Getting Ahead of the Curve: The Gluten-Free Market

By Dr. A. Elizabeth Sloan

The gluten-free market generated $1.6 billion in 2009 and is projected by the Nielsen Co. to grow 15-25% per year to reach $2.6 billion by 2012. Sales of gluten-free products rose 74% in the U.S. between 2004 and 2009. Sales of gluten-free grocery items hit $1.2 billion in 2009, up nearly 14% in the natural channel and more than 11% in conventional stores (SPINS/NFM, 2010).

Explosive interest in digestive health, “free-from” and non-allergic/sensitive products—and trendy eating patterns particularly among young adults—have helped grow the gluten-free market beyond its rightful base of 3 million American celiac disease sufferers and those with true gluten sensitivities.

Only 17% of consumers are trying to deliberately “avoid/reduce” wheat gluten in 2010, according to the Hartman Group. Most important, 72% of Gen Yers, 73% of Gen Xers and 59% of Boomers are either unfamiliar with gluten or don’t know whether it is good or bad. Only 14% of grocery shoppers said gluten-free was “very important” on a food label in 2009; 59% “not at all important” per FMI.

But while gluten-free may well be among the major nutrition marketing anomalies of recent years, the question is whether it will be sustainable in the long-term. After all, short-lived media-hyped associations with autism, learning disabilities, weight gain, etc.—and Oprah!—initially drove gluten-free into the spotlight. The latest media plug comes from The View’s Elizabeth Hasselbeck with her new book The G-Free Diet: A Gluten Survival Guide.

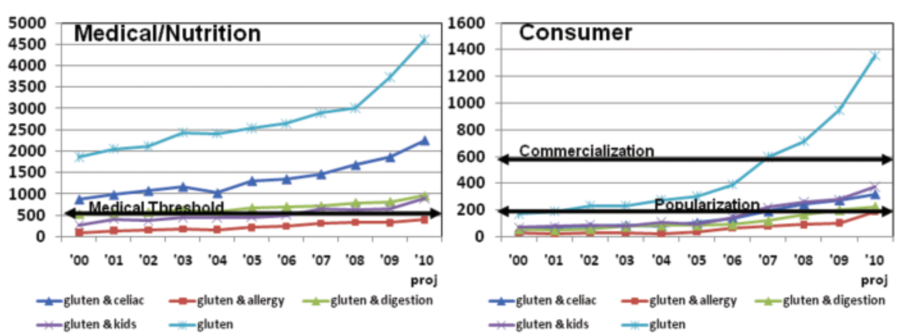
Nielsen reports gluten-free was #2 on the list of fastest growing health claims on store brands in 2009, with sales of $279 million, suggesting that consumers might not be willing to pay a premium for this product attribute in the future. Moreover, rampant use of gluten-free claims on products that don’t naturally contain gluten, e.g., fruit juice, may well lessen its appeal, simply becoming a calling card for gut friendly products in the long run. Perhaps the most influential news negatively impacting the prospects for gluten-free products is that some experts claim that following a gluten-free diet without having celiac disease can be harmful to health—leading to weight gain, lower energy levels, and low blood sugar induced headaches. This is because products that are gluten-free also add sugar, fat and salt—ingredients that healthy consumers are trying to avoid.

Market Potential

According to Sloan Trends’ TrendSense model, gluten-free reached mass market status in 2008, when it crossed into the Commercialization Phase. Moreover, with no immediate signs of slowing down, it is currently supported by strong and accelerating Medical Counts, which typically would drive increased marketability of gluten-free in the consumer marketplace for the next few years. However, upon further investigation of gluten’s current health linkages, two patterns emerge which suggest that gluten-free might not remain a strong market in the future.

First, none of gluten’s most popular health linkages—kids, celiac, allergy or digestion—have reached mass market status. Rather they remain in the Popularization Phase, “on target” only to condition-specific, very health-conscious and/or specialty channel shoppers, indicating there are other factors that are likely driving and potentially artificially inflating this trend longer term,

TrendSense™ Predictive Model: Gluten & Health Linkages



** Although there are many factors that go into determining consumer trends, measuring how medical/nutrition activity levels have risen over the past decade, as well as some of the key milestones that have occurred and how these issues have been understood and embraced by the public are essential in predicting the sustainability of the Consumer trend line.*

e.g., general digestive, free-from or even "gourmet trendy" behavior.

