

The trend of the food for specified health use market and the future outlook.

Research division researcher Fujii kei

Abstract

The market sizes of the food for specified health use continued decreasing to the 679,800 million yen peak of 2007 and reduced to 517,500 million yen in 2011. However, the drink industry (cooling drinks and dairy products) which is occupying about half the specified health food market has become the main driving force for growth of this market.

"Mets Coke" released in April, 2012, exploded in popularity and achieved 1 million cases of annual sale target in only two days, has become a big success of Kirin Beverages. It is also predicted that the market will enlarge even more in future. Basing on the research about the trend and the strategy of the market of the foods/ drinks for specified health use, this report will make a prediction of the market trend and the future prospect.

1. Facts and figures of the health food market

Food for specified health use (FOSHU market) refers to foods containing ingredient with functions for health and officially approved to claim its physiological effects on the human body.

The FOSHU market in 2011 was approximately 517 billion yen (~ 6.5 billion dollar). Kagome in particular, accounts 79% (around 4,087 billion yen) of the soft drinks and dairy beverages market, coming next packaged food and flavoring materials with 12,3% (63 billion yen), confectionery and the others taking 8,7% (45,2 billion yen). (Graph 1, table 1)

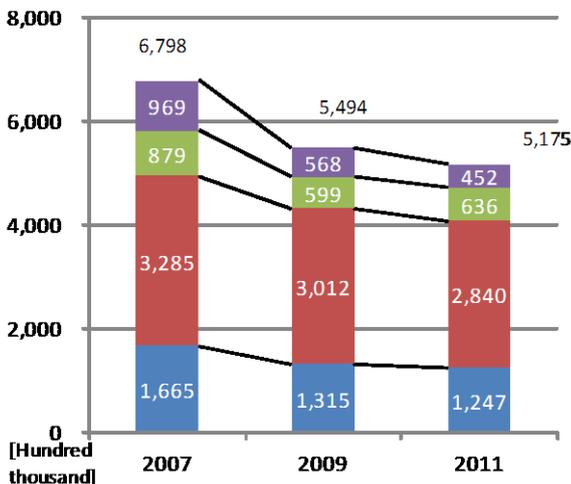
Besides, in terms of the market channel, super market dominates 39,3%, followed by home delivery (30,7%), convenience store (13,5%), drug store (5,9%), mail- order sale 3,1%, the rest (7,5%).

Nowadays, there are over 180 companies taking part in FOSHU market, and more than 1,002 items (up to 8/2012) officially approved available on the market.

Table 2. Food by category

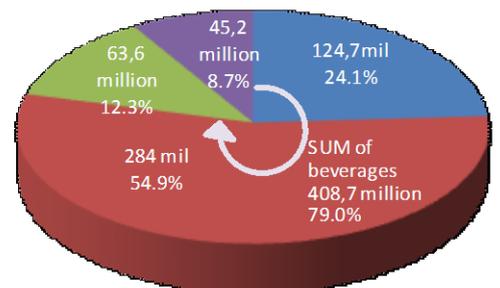
Soft drinks	tea- based beverages, fruit drinks, mineral water, jelly drinks, coffee, soft drink powder
Dairy Beverages	lactobacillus medical, Fermented milk
Packaged Food/ Seasoning	soybean beverages, grain processed products, seasoning materials, margarine, meat/fish processed food, conditioning vinegar, mayonnaise, sweeteners
Confectionery/ others	candy, cookies, biscuits, green juice, Gum, nata de coco, chocolate, tablet, cubic rice crackers, powder, gummy, dried soup, miso soup

Graph 1: FOSHU market division



- Confectionery/Others
- Packaged foods-Seasoning materials
- Dairy product
- Soft drink

FOSHU market structural ratio in 2011



2. The shrinking market:

After reaching the top of 678.8 billion yen in 2007, the FOSHU market is on the trend of shrinking. There are 2 main reasons for this phenomenon:

Firstly, as a consequence of the long deflation, the number of low-end consumers has increased while FOSHU is usually much expensive than food for everyday life. As a result, the market of FOSHU decline and sales of the market goes down as well.

Secondly, it is hard to expect any more growth in the sales of FOSHU products; FOSHU makers become to hesitate whether or not produce new brands. While there were up to 143 items officially approved in 2007, this number decreased to 56 in the year of 2011.

3. Facts and figures of FOSHU big makers:

The total sum of Manufacturers of foods, beverages, drug, cosmetics, dairy products, seasoning materials, confectionery, etc is around 180.

