Healthier Product Reformulation in Indonesia

Research by

In association with

Consumer and company research on progress and priorities

Introduction

Susan Barratt
Chief Executive, IGD

AT IGD, we sit at the heart of the food and consumer goods industry, working closely with food companies to help them meet the needs of the public via our research, insight and best practice. Our Healthy Eating programme in the UK is bringing people and organisations across the food industry together to inspire change and is delivering exciting results.

We were really pleased to have completed research in Singapore, Malaysia, Thailand and India on behalf of Food Industry Asia (FIA) over the last year. The research focused on healthier product reformulation, speaking to companies and consumers. We were delighted when FIA asked us to replicate the research in Indonesia.

The results highlight the importance of health to consumers and industry in Indonesia. With obesity and stunting being key issues, nearly all consumers are interested in a having a healthy diet. They take responsibility for their diets and are mostly happy for the industry to reformulate as long as the products are still as tasty. Across the industry, many companies are working hard to make their products healthier.

This report summarises the progress and suggests what could accelerate this. I hope you find it valuable. We want to support a healthy Indonesia, so please get in touch, if you would like to know more.

Matt Kovac
Executive Director, FIA

WITH the growing policy pressures to address the rising epidemic of obesity and non-communicable diseases (NCDs) such as diabetes, the food industry has been working to deliver solutions through product innovation and reformulation to nudge healthier behaviours by improving the nutritional quality of its food products.

However, as innovation and reformulation efforts are carried out by individual companies behind closed doors albeit being continuous and widespread, FIA with the support of IGD sought to understand the reformulation landscape in Indonesia. The findings of the research showcase consumer attitudes towards healthier product reformulation, industry's progress, priorities and the challenges companies encounter in the process.

The first of its kind in Indonesia, this report summary will be valuable for both the industry and government bodies to assess progress and recognise the areas of support businesses are seeking to further their reformulation efforts to advance the public health agenda.

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Contents

Key statistics **p4-5**

The health agenda in Indonesia **p6**

Consumer attitudes **p8-11**

Industry perspectives **p12-17**

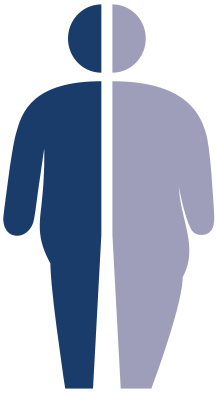
Perceptions and comparisons **p18-21**

How we conducted the research **p22**

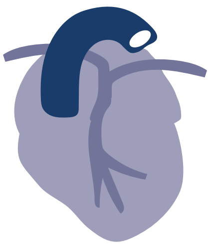
Key statistics

Health challenges in Indonesia

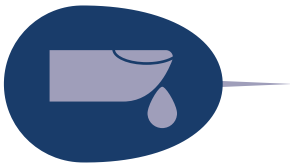
28% of the adult population are overweight



22% of the adult population are obese



35% of deaths are caused by cardiovascular disease



7% of the population suffer from diabetes

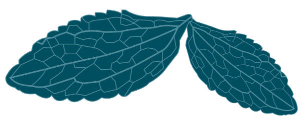
Consumer views

99% are trying to improve their diet

89% are happy for the industry to reformulate as long as the products are still tasty

Sugar is the biggest dietary concern for consumers

45% check for sugar information on pack



76% are happy for the industry to reformulate to include low/non-calorie sweeteners instead of sugar

Manufacturer views

Top three priorities

1. Increasing protein
2. Reducing calories
3. Increasing dietary fibre

Top three motivators

1. Responding to government regulations
2. Improving public health
3. Meeting consumer demand / Building business or brand image

Top three challenges

1. Budget limitations
2. Consumer acceptability
3. Maintaining taste

94%

would be encouraged to do more R&D if there were more government incentives

86%

of respondents display front-of-pack nutrition labelling across some or all of their products

83%

have been working on reformulation

The health agenda in Indonesia

INDONESIA is the most populated nation in South-East Asia and the fourth most populated in the world, with 10% of the population living in poverty. Indonesia faces the double burden of malnutrition with high rates of undernutrition coexisting alongside increasing rates of obesity and Non-communicable Diseases (NCDs).

Indonesia has the fourth highest burden of acute malnutrition in the world. Two million children under 5 suffer from severe acute malnutrition. Stunting rates are above the developing country average and the highest in South-East Asia. In 2018 it affected nearly 3 in 10 children under 5, and 1 in 10 are wasted. Anaemia has decreased but remains a concern in children under 12 years and women of reproductive age, affecting 42% of pregnant women and 1 in 3 adolescent girls. Micronutrient deficiencies mainly concern iron, zinc and calcium. Diet diversity is very low as there is extreme dependence on rice. Fruit and vegetable intake is lower than the rest of Asia and meat, dairy, wholegrain, nuts, seeds and fat consumption is low. As processed foods and drinks become more prevalent in the diet, salt and sugar intakes are also increasing.

The burden of NCDs has significantly risen in the last decade and is estimated to account for 73% of all deaths. Cardiovascular Disease (CVD) is the number one cause of death (35%), followed by communicable, maternal, perinatal and nutritional conditions (21%), other NCDs (15%), and diabetes (6%). Diabetes has increased and accounts for 7% in 2016, ranking Indonesia sixth globally. 34% of the adult population suffer from, and a third have high cholesterol. It is believed 50% suffer from high blood pressure but are unaware and untreated.

