Healthier Product Reformulation in Malaysia

Research by

IGD

In association with

FIA FOOD INDUSTRY ASIA

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 the research in Singapore on behalf of Food Industry Asia (FIA) last year. The research focused on healthier product reformulation, speaking to both companies and consumers. We were delighted when FIA asked us to replicate the research in Malaysia.

The results highlight the importance of health to consumers and the industry in Malaysia. With obesity being a key issue, nearly all consumers are interested in 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 progress and suggests what could accelerate this. I hope you find it valuable. We want to support a healthy Malaysia, 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 Malaysia. 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 Malaysia, 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

Health challenges in Malaysia

30%
of the adult population are overweight

18%
of the adult population are obese

25%
of children (under five years) are underweight or stunted

48%
of the population suffer from hypercholesterolemia
(high levels of cholesterol in the blood)

18%
of the population suffer from diabetes

Consumer views

99%
are trying to improve their diet

76%
are happy for the industry to reformulate as long as the products are still tasty

Sugar is the biggest dietary concern for consumers

57% check sugar information on pack

66%
are happy for the industry to reformulate to include low/non-calorie sweeteners instead of sugar

Manufacturers

Top three priorities

1. Reducing sugar
2. Reducing salt
3. Adding fibre

Top three motivators

1. Meeting consumer demand
2. Responding to government/pressure groups
3. Improving public health

Top three challenges

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

88%

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

71%

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

59%

have been making a variety of changes to recipes and have been reformulating with lower/zero calorie substitues

The health agenda in Malaysia

MALAYSIA faces a double burden of malnutrition, with rising rates of obesity, NCDs and key indicators of undernutrition.

Malaysia has the highest obesity prevalence in Southeast Asia, whereby 18% of the adult population are obese and 30% are overweight. Rates have slowed slightly over the last decade, following a three-fold increase in the obesity rates from 1996 (4.5%) to 2006 (14%). Childhood obesity rates have more than doubled to 14% among those aged 5-14 years within a four-year period (2011-2015).

The prevalence of NCDs is on the rise and is estimated to account for 73% of total deaths. Hypercholesterolemia affected 48% of adults in 2015 compared to 21% in 2006 while 17.5% of Malaysian adults are diabetic.

A significant percentage of the population – 57% of adolescents aged 10-17 and 33.5% of adults – are physically inactive.

Undernutrition also remains a growing concern. While global rates of stunting are declining, the stunting rates in Malaysia have increased, with 25% of children (under five years old) who are now underweight or stunted. Rates are higher in rural areas as poverty and food insecurity is a bigger issue. Undernutrition in early life increases the risk of obesity and NCDs in adulthood.

Government response

RECOGNISING the need to address the double burden of malnutrition, the Ministry of Health (MOH) of Malaysia has developed a nine-year action plan: National Plan of Action for Nutrition of Malaysia III (NPANM III), 2016-2025. The plan identifies 46 nutrition indicators and sets targets to be achieved by 2025. There are a large number of targets set for the food industry for both the 'out of home' and 'pre-packaged' products sector, covering areas such as advertising, taxation, nutrition labelling, reformulation, education, and research and development. The most relevant targets in relation to this report are:

- **Implementation of voluntary front-of-pack labelling schemes** – increasing the adoption of Healthier Choice Logo and Guideline Daily Amount (GDA) (Energy only) labels by food companies
- **Taxation on beverages** – sugar tax announced by MOH in November 2018 to be implemented in July 2019
- **Awareness of nutrition labelling** – increase consumer education on nutrition labelling
- **Reformulation** – increase the number of reformulated products

Industry response

THE food industry has been working on various solutions to deliver improved nutrition. Through reformulation efforts, manufacturers have been reducing the fat, salt, sugar and caloric content of products, while adding positive nutrients such as vitamins, minerals and fibre. The industry has been supportive of NPANM III through its adoption of the Healthier Choice Logo and GDA labels, alongside its delivery against many other targets.

Consumer attitudes to health

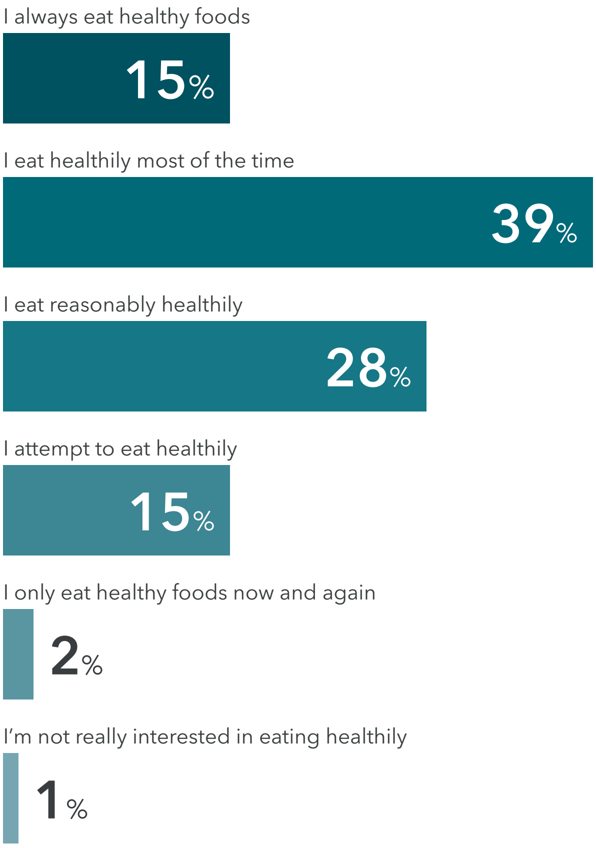
WE conducted a survey of consumers in Malaysia (see page 22 for more detail).

