Healthier Product Reformulation in the Philippines

FOOD INDUSTRY ASIA

www.foodindustry.asia

Consumer and company research on progress and priorities

INTRODUCTION

Matt Kovac
Executive Director
Food Industry Asia (FIA)

The food industry has been consistently working to deliver solutions through product innovation and reformulation to nudge healthier behaviours, by improving the nutritional quality of its food and beverage products. This has been further accelerated in the context of growing concerns over obesity, non-communicable diseases (NCDs) such as diabetes and the COVID-19 pandemic.

With innovation and reformulation efforts often carried out behind closed doors, FIA sought to understand the broad reformulation landscape of the food and beverage sector in the Philippines.

This research will be the latest instalment to the series of studies that was carried out between 2018 and 2020 across six other markets – Singapore, Malaysia, Thailand, Indonesia, India and China.

The findings from the Philippine study will showcase consumer attitudes towards healthier product reformulation, industry's progress to improve the nutritional quality of products, priorities, as well as the challenges companies encounter in the process.

This report summary will be valuable for the industry, government and other stakeholders to assess progress and recognise the areas of support businesses are seeking, to further their reformulation efforts and advance the positive public health agenda.

I'd like to thank our in-country partner, the Philippine Chamber of Food Manufacturers Inc. (PCFMI), for their support in carrying out this research in the Philippines.

TABLE OF CONTENTS

KEY STATISTICS

Health Challenges in the Philippines

30.3%
of Filipino children under five years old are stunted (too short for their age)

33.9%
of Filipino adults are overweight or obese

5.6%
of children under five years old are wasted

28%
of the adult population suffer from hypertension

12%
of Filipino adolescents are overweight

7.2%
of the population suffer from diabetes

Consumer Views

56%
claim to maintain a healthy diet

84%
are happy for the industry to reformulate as long as the products are still tasty

94%
check for nutrition information on packages prior to purchasing food or drink products

Manufacturer Views

Top Three Priorities

1. Adding Wholegrain, Dietary Fibre
2. Adding Protein
3. Reducing Sugar, Salt

Top Three Motivators

1. Meeting consumer demands
2. Improving public health
3. Responding to government regulations

Top Three Challenges

1. Maintaining taste
2. Budget limitations
3. Lack of technical knowledge

94%

of companies would be likely to do more R&D driving reformulation efforts, if the government offered financial incentives

70%

have been working on reformulation

87%

believe they are big enough to make a meaningful impact

HEALTH AGENDA IN THE PHILIPPINES

Challenged by the triple burden of malnutrition – undernutrition, micronutrient deficiencies and overweight/obesity, 30% of children under five years old are stunted and over 5% of children are wasted in the Philippines.

While the economic growth in the Philippines is quickly changing the dietary habits of the consumer and the food environments, even in remote, rural areas; more Filipino children and their families are becoming overweight and/or obese. Over a tenth of Filipino adolescents are overweight and just over a third of the adult population is overweight/obese.

In light of tackling the growing obesity prevalence, the government has also implemented an excise tax on sugary drinks equivalent to USD 0.12 per litre for beverages using caloric and artificial/non-caloric sweeteners (or a combination of both) and a higher excise tax of USD 0.24 per litre for beverages with high fructose corn syrup (or in combination with any caloric or non-caloric sweeteners). Other legislative measures are also being explored, including marketing restrictions of unhealthy foods and beverages to children and introducing clear front-of-pack labels as part of enabling healthy food environments for its population.

Government Response

The Philippine government recognises the need to address the issues of undernutrition, obesity, and micronutrient deficiencies. The country established the National Nutrition Council (NNC), a coordinating body for the implementation and monitoring of nutrition-related programs and projects.

NNC's banner programmes include the Accelerated Hunger-Mitigation Program (AHMP), which aims to address hunger in a holistic manner, and the Philippine Plan of Action for Nutrition (PPAN) which serves as the country's blueprint for an integrated approach for nutrition intervention. The outcome targets of the PPAN 2017-2022 are to reduce the prevalence of child stunting, wasting and to reduce micronutrient deficiencies to levels below public health significance.

In order to achieve these outcomes, the PPAN has outlined its strategic thrusts including 'Focus on the first 1000 days of life' and 'Complementation of nutrition-specific and nutrition-sensitive programs'.

In addition to that, the NNC is also working closely with the Department of Agriculture (DA) and the Department of Environment and Natural Resources (DENR), among others to encourage the local production of more food as part of tackling malnutrition on all fronts.

Industry Response

With the prevailing undernutrition and obesity issues in the country, food companies in the Philippines have been working on various solutions to deliver products with improved nutritional quality to its consumers.

Many food and beverage companies are making a variety of changes to their recipes simultaneously and are fortifying products to facilitate the changing health landscape.

In light of the discussions on restricting marketing to children – the F&B industry has also adopted a voluntary pledge to restrict advertising of specific food categories to children. While leading food and beverage companies in the Philippines are a part of this commitment, the study findings show that more companies have indicated plans to commit to the pledge – enabling the food industry to advertise products to children in a responsible way, promoting healthy lifestyles.