260 million people or 1 in 3 adults are reported to have weight problems. 22% of the adult population are obese, up from 15% in 2013. In 2015 28% of the adult population were classified as overweight, as opposed to 16% in 1999. The percentage of children under 5 that are overweight has increased nearly eightfold, from 1.5% in 2000 to 11.5% in 2012. The percentage of children aged 5-19 years suffering from obesity has increased more than fourfold in the space of 16 years from 1.3% in 1999 to 6% in 2015. A third of the population are considered physically inactive.

Government response

INDONESIA has introduced a supplementation and fortification programme in a bid to address the major nutrient deficiencies in the population. Children are supplemented with vitamin A and zinc, wheat flour is fortified, salt is iodized and pregnant women are supplemented with folic acid and iron. Indonesia is part of the Scaling Up Nutrition (SUN) movement, which aims to end global malnutrition, and has developed its own framework to scale up nutrition through a multi-sectorial approach. It also has a Long-Term National Development Plan (2020-2025) which includes nutrition as a key element, alongside a National Nutrition Programme. The government has not implemented a sugar-sweetened beverage tax or national reformulation programmes for the food industry at present.

Industry response

THE food industry has been working on various solutions to deliver better nutrition. Through product innovation and reformulation efforts, it has been fortifying foods with vitamins and minerals as well as reducing the public health sensitive nutrients in view of the growing disease burden in Indonesia.

Consumer attitudes to health

WE conducted a survey of consumers in Indonesia (see page 22 for more detail).

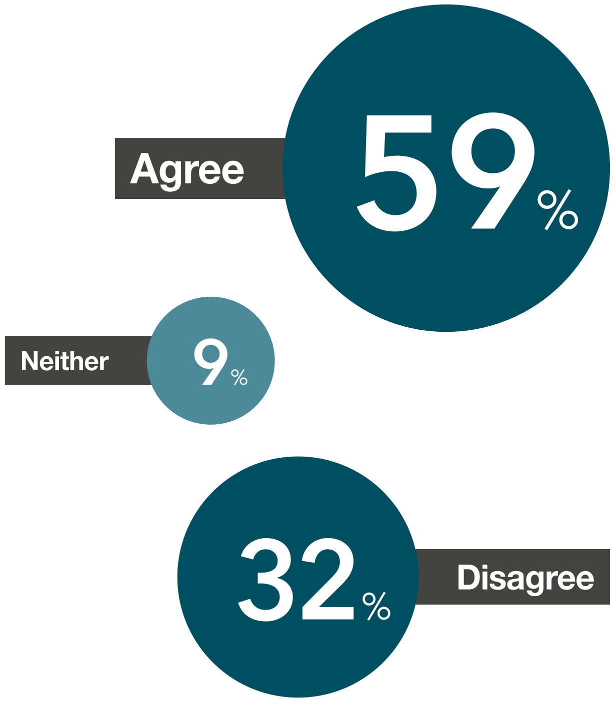
Health consciousness is particularly high in Indonesia. Almost all say they're interested in a healthy diet. 88% take responsibility for their own diets. Just under two thirds of consumers (62%) claim to mostly eat healthily. 59% feel that although their diet could be healthier, it's good enough. 42% admit to treating themselves regularly.

This illustrates why it's so important for food companies to make eating healthier as easy as possible.

Many see cost as a barrier. 63% of women and 65% of those aged 35-44 believe that eating healthily is more expensive. Improving the nutrition of mainstream products is a powerful way to overcome this perception.

Some consumers have not reached the pinnacle of healthy eating

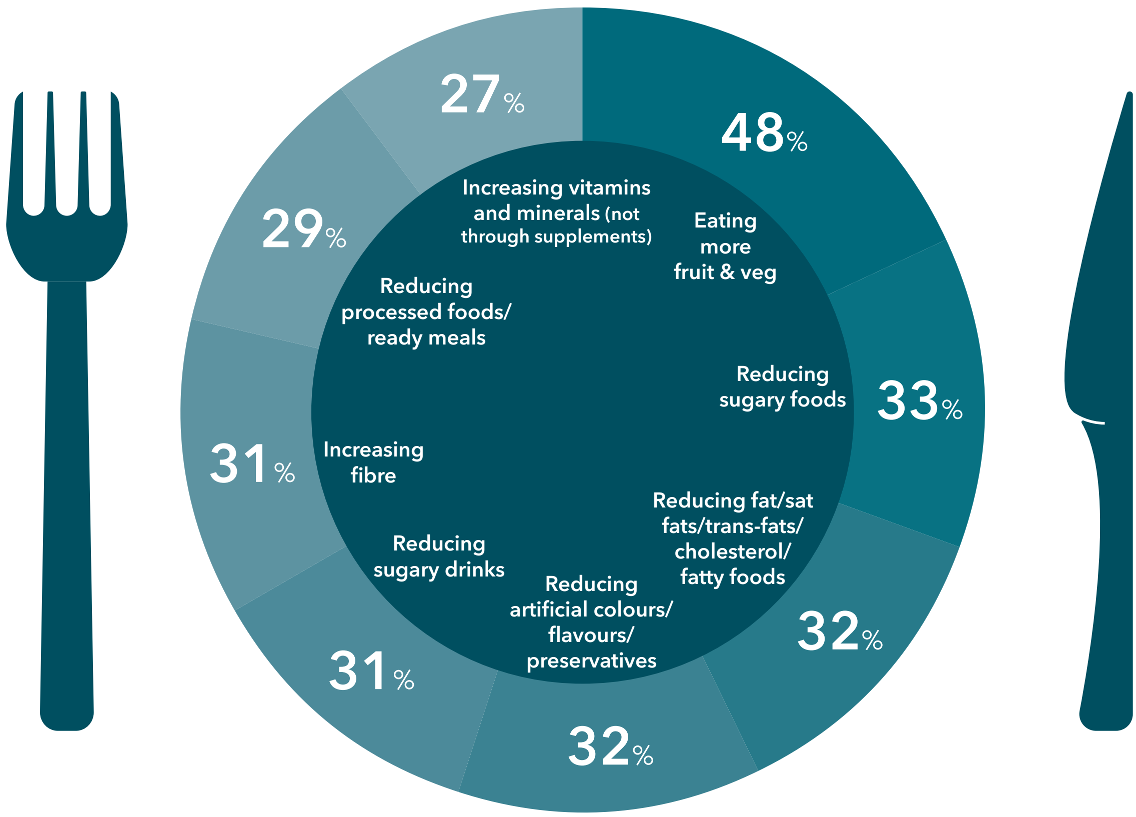
Eating healthily is more expensive than eating unhealthily



