

Annual trends report: Driving progress in an age of uncertainty

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Science Group fact sheet



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Regulatory Compliance

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Frontier Smart Technologies

Market leader in technologies for digital and SmartRadio

FRONTIER
SMART TECHNOLOGIES



400+

Scale: 400 employees



12

Global presence:
12 offices and
30 languages spoken



£73M

Growing: revenue increasing
year on year



2

Investment:
2 dedicated,
state of the art
R&D facilities



25%

Deep expertise:
25% of staff have PhD's

Included in your Membership

Webinars



Regulatory Day

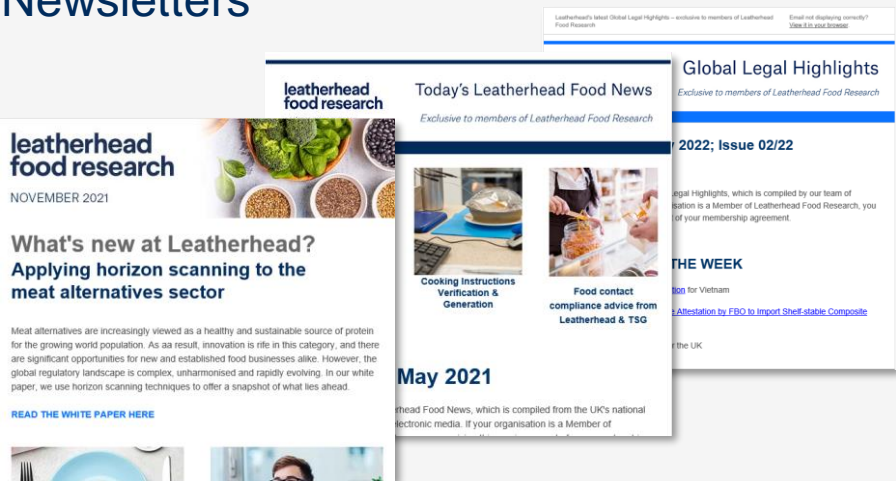


**leatherhead
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White papers & Annual trends report



Newsletters

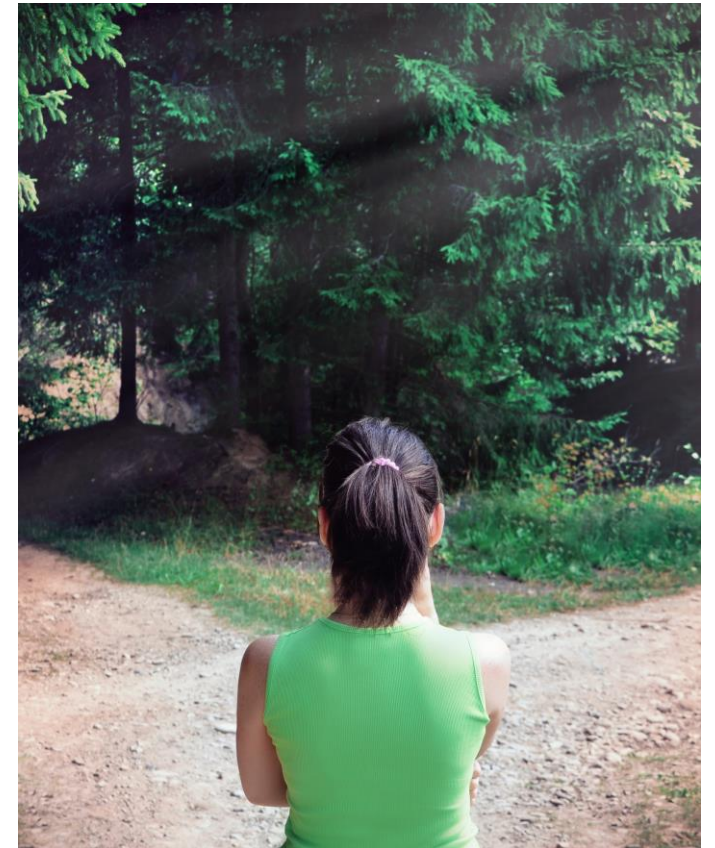


Agenda

1. The changing global regulatory landscape
2. The global regulatory response to COVID-19
3. The global impact of COVID-19 on the consumer
4. Consumer attitudes to sustainability
5. Conclusions
6. Recommendations