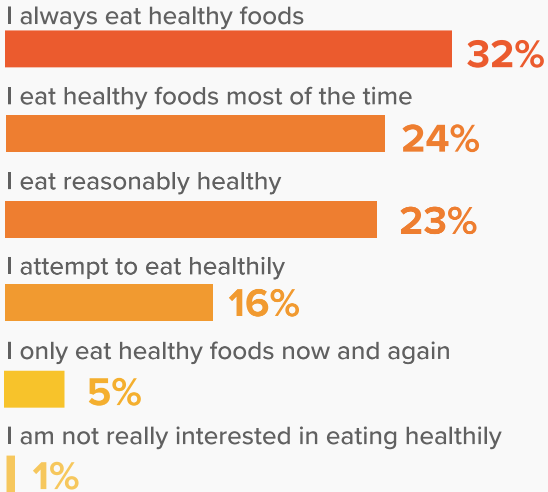
While it may still prove to be a long road ahead in tackling the public health challenges, the steps taken by the government and the food industry are key drivers in creating a healthier Philippines.

CONSUMER ATTITUDES TO HEALTH

FIA conducted a survey of consumers in the Philippines (See page 21 for more detail).

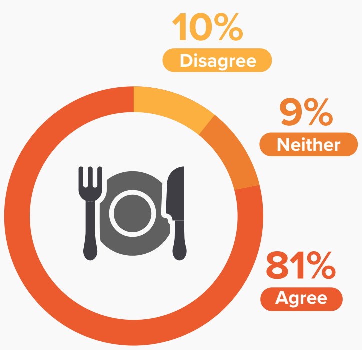
Health consciousness is high amongst the Philippine population. 56% of consumers claim that they mostly maintain a healthy diet. However, 40% admit that they often buy less healthy food and drinks to treat themselves. Only 1% say they are not interested in improving their diets.

Some consumers have not reached the pinnacle of healthy eating



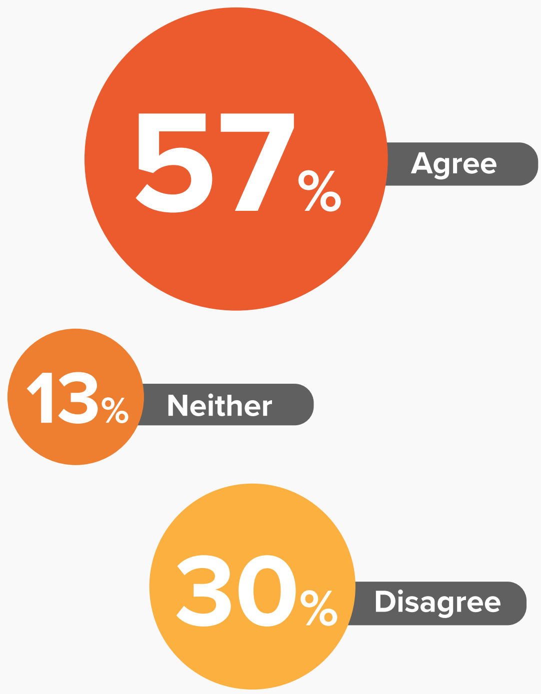
Majority (81%) of consumers believe that following a heathy balanced diet is their own responsibility, but more support from the food industry is needed to facilitate maintaining a healthy diet. This illustrates why it's so important for food companies to make eating healthier as easy as possible.

Most consumers believe that it's up to themselves to follow a healthy balanced diet



However, the cost of eating healthy foods is a concern for many. 57% perceive that healthier food is more expensive than less healthy options. This is particularly higher among those aged between 25 and 34 years old (63%). Additionally, those who attempt to eat healthily (67%) but fail to do so could also be put off by the higher prices of healthy food.