Health consciousness is particularly high in Malaysia. Only 1% of respondents say they're not interested in a healthy diet. 81% take responsibility for their own diets. However, 46% do not always or mostly eat healthily, and more than half (54%) feel that although their diet could be healthier, it's good enough. 64% admit to treating themselves regularly.

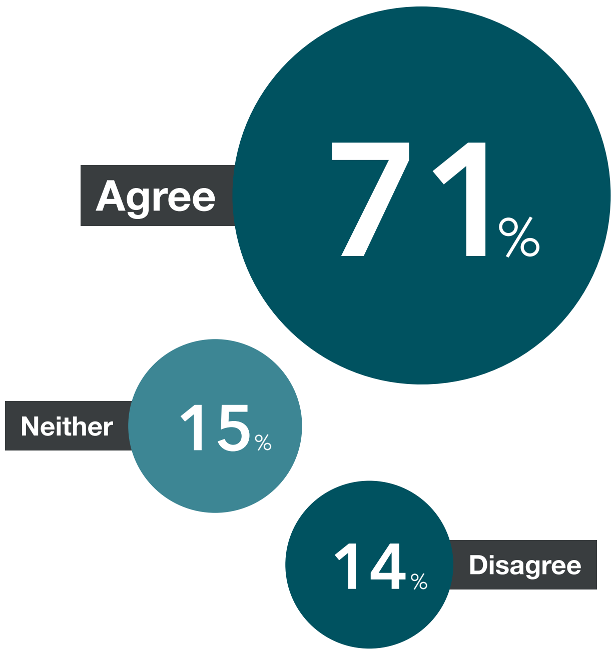
This illustrates why it's so important for food companies to make healthier eating as easy as possible.

Many see cost as a barrier. 80% of those who follow a reasonably healthy diet believe that eating healthily is more expensive. Improving the nutrition of mainstream products is a powerful way to overcome this perception.

Many consumers have not reached the pinnacle of healthy eating



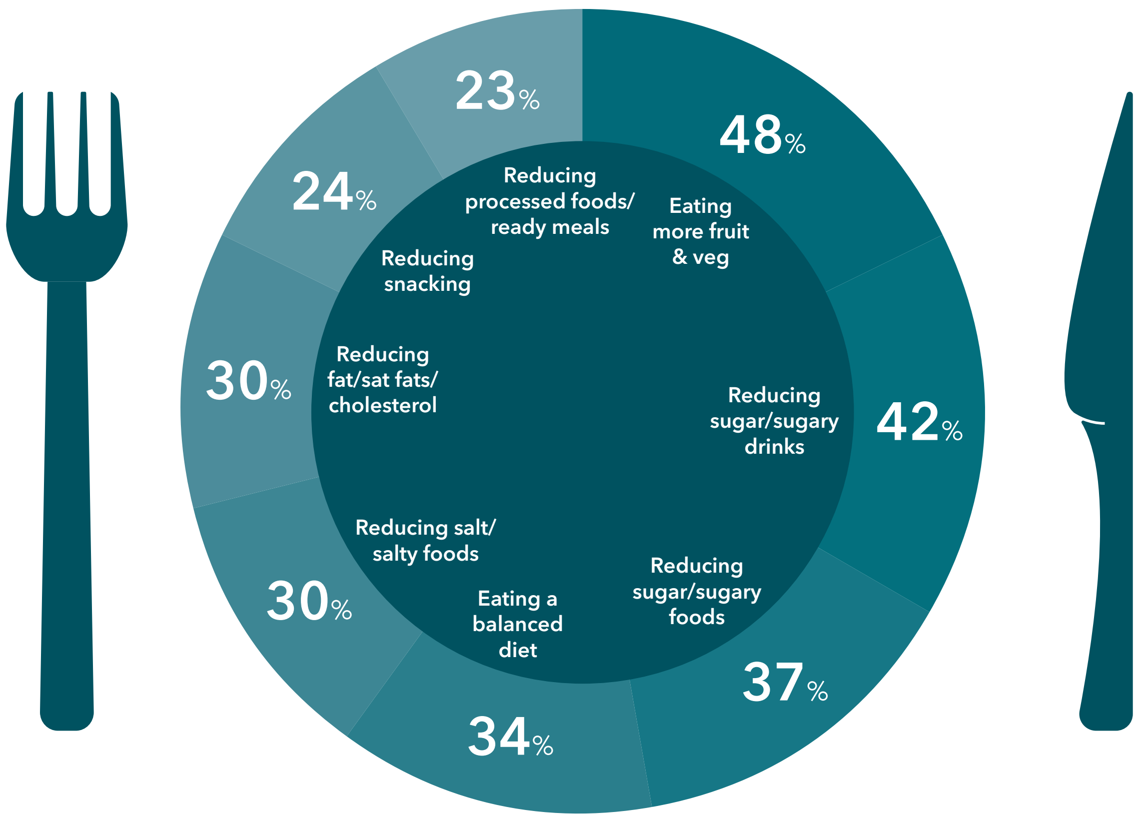
Eating healthily is more expensive than eating unhealthily



There are many different ways in which Malaysians seek to improve their diets, including increasing some nutrients and reducing others. This presents a wide range of opportunities for food companies to support consumers' desire to eat more fruits and vegetables, reduce sugar and salt intake, and focus on following a balanced diet.