Navigating through uncertain times

- COVID-19 and Brexit created a perfect storm of uncertainty with extensive disruption to supply, demand and workforce availability
- Opportunities in the areas of healthier eating and sustainability
- The global regulatory landscape is in constant flux and businesses need to be able to anticipate and plan for these changes
- There remains a lot of uncertainty with rising raw material costs, transport issues causing supply chain problems and many businesses are restructuring to save costs
- The current environment brings opportunities and threats which need to be navigated with care, foresight and agility



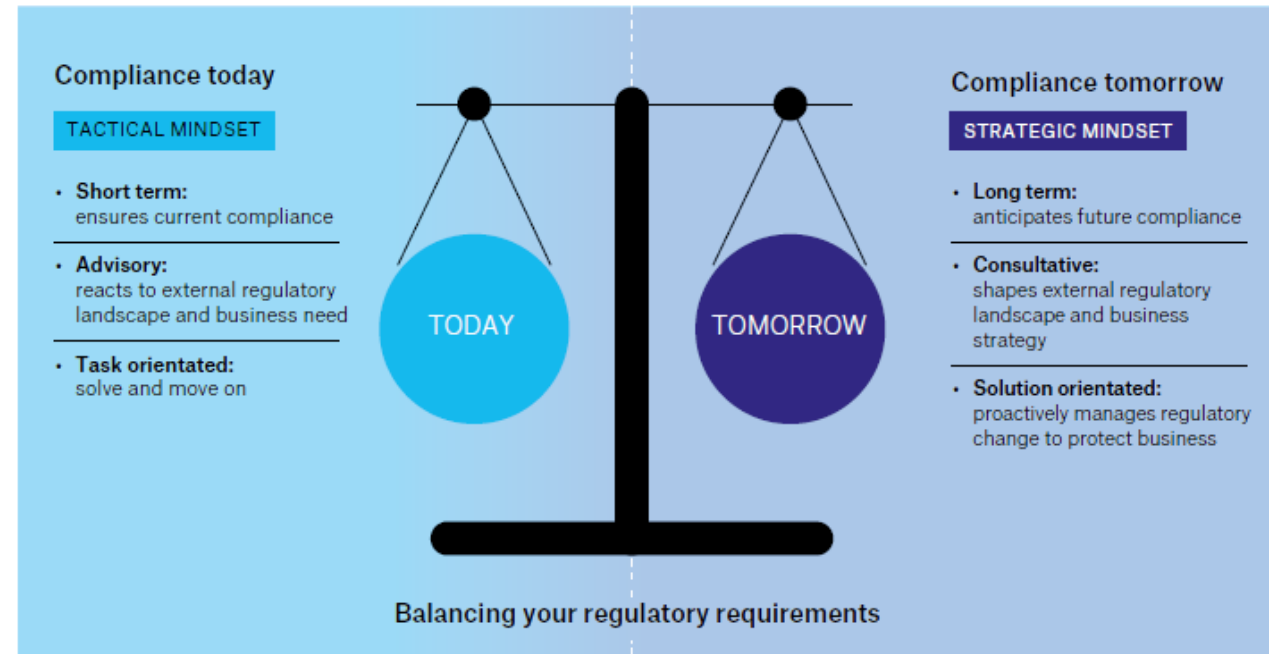


Section 1

The changing global regulatory landscape

Market expansion and regulatory divergence

- Diversification is the watchword for food and beverage companies at present
- Whether considering new markets, product categories or alternative sub sectors
- Strategic regulatory compliance is key
- Considering regulatory issues along side longer term R&D strategic planning helps to protect and future proof innovation



The value of horizon scanning

- Predicting future regulatory requirements is a strategic priority for many companies
- It reveals emerging trends and likely changes so that product strategies can be adapted accordingly
- Valuable tool which underpins purposeful decision making for R&D innovation pipelines

White paper: What's on the horizon for meat alternatives?

