CHAPTER - 1

INTRODUCTION
1.1. Introduction

Consumer food purchase behaviour is changing significantly across the world and consumers are now getting more and more attracted towards good taste, convenience, and health enhancing properties of food (Hansen, 2005; Bruhn, 2008). The consumers are now becoming more conscious of the relationship between diet and health, and hence are becoming more motivated to take care of their health by way of consuming healthier food. Increased health consciousness and changes in lifestyle, coupled with awareness about the benefits associated with health and wellness food have led to significant changes in consumer behaviour towards healthy food consumption in the recent years (Quah and Tan, 2009; Crofton et al., 2013).

There have been fast changes in diets and lifestyles of people as a result of various factors including growing industrialization, increased urbanization and globalization of food market; which have significantly affected the health and nutritional status of the people, particularly among the population of the developing countries (World Health Organization, 2003). Besides, various factors such as rise in disposable income, change in family structure and change in lifestyle have also impacted the health and wellness food consumption (Yun and Pysarchik, 2010). The Indian consumers have historically chosen fresh and unprocessed food over processed and packaged food. However, there have been changes in the consumption pattern of the consumers in the recent years, particularly in the middle and high-income groups, showing many opportunities for developing and strengthening the packaged food
segments (Ling et al., 2004; Chengappa et al., 2005; Deininger and Sur, 2007). It is argued that the main motivation in the food choices of the consumers today is the perceived ‘healthiness’ quality of the food (Bech-Larsen and Grunert, 2003).

Growing at annual compound growth rate of about 7.2% during 2005-12, the global health and wellness food market has been estimated at US$ 733 billion during this period. About 70 to 80 percent of this market is located in developed countries, which are having higher per capita incomes and more consciousness of health and wellness foods. However, there are significant structural changes in the market composition in the Asia-Pacific region. In 2012, the Asia-Pacific region enjoyed a market share of about 29.4% of the globe with annual growth rate of 11.7 percent. India also has a huge market for health and wellness food products with market size of Rs. 669.4 billion in 2015, which has significantly increased from Rs. 117.5 billion in 2002 (Euromonitor International, 2015).

There has been a sharp rise in foodborne diseases, coronary heart diseases, diabetes and problems of obesity in the recent years and consequently, the perspective of the consumers about food intake is changing. The topmost health concern of the consumers today is their heart health, weight control and diseases like diabetes and cancer, to name a few. Due to increased awareness, the health conscious consumers are now focussing on avoiding or reducing intake of sugar, fat, artificial ingredients, and calories etc. With increasing education and media exposure, consumers now
believe that food can play an important role in not only maintaining, but also improving their overall health. Hence, driven by health awareness, the consumers are now taking a more proactive role in managing their health. They are less willing to simply wait and follow the health care advice and measures suggested by medical practitioners in response to health problems (Sutar et al., 2010).

The importance of diet and food intake has been accepted as a critical factor in ensuring health and well-being since long (Plank and Gould, 1990; Granzin et al., 1998; Cash et al., 2006). The consumers are realising that healthy food consumption is the key for maintaining their overall health. For instance, consumers are now beginning to understand the importance of consuming more fibre in their diets, and are therefore choosing foods that are rich in fibre such as whole grains, fruits and vegetables etc. Some consumers believe the conventionally produced food to contain remnants of harmful pesticides, chemicals, antibodies and additives and hence they demand a certain level of safety or credence quality in the food products they buy (Shanahan et al., 2008).

Over the years, functional food items have also attained success due to their assumed abilities of preventing or reducing the risks of various ailments and diseases like prevention or reduction of indigestion, high blood pressure, cholesterol, or the risk of cancer and heart disease (Saaksjarvi et al., 2009). These are considered as a cross between food and medicines, and hence are believed to provide various benefits
including health improvement and prevention of a number of diseases, when included in the balanced diet (Sarkar, 2007).

With the increasing significance of health and wellness food products, the consumers are also getting interested in learning more about food and beverages that may provide additional health benefits and help in reduction of food-borne and lifestyle diseases. In addition to the information available from the health and wellness products producing companies, the consumers refer to a number of information sources, which help them in making purchase decisions regarding health and wellness food products.

Some important sources of information include media sources, friends, family and food labels. However, the consumers perceive medical professionals, including physicians and dieticians, to be the most important and prominent source providing information on the benefits associated with health and wellness food products. They not only provide information about the importance of healthy food consumption to the consumers, but also influence the consumers to include healthier foods options in their diets.