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

Top eight answers shown

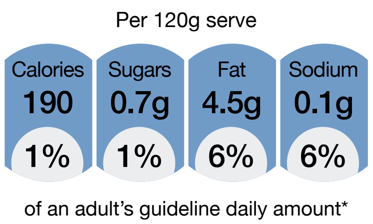


Attitudes to labelling

NUTRITION plays a particularly important role in how Malaysian consumers choose products. The top three drivers of product choice (averaged across all categories) are quality, taste and price with 'clear display of nutritional information' and 'recognising all the ingredients' next on the list.

Well over half of the respondents feel the addition or removal of ingredients to make the product healthier are important when they choose products.

89% claim to look at nutrition information on pack at least some of the time and 53% claim to look out for this information regularly.



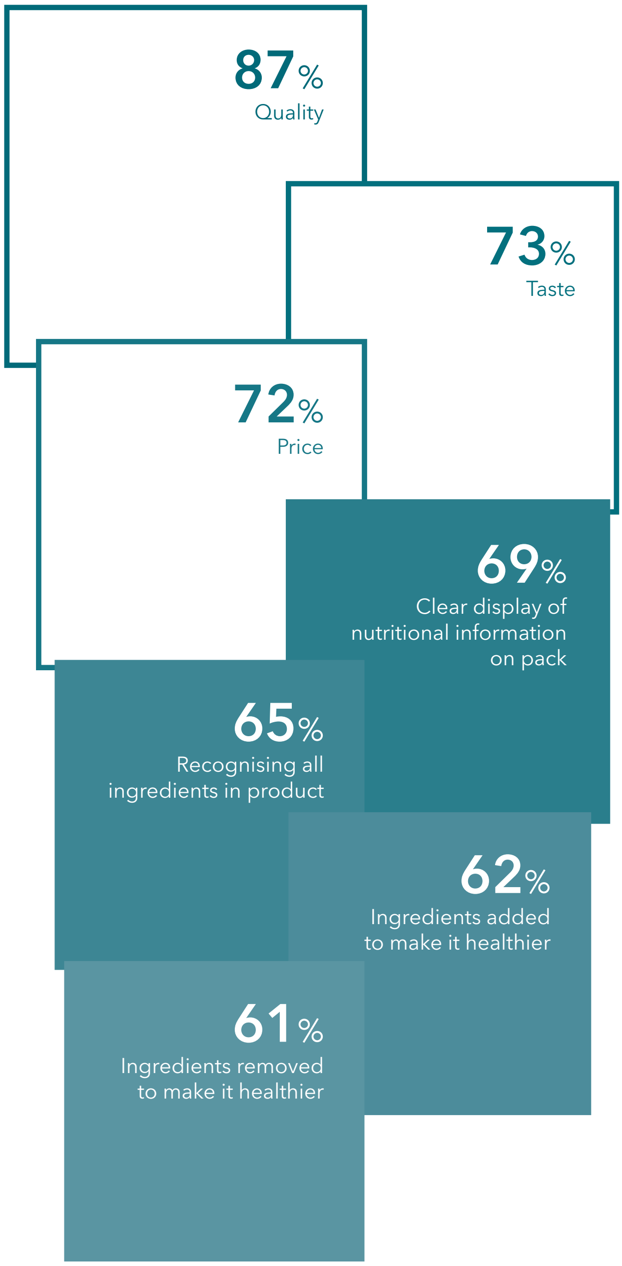
These high scores are driven largely by those scanning the nutrition information found on the back-of-packs. 59% sometimes look out for this, whereas 51% check for GDA labels. Relatively few (38%) claim to look for the Healthier Choice logo (see pages 20-21 for country comparisons).

Sugar is consumers' biggest nutritional concern. 57% sometimes check for sugar content, 36% for fat and 35% for energy contribution.

55% of consumers do not feel confident about nutrition advice they come across on various outlets as they feel that it is inconsistent. This is a problem that could intensify with too much information, often contradictory, from so many sources available online.

% stating each element is important when choosing food and drink

Top seven answers shown

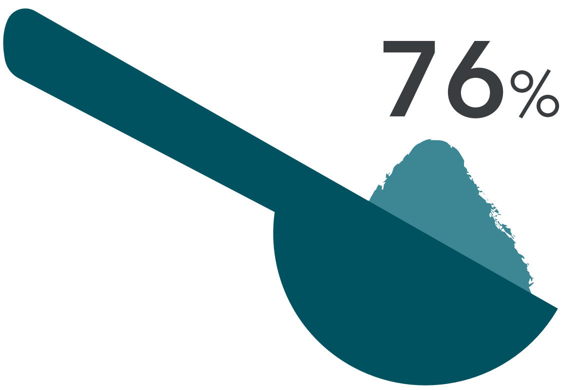


Attitudes to reformulation

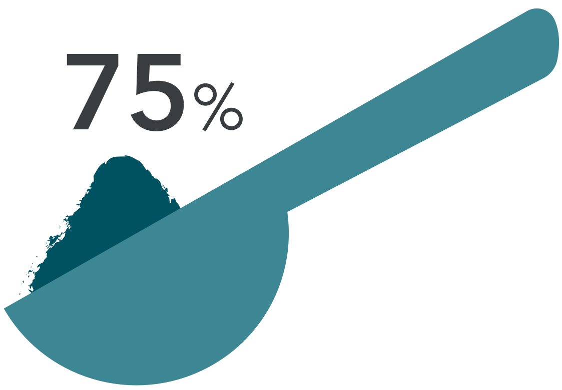
HEALTHIER product reformulation is widely accepted among Malaysian consumers. They are generally happy for products to be made healthier and about 75% believe companies should be actively working on this. However, consumers are also looking for tasty products. With taste being one of the top considerations 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.