Webinar: Plant-based and solar proteins

Case study: Mitigating future ingredient restrictions





Section 2

The global regulatory response to COVID-19

The global regulatory response to COVID-19

Analysis of regulatory developments in eight markets



Australia



China



France



India



Saudi Arabia



Turkey



UK

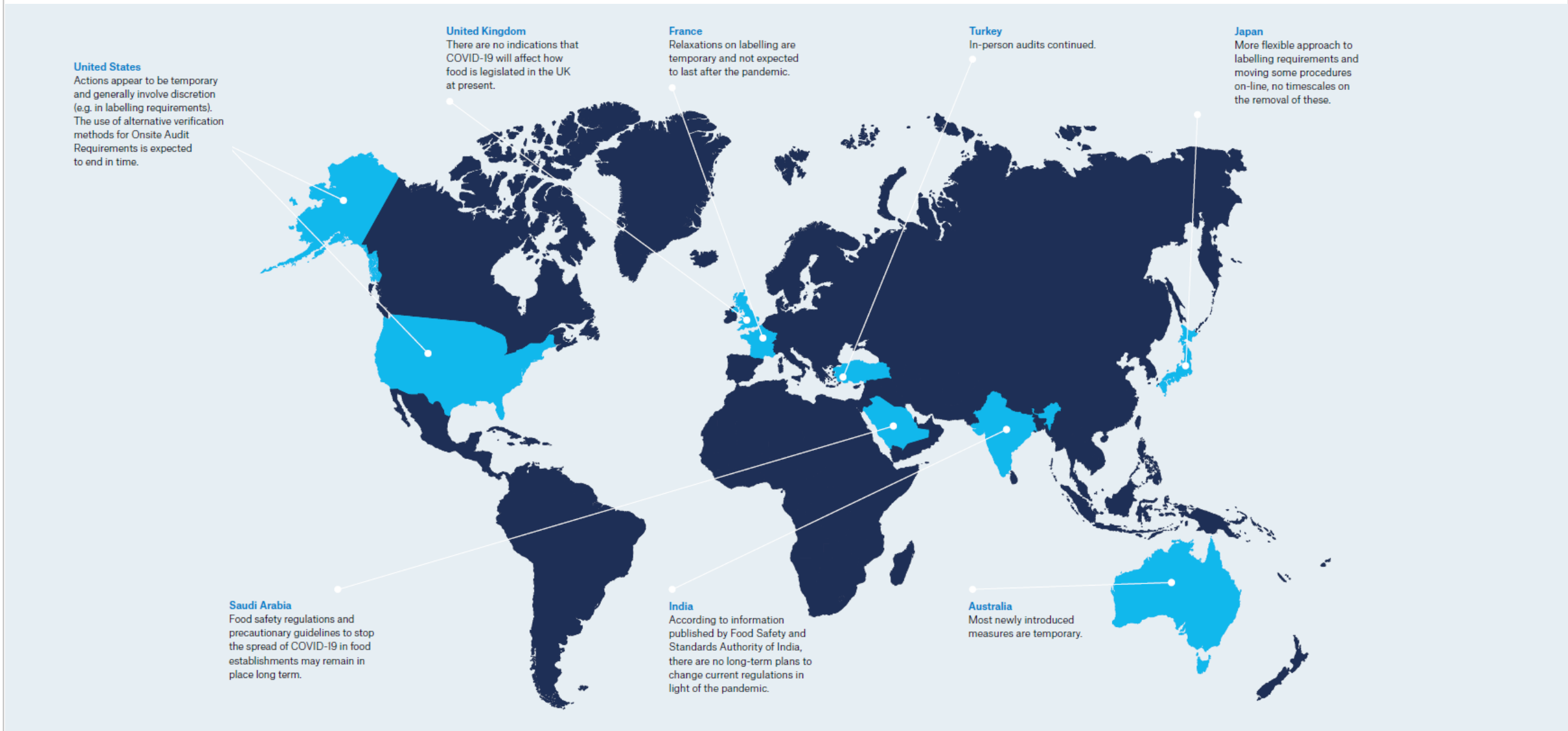


US

Three key themes:

1. **Increased flexibility** and greater leniency from regulatory authorities in the areas of labelling compliance and product reformulations
2. **Regulatory changes** in some markets have been delayed/suspended. All countries issued COVID related guidance
3. **Expansion of online systems** for registrations and audits, with some exceptions

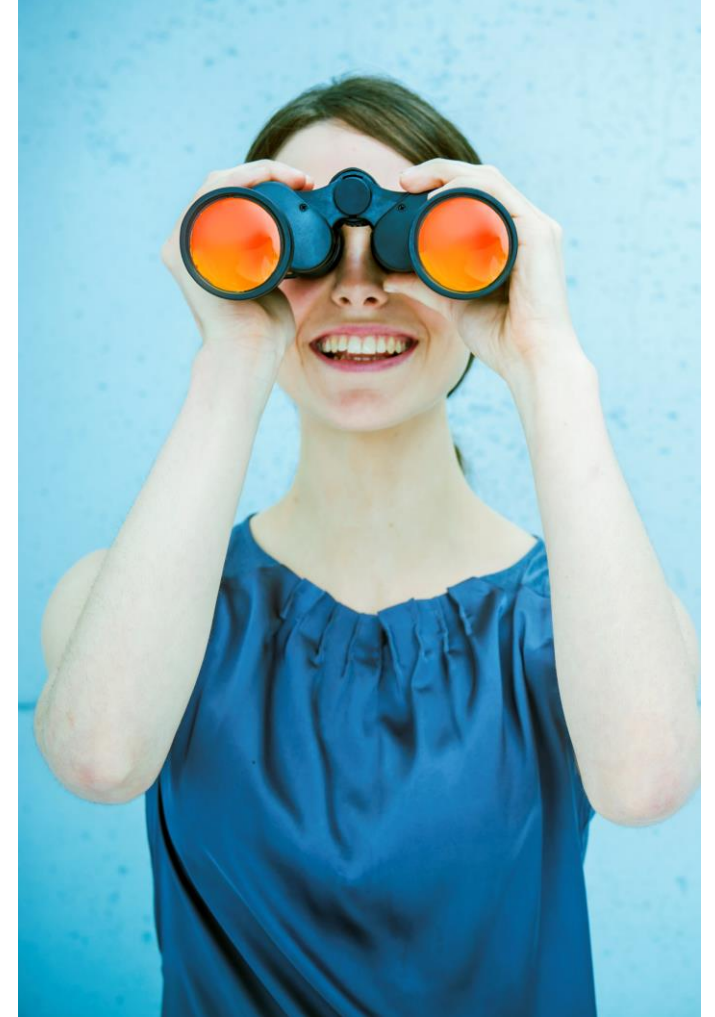
Will COVID driven changes be permanent?



What does the future regulatory landscape look like in key markets?

Global regulatory divergence remains significant bringing continued complexity to companies operating across multiple markets

- **UK** – Sustainability, clean label and Brexit related changes
- **France** – recycling and sustainability
- **Australia** – updated definition of genetically modified food has been delayed
- **US** – The National Bioengineered Food Disclosure Standard - mandatory compliance began on 31st December 2021





Section 3

The global impact of COVID-19 on consumers

Leatherhead 2021 consumer research

About the research

- Research was carried out in Australia, Brazil, China, France, Japan, Mexico, the UK and the US
- The total sample size was 9,679 adults aged 18+
- Investigating attitudinal shifts in relation to food and beverage products since the start of COVID-19
- Also focused on food and beverage sustainability issues

Figures have been weighted and are nationally representative for adults in each of the eight countries. Fieldwork was conducted online between 12-26 July 2021.



