Insights into the real gluten free needs and expectations of UK consumers

LENA HAMANN
STRATEGIC MARKETING MANAGER, BAKERY
DUPONT NUTRITION & HEALTH

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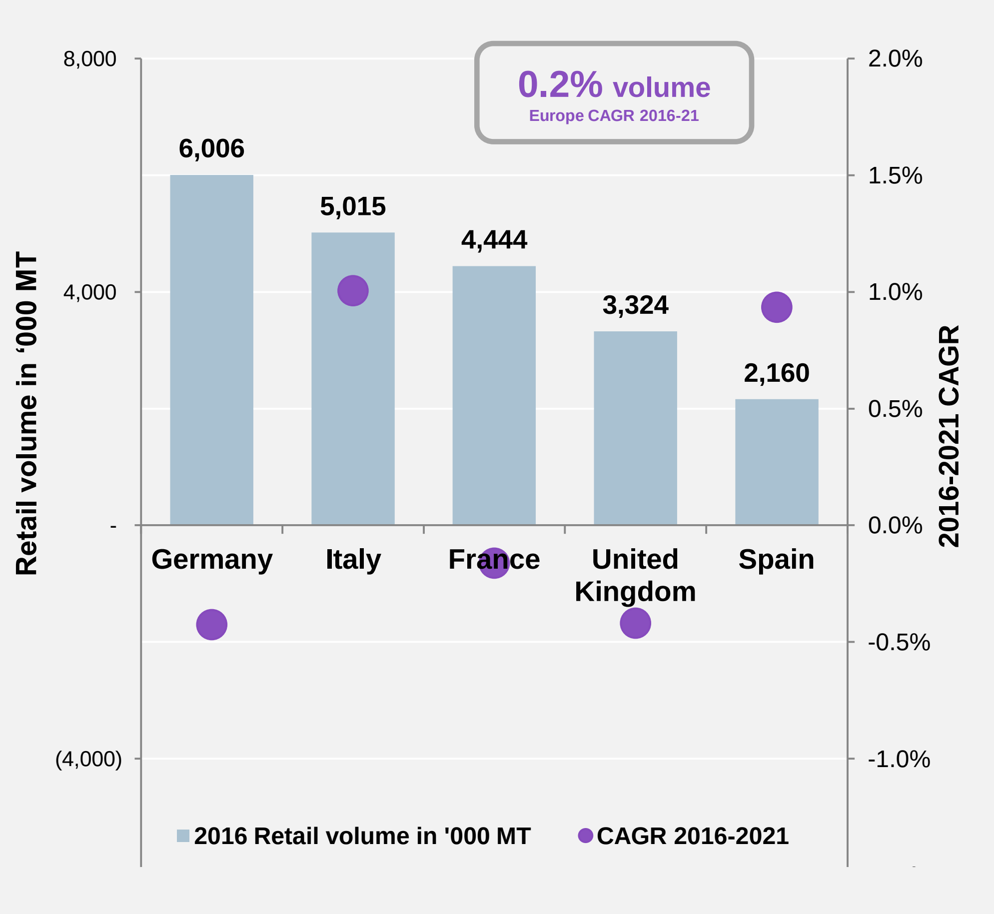
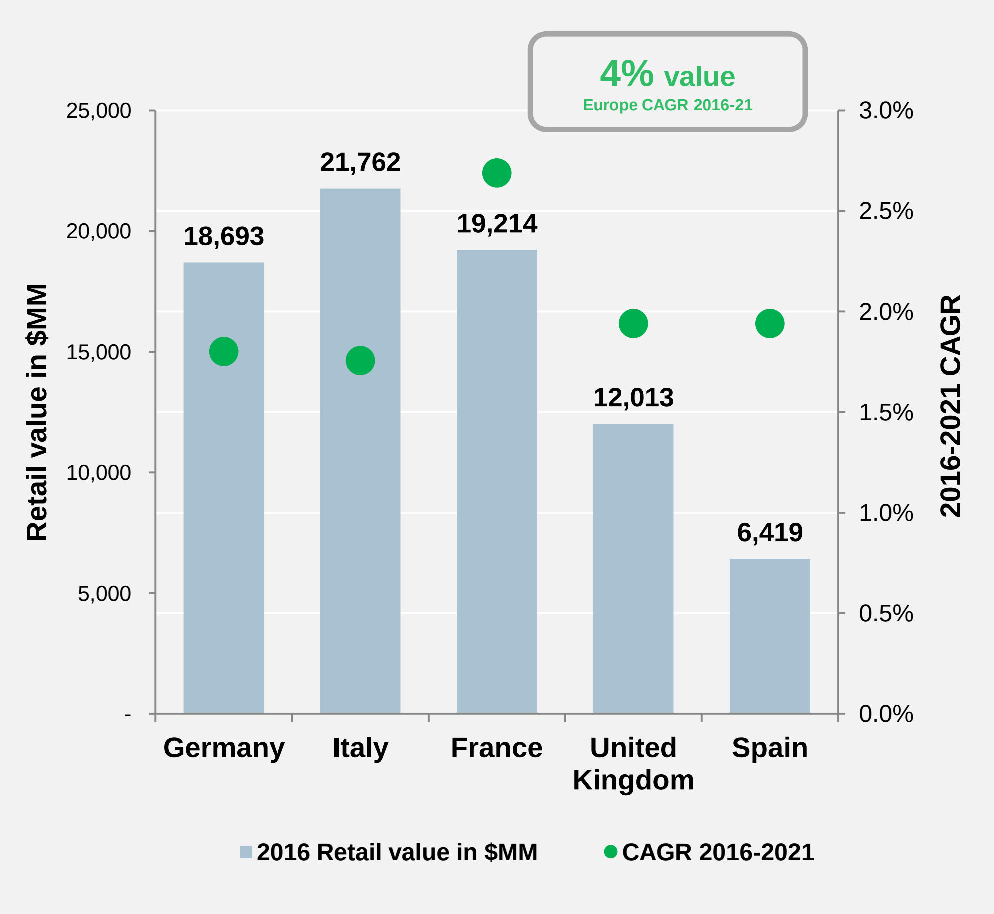
The European bakery market is expected to be flat in volume in the coming years and to show only slow growth in value terms