Besides, consumers are not entirely satisfied with the choice of healthy options available in Malaysia. Only 3% believe food companies already offer enough healthy food options with no need for further changes from industry.

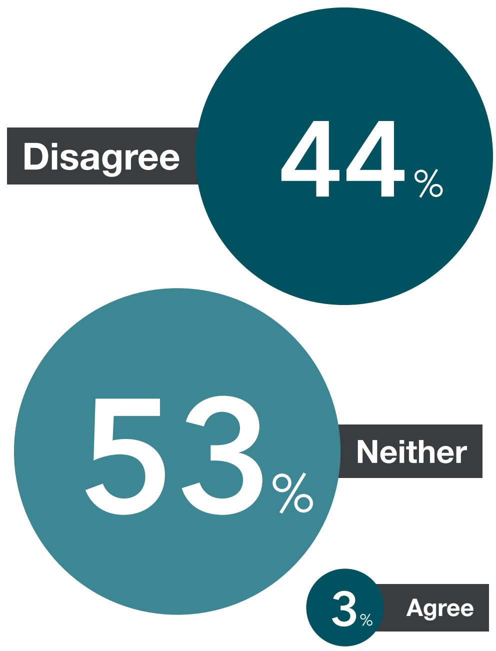
I'm happy if the product recipes are changed to make them healthier, provided they are still as tasty



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



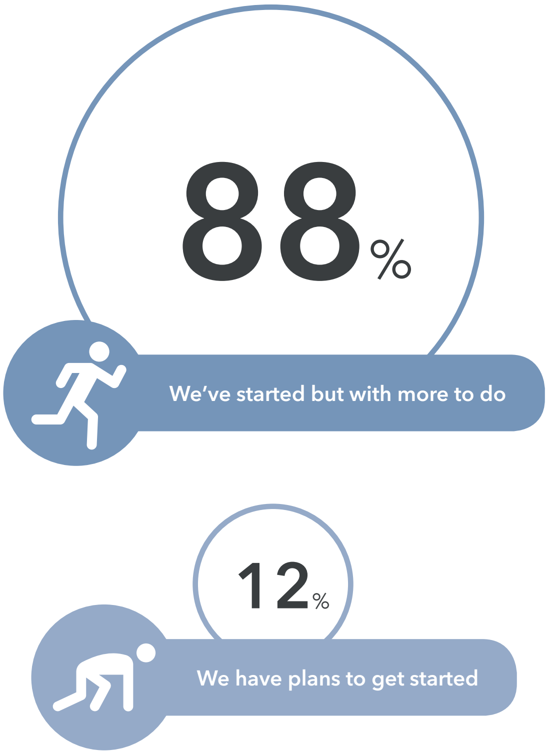
Industry progress

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

88% of our companies had begun to reformulate products, some for many years. 12% of our sample had yet to get underway, although all but one had plans to do so.

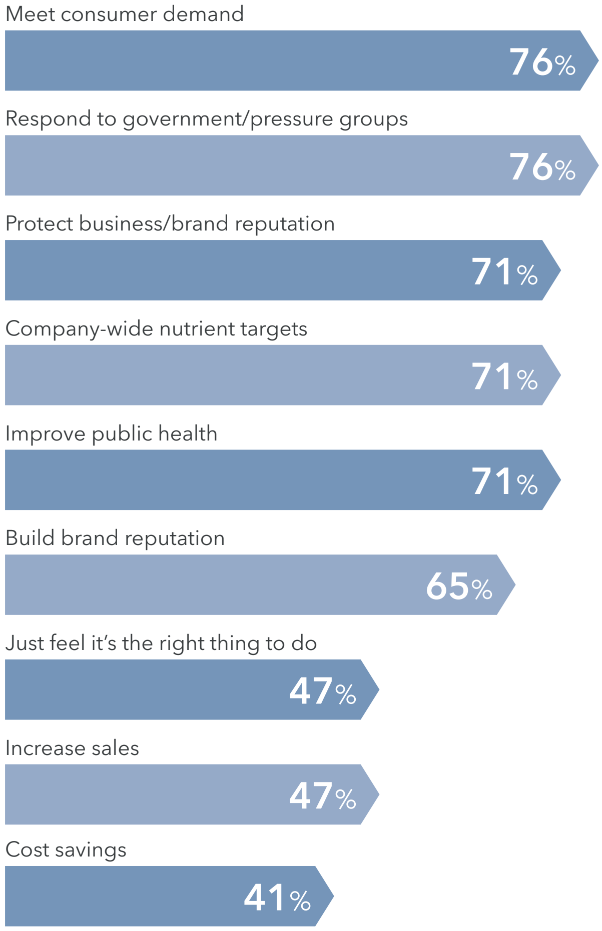
There is a strong commercial incentive: 81% felt consumers were seeking healthier products, and they have a role to play in driving consumer choices.