There are many different ways in which Indonesian consumers seek to improve their diets, including increasing some nutrients and reducing others. This presents a wide range of opportunities for food companies to support consumer efforts to eat more fruit and vegetables and reduce sugar and fat intake.

Which of these areas are you actively trying to improve in your diet, if at all?

Top eight answers shown

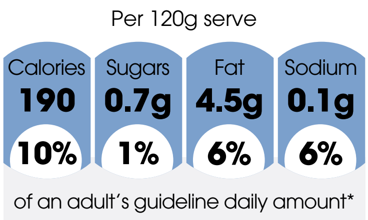


Attitudes to labelling

NUTRITION plays a particularly important role in how Indonesian consumers choose products. Quality and taste feature in the top three drivers of product choice (averaged across all categories).

The clear display of nutritional information and how natural the products are also highly important. 75% feel the addition of ingredients and two thirds feel the removal of ingredients to make the product healthier are important when they choose products.

94% claim to look at nutrition information on pack at least some of the time and 50% claim to look regularly.

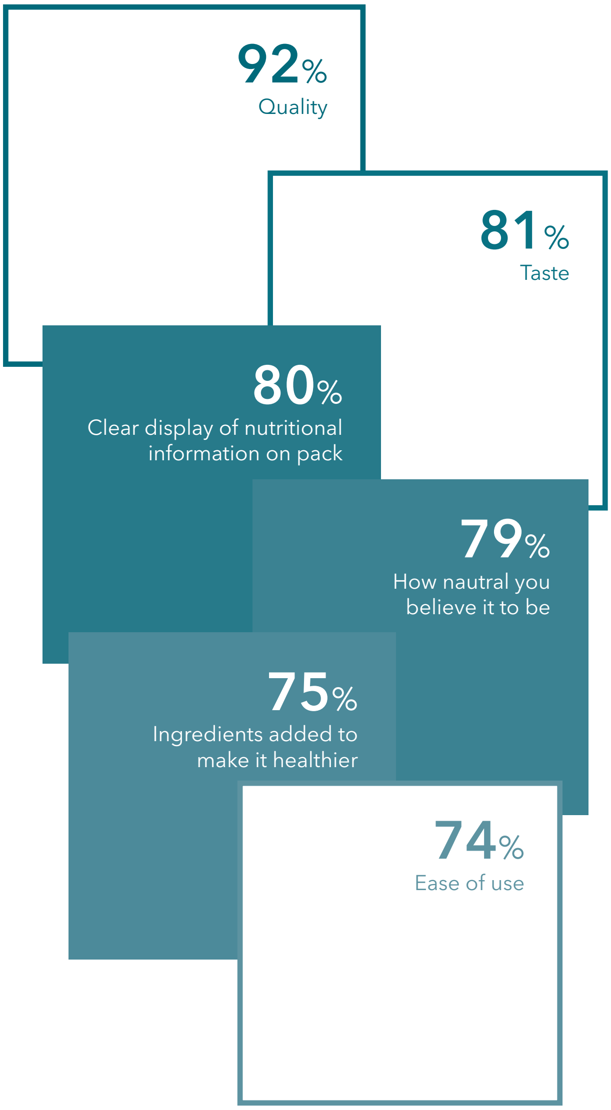


These high scores are driven largely by those scanning the detailed nutritional information found on the back of pack. 73% sometimes look out for this whereas 40% check for Guideline Daily Amounts. 47% sometimes check for vitamins and minerals followed by 45% for sugar and 39% for kilocalories.

More than half (55%) of 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 each element is important when choosing food and groceries

Top six answers shown



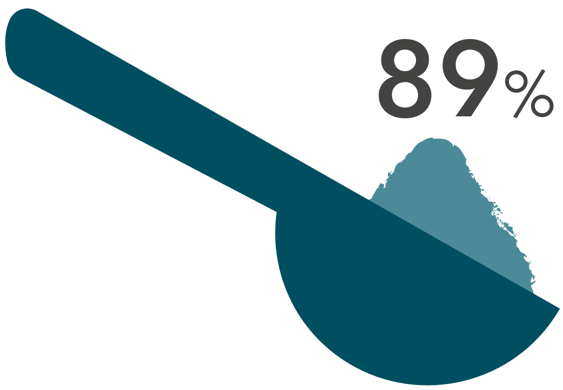
Attitudes to reformulation

HEALTHIER product reformulation is widely accepted amongst Indonesian consumers. They are generally happy for products to be made healthier and about nine in ten believe companies should be actively working on this. However, consumers are also looking for tasty products. With taste being one of the top considerations when buying products, the gold standard for companies is to improve the nutritional quality of their food and beverage portfolios while maintaining the existing taste and flavour profiles to not disaffect consumers.