Bakery market retail volume 2016 and forecasted growth



Bakery market retail value 2016 and forecasted growth



Source: Euromonitor, "bakery market" includes "baked goods" + biscuits categories

Good news is that pockets of growth exist and gluten free is one of them

Selected gluten free market sizes (value) in Europe

€420MM (2015) **+31%**
incl. pharmacies (€129m) vs. 2014

£299MM (2016) **+15%**
(€345MM) vs. 2015
excl. pharmacies

€117MM (2015)

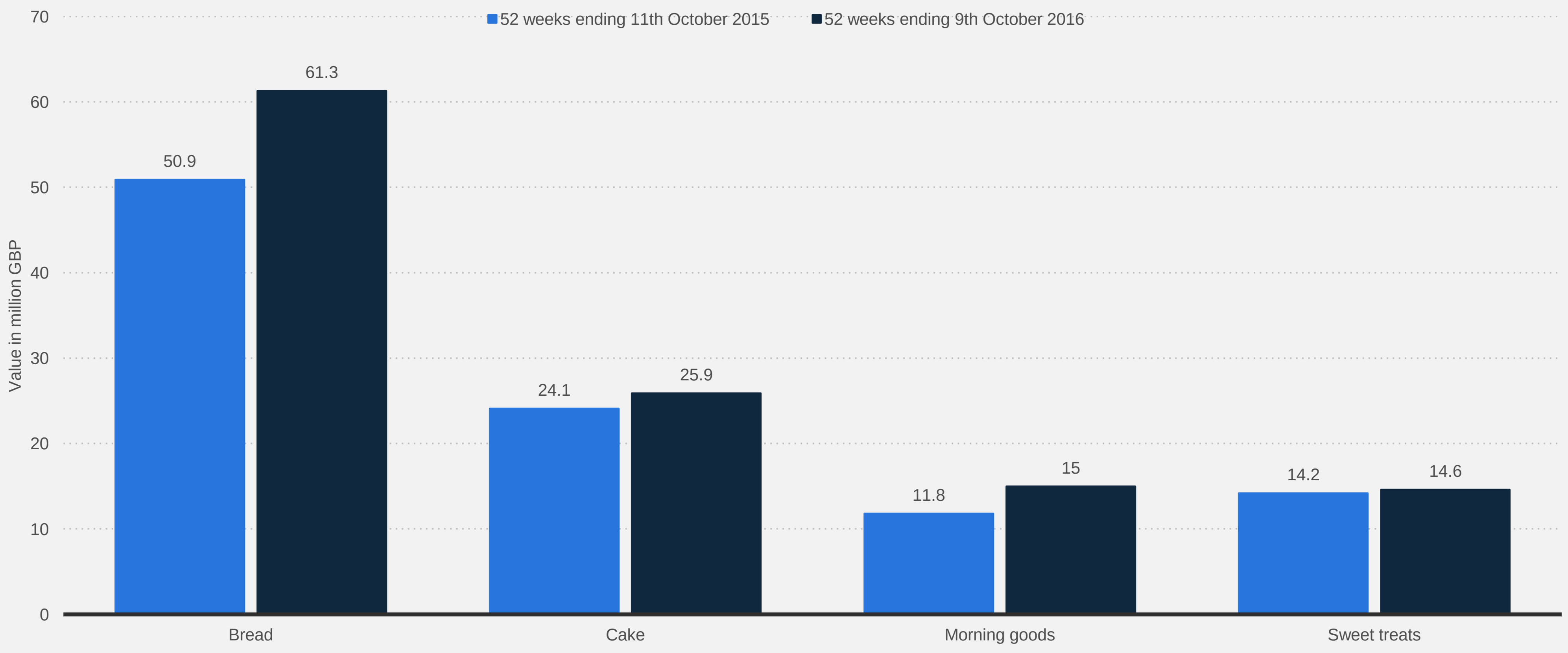
€80MM (2015) **+27%**
super/hyper-markets only vs. 2014