Where are you on your reformulation journey?



Many different reasons for action were mentioned with meeting consumer demand and responding to government/pressure groups identified as the top drivers for action.

What are your main motivators for reformulation?



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.

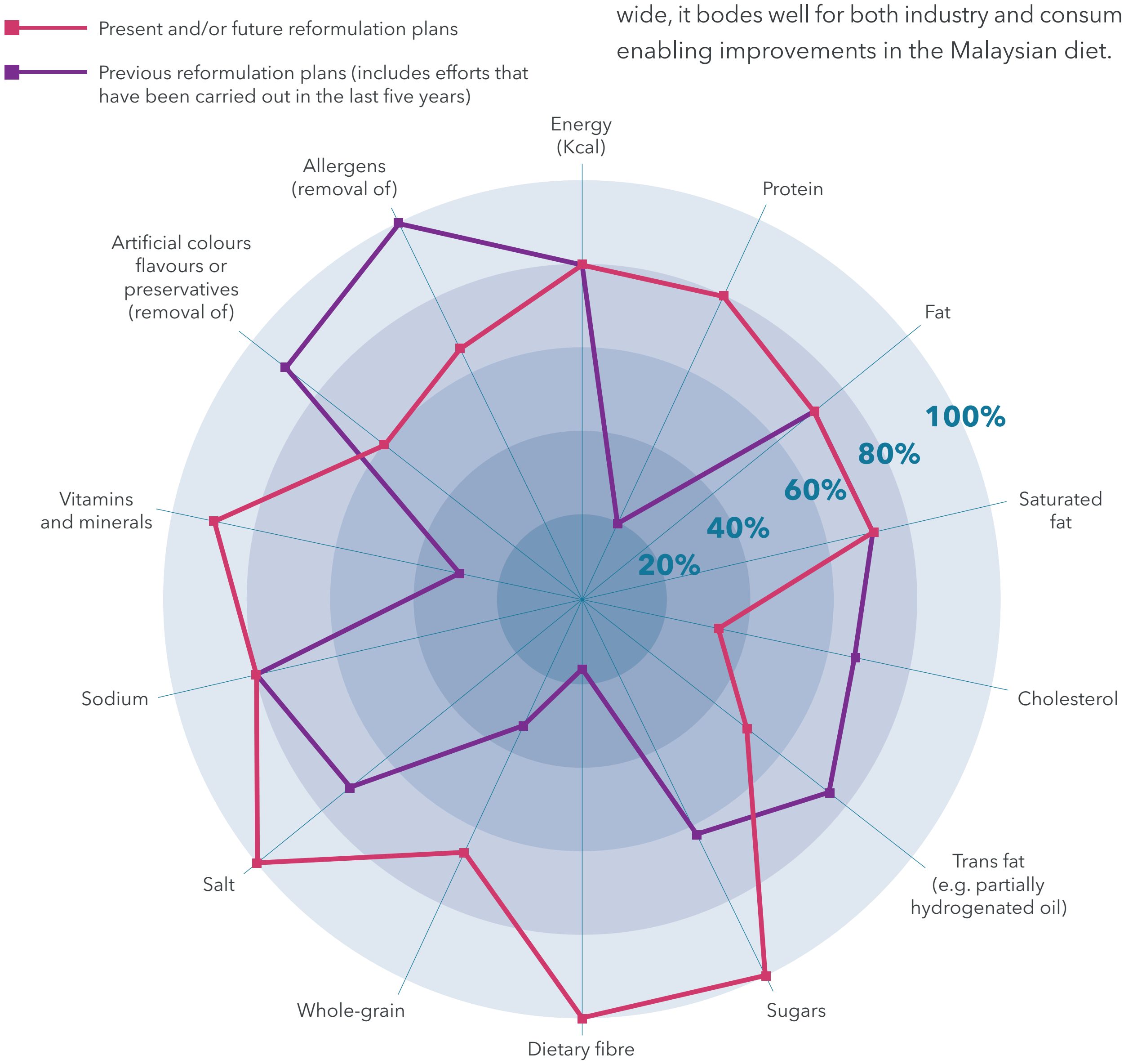
* The survey, which was completed by 17 companies, should be seen as indicative, as the sample may not be fully representative of all food companies in Malaysia

Industry priorities

REFORMULATION priorities have changed in the last five years. Previously, a focus on allergens, artificial colours/flavours/preservatives followed by calories and sodium were companies' priorities. Work still continues in these areas but the focus is now skewed towards sugar and salt reduction, and increasing dietary fibre. All the companies who are currently reformulating or making plans to reformulate have included sugar, salt reduction and the addition of fibre on their list.

Companies are committed to adding fibre in their product offerings, which may not be a top nutrition priority to consumers but is strongly recommended by nutrition experts. The industry is also focused on fortifying products with vitamins and minerals to help address the shortfall in consumer diets.