With the growth in consumer demand, the food producing companies have been undertaking a number of recent initiatives to target these markets. The health and wellness food producing companies are undertaking aggressive positioning strategies
for their products such as health-claims for overall health maintenance, improvement of bone, heart and digestive health, weight management etc.; in order to ensure greater acceptance by the consumers. Nevertheless, in a market where there are several products with health-claims, product packaging and convenience of usage are the key factors which drive sustained purchase and consumption of food products (Research and Markets, 2010).

Because of the initiatives of health and wellness food producing companies, a number of food products are being developed and are constantly coming up in the markets, aiming at satisfying the consumers’ need for healthier food options. A study conducted by Cardello et al. (2013) reveals that “the packaged foods companies and restaurant chains, which incorporate more than average better-for-you and low-calorie foods and beverages, deliver superior sales performance and show more growth as compared to those companies and restaurants which are comparatively less aggressive in doing so”.

Companies are now trying to create food products based upon people's nutritional requirements along with the individual taste preferences of the consumers. According to a report of the government of Canada (October 2011), “food manufacturers all over the world are now investing in research and development of newer food products with healthy ingredients, as well as healthier and better variants of the existing food items,
which has provided them with an opportunity to differentiation their products from those of their competitors in a market which is becoming increasingly competitive”.

With supermarkets and hypermarkets increasingly becoming the choicest shopping destination for consumers and steadfastly established as retail channels, the health and wellness food products have found vast shelf-space across India. These supermarkets and hypermarkets provides the right platforms for displaying health and wellness food products by providing the manufacturers with excellent opportunities for making their products easily noticeable to the consumers, thereby ensuring a greater reach of these products to the target customers instead of opting for expensive recourses like advertising.

An added benefit for the consumer, while purchasing from these types of retail formats, is the ease of choosing a health and wellness product and compare its benefits with the other regular products with regard to nutritional content and information regarding added healthyingredients or enhanced health benefits from the pack labels. This helps in creating instant awareness and also aids in influencing a buyer's decision towards the purchase of a healthier alternative instead of the regular food products (Hudson, 2012).

According to Sun-Waterhouse (2011), “although more and more new products having health and wellness attributes are constantly being introduced in the markets more rapidly than ever, and despite ample opportunities for developing newer functional
and other health and wellness food products; there is still an uneven distribution of development due to a number of factors like legislative barriers, technological hurdles and consumer resistance”. As per Sutar et al. (2010), “the growth and development of functional food industry is usually constrained by the low income levels of a majority of population since the cost of developing new functional foods includes the costs associated with high-value food processing, search for markets, product research and certification, meeting regulatory demands, consumer research, public relations etc., which are quiet high”.

1.2. Health and Wellness Foods

Health and wellness food products are usually associated with distinct health benefits over other food products available in the market. Health and wellness food is “a food or beverage that imparts a physiological benefit that enhances overall health, helps prevent or treat a disease/condition, or improves physical or mental performance via an added functional ingredient or processing modification” (Sloan, 2000; Divine and Lepisto, 2005; Green, 2006). McMahon et al. (2010) argued that “wellness and well-being are terms found in a broad range of literature such as economics, social science, food marketing and general social commentary”.

As per the Euromonitor International, health and wellness food products are broadly categorized into five groups – Better-For-You (BFY), Food Intolerance (FI),
Functional/Fortified Food (FF), Naturally Healthy (NH) and Organic Food (OF). These health and wellness food products can be defined as follows:

1.2.1. Better-For-You (BFY) food Products

Better-for-You (BFY) food category includes all the packaged food and beverages where the amount of a substance considered less healthy like sugar, fat, salt or carbohydrate is removed or reduced during production. The low-carbohydrate, low-fat, low-sugar, fat-free, sugar-free and decaffeinated variants of standard packaged foods and beverages are included in this category.

According to Cardello et al. (2013), “this category includes two types of products: the ‘lite’ products and the ‘good’ products. The ‘lite’ products are foods and beverages that contain low, no, or reduced calories (typical designations include diet, lite, and zero); and packages that contain fewer calories, such as 100-calorie packs. The ‘good’ products are generally categorized as wholesome, such as whole grain products. It also includes traditional products that have been made healthier but do not qualify as ‘lite’.

