

Marketing attitudes towards the functional food and implications for market segmentation

Marketingové prístupy k funkčným potravinám a dopad na segmentáciu trhu

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Abstract: The main purpose of this paper is to investigate the opportunities for further expansion in the segment of the functional food as highly innovative products based on market segmentation done from the consumer perspective. The survey analysed consumers and their relationship to Functional Food. The relationship between nutrition and health was evaluated as well as their trust towards some actors in the field of food, e.g. producers and retailers and their promotion claims on the one side and medical doctors and nutritional consultants and their advices on the other side. Germany, Poland, Spain and England were the analyzed countries of this survey. About 600 consumers have been interviewed. Afterwards they were grouped into five segments of buyers and three groups of non-buyers of Functional Food.

Key words: functional food, market segmentation, innovative food, consumer, nutrition

Abstrakt: Cieľom príspevku je skúmať príležitosti pre ďalšiu expanziu v kategórii funkčných potravín ako vysoko inovatívnych produktov na základe segmentácie trhu zo spotrebiteľského hľadiska. Prieskum analyzoval spotrebiteľov a ich vzťah k funkčným potravinám, vzťah medzi výživou a zdravím ako aj dôveru k určitým subjektom na trhu potravín, ktoré formujú verejnú mienku (konzultanti, lekári, propagácia). Riadených rozhovorov sa zúčastnilo 600 respondentov v Nemecku, Poľsku, Španielsku a Veľkej Británii v priebehu roka 2006. Výsledkom prieskumu je definovanie 5 trhových segmentov, ktoré nakupujú funkčné potraviny a 3 trhových segmentov, ktoré majú k funkčným potravinám negatívny postoj.

Kľúčové slová: funkčné potraviny, segmentácia trhu, inovatívne potraviny, spotrebiteľ, výživa

A theoretical model of modern food consumption is presented built on the assumption that utility from different food characteristics is accumulated over time. The characteristics considered include energy content, taste, health, status and environmental (as well as political and ethical) proprieties, time and financial costs. Another assumption is that food is usually consumed as meals, that is, as bundles of different characteristics. The better the combination of foods chosen over a period (i.e. a diet comprising meals that offer much of utility-increasing characteristics relative to the most restrictive utility-decreasing one), the higher the overall utility will be at the end of the period (Fischer 2007). The current food consumption patterns, partly a result of reduced household

sizes and increased female participation rates in the workforce, seem to be shaped by several researchers (Poole 1997; Gracia, Albisu 2001; Kretter, Ubrežiová 2006; Živělová, Jánsky 2006; Nagyová, Kročánová 2007) to: (1) more out-of-home food consumption, (2) higher value-added products with greater convenience attributes, (3) a greater presence and diversity of ethnic foods, (4) heightened consumer concerns for nutrition, safety, and health, and (5) growing sensitivity to environmental and social externalities such as production technologies, distribution systems, ecological sustainability and animal welfare. These common movements seem to be present in many of the industrialized economies, and thus it appears that these countries are becoming increasingly similar

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in their food consumption pattern (Fischer 2007). However, diversity of the economic, socio-demographic and cultural environment determines the differences in attitudes to different food categories, purchasing and consumer behaviour (Horská, Orémus 2007; Sojková, Kropková 2007). Differences in food consumption from the viewpoint of different economic, historical, social and cultural background exist not only world-wide, but also within the integrated market of the European Union (Horská, Bielik 2004). The main purpose of this paper is to investigate the opportunities for further expansion in the segment of the functional food as highly innovative products in the Europe based on market segmentation done from the consumer perspective.

MATERIAL AND METHODS

An international project analysed consumers and their relationship to Functional Food. Topics of a survey were consumers' motivation to buy this type of food or to refuse it respectively. Respondents' knowledge about diet-related diseases and the relationship between nutrition and health was evaluated as well as their trust towards some actors in the field of food, e.g. producers and retailers and their promotion claims on the one side and medical doctors and nutritional consultants and their advices on the other side.

Germany, Poland, Spain and England were the analyzed countries of this survey. Germany is the largest food market in Europe and very competitive due the dominant role of discount retail chains. Spain represents the Mediterranean countries. England has the most US type market with modern retail companies setting the trend in Europe. Poland was chosen to reflect the situation in the emerging Central European countries. About 600 consumers have been interviewed. Afterwards they were grouped into five segments of buyers and three groups of non-buyers of Functional Food.