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

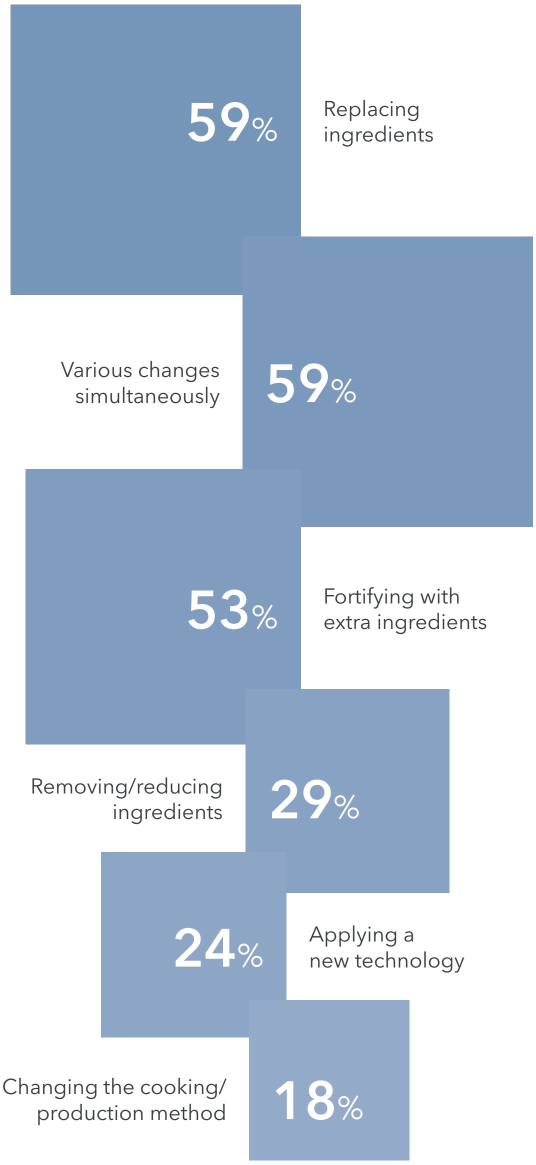


Industry experiences

COMPANIES are using a variety of techniques to support their reformulation programmes. The most popular approaches are making a variety of changes to a recipe simultaneously, replacing ingredients with lower/zero calorie substitutes (59%), followed by fortifying products with additional ingredients (53%).

The Ministry of Health's announcement to introduce a tax on sugar-sweetened beverages with only an eight-month implementation period has intensified the industry's focus on sugar. Unsurprisingly, this makes replacing ingredients with lower/zero calorie substitutes one of the most popular sugar reduction approaches which is well received by two-thirds of Malaysian consumers.

How are you enabling healthier products?



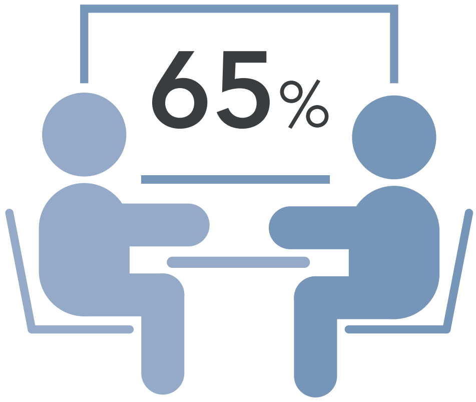
Top four reformulation challenges for companies ranked in order

1. **Consumer acceptability**
2. **Maintaining taste**
3. **Budget limitation**
4. **Technical knowledge**

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.

Sugar, salt, dietary fibre and vitamins and minerals were the main focus areas for reformulation, and the challenges with these nutrients varied. For sugar, the biggest challenges were taste and consumer acceptability. The same observations were drawn for salt, with shelf-life posing a significant challenge. The main challenge for fibre was texture, while budget and shelf-life were identified as the key challenges for vitamins and minerals.

Large companies have most of the expertise they need in-house. 88% of our sample mainly used internal resources for their reformulation activity. Even so, 47% also took advantage of resources freely available in the public domain. Smaller businesses tend to need more help from external specialists and see budget limitations as a greater constraint.



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, with only one company reporting a negative reaction to previous reformulation attempts. 41% had enjoyed positive feedback and the remainder had 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

ALTHOUGH plenty of activity is already underway, we also explored what might accelerate change.

88% of companies said that greater government fiscal incentives would encourage more R&D to support reformulation. 46% of our survey conducted all their R&D outside of Malaysia with another 23% conducting less than half of their R&D in Malaysia.

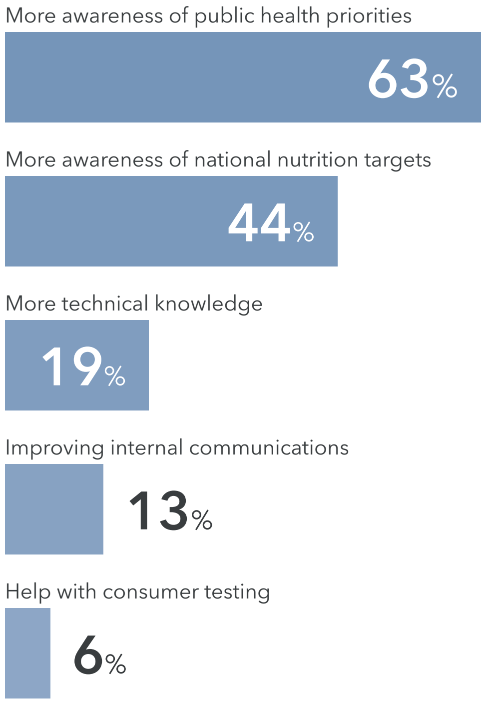
One of the enabling strategies identified in the NPANM III targets indicates that businesses can receive a tax benefit if the R&D for healthier product development is carried out in Malaysia. With this incentive not yet implemented in Malaysia, the findings highlight industry's willingness to carry out further R&D locally, with incentives such as these to accelerate healthier product reformulation.

