THE NEW DAIRY AISLE:

The Global Growth of Dairy Alternatives

MAKING FOOD EXTRAORDINARY

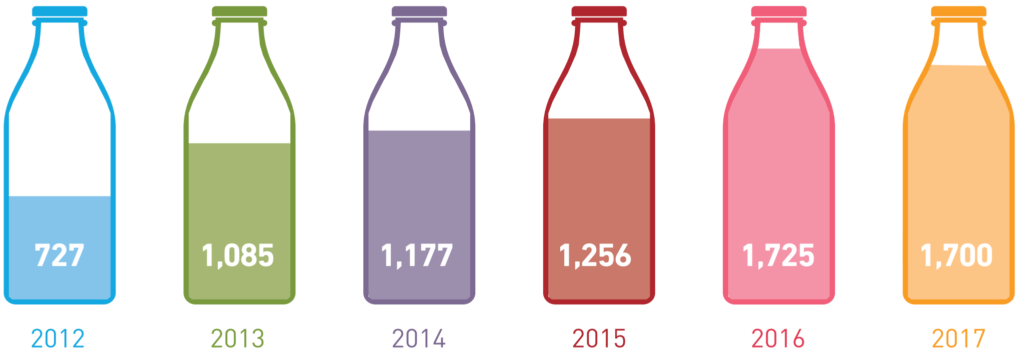
TATE & LYLE

DAIRY ALTERNATIVES HAVE GONE MAINSTREAM

Dairy alternatives began as a niche category, appealing primarily to lactose-intolerant consumers, vegans and others choosing to avoid dairy. Today, however, demand for dairy alternatives has multiplied to create a mainstream market. All around the world, consumer interest in plant-based non-dairy products is increasing, even amongst those who aren't averse to dairy.[1]

As consumer interest in dairy alternatives climbs, so too does production of such products. Launches of dairy-alternative beverages, for example, have more than doubled globally since 2012.[2] The United States leads the way with nearly 900 new product launches between 2012 and 2017, but the trend has infiltrated countries in virtually every region.[3] In fact, EMEA and APAC boast more than double the new product launches of NOAM and LATAM. This worldwide trend creates a global opportunity for food and beverage manufacturers to diversify their offerings with more dairy alternatives.[4]

Number of Dairy-Alternative Beverages Launched Globally



Although soy-based product launches were once dominant (and still are in LATAM), today's consumers can choose from a variety of bases, including coconut, cashew, oat, almond (the most popular base in NOAM) and rice (used most frequently in APAC and EMEA).[5] Once, dairy alternatives were mainly provided by small companies. Now, however, some of the world's largest food and beverage manufacturers are moving in on the market. Beverages aren't the only offering, either, as dairy alternatives are popping up across categories such as yoghurt and frozen desserts.

What's driving this trend? Generally speaking, plant-based non-dairy products are perceived by consumers as 'better for you', and many are marketed with additional health-benefit claims and clean-label positioning. For this reason, the popularity of dairy alternatives can be seen as one part of the larger movement: the increased demand for foods and beverages that consumers perceive as simple and wholesome.

Top 15 Countries Launching Dairy-Alternative Beverages

Source: Innova.

Total Dairy-Alternative Product Launches by Region

Total product launches from 2012–2016	3,444	1,912	1,081	1,012
Region	EMEA	APAC	NOAM	LATAM

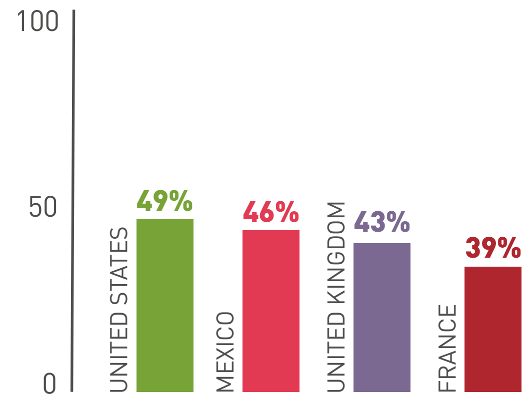
Source: Innova.

