

# Global market review of indulgence foods – forecasts to 2013

2008 edition



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## **2008 edition**

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By Helen Lewis

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# Preface

## Report methodology

This report investigates trends in the indulgent, speciality and premium food markets; three growing sectors that tap into the major trends influencing consumer purchase decisions in the 21<sup>st</sup> century. The report focuses on trends, drivers, innovation and marketing within the three sectors. Forecasts are provided to 2013. Considerations for brand owners are provided at the end of the trends-oriented chapters (two, three and four).

The rate of new product development (NPD) in the three sectors has risen rapidly in recent years, as time-pressured, stressed, and tired consumers seek pleasure, relaxation and self-reward through certain food and drink products. Consumer awareness of nutrition has resulted in a raft of new healthy products. Healthy indulgent products are also making their mark, particularly in countries with a fast-growing functional food sector, and where consumers show a growing interest in products with added value and enhanced functionality such as confectionery fortified with additional vitamins and minerals, and dairy-based desserts with added omega-3.

The indulgent food market now embodies much more than the products traditionally regarded as 'treat' items such as confectionery, cakes and biscuits. The indulgence trend has widened, in line with changing consumer demands, to encompass premium, gourmet, fine and speciality foods. Consumers are becoming more sophisticated in their tastes, and more experimental with new products and flavours. A wide range of products now fall under the indulgent banner including unique products sourced from exotic locations, locally sourced food, artisan (speciality) produce, or celebrity-endorsed items (all of which are discussed within this report).

People are becoming more self-indulgent in their eating and drinking habits, which has created marketing and NPD opportunities for food manufacturers, suppliers and retailers. The self-reward culture is prevalent, and will continue to grow worldwide in the years to 2013, as consumers balance healthy eating habits with the occasional treat.

The author of this report, Helen Lewis, has more than seven years' experience of researching, writing and analysing trends and developments in the global food and drink market. During this time, she has developed an extensive contact list of industry experts and researchers. The author conducted a programme of secondary research specifically for this report, and analysed numerous data sources and publications relating to the indulgent, speciality and premium food markets. Also, primary research was conducted in the form of one-to-one telephone and email interviews with professionals working within the industry including:

- Greencore Frozen Foods;
- Montezuma's;
- Burnt Sugar;
- Valley Produce Company;
- Porter Foods;
- Watt Gilchrist;
- Brandhouse WTS;
- The Raw Food School; and
- The Chocolate Trading Company.

These research techniques are combined to enable just-food to make informed market estimates, trend predictions and forecasts to 2013.

#### **Aims of the report**

The primary objective of this report is to provide insight into the current issues and trends in the indulgent, speciality and premium food markets. The report analyses NPD, marketing and branding strategies, and assesses the primary trends and drivers shaping the market. Major developments over the past two years are considered, and future profit opportunities are identified. The indulgent, premium and speciality food markets are quantified with forecasts to 2013 in Europe and the US.

The report also analyses growth strategies implemented by food companies around the world to identify future opportunities. NPD is also assessed in key markets including Europe, North America and Asia. just-food has analysed the major drivers and trends in order to better understand the future direction of the market. Brand case studies are included to highlight and substantiate strategies and analysis throughout the report, as are comments from relevant industry executives who were interviewed by the author.

**The author**

Helen Lewis is the author of numerous just-food and just-drinks reports and briefings on subjects including healthy convenience food, ethnic foods, and NPD strategies. Helen's interest in the food and drink industry developed during her time as head of publishing at *Reuters Business Insight* between 2001 and 2004. In 2005, Helen established *food&drink towers* ([www.foodanddrinktowers.com](http://www.foodanddrinktowers.com)), an online media resource specialising in the creation of a communications network for food and drink companies, journalists and public relations specialists. Helen writes for a number of publications such as *The Grocer*, *'flexible' packaging* and *Multiple Buyer & Retailer*, and is also a qualified PR practitioner.