Health and wellbeing

The four trends dominating health and wellbeing activity in the food and beverage sector are:

1. Functional ingredients
2. Preventative nutrition
3. Mental/emotional wellbeing
4. Sustainable nutrition

Top five factors that have become more important due to COVID-19



How younger consumers have been impacted by COVID-19

- COVID-19 had a greater impact on younger people in terms of factors that are important when making purchase decisions
- Key areas nutrition and health claims and physical and mental wellbeing
- If this trend lasts beyond the pandemic to shape lifelong preferences, it will have an enormous impact on the future of the food and beverage industry

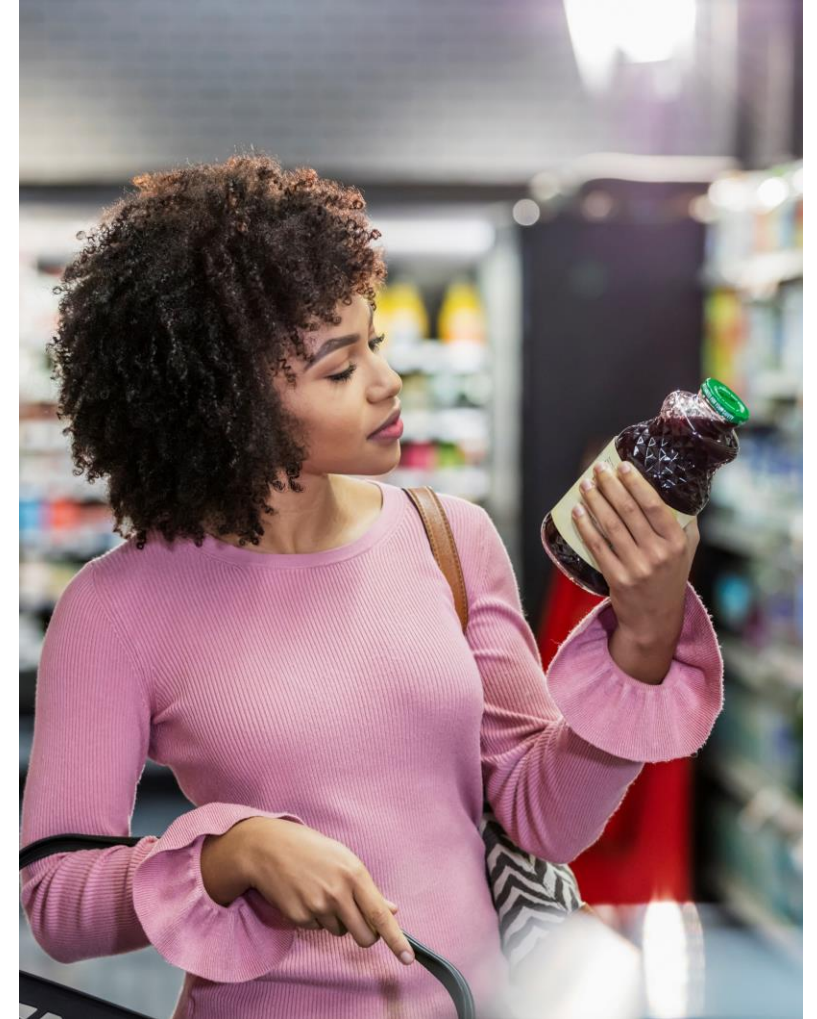
Q: When purchasing food and beverage products, have each of the following become more or less important to you due to COVID-19, or has it remained the same?	Adults in all countries					
	All ages	18-24	25-34	35-44	45-54	55+
Ingredients or products to support my physical wellbeing have become more important	37%	44%	45%	39%	35%	30%
Health benefit claims (e.g. immunity) have become more important	35%	41%	39%	37%	34%	31%
Ingredients or products to support my mental wellbeing have become more important	33%	39%	39%	37%	33%	25%
Nutrition claims (e.g. 'high in protein' or 'source of Vitamin D' etc.) have become more important	29%	32%	34%	30%	28%	24%

