

Functional foods in Europe. Getting back what is rightfully yours (or...whose line is it, anyway?)

The size of the CHC market in Europe has reached more than 80 B EU; this figure might be impressive, but it is not so much when compared with the size of the ‘wellbeing’ fast moving consumer goods (FMCG) market. This particular part of the consumer products market has been growing at double digit during the last 5 years. If compared with the growth of CHC, standing on the single digits, this is a staggering figure.

Actually, if we look with more attention at the growth of the ‘wellbeing’ (FMCG) sector, we can observe that the ‘functional foods’ are taking the lion share of the growth; as much in value, as in volume. This growth is not just cannibalizing on old, basic products, but creating completely new dynamics, products, utilizations and habits. Some people have valued this market globally to reach \$25B in sales.

“Functional food” products are defined as those that are, either containing naturally a chemical, or that have been enhanced with micronutrients that are not natural to them, and have the benefit of reducing the risk of contracting diseases.

A long list of these ‘functional foods’ might at this moment pop up to mind; from cocoas for children, to margarines, passing by yoghourts, milks, drinks, breakfasts and, if considered, any type of manufactured food product will contain flankers that incorporates to this new category

Whereas the original purpose of the “functional food” is well intended, the category has spiralled down to banalization; the products are presented to the public with benefits beyond the initial ‘risk minimization’, to prevention of diseases or enhancement of wellbeing, with some particular



positioning borderline with related, yet misleading physiological or biological functions.

These convoluted marketing techniques, (typical of the FMCG sector) used to create awareness, drive utilization or change habits might look irrelevant to the more serious CHC or the Rx markets, but they present a serious peril. The misleading positioning and miss-usage of the products by the general public hang like a Damocles sword, both for the companies contending in the market, and for the population.

From a market dynamics point of view, the growth of these products detracts and cannibalizes from the rightful owners of the market of health risk minimization and disease prevention. The growth of the functional foods sidetracks sales away from preventive, performing OTC products. Functional foods are considered by the final users to be performing, innocuous (otherwise, they would not be sold in supermarkets, no?), just ‘a little bit more expensive’, and easily at reach, bringing outstanding benefits. What follows is a ‘market value shifting’, from the OTC, pharmacy or para-pharmacy distributed products towards FMCG, supermarket-shelved products

From a final user point of view, this change of habits is not without a risk. Functional products might have physiological or biological properties, but, in most cases, in order to be effective, they need long term compliance or daily consumption level intakes beyond normal behaviours.

Let's take for example the case of the products that 'help reducing cholesterol', or the blood pressure. Most of these milk-derivatives contain vegetal sterols, vegetal-oil derived molecules similar to human cholesterol. With the right dosage (about 2 gr/day), vegetal sterols have proven to reduce cholesterol by partially blocking the absorption of the molecule at intestinal level and lower the LDL levels by 10% - 15%. A normal diet provides about 250 mg naturally sourced from vegetables. A vegetarian might ingest about 0,5 gr/day. This example gives an idea of the level of continuity and utilization level of these products needed in order to be efficient.



The European Union has quickly reacted and realized that, indeed, misleading advertising can actually be counter-productive and dangerous to the population, as people consuming these products might be relenting their health consciousness to

passive lifestyle on disease prevention, or slipping into unhealthy habits, while trusting on 'functional food' to sustain their health. In order to tackle this perverse effect of the functional foods, exactly the contrary to their intended benefit, the European Commission has established a program of initiatives, the latest one of which will kick in the 1st of July, in the form of a law, to control the claims, labelling and positioning of these 'functional foods'.

Within the new legal framework, the companies will be requested to prove, scientifically, the validity of its claims, particularly those that are positioned around identified diseases, or children's health. Functional products will also need to contain the minimum needed concentration of active principles to, under normal usage circumstances, obtain the desired effect.

Is this good news for the CHC / OTC industry? In part yes, and in part no. On the one hand, a good number of products that today clutter the shelves of the supermarkets, with health-related –or so claimed- benefits will disappear.... Leaving a much cleaner landscape for the growth of the 'real' functional foods, the key of strategic volume and value growth to large, innovative and scientifically driven FMCG companies like Nestle , P&G and the alike.

If you want to know more about the still blurred line between functional foods and Consumer Health Products, do not hesitate to visit www.zarzia.com or contact us directly at office@zarzia.com