WHY CONSUMERS REACH FOR DAIRY ALTERNATIVES

There are a number of factors contributing to the growth of dairy alternatives, many of which are stronger motivators in certain regions and amongst specific populations. For example, although lactose intolerance is less prevalent in North America, Australia and Europe, it is extremely common throughout South America, Africa and Asia.[6] In the United States, even consumers who aren't lactose intolerant often cite digestive health as a motivation for purchasing dairy alternatives, with 21 per cent reporting interest in milk that's easy to digest and only 9 per cent reporting interest in lactose-free dairy milk.[7]

Despite regional nuances, some motivating factors are universal. In every part of the world, plant-based non-dairy products are considered a 'healthy choice', which is likely a major influence for all consumers.[8] It's also the case that, in every region, taste remains a crucial purchase driver. In fact, taste is one of the top reasons consumers give for buying both dairy and non-dairy milk.

Consumers Who Agree 'Dairy Alternatives Are Good for My Health'



Source: Innova Dairy Alternative Product Trends.

Regional Purchase Drivers

In the United States

A growing Hispanic population may contribute to higher consumer interest in dairy alternatives due to a greater prevalence of lactose intolerance. United States consumers buy dairy alternatives for a number of subjective reasons as well, including health and taste. Furthermore, a heightened interest in vegetarian and vegan diets (for reasons related to health, animal rights and welfare, and the environment) is certainly a major contributing factor.[9]

In Europe

Health is a major motivator. Roughly one-third of consumers in France, Italy and Spain believe non-dairy yoghurt is healthier than dairy yoghurt.[10]

In China

Consumers purchase dairy alternatives both for practical and subjective reasons. For instance, 33 per cent of Chinese consumers buy plant-based drinks mainly for the protein they contain, and 27 per cent because they are 'fashionable'.[11]

In Southeast Asia

Improving economic conditions are increasing consumers' disposable income. Additionally, greater interest in leading a healthy lifestyle contributes to the growth of dairy alternatives.[12]

THE PREVALENCE OF ‘FREE FROM’ POSITIONING

Expanding the Market

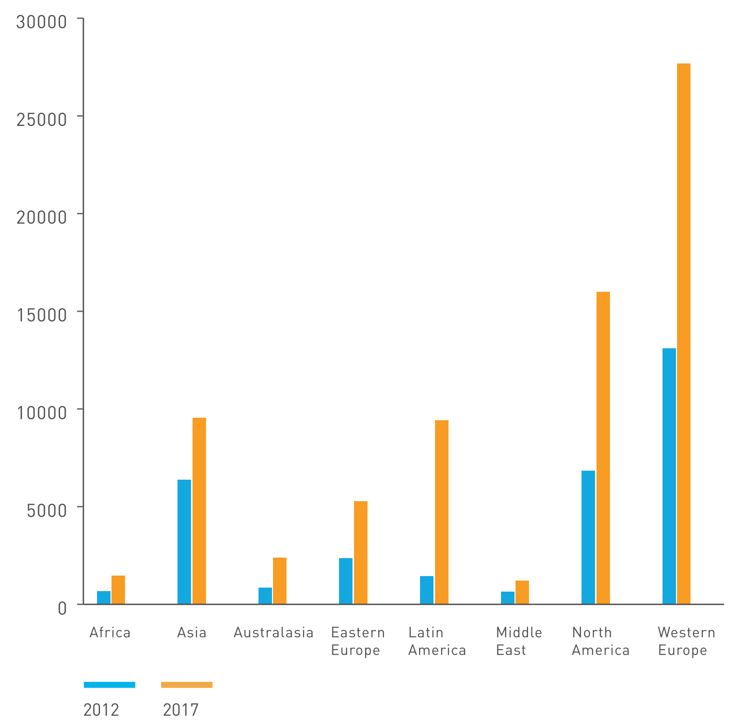
Dairy alternatives are particularly popular amongst consumers from younger generations,[13] which makes sense as they are more likely to be influenced by the ‘free from’ movement.[14] However, manufacturers have an opportunity to expand the dairy-alternatives market by appealing to older consumers. For example, they can formulate products with ingredients that enable cholesterol-related health-benefit claims.