Secondly, research activity is squarely focused—and accelerating—only for the gluten/celiac connection, with Medical Counts more than double the research effort of other linkages. Gluten/allergy is only toying with crossing over the Medical Threshold, which signals the beginning of a long-term sustainable trend. Moreover, with the current medical effort focused on celiac, new findings will be narrower and may well help to limit its appeal to the population overall—and the media—in the long-term.

Growth Opportunities

- 1 in 133 Americans—and perhaps even more—have some form of gluten tolerance issue. They represent a small but premium, high repeat market.
- With 70 million Americans suffering from some form of digestive ailment, gluten-free product producers would be wise to broaden their tummy-friendly positioning.
- In 2009, 1999 new gluten-free products were launched in North America, up from 611 in 2007. As of July 30, 2010, 1532 new gluten-free products have been launched this year, suggesting that there will be continued growth in North America. Globally, 7719 new products were introduced into the marketplace in 2009, up from 3573 in 2007. However, there appears to be a slowdown in global product intros in 2010, with only 4239 new gluten-free claims as of July 30, 2010.
- Take advantage of the trendy nature, and position products to young adults. In a recent HealthFocus survey, almost 1 in 5 (23%) of 18-29 year olds say they always or usually avoid gluten as opposed to only 13% of the 40-49-year-old group.

Functional Food & Beverages

Three things are eminently important to food manufacturers whether the gluten-free trend wanes or not:

1. Among true celiac disease and gluten intolerance sufferers, gluten-free is a premium, unique, high repeat market.
2. It is important to begin to work to remove/reduce gluten-containing ingredients and begin to substitute gluten-free grains, flours and ingredients as the digestive-friendly food market continues to develop.
3. Those that offer gluten-free products, or begin to label products, e.g., yogurt and rice, as "gluten-free" should have a decided advantage at least in the short term. Capitalize on the shift to whole, ancient and specialty grains as a reason to bulletproof products if the gluten-free trend subsides.

In 2010, savory/salty snacks, cereal/energy bars, chocolate, baking ingredients/mixes and sweet biscuits/cookies top the list of new gluten-free product introductions. Move beyond these obvious categories and work with FDA to develop a standard for defining gluten-free.

Dietary Supplements

Supplement marketers will gain a general health halo—and attract those affected with celiac disease and gluten sensitivity—by working to make their products gluten-free. Supplements for gluten-compromised individuals that help correct for their improper nutrient absorption from foods and their increased risk of both nutrition and immune related disorders—anemia, osteoporosis, GI cancer and nervous system disorders—are in order. Enzymatic Therapy's Gluten Defense contains enzymes specifically formulated to defend against hidden gluten in salad dressings, cold cuts and even toothpaste.

In addition, for certain target markets more frequently affected by digestive issues—including seniors and kids—gluten-free supplements may hit the mark. Culturelle for kids is one of the very few probiotics available that is 100% dairy-free and gluten-free.

References furnished upon request.

About the author: Dr. A. Elizabeth Sloan is president of Sloan Trends, Inc., Escondido, CA, which is a consulting firm that offers trend-tracking and predictions, strategic counsel and business-building ideas for food, supplement and pharmaceutical marketers. Each month she will provide analysis and discuss opportunities of a particular market being covered in a given issue.

SLOAN TRENDS' TRENDSENSE is a 15-year-old trend tracking system, which identifies and quantifies trends as well as predicts the optimal timing, sustainability and life-cycle stage of ingredients, terms, product opportunities and related market issues.

The model displays medical and consumer "activity levels" based on a comprehensive analysis of five critical sources of information—consumer, trade and competitive, legal and regulatory and media coverage. The resulting charts give insight into the market's changing health issues and concerns, the ingredients that are up-and-coming and those that have just about run their course, as well as what health claims, marketing messages and products will bring your company the most success.

- **Emerging Phase** = Trends begin to appear on the radar screen. Companies should begin to collect literature and market details for those that exhibit continual growth and that might be of interest.
- **Popularization Phase** = Medical/Nutrition crossover to consumer media and marketplace; opportunity for niche or specialty markets. Marketers/manufacturers should begin a detailed evaluation of the supporting marketing and scientific data and determine if this term/trend offers a good strategic fit and is appropriate to pursue. Appropriate product development procedures should be undertaken.
- **Commercialization Phase** = Mass-market ready. Mainstream consumers have a significant degree of familiarity with the term/trend and there is opportunity for competitive advantage by getting out ahead of the competition or by providing a unique and highly innovative product positioning for success.