# Executive summary

## Chapter 1 Introduction to indulgent, premium and speciality food

- Indulgent foods appeal to consumers because of their high taste, full flavour and satisfying ingredients.
- Premium products are often also positioned as indulgent, as the ingredients are of a more 'indulgent' nature, i.e. a higher percentage of cocoa rather than milk chocolate, clotted cream rather than single cream.
- Speciality products are typically higher in price than standard goods, and therefore categorised as premium. The high price is a result of the small-scale and labour-intensive production associated with many speciality brands.
- Consumers are choosing to trade-up more frequently and are prepared to pay more for food that is perceived to offer the best taste experience.

## Chapter 2 Building successful indulgent, premium and speciality food brands

- Successful brands targeting the healthy indulgence trend are aware that products such as confectionery and desserts are now regarded as treats rather than staple foods, and should be treated as such.
- Producing a low-calorie, low-fat alternative to a luxuriously indulgent product without paying attention to the variations in taste or quality of ingredients will not appeal to customers.
- Consumers are trading up to indulgent, premium and speciality foods because they believe they deserve it. The upscale brand is not being specifically purchased as a status symbol (although for some consumers this is an issue) but as an internal reflection of a consumer's personal success or hard work.
- The Australian Communications and Media Authority (ACMA) released an issues paper in June 2007 stating that there is no "*conclusive evidence that fast food adverts contributed to rising childhood obesity*". According to the Australian government, xx% of children aged under 16-years-old in Australia are obese, and one in five is overweight.

### **Chapter 3 The healthy indulgent food market**

- Consumers are wise to adverts showing large portions, and front-of-pack images displaying full servings. The nutritional information on the back of pack often refers to a single portion that is significantly smaller.
- The 'low and light' trend has been influential in the global food industry for years, although it is starting to take a different shape in today's marketplace with the focus shifting to more natural and whole offerings.
- A primary premium strategy for crisp brands is to highlight the authenticity and provenance of the ingredients. Made with just two or three ingredients (potatoes, oil and salt/other flavourings) crisp manufacturers are well placed to highlight the natural side of the product.
- Field-to-shelf provenance is part and parcel of the healthier image for food manufacturers, particularly for brands that have been subjected to recipe reformulations or the introduction of new better-for-you flavours. Burts Chips takes the field-to-shelf idea seriously by putting the name of the field in which the potato was grown on its packaging: a step further than most crisp brands.

### **Chapter 4 Market trends and drivers in indulgent, premium and speciality food**

- There are plenty of opportunities available to food brands looking to score points with the ethical consumer, such as sourcing fairtrade or 100% organic ingredients, or investing in an environmental charity through on-pack donations or similar promotions.
- Products that clearly communicate the origin of ingredients continue to be regarded as more premium than brands that choose not to disclose such information.
- Retailers' private-label premium ranges are often slightly cheaper than comparable branded goods. They also get huge POS support and a prime position in stores to target time-pressured shoppers. The Institute of Grocery Distribution (IGD) predicts that the value of retailers' premium labels in the UK alone will almost double to 2011 to just under GBPxbn (US\$xbn).
- The revolt against over-packaged products is extremely relevant to premium and speciality brands that have traditionally relied on packaging to attract consumers' attention. Brand owners have to

consider the image they wish to convey carefully, as packaging is the first point of reference for most consumers.

#### **Chapter 5 Emerging profit opportunities by region and category**

- The speciality food market in 2007 will reach a value of US\$xxxxbn in Europe and US\$xxxxbn in the US, according to just-food estimates. Italy is forecast to experience the strongest growth in Europe between 2005 and 2013.
- The US market represents a profit hotspot for premium food manufacturers. Americans are increasingly trading up to premium goods in search of the best their money can buy.
- In the US, the healthy indulgent market is reaching a peak in 2007 with sales topping US\$xxxxbn. The US is the biggest and most successful healthy indulgent food market in the world, as consumers have readily accepted the combination of health and indulgence in new products launched over the past two to three years.
- The Chocolate Trading Company, based in Cheshire, UK, introduced 22-carat gold chocolates as part of its Superior Selection range in 2006. The 22-carat gold chocolates were used at the 2006 Oscars ceremony, adding further indulgent and premium appeal to the range.