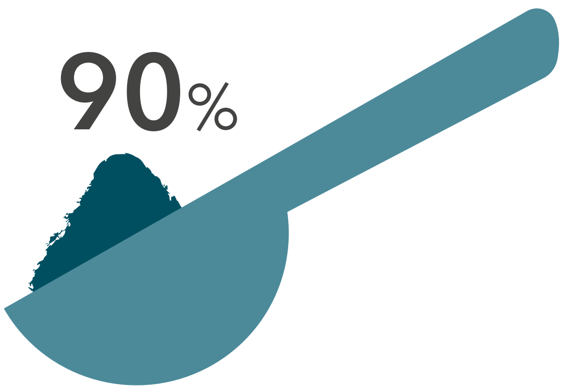
76% of consumers are receptive to the use of low/non-calorie sweeteners and 77% are receptive to sodium/salt alternatives to make a product healthier. Eight in ten are happy for trans-fats to be removed and nearly nine in ten are happy for products to be fortified with vitamins and minerals.

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

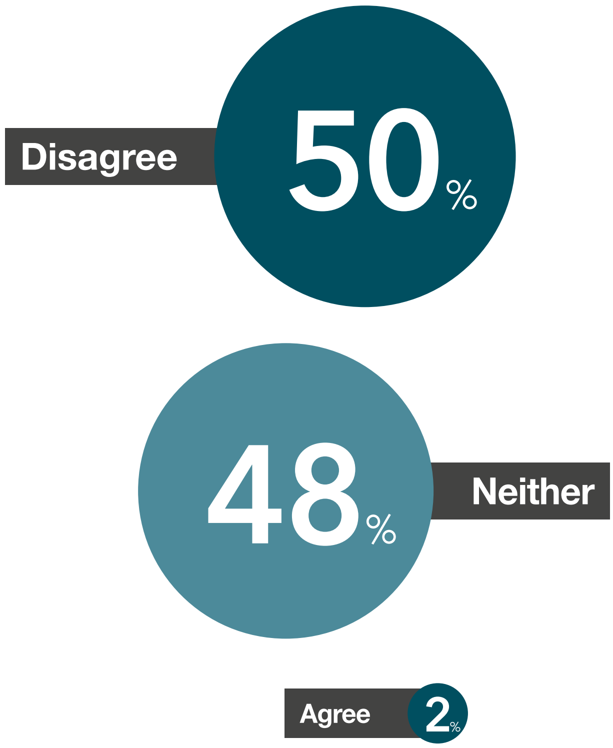
I'm happy if the product recipes are changed to make them healthier, provided they are still as tasty



Food companies should tweak their recipes to make products healthier



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



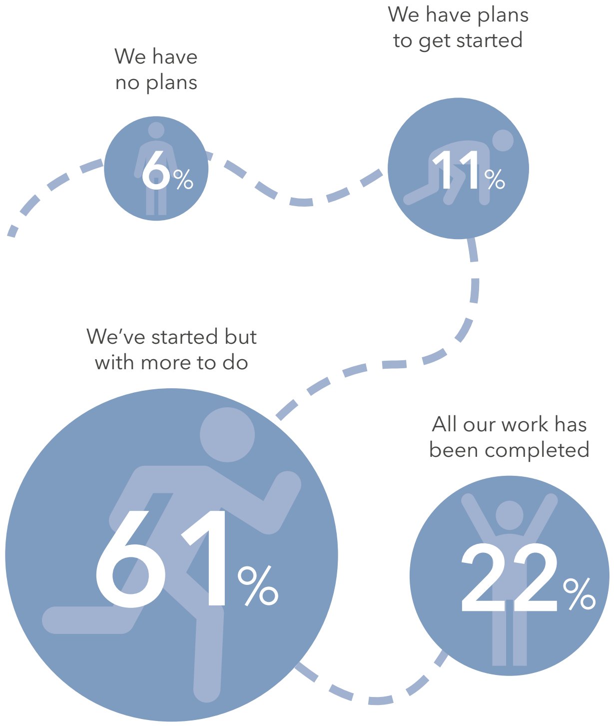
Industry progress

WE also conducted a survey* with the food and drink manufacturers in Indonesia (see page 22 for more detail). Six of these companies were then interviewed to provide an in-depth understanding of their reformulation journey.

83% of our companies had begun to reformulate products, and 22% had completed their efforts. 11% of our sample had plans to reformulate their products while 6% had no plans to do so.

There is a strong commercial incentive: 81% felt consumers were seeking healthier products and 75% believed the industry had a role to play in driving consumer choice by providing healthier products.

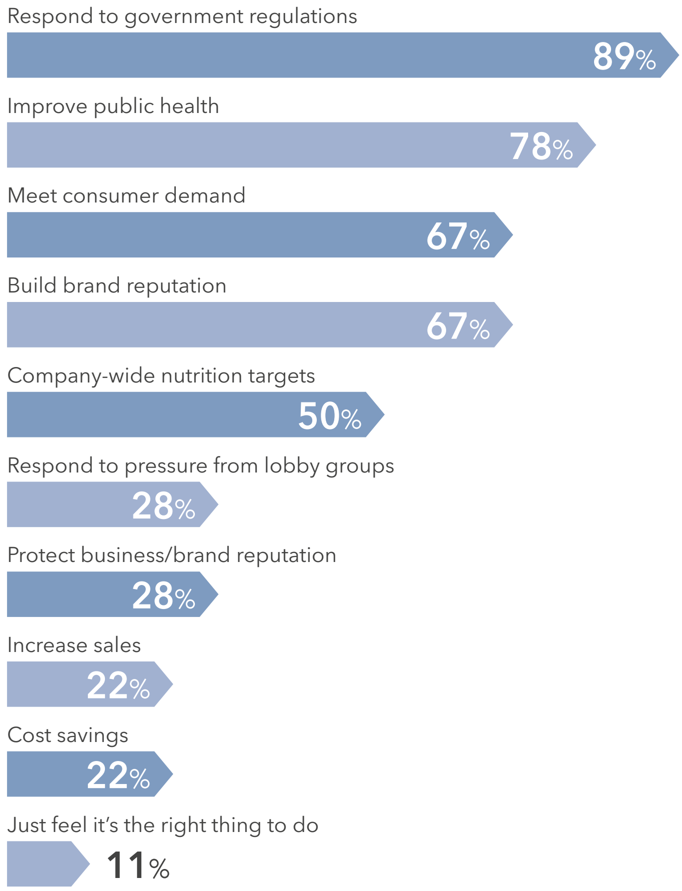
Where are you on your reformulation journey?