Table 1: Younger demographics experienced a greater shift in their attitudes to key health factors due to COVID-19

Functional ingredients and preventative nutrition

Health benefit and nutrition claims

- Products making health benefit claims (e.g. immunity) top 5 factor of increased importance in every country
- In Brazil 74% and Mexico 66% of adults now place more importance on products that make health benefit claims (e.g. immunity) than they did previously
- However, in the UK 18% of adults and in France 16% felt the same
- Nutrition claims (eg high in protein) – top 5 factor in every country with the exception of China, significantly more adults in Brazil and Mexico placed greater importance on nutrition claims



Mental and emotional wellbeing

- Consumers have become more interested in how dietary choices affect mental wellbeing during the pandemic
- In every country we surveyed, 'ingredients or products to support my mental wellbeing' made the top five factors that have become more important
- This dovetails with the functional ingredients trend, but also relates to dietary habits, routines and a shift towards more mindful eating

60%

Adults in Brazil

50%

Adults in China

26%

Adults in the US

57%

Adults in Mexico

34%

Adults in Australia

Less than

1/5

Adults in the UK,
France and Japan

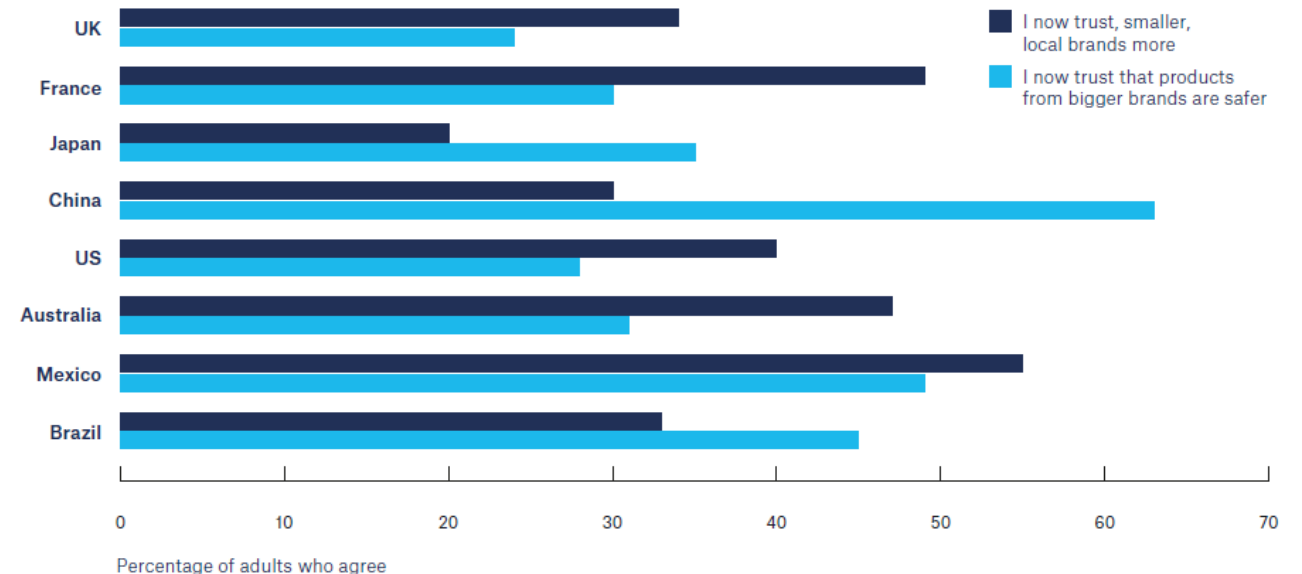


Has COVID-19 altered consumer trust?