RESULTS AND DISCUSSION

Health and convenience are mega-trends on today's European food markets. One product group that reflects both of them are Functional Food. These food products offer an additional health-related benefit next to their nutritional value. Functional Food products have been launched in Europe since the mid 1990s and had a market share of about 1% of the total food and drinks market in Europe at the beginning of this

century. This share is estimated to grow up to 5% until 2010. From the producer and consumer point of view, we can consider the functional food as highly innovative products in the food market. There are several variables that affect the rate of diffusion of an innovation: the degree of perceived newness, the perceived attributes of the innovation, and the method used to communicate the idea. Each variable has a bearing on consumer reaction to a new product and the time needed for acceptance. The more innovative a product is perceived to be, the more difficult it is to gain market acceptance.

By analyzing an innovative idea or product, a marketer can identify the target market for which the product would be developed. The high rate of innovation can lead to the changes of the product purpose and to the re-positioning the product or eventually to shifting from one target segment to another one. It is a question of very innovative ideas and products that lead also to the transformation of the market, distribution channels and the firm's mission, targeting and positioning in some cases (Kotler, Bes 2003). In the medium of the lateral innovation, the marketer may be able to accelerate product acceptance. From this point of view, marketers must know the relevant and perspective "consumer insight" to create the right "buyer benefits" and to deliver the consumers the right "reason why" causing them to buy the product. There is still innovative potential in the food business in the EU. The innovative product has to have, according to Hanf (2003), so called "unique selling propositions". What is of great importance is the result of innovation that is attractive for customers. The customers could buy the innovative products because of different reasons. Quality of products becomes more important, the food-related lifestyle, health, taste, price, emotional factors or convenience orientation are also important in determining a consumer's preference towards food-related behaviours. Product safety, quality and HACCP-based management belong to a number of

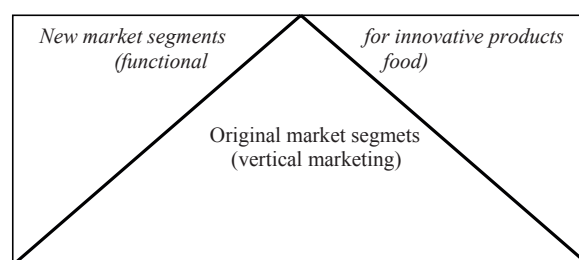


Figure 1. Targeting innovative – functional products using vertical versus innovative marketing (adopted from Kotler and Trias de Bes 2003)

opportunities for providing the consumer's product confidence and a significant added value (Buckley et al. 2006). There is no doubt that in case of the functional food the added value is represented by the added functions and positive health effects. There is a challenge in relation to the production process to add "extra function or additional purpose" to the existing food products. Change of the product purpose using the lateral marketing will shift the new product to another market segment (Figure 1).

Many food companies regard Functional Food as a profitable and promising segment and develop heaps of new products. However, many of them fail on the market. One main reason for this is the absence of consumer orientation. But target-group specific product development and marketing are key factors for success on competitive and fragmented markets with hybrid and multi-optional consumers.

Target-group specific marketing of Functional Food

Consumer behaviour and patterns are assimilating across national boundaries due to an increasing globalisation and a pan-European and even worldwide market presence of food and retail companies. But despite this tendency, the major national and regional differences in food cultures still persist. Based on the survey done in Germany, Poland, Spain and England, consumers of the functional food were grouped into

five segments of buyers and three groups of non-buyers of Functional Food (Figure 2).

Types of buyers:

- The so called "Enlightened and Convinced" consumers (15% of all respondents) buy Functional Food quite often and mainly for health reasons and due to medical advice. They know a lot about food and health and trust doctors and nutritional consultants rather than producers and retailers.
- The segment of "Hesitating Unmotivated" (20%) consumers has an average knowledge and a low purchase frequency. Their main motive to buy Functional Food is handsomeness, but not health. They bear only little trust in consumer-oriented persons such as doctors and nutritional consultants.
- The "Reasonable Health-oriented" consumers (11%) have the largest knowledge of all segments but also the lowest purchase frequency. They buy Functional Food for health reasons, other motives are not important for them. They distrust commercial actors like producers and retailers.
- The "Impressed Testers" (16%) have comparably little knowledge and a rather low purchase frequency. This segment focuses especially on a hedonic motive, meaning that they want to indulge themselves with Functional Food.
- The "Enthusiastic Beauty-oriented" consumers (11%) know only little about nutrition and health but have a very high purchase frequency. Their main motive is handsomeness. They trust in retail-