Many different reasons for action were mentioned with responding to government regulations and improving public health 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?



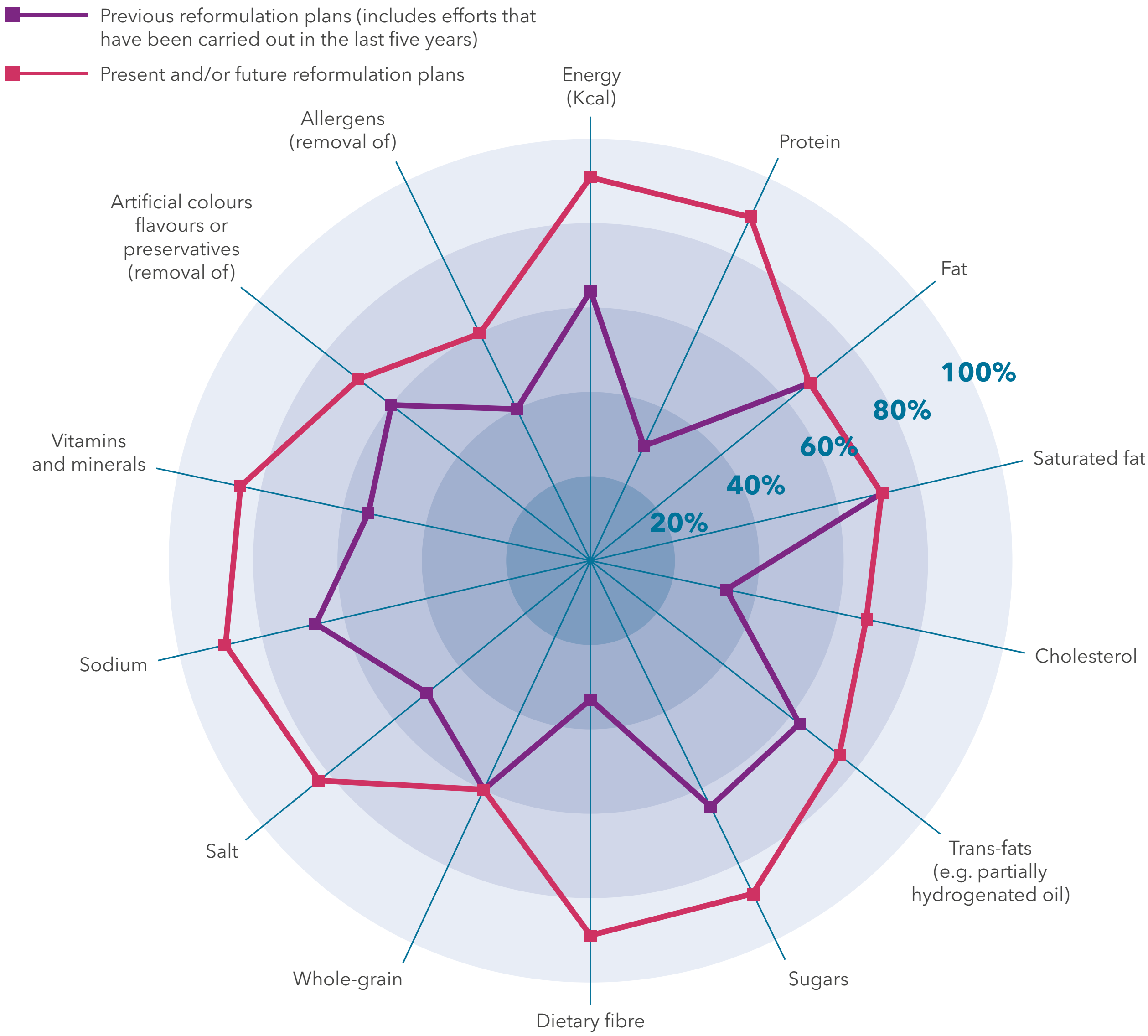
* The survey, which was completed fully by 18 companies, should be seen as indicative as the sample may not be fully representative of all food companies in Indonesia

Industry priorities

REFORMULATION priorities have changed in the last five years. Previously, there was a focus on reducing saturated fat, followed by sodium, fat and sugar. Work still continues in these areas, but the focus is now skewed towards reducing energy, increasing protein, followed by reducing sodium and sugar.

Companies are also committed to adding fibre into their product offerings, which may not be a top nutrition priority to consumers but is strongly recommended by nutrition experts.