Eating healthily is more expensive than eating unhealthily



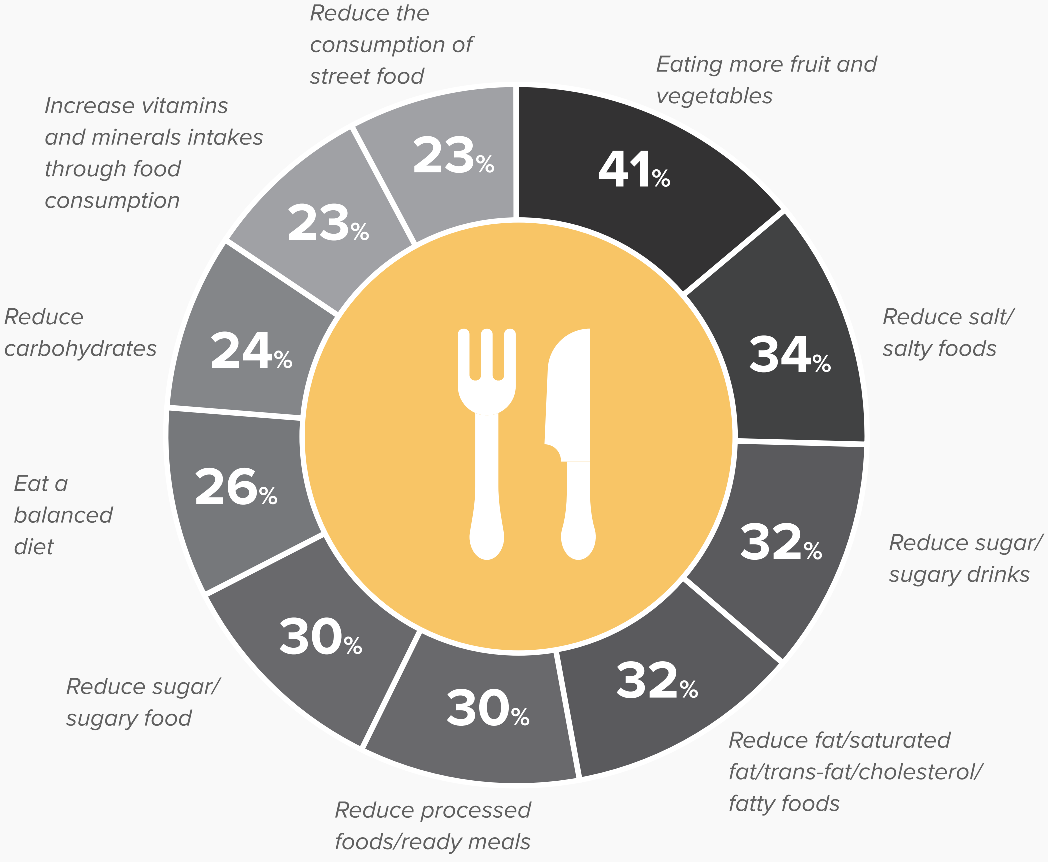
This also corresponds to the findings from the industry research. Even though many food manufacturers have been trying to control their costs, it can be a challenge to reformulate products while maintaining costs and keeping up with the competitive prices.

There are many ways in which Philippine consumers seek to improve their diets. Eating more fruit and vegetables is the most popular choice, followed by reducing the intake of salt, sugar and fat. Around a third of consumers try to avoid processed food or ready meals.

This presents a wide range of opportunities for food and beverage companies to support consumer efforts, with various approaches for product development, catering to changing consumer demands.

How are you actively trying to improve in your diet?

Top 10 answers shown



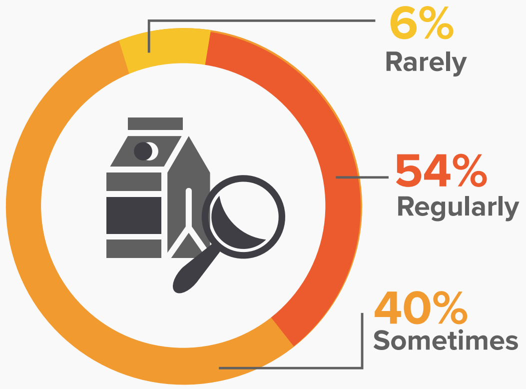
ATTITUDES TO LABELLING

Nutrition plays a particularly important role in how Philippine consumers choose products. Quality, taste and clear display of nutrition information feature in the top three drivers of product choice (averaged across all categories).

About three quarters (71%) feel the addition or removal of ingredients to make a product healthier are important when they choose products. 72% highlighted that recognising all of the ingredients in a product is a key driver influencing purchase decisions.

94% of consumers claim to look at nutrition information on packages prior to purchasing food or drink products and half of them (54%) look at nutrition labels regularly. This is particularly high among those aged 45-54 (63%).

How often do you look at nutrition labels?



While the majority (91%) of consumers focus on the nutrition information label/panel, about a quarter (23%) seek advice from the Guidance Daily Amount (GDA) Monochrome and the same percentage (23%) look out for GDA energy labels.

As reducing sugar intake is one of the key areas in which consumers want to improve, 40% look out for the amount of sugar on nutrition labels. This is next to the focus on, the amount of vitamins and minerals present in a product (41%) which features at the top of the list for younger Filipino consumers aged 18-34 (42%).

The middle-aged population (aged 35-54) tend to focus more on the presence of sugar, salt and calories in a product.

Almost half (48%) the consumers do not feel confident about the nutritional advice they come across on various outlets, as they feel it is inconsistent. This is a problem that could intensify with so much information, often contradictory, from so many sources available online.

% stating that the following element is important when choosing food and groceries

ATTITUDES TO REFORMULATION

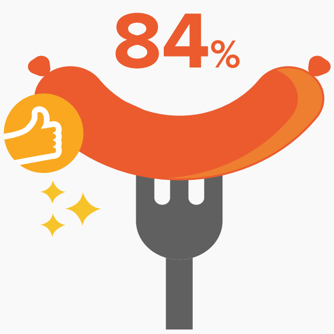
A majority of Philippine consumers believe food companies should change their product formulations and recipes to help consumers make healthier choices.

