impact on the food and beverage industries over the year ahead. It points companies towards some clear and practical strategies for their functional food and beverage developments, production and marketing.

### **5 Key Trends in Kids' Nutrition 2008**

In a world in which health is becoming a standard for the entire food and beverage industry, one of the current challenges (and a fecund opportunity) lies in the kids' nutrition market. The report identifies the five mega-trends that will have the most impact on the market for kids' healthy food and beverages and provides detailed scrutiny of the links between kids' food, nutrition, health and business.

### **Kids' Nutritional Dairy: 10 Key Case Studies**

Dairy is the most dynamic category in the business of kids' nutrition worldwide. The three ingredients currently getting most attention from companies are calcium, probiotics, and omega-3. Underpinning these is the strong trend towards "natural", "free from" and "organic" positionings. Using 10 case studies from Europe, the US and the Asia Pacific region, as well as one global brand, this report sets out the ingredient, marketing and branding strategies which are driving growth in kids' nutritional dairy.

### **Functional and Health-Enhancing Juices: 7 Key Trends**

Using 15 detailed case studies this report analyses the functional and health-enhancing juice business. It explains that digestive health, behind superfruits, is the single most-promising trend for the juice industry – and demonstrates how two companies have quietly built digestive brands worth over \$50 million in annual sales. It explores juices with added ingredients and it points out that the areas of beauty, energy and weight management all have the potential for profitable growth.

### **Danone: The World's Biggest Functional Dairy Company**

Danone is, with PepsiCo, one of the two biggest and most successful functional food companies. This report sets out the lessons that can be found in the stories of Danone's successes in digestive health, immunity, heart health and kids' health, as well as beauty (Essensis yoghurt) and energy (Mizone functional water). Each section examines in detail the company's branding, advertising, pricing and merchandising strategies, as well as the corporate strategy of Danone, which puts health at the heart of business.

### **Failures in Functional Foods:**

#### **10 Key Case Studies & 10 Key Lessons**

The functional foods market is a highly complex one. Success with a new product or ingredient in this harsh and demanding market is very rare. In fact, failure is far more common than success and most products sell on a niche basis with very, very select few ever graduating into the mass market. The report analyses some of the more spectacular failures and offers strategies for reducing risk in the functional foods world.

### **PepsiCo: The World's Biggest Functional Food Company**

#### **10 Case Studies in its Strategies in Sports Drinks, Fruit Drinks, Snack Innovation and Cereals**

This report focuses on well-known brands such as Tropicana, Naked, Gatorade, Propel, Quaker Oats and Frito-Lay. It analyses the marketing strategies and health communications used for each brand to reveal how PepsiCo transformed itself into the world's biggest functional food company.

### **Success and Failure in Functional Water:**

#### **Eleven Case Studies from Europe, the US and Asia**

What makes consumers choose functional waters? What are the critical success factors in marketing waters with added health benefits? Why is the category mass-market in Japan, but still only niche elsewhere in the world? Why have so few brands been successful? And why have most product launches failed? The report examines the marketing strategies of 11 different functional water brands and identifies the critical factors for bringing functional waters to market.

### **The Food & Health Marketing Handbook**

In a competitive world how do you take your technology to market so that it's your product that wins at the point of purchase? This handbook tells you how to get the best out of the science and the health benefits of your ingredients or products.

### **Health Benefit Platforms & Strategies in Breakfast Cereals**

Breakfast cereals were the first category in the supermarket where health became the "standard". The opportunity today is to offer a breakfast cereal that has a health benefit which can create and sustain a point of difference. With 17 case studies covering ready-to-eat cereals, hot oat cereal and liquid breakfast, this report provides a comprehensive analysis of why some strategies have succeeded and others haven't in one of the most fiercely competitive of categories.

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## BRAND STUDIES

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### **Danone Actimel: Innovation Builds a Probiotic Mega-Brand**

Danone's Actimel probiotic drinking yoghurt is the world's biggest immunity brand and one of the world's biggest and most successful probiotic brands. In this report Actimel's marketing communications, pricing, packaging, labeling, merchandising, advertising and consumer insights are analysed and explained in detail and illustrated with colour photographs, charts and images from advertisements to provide valuable lessons from which all food and beverage businesses can learn.

### **Innocent Drinks: What makes Europe's fastest-growing smoothie brand so successful?**

For any company, large or small, looking to create a successful health proposition the story of the meteoric rise of smoothie makers Innocent Drinks shows what can be achieved in a tough, highly competitive category. Innocent's strategies are not elusive, nor unachievable – they are instead steps that any company can easily take to propel its brands to new levels.

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