- Most respondents in most markets have become more concerned about the cleanliness of where food is made and sold
- Many are also more interested in where food has come from and how it was made than previously
- During the pandemic there has been a tendency to use trusted, dependable brands
- Our research has shown which types of companies are trusted varies by market



Changing consumer trust in big and small brands due to COVID-19



In summary - one pandemic, many outcomes

Brazil and Mexico

- Our research clearly shows that consumer attitudes in Brazil and Mexico have been profoundly impacted by COVID-19
- The percentage of adults placing more importance on health benefit claims (e.g. immunity) was 74% in Brazil versus 66% in Mexico

The UK, US, France, Japan and Australia

- In general exhibited a significantly lower level of change
- Clusters of similarity and some significant differences are apparent across the UK, US, France, Japan and Australia
- When it came to placing more importance on physical wellbeing, consumer responses in the US and Australia were closely aligned at 33% and 36%, as were those of the UK and Japan (22% and 20%)
- For health benefit claims, a similar percentage of consumers in the UK and France said they were more important (16% and 19%), with the US, Japan and Australia forming a separate cluster (26%, 28% and 29%)

China

- Responses from consumers in China tends to fall between the two ends of the spectrum



Section 4

Consumer attitudes to sustainability

Consumer attitudes to sustainability

- Increased focus on claims related to product packaging
- Partly driven by the emerging regulations to eradicate or minimise single use plastic and also anticipates new rules related to Extended Producer Responsibility (EPR) schemes
- Asked consumer which of 10 sustainability issues were important to them

Packaging materials and recyclability are important factors when considering purchasing food and beverage products



Breakdown by country



Top five environmental factors to consumers when purchasing food and beverage products (Nationally representative sample, N=9679 across 8 markets, YouGov 2021)



Minimal packaging



100% recycled packaging (i.e. made from recycled materials)



Biodegradable/compostable packaging



Reducing food miles (i.e. how far food has travelled before it reaches the consumer)



No plastic in packaging



Buying products that are locally produced



Reducing food waste

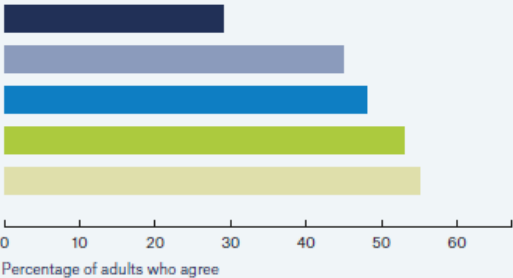


Directions on how to recycle packaging

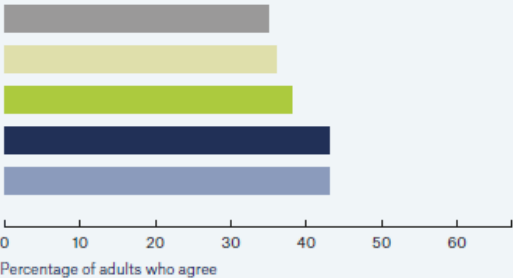


Not applicable – no issues in particular are important to me when buying food and beverage products