8 in 10 (84%) consumers would be happy if the product recipes are changed to become healthier, as long as they are still as tasty. As taste is one of the top considerations for consumers to choose food products, it's pivotal for manufacturers to improve the nutritional quality of products without compromising the existing taste and flavour profiles, so as to not disaffect consumers.

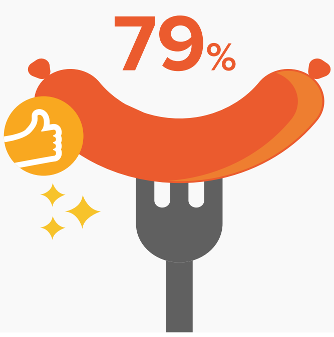
There is also a high level of acceptance, with three-quarters (76%) of the Philippine consumers receptive towards varied food product reformulation propositions – from adding vitamins and minerals, removing trans-fats, using sodium/salt alternatives, and low/non-calorie sweeteners. This is generally higher among those that do not always eat healthily and look to the food and beverage sector to support their healthier eating habits.

Besides, consumers are not entirely satisfied with the choice of healthy options available in the Philippines. Only 2% believe food companies already offer enough healthy food options with no further changes needed from the industry.

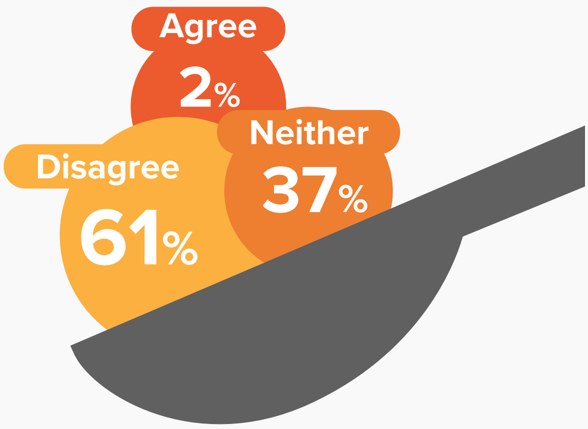
I'm happy if the product recipes are changed to make them healthier, provided they are still as tasty



Food companies should voluntarily tweak their recipes to make products healthier



Food companies already offer enough healthy products and so there is no need for change



INDUSTRY PROGRESS

A survey was also conducted among food and beverage companies in the Philippines to further understand the reformulation progress and future plans (See page 21 for more detail). Eight of these companies were then interviewed to provide an in-depth understanding of their reformulation journey.

70% of the businesses had begun to reformulate its portfolio and 3% had completed their reformulation efforts. Another 23% of the sample had plans to reformulate their products while the remaining 3% had no plans to do so.

There is a strong commercial incentive: 63% felt consumers were seeking healthier products, and believed that the industry had a role to play in driving consumer choice by providing healthier products.

Where are you on your reformulation journey?

Additionally, majority (87%) of the sample believe that they were big enough to make a meaningful impact on health. Meanwhile, only 7% suggest that their perceived small size was a barrier to reformulation.

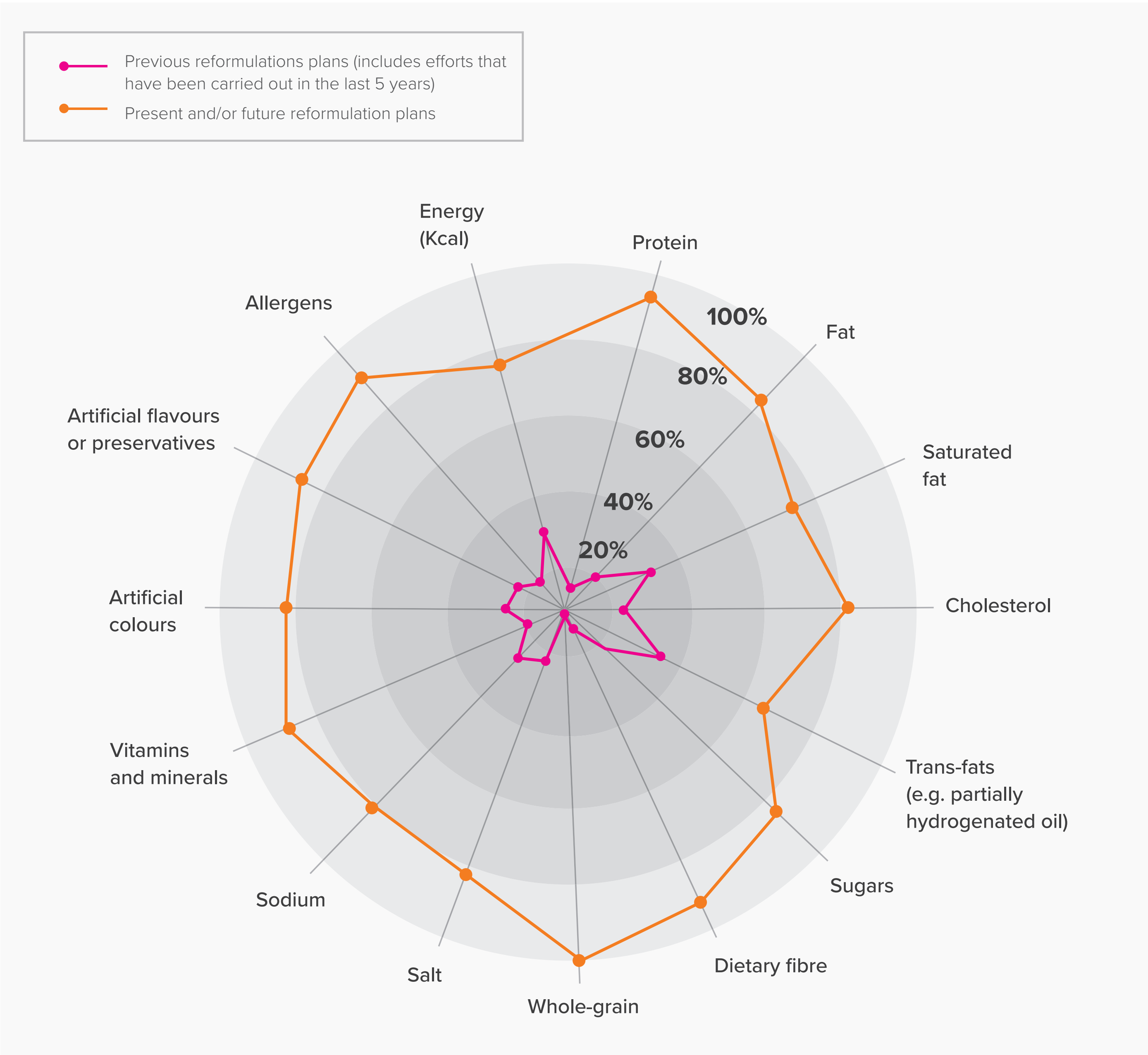
Many different reasons for action were mentioned, with meeting consumer demand, improving public health and responding to government regulations identified as the top drivers for action. It is this combination of push factors that makes the case for reformulation so compelling. With so many companies working on this, any that don't are in danger of being left behind.