To understand consumer interest in dairy alternatives, it helps to consider the larger context. The popularity of dairy alternatives is largely driven by the ‘free from’ movement.

The proliferation of elimination diets, such as the Whole30®, has brought negative attention to a number of ingredient categories including dairy, wheat and soy. Additionally, there is more intense focus on food allergies and sensitivities as well as escalating rates of vegetarianism and veganism. All these factors have created consumer demand for more alternatives, and led to a burgeoning variety of ‘free from’ claims, such as gluten-free, lactose-free, vegan and non-GMO. Product launches across all categories, with such ‘free from’ claims, have exploded in the last few years, particularly in Western Europe, where the number doubled between 2012 and 2017.[15] Specific to dairy alternatives, the number of launches in Western Europe rose by a factor of five.

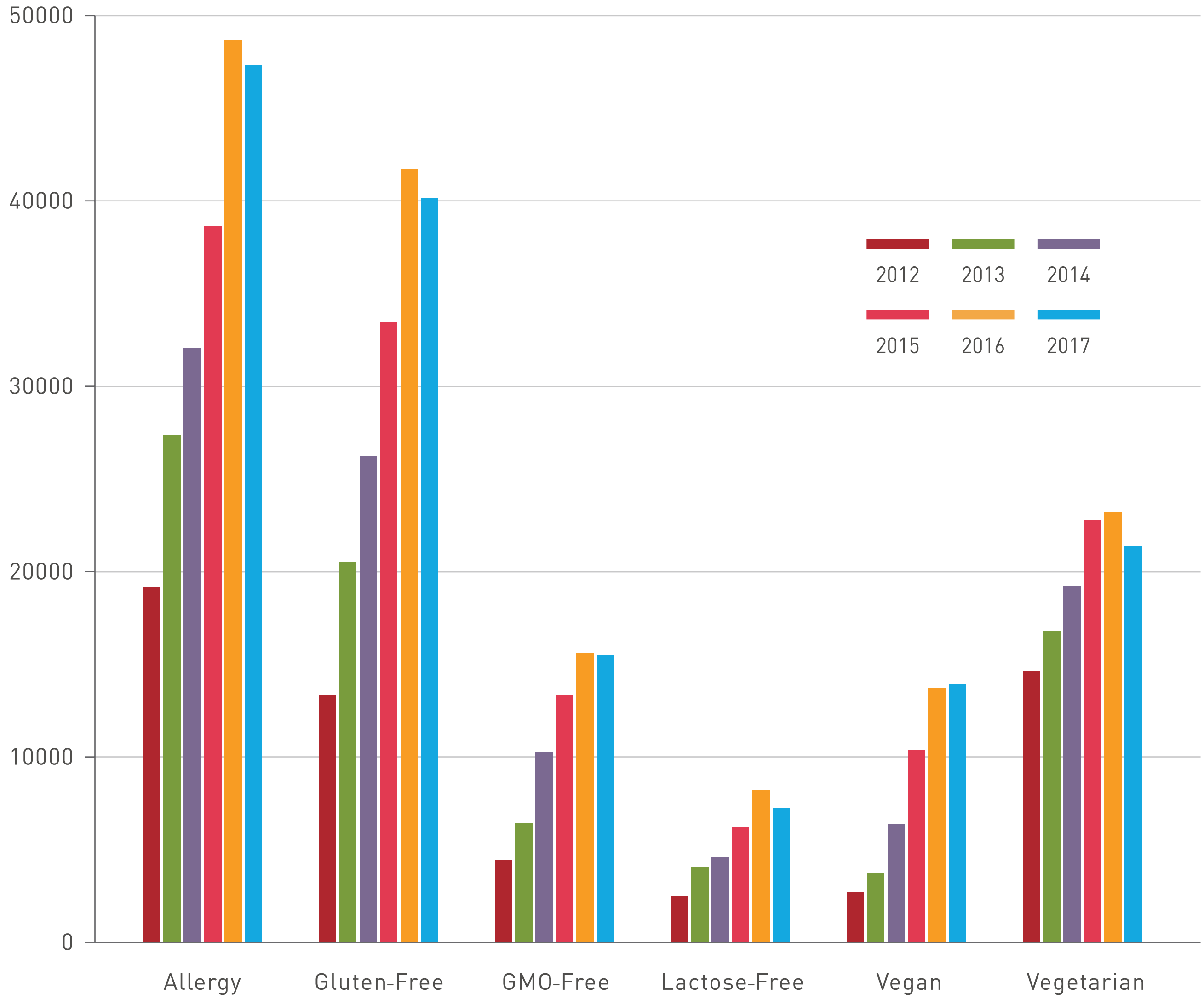
When examining the top global ‘free from’ claims amongst dairy alternatives, it’s clear that consumer intolerances and sensitivities are major drivers, as illustrated in the charts on this page and the following page. Consumer preferences also play a role. Vegan and vegetarian claims, for example, are commonly seen on dairy alternatives.