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



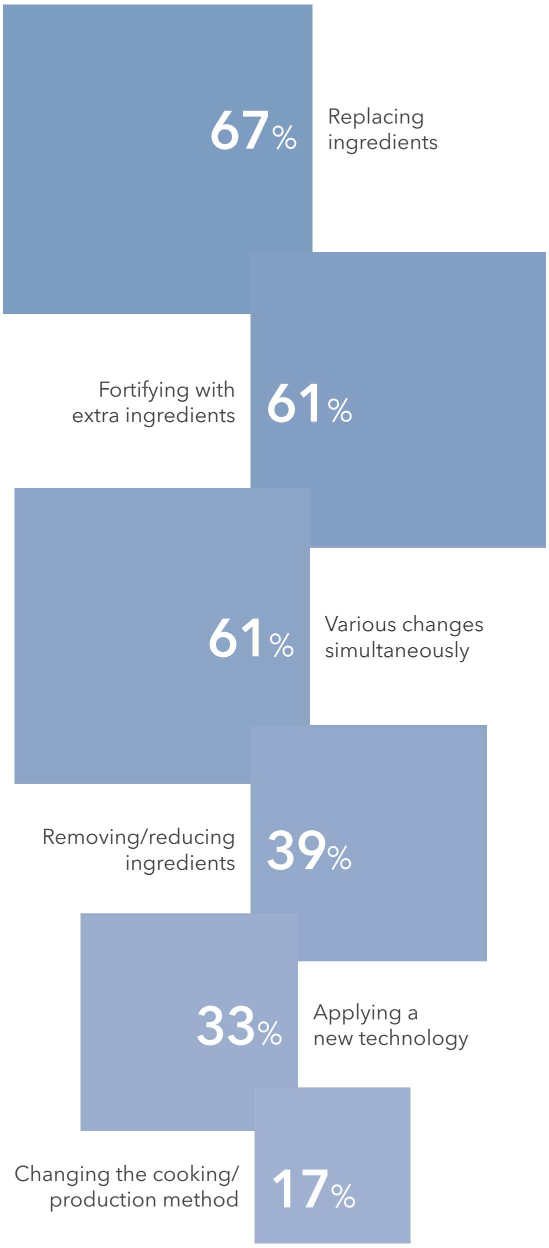
Industry experiences

COMPANIES are using a variety of techniques to support their reformulation programmes. The most popular approaches are replacing ingredients with lower/zero calorie substitutes (67%), fortifying products with additional ingredients (61%) and making a variety of changes to a recipe simultaneously (61%).

Top four reformulation challenges for companies ranked in order

1. **Budget limitation**
2. **Consumer acceptability**
3. **Maintaining taste**
4. **Sourcing ingredients**

How are you enabling healthier products?



Sometimes reformulation is relatively simple but in other cases, even small changes can significantly impact 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.

Increasing protein and reducing calories, sodium and sugar were the main focus areas for reformulation, and the challenges with some of these nutrients varied. For reducing sodium, changes to the taste and consumer acceptability were seen as key challenges. Whereas, for protein, the biggest challenge when it came to reformulation was budget limitations.

Large companies have most of the expertise they need in-house. 94% of our sample mainly used internal resources for their reformulation activity. Even so, 61% also took advantage of resources freely available in the public domain, and 28% used consultancy services.

The track record for consumer acceptability is reassuring. None of the companies reported a negative reaction to previous reformulations, 57% had enjoyed positive feedback and the remainder 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

94% of companies said that with more fiscal incentives from the government, they would be inclined to carry out more R&D associated with reformulation. Only 16% of our survey conducted all their R&D outside of Indonesia and 31% conducted all their R&D in Indonesia.

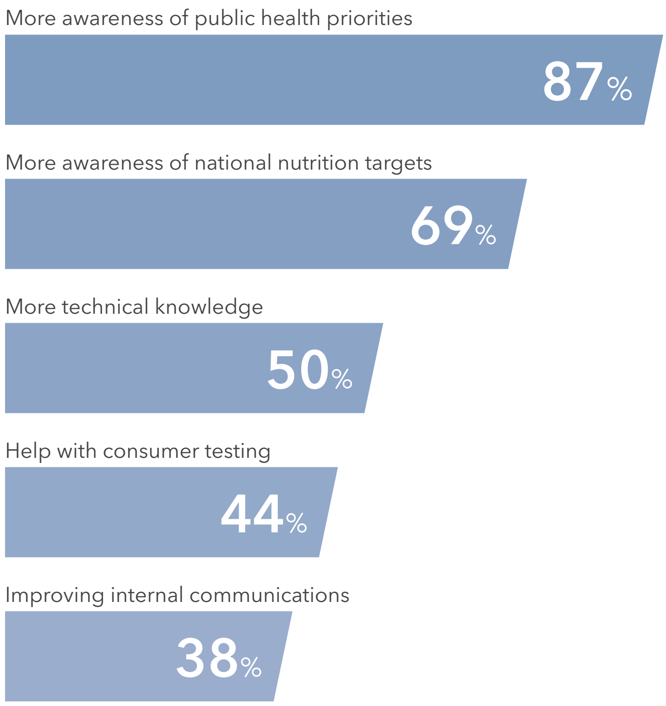
There were very few attitudinal barriers to change among our survey respondents. Half (50%) of the surveyed companies said they provided enough healthy choices, while 19% felt there was no need for companies to change their products because diet is just a matter of consumer choice. The same number believed their customers were not asking for healthier products.

25% 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. 25% also highlighted that it was difficult to source healthier ingredients.

50% were concerned that there is a lack of clear national nutrition targets/guidelines, and the same number were concerned that reformulation could compromise the quality of products.

44% were concerned that reformulation could lead to a loss of revenue and 37% were concerned that existing national nutrition targets were unrealistic. 19% 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 our company interviews

"The government is improving its communication on Non-communicable Diseases, encouraging people to read the labels, especially ingredients, and to look out for the level of salt in commonly consumed foods like noodles."