What are your main motivators for reformulation?

INDUSTRY PRIORITIES

Reformulation priorities have changed in the last five years. Previously, a focus on trans-fat, saturated fat and energy reduction were the companies' priorities. Work still continues in these areas, but the focus is now skewed towards increasing wholegrain, protein, dietary fibre, sugar reduction and salt reduction.

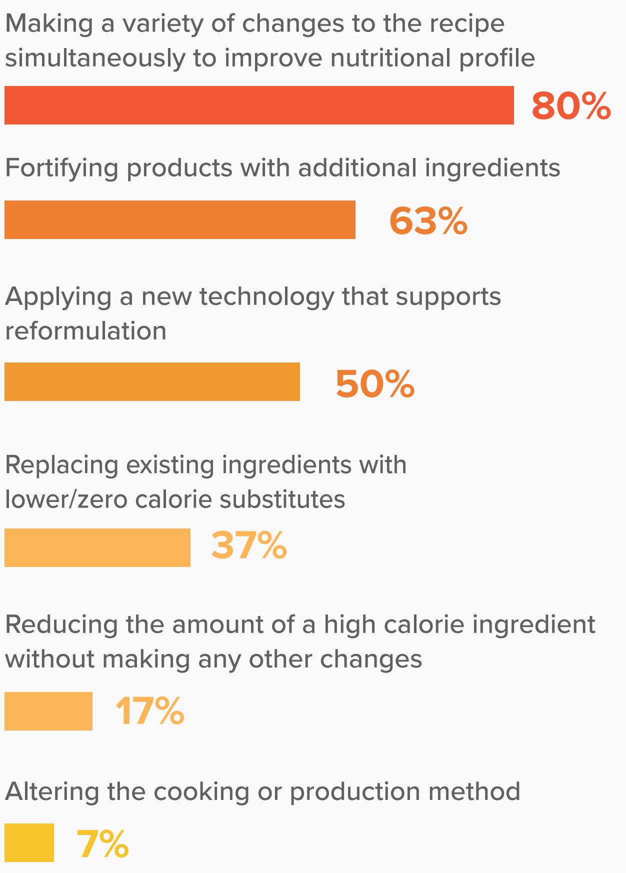
Reformulation is now spread across a wide range of nutrients, encompassing the obesity, NCDs and undernutrition agenda. If these efforts are reflected industry-wide, it bodes well for both industry and consumers, enabling improvements in the Philippine diet.



INDUSTRY EXPERIENCES

Companies are using a variety of techniques to support their reformulation programmes. The most popular approaches are making a variety of changes simultaneously (80%), fortifying products by adding ingredients (63%) and applying a new technology (50%) to improve the nutritional profile of the product.

Approaches to enable healthier product development or reformulation



Reformulation activity is a complex process and businesses encounter challenges along the way to ensure the successful delivery of a healthier product.

Maintaining Taste

Limited Budget

Lack of Technical Knowledge

While these challenges vary by nutrient, the main challenges were on sugar and fat reduction particularly with regards to maintaining taste, texture and other technical functions. Fortified food and beverages feature highly on the consumer health agenda, however, the challenges linked to fortification are associated with budget limitations alongside maintaining taste.