New Product Launches, All Categories, with ‘Free From’ Claims



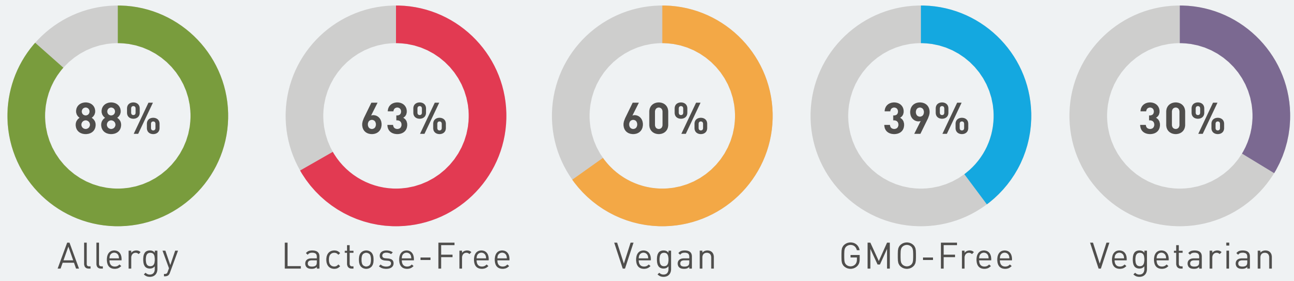
Source: Innova Mintel Free-from Food Trends, May 2015.

Growth in Top 'Free From' Claims All Categories



Source: Innova.

Top 'Free From' Claims Amongst Dairy-Alternative Product Launches



Source: Mintel, Growth in Non-Dairy Milk Segment, April 2016.

FORMULATING PRODUCTS FOR CHOOSY CONSUMERS

Dairy alternatives present a number of formulation challenges both in terms of creating products that have a desirable taste and texture and in ensuring that such products meet all the ancillary needs and desires of discerning consumers. Because dairy alternatives appeal to consumers seeking healthy options, clean-label products and items with various 'free from' claims, manufacturers must consider a complicated set of variables when making formulation decisions. Regardless of positioning, however, taste and texture will always be crucial to formulating foods and beverages consumers will want to buy again and again.

To create desirable dairy-alternative products, manufacturers must mimic the flavour and consistency of dairy products by finding suitable replacements for milk fat and using ingredients that preserve a desirable appearance, texture and taste. For example, when formulating with soy or pea protein, manufacturers may need to mask unwanted earthy and bean-like notes to create a neutral, clean flavour that more accurately emulates dairy milk.

Mimicking the texture and mouthfeel of dairy milk is also a challenge. For example, the presence of fat in many soy- and nut-based dairy alternatives requires an emulsifier to encapsulate the fat and create a smooth, consistent texture. On the other hand, rice-based products, which are a good option for consumers with nut or soy allergies, don't contain fat, which means rice milk can often be too thin. To combat this, formulators can include ingredients such as beta glucan from oats to add body and create a creamy mouthfeel and smoothness.