"Reformulation of candy is not a priority as consumers perceive it to be a treat and don't understand sugar-free candy. We do have sugar-free products but consumers are not aware it's sugar-free. The sugar-free trend has not hit Indonesia yet."

"We have global reformulation and nutrition targets which are aligned to WHO recommendations. Every country has to follow these."

"Generally consumer awareness is lacking when it comes to lower sugar and salt products. We are concerned if we reformulate too far they will switch to a competitor."

"The government is not pushing hard on reformulation compared to other Asian markets."

"Indonesia is a difficult market to access because products need a license and have to meet strict FDA standards."

"Regulations on nutrition claims makes it difficult to communicate with consumers about reformulation. We would like to see changes in the regulations to make communication easier."

"Some consumers are starting to be more interested in health, especially the younger ones."

"We carry out comprehensive R&D to ensure the consumer is happy with reformulated products before we launch them onto the market."

Consumer perceptions of changes

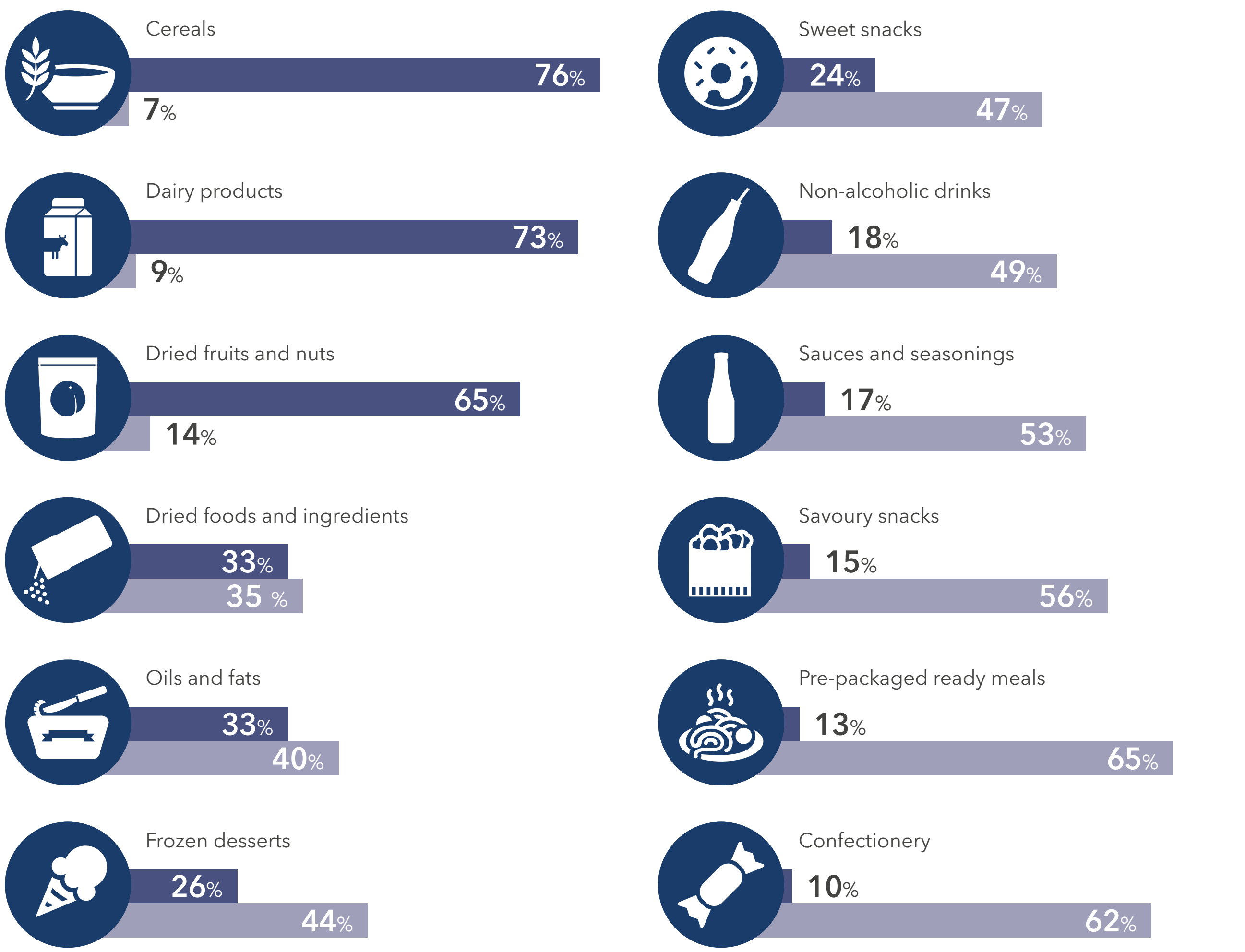
RETURNING to consumer opinions, most feel that many products are changing in either a healthier or unhealthier direction. The good news for companies is that products and categories that make a sustained effort to become healthier can get recognition. Cereals, dairy and dried fruits and nuts have demonstrated this.

At the other end of the spectrum, 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.

Do you feel these products have become healthier or unhealthier in the last five years?

Healthier Unhealthier

Remainder: no change or don't consume



Comparing markets

WE have previously conducted similar studies with companies and consumers in the UK and Singapore. Comparing these markets revealed some interesting similarities and differences.

It suggests that some elements of the reformulation challenge are universal, whereas others require awareness of local sensitivities.