€71.8MM (2016) **+14%**
super/hyper-markets only vs. 2015

Source: Mintel on the basis of data from IRI for Spain, IRI/Mintel for the UK, Nielsen for France & Germany and La Stampa for Italy

In the free from bakery market in the UK, bread is not only the largest category in terms of sales but also displays double digit growth along with morning goods

Sales value of free from bakery market in the UK 2015-2016 by category (in mio GBP)

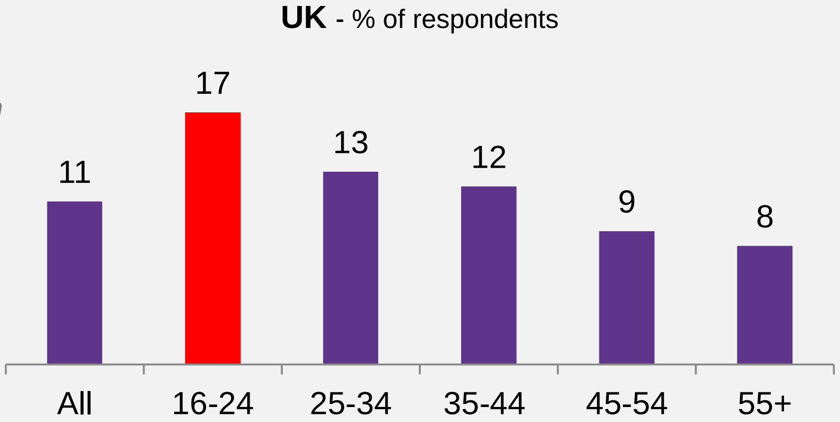


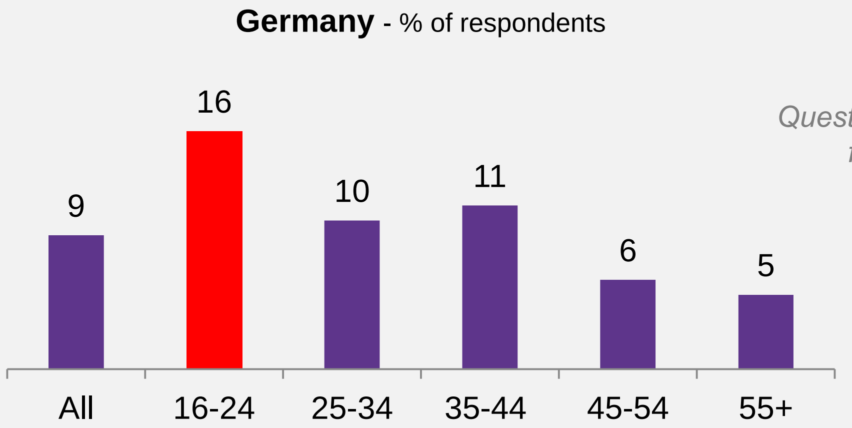
Source: Kantar Worldpanel

Note: United Kingdom; 52 weeks ending 11th October 2015 to 52 weeks ending 9th October 2016