Sometimes reformulation is relatively simple but in other cases, even small changes can make a drastic difference to the taste, texture, aroma or appearance of a product. This is where technical expertise and consumer testing are essential. Many of the big manufacturers invest in thorough consumer testing during the product development/reformulation process.

Most companies have the expertise they need, in-house. 93% of the sample mainly used internal resources for their reformulation activity. Even so, 59% of the sample access resources that are freely available in the public domain. Smaller businesses tend to receive help from external specialists and see budget limitations as a bigger constraint.

70%

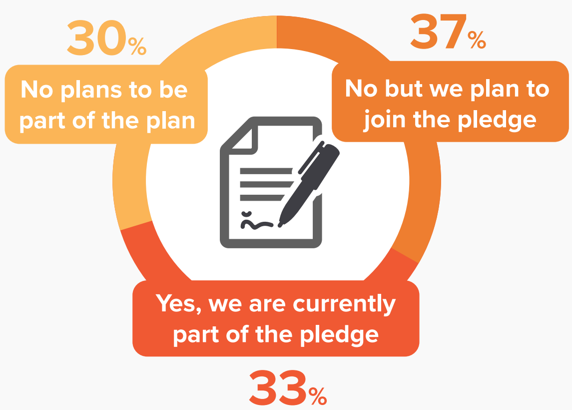
of companies make sure they consult with a nutrition expert whenever they're carrying out research and development

The track record for consumer acceptability is reassuring. While only 3% of the companies reported a negative reaction to previous reformulations, 77% had enjoyed positive feedback or no consumer feedback at all. Small changes often go unnoticed by consumers and if this is maintained over several years, it can add up to a substantial nutritional difference.

ACCELERATING PROGRESS

It is apparent that plenty of reformulation activity is already underway in the Philippines. Beyond reformulation, about a third of the company sample are signed on to the voluntary commitment to advertise its products responsibly to children. An additional 37% have indicated plans to join the pledge. This demonstrates the businesses' support to enable a healthy food environment for its consumers.

Commitment to the Voluntary Philippine Pledge for Responsible Advertising to Children



94% of the companies said that with more fiscal incentives from the government, they would be inclined to carry out more R&D associated with reformulation. Currently, less than a quarter (21%) of the industry sample, conducted all their R&D outside of the Philippines while 42% conducted all their R&D locally.

There are very few attitudinal barriers to change amongst the surveyed businesses. Half the sample (50%) said they already provided enough healthy choices, while 17% felt there was no need for companies to change their products because diet is just a matter of consumer choice.

Only 10% felt they lacked the technical expertise to work on reformulation. However, this could be reflective of the large proportion of respondents being big international companies with research and technical teams. Had there been more SMEs, this finding may have been different. 23% said it is difficult to source healthier ingredients.

60% were concerned that there are a lack of clear national nutrition targets/guidelines. 30% were concerned that existing national nutrition targets were unrealistic and 10% have had a bad experience when reformulating. This is why it's important to share success stories to encourage other companies to carry out R&D activities.

What would enhance healthier product development in your company?

QUOTES FROM COMPANY INTERVIEWS

"Government legislation to encourage manufactures to further reduce unhealthy ingredients, via tax incentives, logos to indentify - which one is healthier and endorsements would help."

"The advertising policy to children aims to set the threshold...to assess our whole portfolio and see if a significant percentage of the portfolio need to pass the threshold. Many businesses are not able to meet the (proposed) threshold."

"Costs of raw materials and logistics are high. Natural ingredients should be more locally sourced. (We can also) help the farmers and become more self sufficient."

"They (consumers) don't understand what's healthy. There are consumers who are asking for healthier version, but they will buy less healthier products."

"Demand for healthier products increased during the pandemic because a proactive approach on preventive health is needed."

"Things would be easier if technology is available in the Philippines (to facilitate reformulation)."