SIMILARITIES

1. Eating more fruit and vegetables and reducing sugar are priorities for consumers in the UK and in Indonesia
2. Over 3 in 5 of the sample in both countries had started their reformulation journey (61% Indonesia vs 64% UK)
3. The challenges of reformulation are consistent in these two countries: ensuring consumer acceptability and achieving a desirable taste were identified as top concerns
4. Over two thirds of the sample in both countries display front of pack nutrition labelling (86% Indonesia vs 73% UK)
5. Consumer feedback to previous healthier product reformulation efforts has been generally positive in both countries

DIFFERENCES

1. More consumers are trying to improve their diet in Indonesia than the UK (99% vs 85%)
2. Indonesian consumers are more focused on reducing processed foods (29% vs 19%), and less focused on reducing snacking (14% vs 25%) to improve their diets compared to their UK counterparts
3. Consumers in Indonesia say that the display of nutrition information is more important when purchasing products compared to consumers in the UK (80% vs 50%)
4. The reformulation agenda in the UK is more advanced than Indonesia both in terms of action across all sectors of the food industry and government intervention
5. The main motivator to reformulate in the UK is consumer demand whereas in Indonesia it is to respond to government regulations
6. The main focus for reformulation in the UK is sugar, saturated fat, and salt, whereas in Indonesia it's energy, protein and dietary fibre
7. Fortification is a bigger focus in Indonesia than the UK

SIMILARITIES

1. Eating more fruit and vegetables and reducing sugar are priorities for consumers in Singapore and Indonesia
2. The overwhelming majority are positive about reformulation in both countries, provided the products remain tasty (89% in Indonesia vs 77% in Singapore)
3. Both countries have the same top reformulation challenges: consumer acceptability, maintaining taste and budget limitation
4. The current focus for reformulation in both countries includes increasing fibre and protein
5. Both countries believe that there should be more awareness on public health priorities (88% Indonesia vs 83% Singapore)

DIFFERENCES

1. Fewer consumers in Indonesia are focused on reducing salt (16% vs 30% in Singapore), and reducing snacking (14% vs 29% in Singapore) to improve their diets
2. Fewer Indonesian consumers claim to often buy food and drinks to treat themselves (42% vs 60% in Singapore)
3. Consumers in Indonesia say that the display of nutrition information is more important when purchasing products compared to consumers in Singapore (80% vs 61%)
4. Indonesian consumers are more likely to look out for the amount of vitamins and/or minerals (47% vs 11%) and the amount of kilocalories (39% vs 33%) than in Singapore
5. More Indonesian adults look out for the nutrition information panel (73% vs 45%) and the GDA label (40% vs 16%)
6. The main motivator to reformulate in Singapore is improving public health whereas in Indonesia it is to respond to government regulations
7. The main reformulation technique used in Indonesia is replacing ingredients with lower/ zero calorie substitutes (67%). In Singapore it is fortifying products with other ingredients (60%)
8. More Indonesian companies consider their products to already be healthy enough (50% Indonesia vs 31% Singapore)
9. More R&D is conducted in Indonesia than Singapore. 69% did over half their R&D in Indonesia, compared to only 42% in Singapore

How we conducted the research

THIS research was conducted in three parts:

1. An online survey of consumers

- 1,013 interviews were conducted online between 2-11 August 2019
- This was a representative sample of adults aged 18+ living in Indonesia
- IGD and FIA worked together to frame the questions

2. An online survey of companies (which spanned a broad range of products)

- Using a purposive sampling method, the survey was circulated to food and drink companies of varied sizes (MNCs and SMEs) operating in Indonesia
- The survey was sent to a large number of manufacturers and retailers during August-October 2019. 22 responses were recorded and 18 were completed fully
- All responses (n=22) were recorded for two questions regarding nutrition labelling
- 11% of these employed fewer than 500 people

Please note, the survey results should be seen as indicative as the sample may not be fully representative of all food companies in Indonesia

3. A series of in-depth interviews with companies

- Companies completing the online survey were invited to volunteer for an in-depth interview
- Six interviews were carried out. Products covered included dairy products, sugar and chocolate confectionery, ice cream, biscuits, beverages, infant formula and savoury sauces

What are your company's product categories?

Dairy products	50%
Confectionery	28%
Non-alcoholic drinks	22%
Sweet snacks	17%
Frozen desserts	17%
Sauces & seasonings	17%
Cereals	11%
Dried foods & ingredients	6%
Other Includes ingredients, intermediate products, beverages, chocolate	22%

Want to know more?

THIS report is a summary of our findings. For more detailed analysis, visit **igd.com** or **foodindustry.asia**

This research was conducted by IGD Services Limited, a subsidiary of IGD. IGD is a not-for-profit organisation, with headquarters in the UK. Supported by our members – retailers, manufacturers and other food companies from around the world – IGD helps food and consumer goods companies meet the needs of the public through research and best practice and by developing people.

IGD Services provides a variety of commercial activities, delivering insight on retailers, supply chains and shoppers. The profits from these commercial activities help to fund our work.

Sign up for updates from our insight services at **igd.com/newsletters**

For further information, contact **Shirley Zhu**, IGD's Programme Director for Asia: **shirley.zhu@igd.com**

Food Industry Asia (FIA) is a non-profit organisation that was formed in 2010 to enable major food manufacturers to speak with one voice on complex issues such as health & nutrition, food safety and the harmonisation of standards.

From its base in Singapore, FIA seeks to enhance the industry's role as a trusted partner and collaborator in the development of science-based policy throughout Asia.

Find out more about us at **foodindustry.asia**

For further information, contact **Sabeera Ali**, FIA's Nutrition Officer: **sabeera.ali@foodindustry.asia**