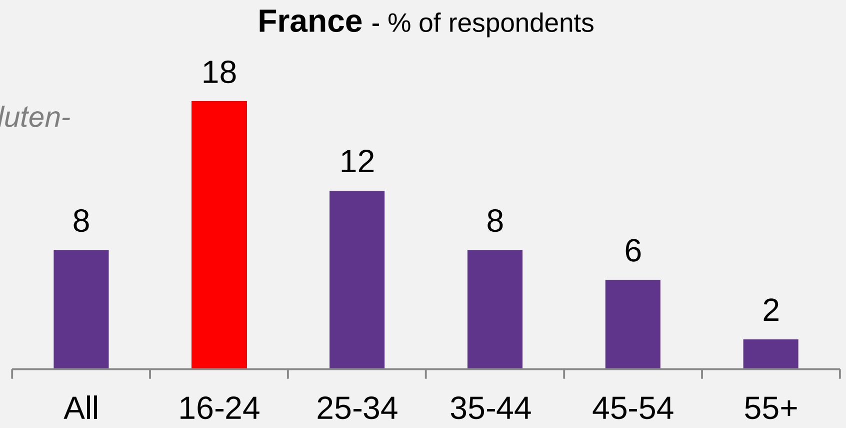
Gluten-free dieters are most likely to be young Millennials (16-24 year olds)…

Question: "Have eaten gluten free food in the last six months", by age group



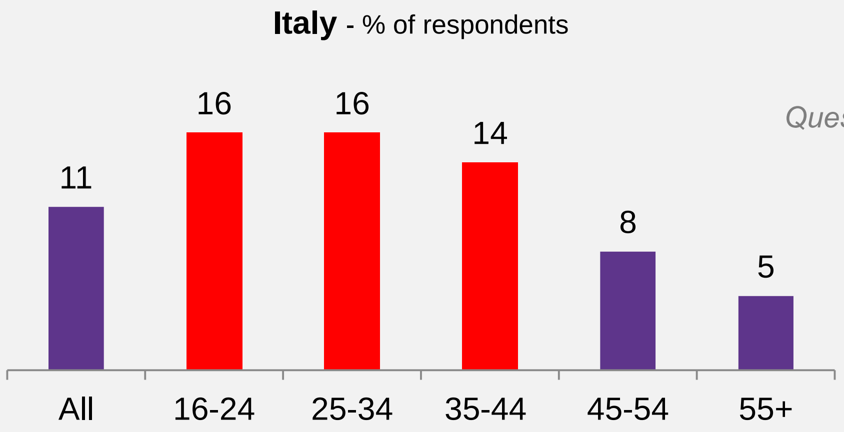


Question: "I am following a gluten-free diet", by age group



Source: Mintel European Consumer Research 2016, 1000 respondents per country

…although Italy and Spain show a wider spread across 16-44 year olds



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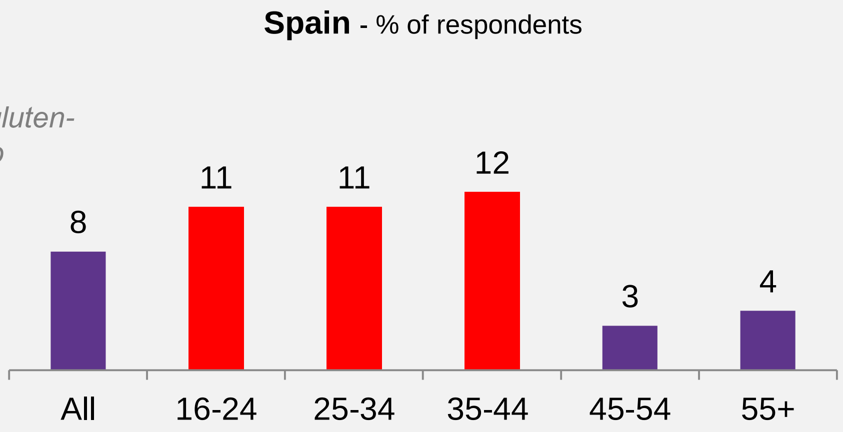