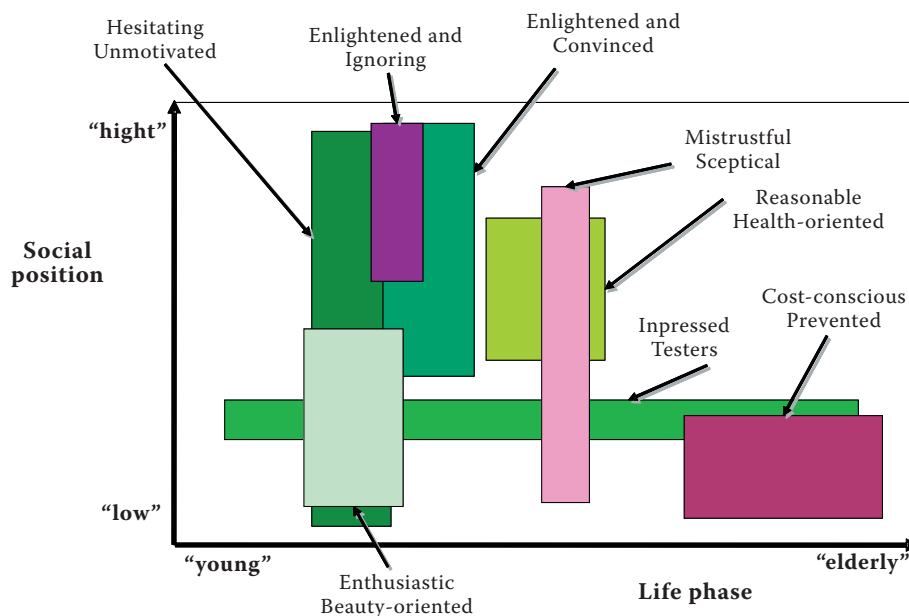


Figure 2. Mapping of Functional-Food-related consumer groups

ers and producers and trust them even more than consumer-oriented actors.

Types of non-buyers:

- The group of “Enlightened and Ignoring” consumers (5%) is very familiar with functional ingredients and the relationship between nutrition and health, but does not deal with Functional Food anyway. However, they have no main motive to refuse these products.
- The “Mistrustful Sceptical” consumers (9%) consist of people with average knowledge. These persons show fear and skepticism towards Functional Food and state that there is no necessity for them to consume that kind of food. They bear only little trust in producers and retailers as well as doctors and nutritional consultants.
- The “Cost-conscious Prevented” consumers (13%) have the lowest knowledge level of all groups. Higher prices of Functional Food products are the main motive for them not to buy Functional Food.

All consumer types can be well described with socio-demographic information. They were mapped in Figure 2. Life phase ranges from young fancy-free persons over married persons with children up to retired persons. Social position combines the aspects income and education. The rectangles symbolize a consumer group's size and the centered of its orientation within this map.

Among the buyers of Functional Food, the groups of “Enlightened and Convinced” as well as “Enthusiastic Beauty-oriented” consumers are the key trendsetting groups. The former group encloses those persons who are considered to be the “typical” Functional Food consumers: well informed about the concept, convinced of it and consuming the food for “reasonable” motives, whereas the latter segment has the same purchase frequency but nearly totally differing characteristics. Less well informed but more trustful in producers and retailers, they consume that type of food for reasons which are not ascribed originally to Functional Food.

CONCLUSION

The evaluator must remember that it is the perception of product characteristics by the potential adopter, not the marketer, which is crucial to the evaluation. The objective of this study was also to investigate consumer's attitudes to diet, health and health enhancing foods, to examine the health – related factors perceived to be most important in healthy product choice. The value of such research is in practical mar-

ket segmentation and also in identifying marketing strategies within the healthy foods sector.

Despite the fact that Slovakia has not been involved in this international survey, there was done another very simple questionnaire survey in Slovakia with the goal to obtain the information on the level of awareness of the functional food. Based on the survey results, we can state a very low awareness of the term “Functional Food” (11%). The awareness of village people is even worse (only 5%). The future of the functional foods will therefore depend on regulations that are flexible enough to protect the public health, encourage research and development of innovative food products and communicate the benefits of those products to the public. Consumers consider as the most healthy food products (processed, fruit and vegetable excluding) yogurts (absolutely agreed 83%, partly agreed 17%), breakfast cereals (76%, 17%), muesli and cereal bars (67%, 25%), low fat products (53%, 28%) and finally soya-bean products. The results are equal to the effort of marketing communication in those fields. New product launch and a great marketing communication are typical for international players. In case of a very low marketing budget, the company has to rely on its loyal consumers, positive informal references and former personal experiences.

Survey results point at the reality that distribution of consumer groups is not equal in the four analyzed countries. Consumer types with a rational accentuation are overrepresented in England and Germany, while the hedonic motive plays a much bigger role among Polish and Spanish consumers. In Poland the “Enthusiastic Beauty” oriented consumers make 16% of all respondents, and also the “Impressed Testers” with a share of 13% are more widespread than in Germany and England. On the other hand, “Reasonable Health-oriented” consumers cannot be found anyway.

These differences and tendencies should be considered for Functional Food product development and marketing within Europe and single countries respectively. Strategies for Central European countries could focus more upon the hedonic consumer groups and could market Functional Food under the aspects of fun, taste, excitement and pleasure rather than with the detailed health.

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