#### **Chapter 6 Five top strategies for indulgent, premium and speciality food brands**

- First-to-market status is critical yet many companies are let down by their lengthy and costly NPD processes.
- Mixed messages, unclear product positioning, and blurring of boundaries between health, indulgence and premiumisation can cause consumer confusion.
- Consumers are becoming more interested in the journey pre-packaged products have made, and are keen to know more about the origins of ingredients, and increasingly more about the production process.
- While ethics, the environment, provenance and authenticity are important factors in indulgent, premium and speciality food purchasing, there are occasions when consumers simply want to enjoy food without having to give it too much thought.

# Chapter 1 Introduction to indulgent, premium and speciality food

## Defining indulgent food

Indulgent foods appeal to consumers because of their high taste, full flavour and satisfying ingredients. They are typically purchased as a reward, self-indulgence or treat. The indulgent food sector can be divided into two categories according to market research company TNS:

- premium – includes products such as Carte D'Or ice cream and Green & Black's chocolate; and
- luxury – includes products such as Haagen-Dazs ice cream and the Chocolate Trading Company's 22-carat gold chocolates (see Chapter 5 for more details).

just-food adds another category to this list:

- healthy indulgence – includes products such as Richmond Food's Skinny Cow ice cream and Go Lower's Chocolate Crème bars.

Figure 1: Chocolate Trading's 22-carat gold chocolates



Source: Chocolate Trading

## Attributes of an indulgent food product

Attributes of an indulgent food product include:



# Chapter 2 Building successful indulgent, premium and speciality food brands

## Introduction

Premium indulgent products are being launched to meet consumer demands for the best, the finest, and the tastiest food and drink possible. Speciality products provide consumers with an alternative – indulgent or otherwise – to private labels and global brands.

The premium and indulgent categories are becoming interrelated as consumers' shopping habits evolve in line with a changing society. In an increasingly cash-rich, time-poor world, the premium and indulgent market is set for strong growth over the next six years. When it comes to products and services, consumers are looking for the best they can get for their budget. Indulgent foods are an established category compared to the premium food sector, which has emerged from a relatively niche position within the global food business.

Cakes, biscuits, and desserts have been staple products for years, yet these brands have been forced to move with the times, in line with the focus on issues such as healthy eating and obesity. Consumers have adopted a less energetic lifestyle with an over-reliance on cars, a rise in desk-based employment and less time for daily exercise. Subsequently, people feel as though they can no longer indulge in foods that are high in fat or calories as regularly as their grandparents or great grandparents perhaps once did. Instead, buying an indulgent food such as a cake or biscuit is no longer a regular occurrence but is increasingly viewed as a treat purchase.

## Premium indulgence versus premium healthy indulgence

Premium and indulgent food can fall into two categories: premium healthy indulgence, or premium indulgence. Brands that appeal to the treating and gifting occasions ensure that the entire experience provides the consumer with a sense of indulgence, from the appearance of the packaging through the opening of the pack to the taste of the product, and even the after-

# Chapter 3 The healthy indulgent food market

## Introduction

Healthy indulgence is the combination of healthy and indulgent attributes in a single product (examples of attributes are given below). Brands aiming to attract higher value and volume sales are reducing calorie, fat, salt and/or sugar content to appeal to a more mainstream market, particularly the more health-conscious consumer who is seeking a guilt-free indulgent treat. Consumers are increasingly expecting the best of both worlds when it comes to indulgence: high quality, excellent flavour combinations and taste profile, delicious ingredients, and better-for-you credentials. Healthy indulgence is not a secret to success in the indulgent food market, however, and should not be considered unless the taste can match up to consumers' expectations. A common complaint is that lower/lighter versions are of a lower quality, or that it tastes different to standard indulgent variants. In summary, regardless of a product's fat or calorie content, if it doesn't taste good – or in line with consumers' expectations – it will fall at the first hurdle.