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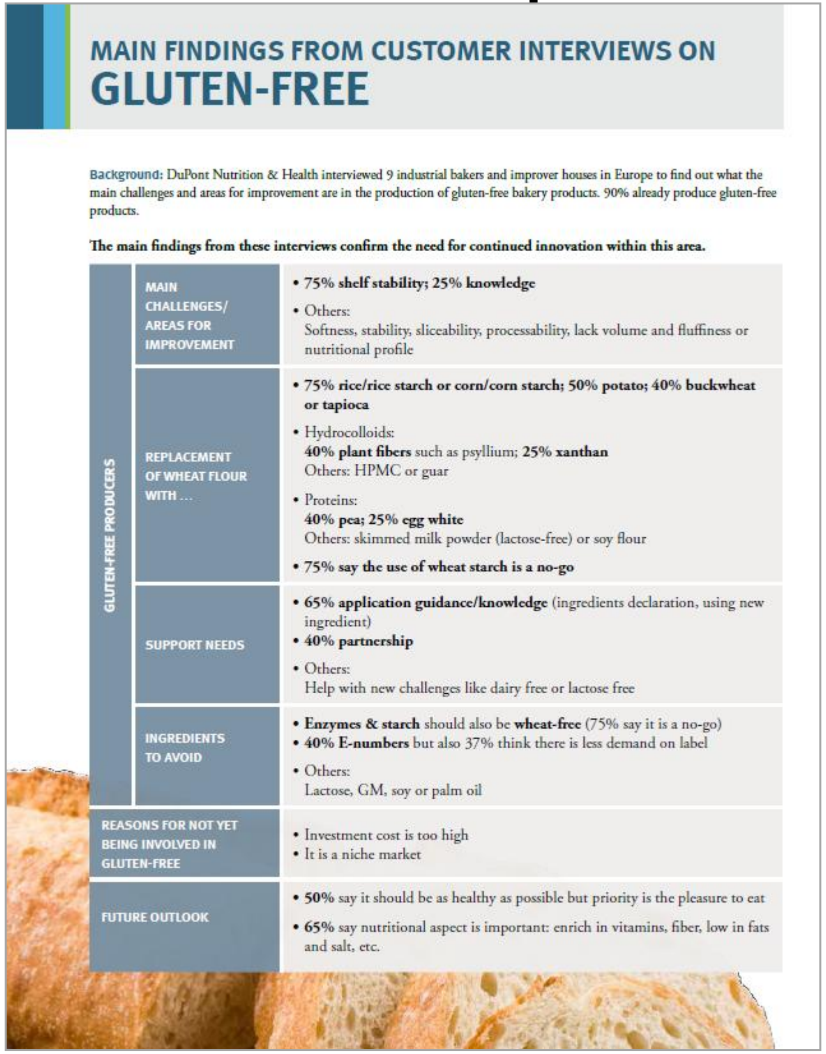
Structured VOC and tailored consumer studies are critical to enable N&H innovation and to help our customers innovate based on real market needs



MAIN FINDINGS FROM CUSTOMER INTERVIEWS ON GLUTEN-FREE

Background: DuPont Nutrition & Health interviewed 9 industrial bakers and improver houses in Europe to find out what the main challenges and areas for improvement are in the production of gluten-free bakery products. 90% already produce gluten-free products.

The main findings from these interviews confirm the need for continued innovation within this area.

GLUTEN-FREE PRODUCERS	MAIN CHALLENGES/ AREAS FOR IMPROVEMENT	• **75% shelf stability; 25% knowledge** • Others: Softness, stability, sliceability, processability, lack volume and fluffiness or nutritional profile
GLUTEN-FREE PRODUCERS	REPLACEMENT OF WHEAT FLOUR WITH …	• **75% rice/rice starch or corn/corn starch; 50% potato; 40% buckwheat or tapioca** • Hydrocolloids: **40% plant fibers** such as psyllium; **25% xanthan** Others: HPMC or guar • Proteins: **40% pea; 25% egg white** Others: skimmed milk powder (lactose-free) or soy flour • **75% say the use of wheat starch is a no-go**
GLUTEN-FREE PRODUCERS	SUPPORT NEEDS	• **65% application guidance/knowledge** (ingredients declaration, using new ingredient) • **40% partnership** • Others: Help with new challenges like dairy free or lactose free
GLUTEN-FREE PRODUCERS	INGREDIENTS TO AVOID	• **Enzymes & starch** should also be **wheat-free** (75% say it is a no-go) • **40% E-numbers** but also 37% think there is less demand on label • Others: Lactose, GM, soy or palm oil
REASONS FOR NOT YET BEING INVOLVED IN GLUTEN-FREE		• Investment cost is too high • It is a niche market
FUTURE OUTLOOK		• **50%** say it should be as healthy as possible but priority is the pleasure to eat • **65%** say nutritional aspect is important: enrich in vitamins, fiber, low in fats and salt, etc.

