



How major food manufacturers can clean up their act

Today's consumers are far more concerned with the integrity of the food and drink they consume. How should manufacturers of food and beverage products respond?

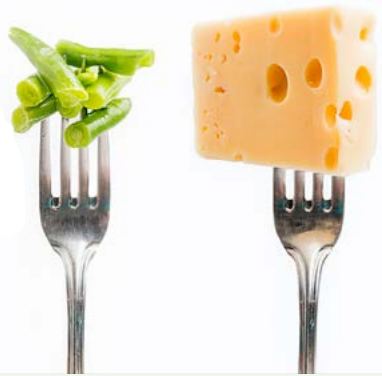
What is clean label?

Clean label is the term which describes the consumer demand for naturally, minimally processed food and beverages containing as few ingredients as possible. Overwhelmingly consumers following this trend want food that comes from a kitchen not a laboratory.

Indeed, buying decisions are increasingly based on what consumers perceive to be 'better' for them and on the fit of the product to the lifestyle they are choosing to lead. To a consumer, clean label may denote many attributes including: free-from (e.g. GM, dairy, allergens, etc.); nutritional wholesomeness; a shorter ingredient list on pack; an absence of artificial ingredients - or indeed ingredients explicitly labelled "organic"; recognisable authentic ingredients (which they may find in their kitchen at home); or products which demonstrate a lower level of processing.

Clean label attributes

- ✓ Shorter ingredients list
- ✓ Free from GM, dairy, allergens etc.
- ✓ Wholesomeness
- ✓ Absence of artificial ingredients
- ✓ 'Organic'
- ✓ Recognisable authentic ingredients
- ✓ Minimal processing



Clean label goes mainstream

In line with other food trends, such as gluten-free and veganism, which were historically seen as “niche”, we believe clean label is a trend and not a fad and represents a permanent shift for consumers when choosing food and beverage products. Data from Nielsen in the US¹ shows that half of all shopping trips now include the purchase of a clean label product, while around 50% of consumers worldwide believe products with fewer ingredients are healthier.

The growth of the trend is partly because of social media – the Instagram generation (largely millennials and generation z) are ever more able to share food experiences and influence the buying decisions of others. This pattern of sharing details of food that is both aesthetically-pleasing and “healthy” can be witnessed across many social media platforms - on Pinterest for example², or BuzzFeed’s Tasty following on Facebook³.

How can manufacturers respond

The evidence shows that there are big rewards for manufacturers and brands that can respond: consumers are not only willing to pay more, but would switch from their current brand to one that offers more transparency.

For packaged foods and beverages, this is fuelling the need for

streamlined formulations, transparency on labels, with transparent product claims and ingredients lists in the expectation that they will be scrutinised and evaluated.

Already, a number of food and beverage manufacturers have developed products and supply chains to enable clean label claims. Examples range from yogurt, where Yofix Probiotics promise “a unique blend of oats, legumes and seeds”⁴, to baked goods, where Dewys markets products that “are crafted with real, simple ingredients”⁵. In beverages, juice manufacturers, such as Refresco, champion sustainable supply chains⁶. And in brewing, the proliferation of artisanal breweries claiming short ingredient lists and highlighting ingredient provenance, underline the penetration of the trend in this sector.

Identifying the challenges for major food manufacturers and brands

In order to ride the wave, manufacturers and brands are increasingly developing new brands or re-positioning (and re-formulating) existing products. However, there remain a number of challenges in building a clean label proposition. These fall under six broad categories:

Cost - Artisanal and small, specialist brands have been able to position clean label products to specific consumer segments at premium prices however, penetrating mass market segments will demand different price points. This is a challenge as the costs of producing, testing and certifying clean label ingredients can be considerable.⁷

Supply chain - Building a supply chain which is scalable and delivers clean label attributes can be a challenge. This is particularly acute where certification is required and especially as consumers are looking beyond ingredients lists in a bid to understand the provenance of each ingredient better.

Regulation - Uncertainty over what defines clean label (given that the term itself is not a regulatory one) means that careful consideration of context and regulation is required to manage risk.

Consumer activism - Consumers are increasingly active and engaged and will call out claims perceived to be misleading. Recent examples include Hint where consumers contested a product (flavoured water) described in marketing claims as “all natural” but which contained a chemically manufactured

substance⁸. LaCroix, additionally, faced legal objections to an “all natural” claim⁹. The inevitable conclusion is that if consumers perceive that brand claims are a marketing ploy and lack integrity then there may be reputational consequences.

Functionality - The identification of viable alternatives to artificial sweeteners, preservatives, flavours, colours that can deliver the desired consumer sensorial experience (taste and texture) with product stability and microbiological safety. As consumers overwhelmingly show a preference for foods that are less processed, there is a need for more detailed understanding of the science behind product formulations and the functionality of the clean label ingredients. Manufacturers who can harness the functionality of a natural ingredient may well develop a competitive edge.

Brand - Is clean label the right positioning for a manufacturer’s brand - one that provides the ability to shape their brand narrative going forward? Clearly, brands already perceived to be ‘healthy’ by consumers are better placed than those simply adding clean label products to their portfolio.

We believe clean label is a trend and not a fad and represents a permanent shift for consumers when choosing food and beverage products.

