

Innovation in food products essential to weather economic storm

By Lindsey Partos in Paris , 20-Oct-2008

Food makers confronted by today's challenging economic times must continue to invest hard in innovation to beat the downturn. This year's SIAL, which opened yesterday in Paris, is a showcase of new ideas that could help to boost margins and weather the economic storm.

"As a market becomes more difficult, so innovation is increasingly necessary," Xavier Terlet, CEO of trend tracking agency XTC, told FoodNavigator.com.

And innovation that embraces today's, and tomorrow's trends, will be key to success.

But getting it right is a tough call. In Europe, according to Terlet, an astonishing one out of two food and drink products to hit the European shelves are actually removed within two years, leaving the company to bear the considerable costs involved in new product development.

With reasons for removal, and failure, ranging from a misplaced concept to price, from poorly targeted positioning to poor 'added value', plugging firmly into l'esprit du temps should help reduce risk of product failure.

Health axis

In 2007, the health axis delivered the strongest progress, claims XTC, which compiled market data on trends and innovations for SIAL's popular innovation pavillion.

Concepts with naturality values – notably organic certified – boosted the health axis. At the same time, products bearing functional 'medical' promises – antioxidant-rich, DHA-rich – also fed into this axis.

And there are clear signs that health may be spilling over, and merging into other trends. While data from XTC actually shows a drop from 25.8 per cent to 21.7 per cent, in health positioned innovations from 2006 to 2007, there was a considerable rise in naturality, from 8.6 per cent to 11 per cent. Medical concepts also rose, from 12.1 per cent to 12.8 per cent.

The use of natural ingredients, such as grains and fruits, further contributed to health, with products boasting a double-positioning. The market has observed the merging of functional and natural, an example being a portion of fruit that delivers specific nutrients for the digestive system.

"Healthy functioning is natural functioning," XTC said. *"For example, an organic product can be enriched with vitamins or bifidus, or natural juices will label the antioxidants they contain."*

Health, it would seem, is also spilling over into pleasure. *"In 2009 we could expect the pleasure and health axis merging more together,"* said Terlet.

XTC notes that a considerable 42 per cent of innovations launched around the world, according to the firm's database, speared pleasure.

Their data reveals that, in terms of this axis, there has been a continual growth in trends for 'sophistication' and 'variety of senses'. Innovations for 'variety of senses' rose from 11.4 per cent to 12.8 per cent from 2006 to 2007, and for sophistication from 17.6 per cent to 18.1 per cent.

And while sophistication is on the rise, convenience, time saving and easy to handle innovations all dipped from 2006 to 2007. The XTC data suggests the convenience axis has taken a back seat, overshadowed by the dominant health axis.

Ethics

Food makers, XTC claims, are looking for a path that goes beyond existing fair trade labels, or products with a low environmental impact. The market trackers suggest that these positionings have now *"been pre-empted by retailers"* with their own-label product lines that seek to differentiate themselves from the market offerings.

Although, despite the column inches devoted to fair trade, and the apparent increase in consumer awareness, in terms of innovation, the area is still marginal. XTC data shows innovations rose from 0.9 per cent to 1.2 per cent from 2006 to 2007.

Innovation and own label

The role of own label in driving new product design was underlined by several industry observers at SIAL.

According to XTC, over 21 per cent of products *"with a genuinely innovative character"* marketed in Europe from 2007 to 2007 hailed from own label products.

Long gone, they write, are the days when own label products were simply copies of manufacturer brands.