Consumer research

- Scope: UK, France, Italy, Spain
- Focused on millennials (ages 20-30) and consumers aged 31-45. All purchasing gluten/wheat free products but do not have a diagnosed medical need to do so
- 4 focus groups/country (total 100 consumers)
- Discussion on purchase drivers, perceptions of current products (tasting session – breads, tortillas, biscuits, cakes) and potential refinements (ideation session)

Positive health associations, along with recommendations by friends and family, are the principal drivers for initial purchase of gluten free products

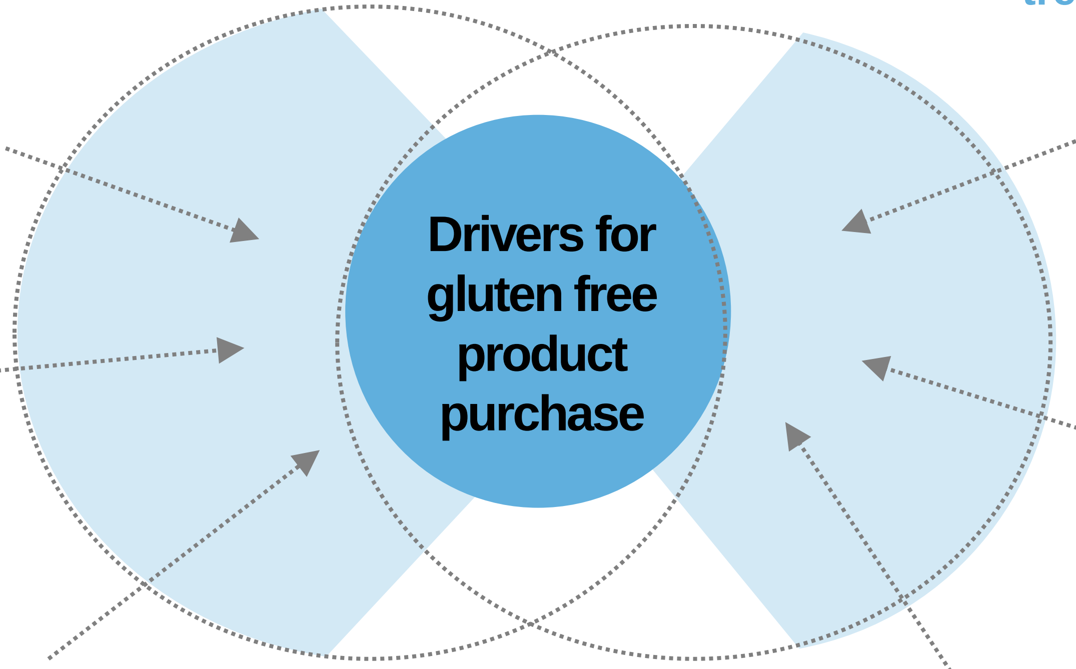
Perception that gluten free products offer a healthier alternative…

…is driven by media, health trends and recommendations from friends/family

Improves **digestion** & **bloating**

Can aid **weight loss**

Improves physical well-being (all) **and performance** (millennial males)



Recommendations and introductions through friends and family are strong drivers to uptake, particularly for males

Strong dialogue in the media: bloggers and celebrities promoting health benefits; athletes promoting increased performance/energy

Increase of product variety, visibility and access, **curiosity** to try

While the current offer is seen to have improved over the last few years, there are still gaps in the market

Taste and texture improvements

- **Quality has improved** with increasing demand
- However, gluten free alternatives often **fall short on taste** and **texture** when compared to standard products

More variety

- More **flavours** e.g. cheese bread
- More **sizes** to suit different appetites and household needs
- More **variants** and **wider accessibility** (ready-made gluten free sandwiches, options at cafés and restaurants)

Healthier lifestyle needs

- Purchase driver: **'healthier' lifestyle**
- However, perception that GF products contain **more sugar or unnatural ingredients** (opposes idea of healthier lifestyle)
- Options which deliver on **quality taste** and **with healthier ingredients** are desired

We tested 5 gluten free products, all commercially available in the UK, from 4 different producers


White bread


Brown bread


Wrap


Sandwich thins


Muffin

The muffin, brown bread & sandwich thins appealed the most to UK consumers

Product preference

Muffin

Particularly enjoyed by millennial males, was ranked highly for taste, purchase intent and appearance

Brown Bread

Scored as **preferred product** among **millennial males and older females**

Sandwich Thin

White Bread

Tortilla Wrap

Ranked **highest on appearance**, but **failed on taste**

In France, Italy and Spain, the brown bread scored equally high and was one of the preferred products

Brown bread

Overall consumers are pleasantly surprised by the taste of the bread, but would like it to be less powdery