There were very few attitudinal barriers to change among our survey respondents. Only 19% felt there was no need for companies to change their products, as diet is just a matter of consumer choice. The same number (19%) said it wasn't a company priority. Only 13% said they provided enough healthy choices already.

Again, only 19% felt they lacked the technical expertise to work on reformulation. However this could be reflective of the large proportion of respondents representing multinational companies with in-house research and technical teams. Had there been more SMEs, this finding may have been different. 31% said it is difficult to source healthier ingredients.

56% were concerned that the existing national nutrition targets were unrealistic. The same number of respondents were concerned that product quality could be compromised while 38% 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 products development in your company?



Quotes from our company interviews

"Consumers don't know how to read a nutrition label and don't understand the Healthier Choice Logo. We would like to see the Ministry of Health investing in educating consumers."

"We need more time to invest in R&D. The sugar tax and the tightening of the Healthier Choice Logo criteria is forcing companies to reformulate too quickly, which is particularly challenging for small companies (to do) without the resource and budget."

"We are very willing and want to work with government more collaboratively. Nutrition targets need to be challenging but also realistic to take consumers on the journey."

"We need better healthy eating education for Malaysians."

"Malaysian consumers have a strong preference for sweet tastes, making sugar reformulation challenging. Time and education is required for consumers to adjust their taste preferences."

"We've found it more effective to bring out lower/no added sugar variants of our standard products, providing the consumer with choice, rather than solely reducing sugar in the standard product. Not all Malaysian consumers are ready for the standard product to have a big sugar reduction and taste change."

"We have global internal nutrition targets, which are modified by country, so reformulation is not something new for us."

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 and dairy products have demonstrated this.

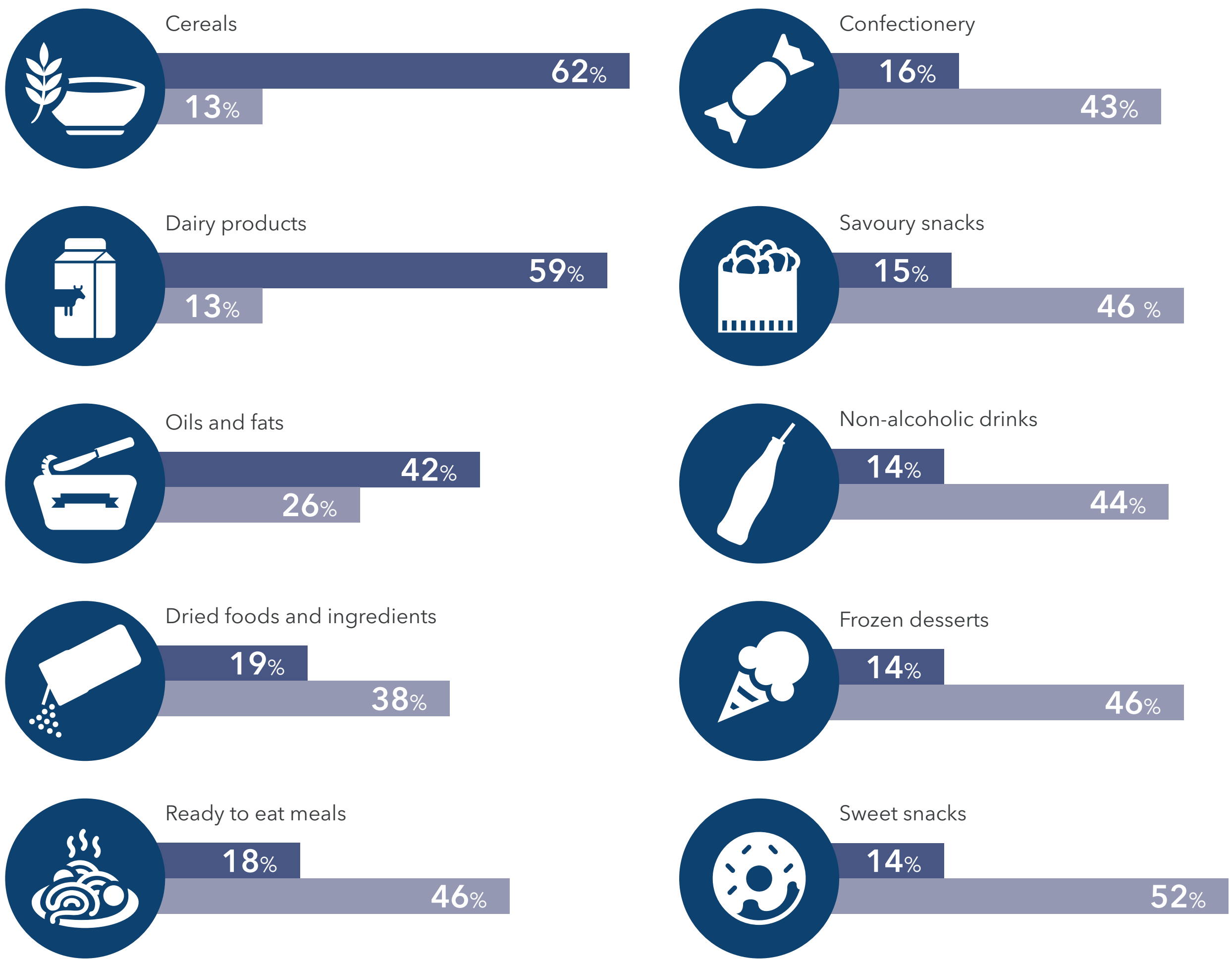
At the other end of the spectrum, products that haven't changed or where changes haven't been as noticeable may be seen as becoming less healthy although they may have been improved. This may be due to the growing gap between healthy and unhealthy products.