Additionally, some soluble fibres can replace bulk and mouthfeel in reduced-sugar dairy alternatives. Depending upon local regulations, fibres may also enable various health-benefit claims, including those related to digestive health, bone health and cholesterol, which can help products appeal to dairy-alternative consumers of every generation.

Why Fortify?

Mimicking the taste and texture of dairy milk is one challenge; mimicking its nutrition profile is another. Dairy alternatives often need to be fortified in order to match the levels of protein, calcium and vitamin D typically found in dairy products.

THE GOODNESS OF OATS

Consumers of dairy alternatives are looking for products that taste great and feel like a 'healthy choice'. Their desire for simpler, more wholesome foods means formulators should seek functional ingredients that consumers recognise and trust. Oats are simple and familiar, and consumers view them as healthy.[16]

PromOat® Beta Glucan, which is made from oats, can contribute to a consumer-friendly label. It also provides a number of functional benefits relevant to dairy-alternative formulations, including its exceptional solubility. Furthermore, it imparts nutritional benefits and contributes to a consumer-friendly label.

PromOat® Beta Glucan delivers a number of benefits to dairy-alternative formulations, especially when used in combination with PROMITOR® Soluble Fibre.

Here are a few examples.

Challenge	Solution
Formulate a reduced-fat, non-dairy beverage that delivers the same great taste and texture as the full-fat version.	**PromOat® Beta Glucan** is soluble and ideal for lending a creamy mouthfeel and smoothness to reduced-fat products.
Create a clean-label, non-dairy frozen dessert that appeals to consumers seeking non-GMO products.	**PromOat® Beta Glucan** is perfect for products with clean-label and non-GMO positioning, as it's made with non-GMO Swedish oats, and, depending upon local regulations, may label as 'oat beta glucan', 'oat fibre' or 'oat bran fibre'.
Offer a reduced-sugar, non-dairy yoghurt that feels like a healthy option whilst still delivering an indulgent experience.	**PROMITOR® Soluble Fibre** supplies bulk and mouthfeel in reduced-sugar products. If local regulations permit, it can also enable health-benefit claims, including digestive health and calcium absorption.

AN OPPORTUNITY FOR MANUFACTURERS

It's clear that consumer interest in dairy alternatives is increasing across the globe. Although consumers reach for these products for a number of reasons, there are two universal motivators: health and taste. The popularity of dairy alternatives is part of a larger movement driving demand for foods and beverages that are simple and wholesome – but still taste great. To take advantage of this trend, manufacturers would do well to formulate dairy alternatives that deliver a desirable appearance, texture and flavour, whilst also offering nutritional benefits that differentiate their products and appeal to core targets.

To learn more about formulating dairy alternatives consumers will love, contact Tate & Lyle at tateandlyle.com

Sources

[1]Mintel, Dairy Drinks Global Annual Review, January 2017.
[2]Innova Market Insights, Dairy Alternative Beverages, 2012-2017.
[3]Innova.
[4]Innova Market Insights, Dairy Alternative Beverages, 2012-2017.
[5]Innova.
[6]Swallow, Dallas M., Annual Review of Genetics, 'Genetics of Lactose Persistence and Lactose Intolerance', December 2003.
[7]Mintel, Dairy Drinks Global Annual Review, January 2017.
[8]Mintel, Growth in Non-Dairy Milk Segment, April 2016.
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[10]Mintel, Dairy Drinks Global Annual Review, January 2017.
[11]Innova, Dairy Alternative Product Trends.
[12]Mintel, Growth in Non-Dairy Milk Segment, April 2016.
[13]Mintel, Growth in Non-Dairy Milk Segment, April 2016.
[14]Mintel, Free-from Food Trends, May 2015.
[15]Mintel, Free-from Food Trends, May 2015.
[16]Mintel, Core Consumers, April 2016.

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