## Attributes of a healthy indulgent food product

The attributes of a healthy indulgent food product are:

- taste;
- high in flavour/mouthfeel;
- guilt-free appeal;
- lifts mood/helps relax/boosts emotional wellbeing;
- convenience;
- indulgent and healthy ingredients;
- treat item;
- attractive packaging clearly stating healthy *and* indulgent attributes;
- appearance of product out of the pack; and
- nutritional value.

# Chapter 4 Market trends and drivers in indulgent, premium and speciality foods

## Introduction

Understanding the trends and drivers influencing marketing, branding and NPD decisions, as well as consumers' purchasing habits, will help unlock the potential in the indulgent, premium and speciality food sectors. There are many related trends and drivers that are common to all three markets, as well as factors that are unique to each. This chapter considers trends such as sustainability and ethical consumerism, provenance and authenticity, and drivers such as cash-rich time-poor consumers, increasing obesity levels and the rise of the premium retailer.

**Table 3: Trends influencing the indulgent, premium and speciality food markets**

	<b>Indulgent</b>	<b>Healthy indulgence</b>	<b>Premium</b>	<b>Speciality</b>
Provenance			X	X
Authenticity	X		X	X
Organic		X	X	X
Whole and natural		X	X	
Bespoke/tailor-made			X	X
Sustainability			X	X
Exclusivity/limited availability			X	X

Source: just-food

## Tackling the trends influencing indulgent, premium and speciality foods

There are numerous trends influencing today's food market, and the future of indulgent, premium and speciality brands will be shaped by the power of current and emerging trends.

# Chapter 5 Emerging profit opportunities by region and category

## Introduction

Taste preferences vary dramatically by region, which is an issue that requires special attention by companies looking to develop a global brand. Regional variations are also inevitably apparent in the indulgent, premium and speciality food markets. As Montezuma's Pattinson explains: *"Generally, speciality foods don't need to be vastly more expensive. It's about what people are prepared to pay and it varies by category and country. Typically, people will invest more in children's food and products that are perceived to be better for them."*

The following sections analyse the market value of speciality food to 2013, the market value of healthy indulgent foods to 2013, and the predicted number of premium food and drink consumption occasions to 2013. It also investigates two categories that are commonly associated with indulgence, premiumisation and speciality food producers: confectionery, and bakery and cereals.

# Chapter 6 Five top strategies for indulgent, premium and speciality food brands

## Introduction

This chapter provides insight into five selected strategies for consideration by manufacturers and retailers in the premium and indulgent food market.

### Strategy 1: Minimise NPD timelines and cut red tape

In such a fast-changing market, it is imperative that brands continually monitor competitor activity, as well as emerging and current trends that could influence product sales. The NPD timeline in multinational companies is usually significantly longer than those in smaller, independent companies, due to the sheer number of employees and bureaucratic red tape. But whatever the size of the company, if a product needs to be reformulated or a new product introduced to meet consumer demands then it should be done as quickly as possible.

First-to-market status is critical, yet many companies are let down by their lengthy and costly NPD processes. There is also the difficult decision regarding whether a new product should be developed in relation to a recent or emerging trend: Will it be a fad like the low-carb era of 2003-2005? Does it match the existing target audience?

Montezuma's Pattinson told just-food: *"While we're relatively small we have to make the most of our short NPD time. It takes less than ten days to go from the idea to the shelf. If one of the team says that they've created a new truffle, we'll all taste it and then if we like it, sell it in one of our stores for a short while."*

Smith at Burnt Sugar added: *"It's important to be first to market with a speciality premium product, although me-too innovation does spur you on to get bigger and better. We're not too concerned about direct competitors as they are not the same quality. The price they are retailing at means they cannot be using the same quality ingredients or beating the fudge by hand."*