Challenges of delivering clean label products



¹(www.nielsen.com/content/dam/corporate/us/en/reports-downloads/2017-reports/nielsen-clean-label-report-aug-2017.pdf)
²www.pinterest.co.uk/texasdogmom/recipes-healthy-food-that-looks-good/ ³(www.facebook.com/buzzfeedtasty/)
⁴www.yofix.co.il ⁵www.deweys.com ⁶www.refresco.com/en

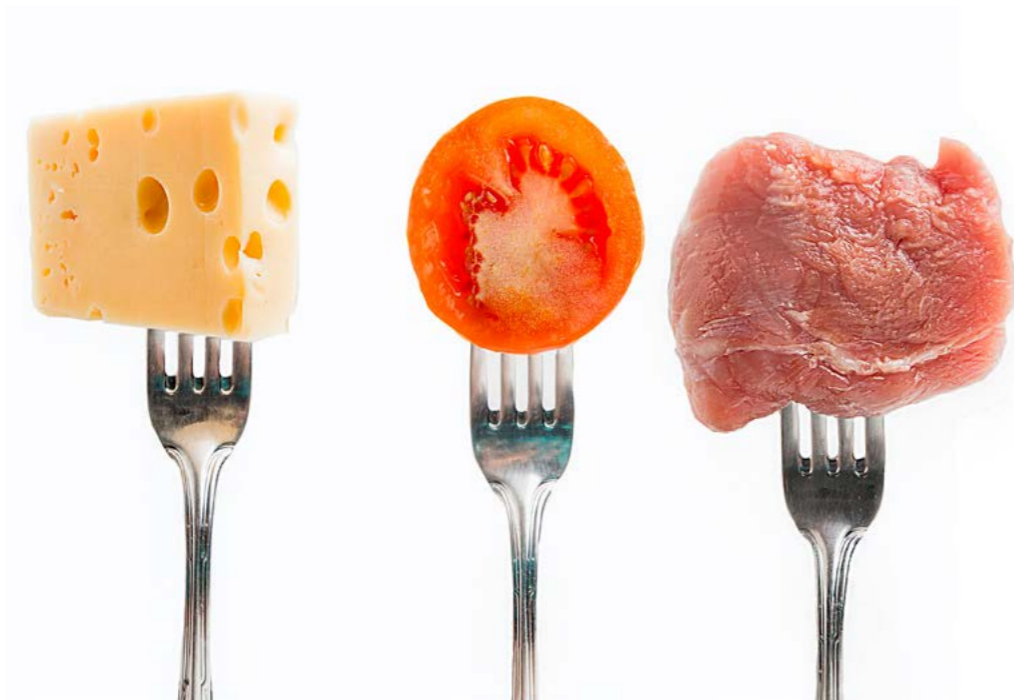
⁷http://www.nutritionaloutlook.com/trends-business/are-clean-label-demands-raising-cost-contract-manufacturing)
⁸see: www.foodnavigator-usa.com/Article/2017/01/20/Hint-Water-hit-with-all-natural-lawsuit-over-propylene-glycol).
⁹www.cbsnews.com/news/lacroix-ingredients-lawsuit-alleges-all-natural-claim-is-false/

Finding the opportunities from clean label

Despite the challenges represented by clean label, taking up the opportunity that this mega trend represents can be a route to driving increased value in foods and beverage products and in winning greater market share.

By applying the well understood principles of formulation design in foods and beverages to the challenge of clean label, many organisations are beginning to work towards balancing product cost and quality with the demand for fewer ingredients. Indeed, ingredient suppliers are stepping up to the mark with solutions that enable manufacturers to achieve this balance. When this approach is applied at the portfolio level to a product range by leveraging a core design based on clean label principles the potential to achieve a cost saving – or at least a cost neutral position – could well unlock mass market applications.

Product design becomes paramount here. Developing a core product chassis from a small number of identifiable ingredients and ingredient suppliers that work harmoniously to deliver the required functionality is key. This clean label chassis can be the basis of your product range and can unlock mass market penetration whilst delivering credibly against the consumer trend. Certainly, those manufacturers that achieve it should surely clean up!



Oakland Innovation helps food and beverage manufacturers with the challenge of clean label. Our deep sector knowledge in combination with our cross-functional teams of scientists, engineers, regulatory and consumer insight experts helps clients:

- analyse their specific product challenge;
- build a framework to identify solutions;
- systematically and iteratively explore the solution space;
- evaluate the insights derived from our research; and
- present the options to our clients meaningfully and tangibly.

Oakland identifies world-leading specialists and uses their insights in addition to internally derived knowledge and frameworks to identify solutions and to highlight opportunities and risks. Our technical and language capabilities coupled with a structured approach and our ability to engage with thought leaders, influencers and innovators make us well placed to identify clean label solutions in what is undoubtedly a complex space. Indeed, a number of leading manufacturers have already benefitted from this approach, placing them in an ideal position to generate value from this consumer driven mega trend

Clean label projects we have assisted with include:

Developing a stable, clean label nut milk

Our client, a global drinks manufacturer, wanted us to analyse their manufacturing process for nut milk to minimise interventions for shelf-life extension. Research showed the team that going back to the raw ingredient of the milk, coupled with modifications to the manufacturing process would allow the removal of emulsifiers. Oakland then recommended key strategies to enable a clean label product to be developed.

Understanding natural packaging claims

Our client, a global drinks company, wanted to facilitate an internal conversation around the use of 'natural' claims on their packaging. While there is no regulatory stance on 'natural', the consensus on what it means to consumers is also mixed. Three scenarios were put back to the client and an approach with a 'softer' claim was recommended.

Replace sorbate with a natural preservative

Our client, a US food manufacturer, wanted to remove artificial preservatives in favour of a plant-based alternative. A technology options study identified suitable alternatives to sorbate, taking the clients additional requirements into considerations, and a list of partners with the suggested technologies were recommended to the client.

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