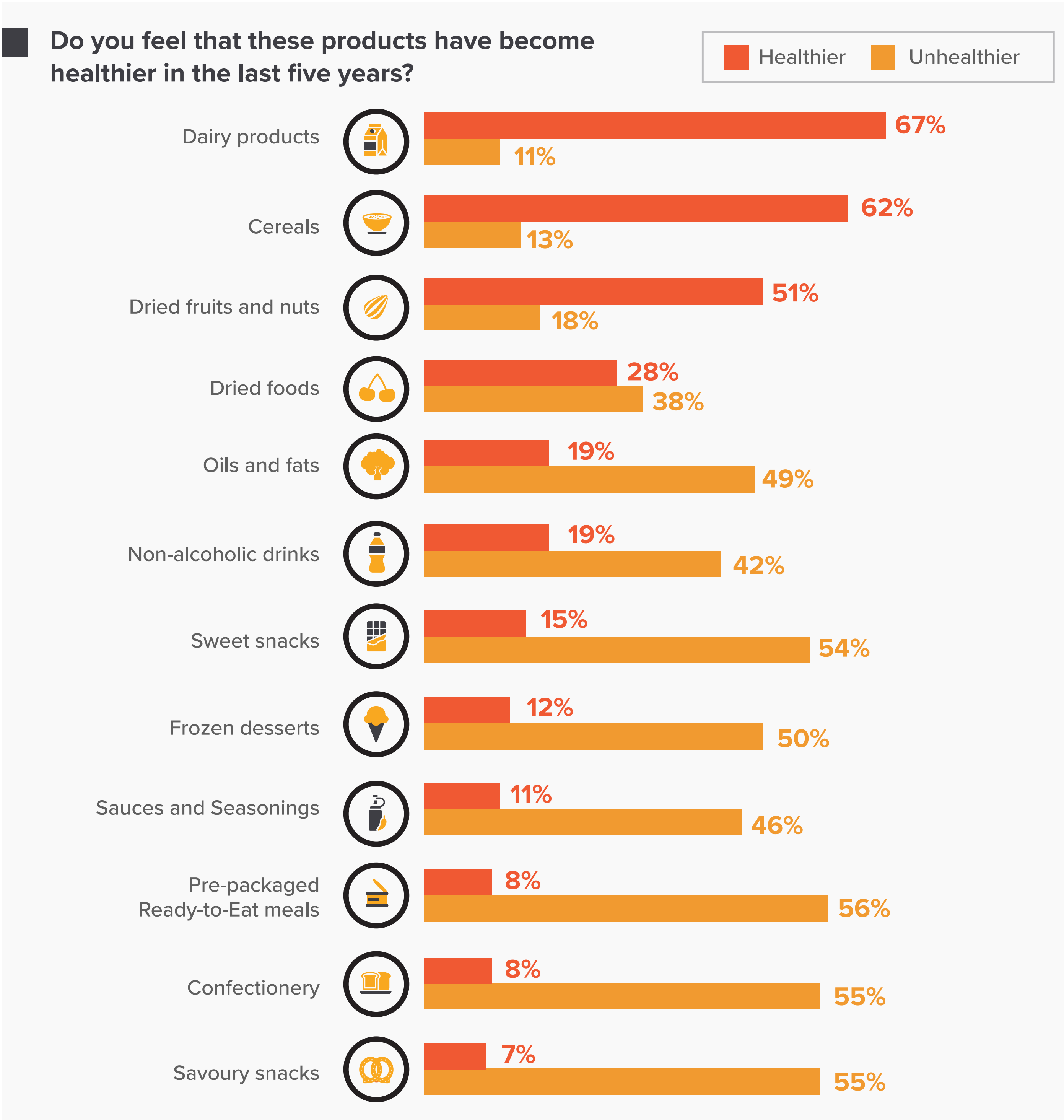
"The key is to do it in phases."

"Technology continues to improve, but doesn't make the cut. We need to collaborate with suppliers."

CONSUMER PERCEPTION OF CHANGES

Most consumers feel that many products are changing in either a healthier or unhealthier direction. The good news for companies is that products and categories that make a sustained effort to become healthier can get recognition. Dairy products, cereals and dried fruits and nuts have demonstrated this.

However, over half feel that products such as pre-packaged ready-to-eat meals, confectionery, savoury snacks have become less healthy. Products that haven't changed or where changes haven't been noticeable may be seen as becoming less healthy, although they may have been improved. This may be due to the growing gap between healthy and unhealthy products.



COMPARING MARKETS

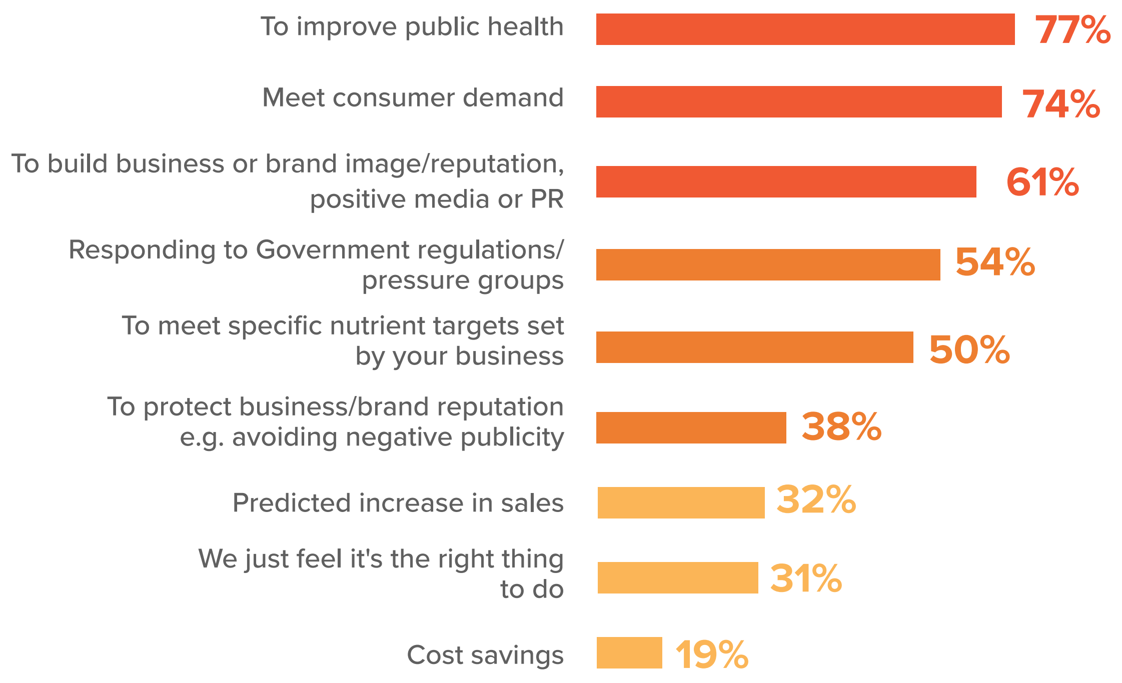
FIA had previously carried out similar studies with companies in several Asian markets including Singapore, Malaysia, Thailand, India, Indonesia and China. Comparing these markets revealed some interesting similarities and differences. It suggests that some elements of the reformulation journey, in terms of the key drivers and barriers are universal, whereas others require awareness of local sensitivities.