1.2.2. Food Intolerance (FI) Food Products

As per Euromonitor International, “Food Intolerance category includes gluten-free, lactose-free and diabetic food. Typically, these foods can be characterised as products made to look and taste like a food which normally
contains a product that can cause a food intolerance or allergy. The products for food intolerances are designed as standard food substitutes to help avoid aggravation of certain conditions for example gluten-free bread, or lactose-free milk”.

According to the government of Canada report on health and wellness trends (2011), “Food intolerances refer to a broad range of medically confirmed or self-diagnosed hypersensitivities to a food, beverage or food additive, which can cause severe adverse reactions varying from mild to life threatening. Products addressing food intolerances include products that are lactose-free, gluten-free, and nut-free”.

1.2.3. Fortified/ Functional (FF) Food Products

As defined by Euromonitor International, “Fortified/ Functional (FF) products can be defined as those food items to which healthy ingredients (typically those with health claims) have been added. Fortified/ functional food and beverages provide health benefits beyond their nutritional value and/ or the level of added ingredients would normally not be found in that product. To merit inclusion in this category, the defining criterion here is that the product must have been actively fortified/ enhanced during production”.
According to International Food Information Council (2007), Functional foods can be defined as “foods or dietary components that may provide a health benefit beyond basic nutrition”. According to Sarkar (2007), “a category of functional foods are sometimes called nutraceuticals, which include food that has been genetically modified or isolated and purified from foods that are generally sold in medicinal forms not usually associated with food”.

The products which are included in the functional food category include prepared meals and food and beverages fortified with functional ingredients. Healthy ingredients like fibres, Omega-3, antioxidants and probiotics are generally added to the food products while processing. Functional foods are now a part of the traditional dairy and non-dairy segments as well, and includes oil products, baked products, confectionery and drinks also (Sun-Waterhouse, 2011).

1.2.4. Naturally Healthy (NH) Food Products

According to Euromonitor International, “Naturally Healthy (NH) category includes food and beverages on the basis of naturally containing a substance that improves health and wellbeing beyond the product’s pure calorific value. These products are usually a healthier alternative within a certain sector/subsector. Some products included are: high fibre food, soy products,
sour milk drinks, nuts, honey, fruit snacks, olive oil, 100 percent fruit/vegetable juice, natural mineral water, green tea, herbal tea etc. Naturally healthy food that are additionally fortified fall into the ‘fortified/functional’ category.

As per a report of government of Canada (2011), Naturally healthy foods are “unprocessed or minimally processed foods that remain very close to their complete, original state. They are consumed for their natural health benefits, such as naturally occurring vitamins and nutrients (fibre, calcium, etc.). Naturally healthy foods tend to be minimally processed and generally include ingredients that naturally contain vitamins, minerals and other nutrients which are essential to a healthy diet. A number of natural products are made using no hormones and antibiotics, and also contain a lower percentage of fat, sugar, and sodium”. The most common naturally healthy food products include green tea, olive oil, soy-based products, high fibre food products etc.

1.2.5. Organic Food (OF) Products

Euromonitor International defines Organic Foods (OF) as the category that includes food produced through a system of farming that maintains and replenishes soil fertility without the use of toxic and persistent pesticides and fertilisers. Organic food and beverages are minimally processed without artificial ingredients, preservatives or irradiation. ‘Certified Organic’ means
the item has been grown according to strict uniform standards that are verified by independent state or private organisations. Depending on the country, such products are called ‘organic’, ‘biological’ or ‘ecological’.

According to the government of Canada report on health and wellness trends (2011), “organic foods include those food products which are grown without genetically modified organisms (GMOs) and without the use of any synthetic chemicals, fertilizers, pesticides, hormones, or antibiotics”. Organic food products which have been considered safe for consumption and environmental friendly, have become very popular over the years among the consumers who are sensitive to environmental concerns and view organic production as a sustainable method of farming. The most common organic food items include organic rice and pulses, dairy products, bakery products, ready meals and baby foods.

1.3. Health and Wellness Food Market in India

The health-conscious consumers in India are now searching and opting for food products that offer additional health benefits and added nutrients such as proteins, vitamins, minerals and other ingredients such as omega-3, offering significant health benefits over other regular food products, such as naturally healthy beverages like green tea and 100 percent juices (Hudson, 2012). The Indian consumers are no longer interested in health and wellness food only for the sole purpose of being disease-free,
but they also associate these health and wellness products with increased confidence, freedom from stress and a healthier and more attractive appearance (Jha and Sharma, 2015).