Taste

- ✓ Mild sweet taste
- ✓ Seeds add texture to the tasting experience
- × Some feel the bread or crust tastes burnt
- × A few across groups: tastes and smells like normal bread

Appearance

- ✓ Nice color and crust
- ✓ Looks premium (millennial males)
- ✓ Seeds add visual appeal
- × Too ‘holey’

Texture

- × It disintegrates too fast in the mouth/becomes powdery
- × Feel it is a bit dry (older consumers)
- × Not enough difference in texture between the inner bread and crust (older males)
- × The bread is too delicate/falls apart (older males)

Size

- ✓ Size is similar to normal packaged sliced loaves

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Improvements: (1) Fewer/no large holes in the loaf, (2) must disintegrate more slowly in mouth and be less powdery, (3) needs to feel more moist

What UK consumers are saying about the brown bread concept

“This would be my conversion…I could see myself buying GF bread every day with this.” (Female, 18-30)

“It felt like I had just grabbed a loaf of the Tesco fresh bakery, really close to the taste.” (Female, 18-30)

“It is very appealing, toasted and ready to eat. It breaks apart easily and didn’t leave an aftertaste. I feel like it would be easy to put jam or butter.” (Male, 18-30)

”t looks nice, the seasoning and everything looks like it was spread around, not just on one side” (Male, 18-30)

“This tastes almost as good as fresh rolls – only difference is that its drier.” (Female, 31-45)

“The crust disintegrated into a powder for me, but it smelt good, it looked good. I was quite intrigued.” (Female, 18-30)

“It is a nice texture but it is quite loose and has a lot of holes, as soon as you get it in your mouth, it falls apart.” (Male, 31-45)

“I would change the powderiness – it’s dry and falls apart.” (Male, 31-45)

“I would change one thing – I’d change the powdery texture so it doesn’t break up as easily.” (Female, 18-30)

“I would only have this bread with butter, I feel like other bread is better. The seeds felt like they weren’t quality seeds.” (Female, 31-45)

“It doesn’t look good, it has holes in there” (Female, 31-45)

“It was dry, powdery, almost a bit burnt that gets your palette a bit burnt.” (Male, 31-45)

Any questions so far?

DUPONT DANISCO.

The “gluten free” claim is the most important to consumers. Additional claims which can provide a health benefit are also appealing

Most appealing claims
Gluten free
High fibre
No added preservatives
Low saturated fat
Low carbs/calories
Low sugar content

Other appealing claims
Milk free
OMEGA 3
Vegan/vegetarian friendly
Sugar free
Wheat free

To successfully resonate with consumers, the overall proposition should respond to consumer tastes and be relevant for specific consumption occasions





	Gluten free savoury products	Gluten free sweet products
Product	Fresh, fluffy appearance, with soft texture, and firmness which allows spreading and filling	I.Fluffy centre and light, soft dough, with a flavour that is not too overpoweringly sweet
Target	All segments, particularly males	All segments, a ‘healthier’ lighter muffin would appeal to women who are attentive to their well-being
Occasion	Toast bread for breakfast or sandwiches	I.As a treat or snack throughout the day and occasionally as a breakfast item
Reassuring information	Gluten free, rich in fibre	Gluten free and where relevant low sugar/salt/fat