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 reveals 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, reducing sugar, and eating a more balanced diet are priorities for consumers in the UK and Malaysia
2. Consumer feedback on previous healthier product reformulation efforts has been generally positive
3. Sugar reduction has taken centre stage for companies in both countries, although many other nutritional goals are also of focus
4. The main motivator to reformulate in both countries is to meet changing consumer demand
5. The challenges of reformulation are consistent: ensuring consumer acceptability and achieving a desirable taste are the top concerns (despite positive feedback)
6. A sugar levy on sugar sweetened beverages is imposed in both countries, although it was not introduced in the UK at the time of the UK survey

DIFFERENCES

1. More consumers are trying to improve their diet in Malaysia than the UK (99% vs 85%)
2. More are focused on reducing sugar to improve their diet in Malaysia than the UK (58% vs 35%)
3. More consumers in Malaysia say they always or mostly eat healthily already (54% vs 41%)
4. More Malaysian adults buy food and drink to treat themselves (64% vs 53% in the UK)
5. Consumers in Malaysia say that the display of nutrition information is more important when purchasing products compared to consumers in the UK
6. This includes ingredients removed to make products healthier (61% vs 32%), ingredients added to make products healthier (62% vs 19%) and how natural they believe the product is (61% vs 36%)
7. Undernutrition also affects a higher proportion of people in Malaysia and so adding nutrients is also seen as an important strategy to address this agenda
8. The pace at which the Malaysian government is introducing policy measures such as the sugar tax and revisions to nutrition labelling criteria is faster than in the UK

SIMILARITIES

1. Eating more fruit and vegetables, reducing sugar, and eating a more balanced healthy diet are priorities for consumers in Singapore and Malaysia
2. About 75% are positive about reformulation in both countries, provided the products remain as tasty
3. Consumer feedback on previous healthier product reformulation efforts has been generally positive
4. Meeting changing consumer demand was a significant driver in these markets
5. Sugar reduction is a key focus for companies operating in both countries
6. The challenges of reformulation are consistent across markets with consumer acceptability and achieving a desirable taste being top priorities (despite positive feedback)

DIFFERENCES

1. Consumers are more focused on reducing sugar to improve their diet in Malaysia than in Singapore (58% vs 44%)
2. Consumers in Malaysia say they always or mostly eat healthily (54% vs 41% in Singapore)
3. Malaysian consumers look out for nutrition information on food and drink packages more regularly than those in Singapore (53% vs 42%)
4. Fewer Malaysian adults look for the Healthier Choice logo (38% vs 79% in Singapore) while more look for the nutrition information panel (59% vs 45%) and the GDA label (51% vs 16%)
5. Malaysian consumers are more likely to actively refer to information on fat content (36% vs 27%), the amount of kilocalories (35% vs 19%), cholesterol (27% vs 14%) and vitamins and minerals (21% vs 11%) compared to the consumers in Singapore
6. There seem to be greater government pressures in Malaysia to nudge industry to reformulate (76% vs 28% in Singapore)
7. More R&D is conducted in Singapore with 32% of the sample carrying out all their R&D in Singapore, while only 15% did so in Malaysia
8. Front-of-pack nutrition labelling is used by more companies in Malaysia than in Singapore (71% vs 64%). More companies use the Healthier Choice Logo (53% vs 32%) and GDA label (Energy only) (53% vs 36%) on their products

How we conducted the research

THIS research was conducted in three parts:

1. An online survey of consumers

- 1,037 interviews were conducted online between 5-10 December 2018
- This was a nationally representative sample of Malaysian adults aged 18+
- IGD and FIA worked together to frame the questions

2. An online survey of companies

- Using a purposive sampling method, the survey was circulated to food and drink manufacturing companies operating in Malaysia
- The survey was sent to a large number of manufacturers and retailers during Dec 2018-Jan 2019. More than 17 responded but only 17 were completed and used in the analysis
- 18% of these employed fewer than 500 people
- Please note: the sample may not be fully representative of all food companies in Malaysia

3. A series of in-depth interviews with companies

- Companies completing the online survey were invited to volunteer for an in-depth interview
- We completed three interviews; products covered included dairy, milk powders, non-alcoholic beverages, breakfast cereals, bouillons, sauces, noodles, confectionery and food service products

Our company survey spanned a broad range of products.

What are your company's product categories?

Non-alcoholic drinks	65%
Cereals	24%
Dried foods & ingredients	24%
Savoury snacks	24%
Confectionery	18%
Dairy products	18%
Sweet snacks	12%
Frozen desserts	12%
Ready to eat meals	12%
Oils and fats	6%
Other includes pasta and pasta sauce, infant formula and food for special medical purposes	18%

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 IGD Asia insight service and Healthy Eating research programme 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**