82% of companies across the seven markets in Asia have kick started its reformulation efforts.

88% would carry out more R&D associated to reformulation if the government offered financial/ fiscal incentives.

KEY DRIVERS OF REFORMULATION

On a regional scale, most companies in the surveyed countries identified improving public health, meeting consumer demand and building brand reputation as the key drivers for action.



KEY BARRIERS TO REFORMULATION

The challenges across markets were aligned, in terms of maintaining taste, consumer acceptance and budget issues.

Top Challenges							
Maintaining Taste	✓	✓	✓	✓	✓	✓	✓
Consumer Acceptability	✓	✓	✓	✓	✓	✓	
Budget Limitations	✓	✓	✓	✓	✓		✓

KEY RECOMMENDATIONS

Government Perspective

- Clear guidance of national nutritional targets and public health priorities will provide clarity of direction
- Fiscal incentives can encourage food and beverage manufacturers to undertake more reformulation initiatives

Consumer Perspective

- Unified nutritional advice from the government and industry would better support consumer education
- Increased communications of the benefits and showcasing reformulated products can encourage consumers to choose healthier products
- Clear and simple nutrition information/ labels on products can help consumers identify healthier products

Industry Perspective

- Set specific targets and take a systematic approach with incremental steps to deliver healthier products
- More collaboration between businesses and sharing of technical know-hows can help accelerate progress
- Actively look out for healthier ingredients and new technologies to help manage costs and maintain price competitiveness

RESEARCH METHODOLOGY

How the research was conducted

The research was conducted in three parts:

An online survey of consumers

- 1,015 responses were collected online in September 2021
- This was a nationally representative sample of adults aged 18+ living in the Philippines

An online survey of companies

(which spanned across a broad range of products)

- Using a purposive sampling method, the survey was circulated to food and beverage companies of varied sizes (MNCs and SMEs) operating in the Philippines
- The survey was sent to a large number of manufacturers and retailers between August and September 2021. A total of 30 responses were collected
- 93% of the company sample that completed the survey were manufacturers, 7% were retailers
- 30% of the surveyed sample employed fewer than 500 people

A series of in-depth interviews with companies

- Companies completing the online survey were invited to volunteer for an in-depth interview
- Eight interviews were carried out. Products covered included confectionery, sweet snacks, savoury snacks, cereals, pre-packaged ready-to-eat meals, non-alcoholic beverages, dairy products, frozen desserts, oils and fats, dried foods, sauces and seasonings.

Note:

- *Statistics highlighted in this study have been rounded off, hence there may be minor variations of 0.5 to 1%.*
- *The survey results should be seen as indicative as the sample may not be fully representative of all food companies in the Philippines.*

Non-alcoholic Beverages *(excluding packaged drinking water)*	35%
Sauces and Condiments	31%
Dairy Products *(e.g. milk, cheese)*	28%
Chocolate & Confectionery	17%
Oils & Fats *(e.g. vegetable oils, butter, margarine)*	17%
Sweet Snacks *(e.g. biscuits, cakes, desserts)*	14%
Pre-Packaged Ready-to-Eat Meals	14%
Frozen Desserts	14%
Savoury Snacks	7%
Dried Foods *(e.g. rice, noodles)*	7%
Cereals *(includes breakfast cereals)*	7%
Dried Fruits & Nuts	4%
Others *(Savoury Premixes, Flavourings, Micronutrients, Frozen meat and meat products, Food Ingredients, Starches, Sweeteners, Food Systems, Fresh and Processed Fruits and Fruit products)*	17%

Want to know more? Contact the FIA Secretariat at info@foodindustry.asia.

Food Industry Asia (FIA)

33 Mohamed Sultan Road
#03-02 Singapore 238977
E: info@foodindustry.asia
T: +65 6235 3854
www.foodindustry.asia