In Japan, Kao is the first company who discover how to control neutral lipid and become successful with Econa cooking oil, which specially helping reducing the amount of fat in the body and was considered as a pioneer specific functional foods.

However, in 2009 Econa was revealed to possibly cause cancer diseases that led to sales suspension and voluntary recall and consequently, the decline in the reliability of specific functional foods

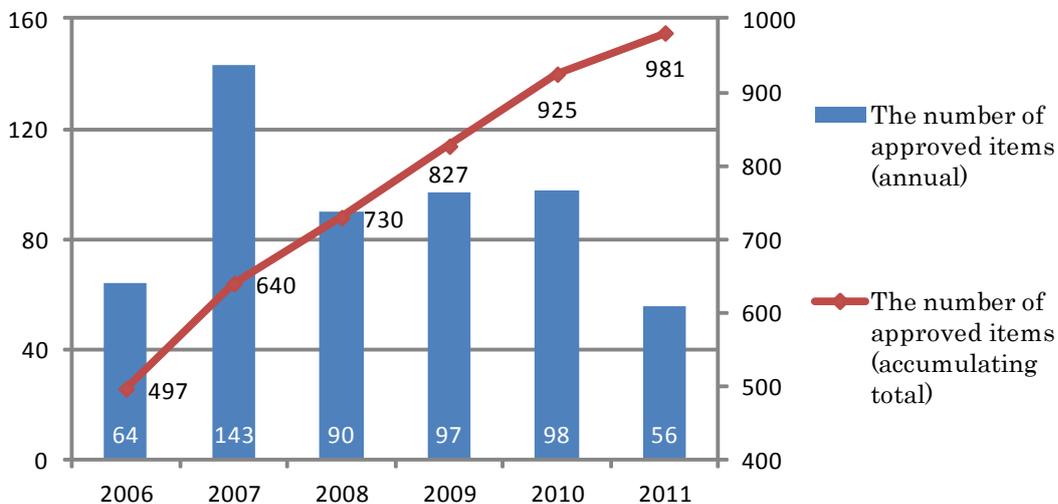
After ‘Kirin supli’, Kirin beverages showed no other any improvement in the sales of new FOSHU products. However, it is up until 2008 that the company promoted ‘Afternoon tea straight plus’, then ‘Mets Cola’ in 2012.

‘Mets Cola’ is the popular Cola soft drink made to meet the increasing health awareness of the consumers, bringing a totally new concept of FOSHU. Cola with the carbon acid inside become popular because it exhilarates one’s feeling, now is used as a beverage that help control the amount of body fat. The annual sales target (1 million cases) of Mets Cola was achieved in just 2 days and was raised up to 6 million cases.

Besides, Kuroo Blue Tea and Gomamugicha-sesame barley tea of Suntory, Healthy Green Tea of Kao, Catechin Green Tea of Itoen also increasing sales smoothly.

Toyoshinyaku is the company where FOSHU foods and drinks the most approved with 208 items (Peptide / Healthy Green Juice, coming next is Yakult with 48 items (Joice, Yakult 400, etc), Calpis with 35 items (acidified milk, Kenchaou). Toyoshinyaku has been putting effort into developing FOSHU market, planning an expansion of the product line.

Graph 2: The number of approved items



Source: Techno Create Research

4. The outlook of FOSHU market:

Accounting 79% of the FOSHU market, the beverage industry has now been making effort in developing new products. According to their analysis, along with the fact that the health awareness of consumers is getting higher and higher, it is not whether the price high or low but the added value that draws attention most.

FOSHU are designed to address special health problem, but not to treat medical conditions as conventional pharmaceutical products. Also, FOSHU products help maintain or enhance health; hence bring about the increase in the market awareness of health maintenance and life-style diseases prevention. When FOSHU companies come back to promote new products, the market has appeared recovered nowadays. In the centre of the picture, the product development of beverage companies will be the one that draw attention most.

FOSHU products should be divided into more than 2 main groups; among those are articles of taste or health-oriented functional foods.

Whether that is a FOSHU maker or a new comer, provided that the company succeeds in developing a totally new concept of FOSHU product, they will get the chance to dominate their own area. The chance of participation in FOSHU market and the chance to boost sales can be considered available for everyone.

(Research division researcher Fujii Kei)

REFERENCE:

1. Japan Health Food & Nutrition Food Association Public Interest Incorporated Foundations [Survey on companies possessing approved FOSHU products』, 2011

*The next journal features the market trend and future outlook for “home delivery water” (to be published on 1st October, 2012).

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Sales: Fujii (Tel: 03-3553-0112)

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