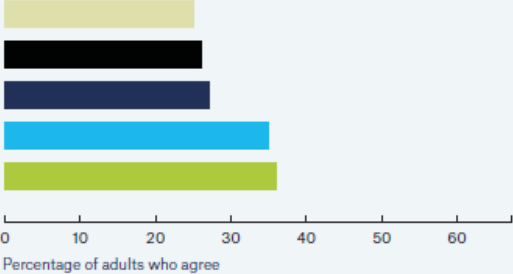
Mexico



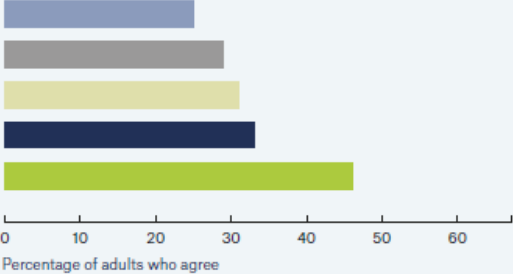
France



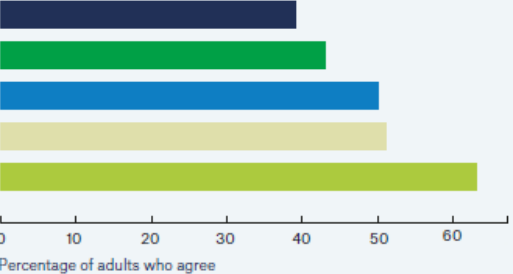
United States



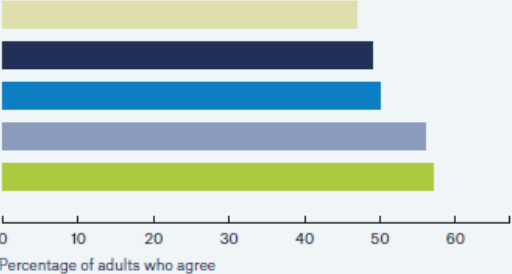
China



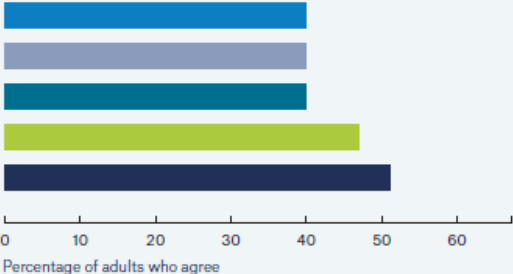
Brazil



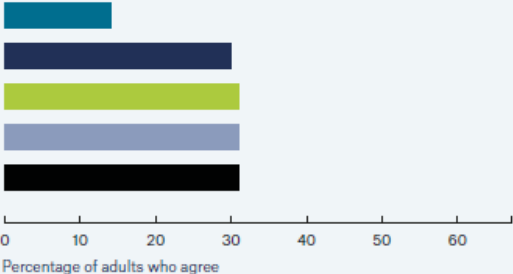
Australia



UK



Japan





Section 5

Conclusions

Conclusions: Moving towards greater divergence

With divergence rife across macroeconomic factors, consumer expectations and global regulations alike, companies need to consider macro trends and individual markets in parallel to navigate the road ahead.



Regulatory divergence is set to escalate

- Regulators long-term strategies have not changed and there is much ambiguity over when and how changes might happen
- COVID-19 will have an indirect impact over time. Regulators will react if there is a surge of products which make health and nutrition claims or use functional ingredients to impart physical and mental health benefits
- We expect to see a rise in online shopping to accelerate development of regulations for distance selling



COVID-19's legacy is a complex macroeconomic climate

- As COVID continues it will have a knock on effect on consumer attitudes
- Our consumer survey showed little change in consumer attitudes in Australia and New Zealand vs pre-pandemic attitudes
- COVID's impact has been greater in Brazil and Mexico significantly affecting consumer attitudes and recovery will take longer



Consumer trends can be categorised according to age as well as country

- Consumers in the UK, France and Japan place more importance on products which support mental wellbeing and healthier options
- Health benefits claims are also important in some markets e.g. Brazil and Mexico
- Findings from younger adults aged 18 to 34 are significant, the pandemic has made them focus more on nurturing health



Section 6

Recommendations

Recommendations



1. Take a global perspective

- Identify critical areas of strategic focus based on your core portfolio for more targeted horizon scanning of regulatory changes
- Each target market needs to be considered individually



2. Understand market divergence

- If focusing on health and nutrition some markets are more ready than other, for example Brazil and Mexico
- Where the importance consumers place on health and nutrition claims, functional ingredients, healthier products and mental and emotional wellbeing has increased dramatically
- Nutrition and health horizon scanning amongst younger adults an area to consider

Recommendations



3. Focus on sustainability

- Europe is a place to watch for sustainability initiatives, particularly France
- Regulatory development are expected in this rapidly evolving area especially in relation to recycling and sustainable packaging claims



4. Monitor regulatory divergence

- Changing consumer attitudes, innovation and emerging technologies will drive or be driven by the evolving regulatory landscape and in turn shape the global picture

Questions

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