As per Research and Market report (2010), with the increase in the awareness level of the Indian consumer regarding the various health benefits associated with health and wellness food, they are getting more inclined towards using the nutritional information to make purchase decisions for these food products. As a result, the demand for food and beverages which have health-claims attached to them is increasing and the Indian consumers are making deliberate attempts to add food items with health claims to their food baskets.

Although health and Wellness has been a niche market in India in the past, many of its products are becoming prominent at supermarkets and convenience stores, especially better-for-you products like reduced fat milk which, at present, is the market leader in terms of value in the health and wellness food market (Hudson, 2009). Previously, health-conscious consumers in Indian had very limited options of packaged food and beverages, but with more and more new products launching in the niche categories, the health and wellness product range in India is now expanding and the consumers now have a wide range of products to choose from (Hudson, 2012).
The health and wellness food items are not just limited to breakfast substitutes in India, but are now a part of other categories of foods today, including packaged grocery items, snacks, beverages, refined/ non-refined oils etc (Jha and Sharma, 2015). According to Research and Market Report (2012), the health and wellness food products’ market in India has been growing steadily and healthily for the past few years, the main impetus behind which is the growing health awareness, along with other key factors like changing lifestyle and increase in disposable income of the Indian consumer etc.

At present, a number of health and wellness food products are available in the Indian market, belonging to five types of health and wellness food products, viz. better-for-you foods, functional/ fortified foods, food intolerance, naturally healthy foods and organic food products. These products have been identified and listed as per the categorisation provided by Euromonitor International. Within each type, a number of brands are available which are further grouped into different categories of food products. For example, under the better-for-you food type, different categories of food products have been identified such as ‘reduced fat milk’ and ‘low-calorie cola’ categories. Under each category, the major brands available in the Indian market are identified such as, Nestle A+ milk, AmulLite milk, AmulTaaza milk, Amul Shakti milk, Britannia Slimz milk, Mother Dairy skimmed milk, Mother Dairy toned milk etc. under the ‘reduced fat milk’ category of better-for-you food type. A list of all
such important health and wellness food products is enclosed as annexure with the survey questionnaire.

According to Research and Markets report (December 2012), “The top three preferred foods in the Indian health foods and beverages market are malted food products, baby food products, and cooking oils, along with products in other segments like energy drinks, Chyawanprash, fruit juices, butter alternatives, digestive biscuits, health drinksetc”. Milk food drinks (MFD) like Horlicks, Bournvita and Complan are among the most preferred products, in addition to other products like green tea, olive oil and baked chips, which are fast emerging as a preferred category as compared to other food products (Jha& Sharma, 2015).

With stricter laws about food safety standards as well as the emphasis on adoption of organic farming; more manufacturers shifting to health and Wellness foods production; and many non-government agencies (NGOs) getting involved in the development of organic farms and arranging sales of organic products in the Indian market; the availability of organic food and beverages is also likely to increase substantially in India in the coming years (Hudson, 2012).

As the health and wellness food products’ market is growing at a significantly high rate, it becomes quite important to understand the market structure of health and wellness food products in the country and the factors affecting the adoption of these
products among the consumers. This study analyses the market structure of health and wellness food in the country using secondary data sources. The study has also tried to analyse the factors affecting the purchase behaviour of consumers for health and wellness food products, using primary survey method.

1.4. Structure of the Thesis

This thesis is organised into nine chapters. The first chapter focusses on the theoretical background and introduction of health and wellness foods. It also gives an insight into the definitions and overview of health and wellness food products. The second chapter provides a review of the literature related to consumer behaviour, drivers of health and wellness food industry, consumers’ preferences on health and wellness food attributes and factors affecting health and wellness food product purchase decision.

The problem statement, research objectives and hypotheses, and the conceptual framework supporting the research are discussed in chapter 3 of the thesis. The data and methodology used for this research are discussed in chapter 4, including details of sampling method, data collection, and the empirical methods used in this study.

Chapter 5 outlines the market structure of health and wellness food products in India. Secondary data has been collected and analysed for studying the market composition, market trends and retail structure of the health and wellness food industry in India.
Differences in consumer preferences for various attributes of health and wellness food products are analysed and discussed in chapter 6.

Chapter 7 discusses the results of the consumer survey and a detailed analysis of factors affecting purchase decisions of the consumers for health and wellness food products. In chapter 8, marketing solutions to organizations producing and selling health and wellness food products have been discussed. Finally, the summary of the findings and managerial implications have been discussed in Chapter 9. The limitations of the research and recommendations for further research are also drawn in this chapter.