To summarize…

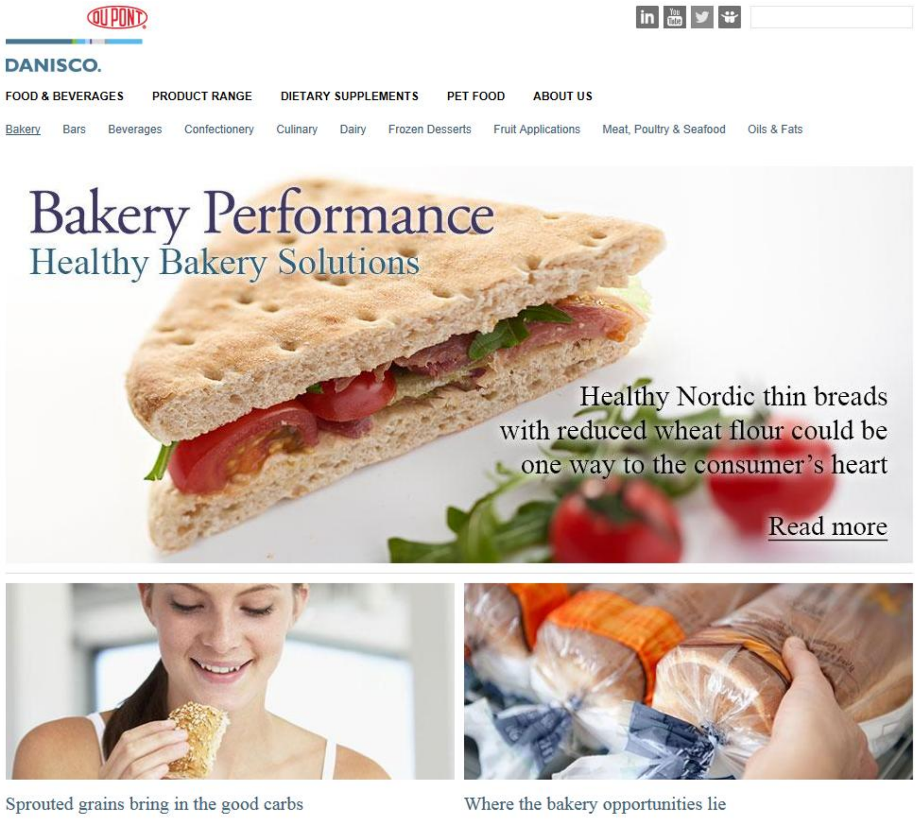
A Gluten-free is **no longer a niche**, but has reached the mass market.

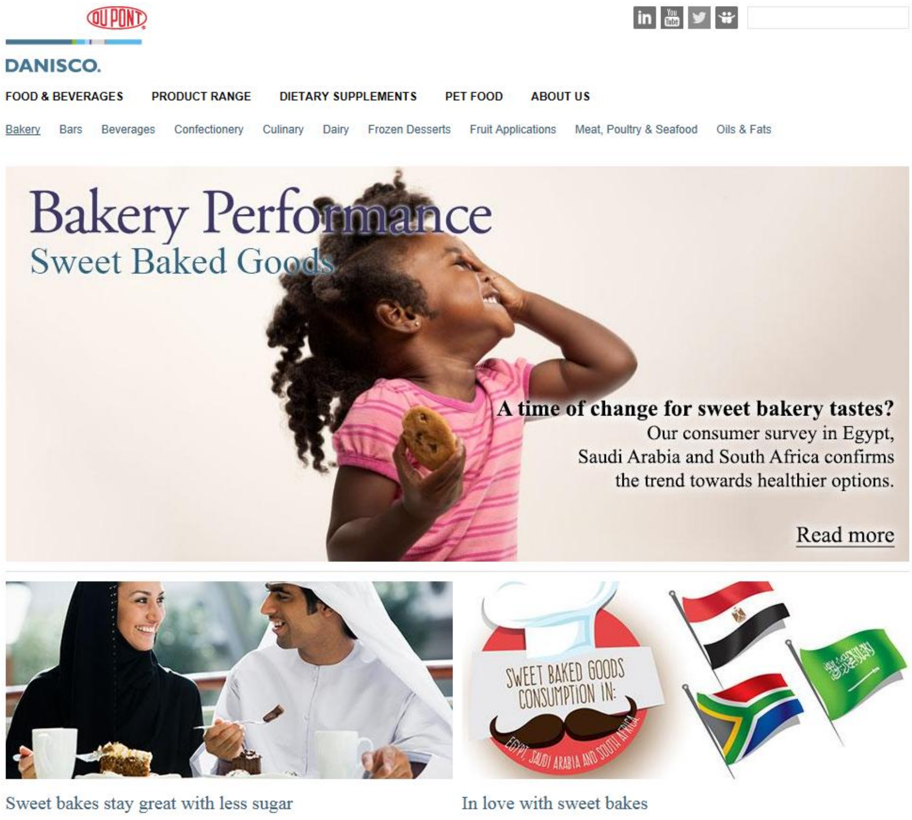
Growth may be slowing down in some markets as the sector reaches a degree of maturity, but with **double-digit growth rates in most countries** this is still **one of the most dynamic segments** in the food industry.

B Gluten-free products are perceived as **healthier options**. In addition to gluten-free, consumers are looking for **improved nutritional profile** and **simplified ingredient declarations**.

C The analysis of drivers of liking has shown that there are **many concrete opportunities by country and product type** to innovate and improve the current gluten free offering.

If you would like to receive more information on this upcoming campaign, visit *BakeryPerformance.com*





…or contact me: ***Anna-Lena.Hamann@dupont.com***

Thank you and time for questions