Article

Functional Food Marketing - The Hungarian Market Case

Theory, Methodology, Practice


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Functional Food Marketing
– The Hungarian Market Case

SZABOLCS NAGY, Ph.D.
ASSOCIATE PROFESSOR

e-mail: marvel@uni-miskolc.hu

SUMMARY

In Hungary, a growing number of consumers have recently recognized the importance of healthy eating habits in disease prevention. As health is one of the most important terminal values of Hungarian consumers, functional foods are likely to have a bright future and their market is expected to grow significantly in the coming years. In this paper, the main driving forces of the growth of the functional food market, the consumption patterns of functional foods, up-to-date product trends, the relevant marketing approaches, and the main consumer segments have been identified. This paper contains empirical research findings on functional food consumption in Hungary. As a marketing manager or academic, you shall find valuable pieces of information on the segmentation, the main target groups and the most successful positioning strategies regarding the functional food market in Hungary.

Key words: health marketing, functional foods, life marketing approach, death marketing approach, target groups, positioning strategy, market segmentation

INTRODUCTION

In Hungary, a growing number of consumers have recently recognized the importance of healthy eating habits in disease prevention. As health is one of the most important terminal values of Hungarian consumers, functional foods are likely to have a bright future in Hungary and their market is expected to grow significantly in the coming years. Discoveries and research results of recent decades confirm that nutrition has a significant impact on human health. Being aware of this, consumers in developed countries like Hungary are devoting greater and greater attention to maintaining their health and obtaining more and more information about healthy life-styles. Consumers focus on preventing instead of treating diseases. This also affects their relationship towards food.

HEALTH MARKETING

Health Marketing is a multidisciplinary area of public health practice. This innovative approach draws from traditional marketing theories and principles, and adds science-based strategies for disease prevention, health promotion and health protection. The definition of Health Marketing according to the Centres for Disease Control and Prevention (CDC) is the “creating, communicating, and delivering of health information and interventions using customer-centered and science-based strategies to protect and promote the health of diverse populations.” (CDC, 2005). Health Marketing, therefore, can be considered as (CDC, 2008):

➤ “A multidisciplinary practice that promotes the use of marketing research to educate, motivate and inform the public of health messages.
➤ An integration of the traditional marketing field with public health research, theory and practice.
➤ A complex framework that provides guidance for designing health interventions, campaigns, communications, and research projects.
➤ A broad range of strategies and techniques that can be used to create synergy between public health research, communication messages and health behaviours.”

FUNCTIONAL FOODS

The literature gives various definitions of functional foods. There has not yet been a generally accepted definition of functional foods as professionals have not come to a common agreement regarding what products belong to this category and what do not; and whether food supplements or medicines like powders and capsules also belong to the functional foods category. Different approaches more or less share the opinion that these foods convey health benefits and have a favourable effect on the general state of health. According to Childs and Poryzees (1998), products which have any special
positive impact on our health are called nutraceuticals or nutritional foods, pharma food or medical foods, designer foods or super foods. In many cases, they are commonly placed in the category of functional foods.

Functional food or medicinal food is any fresh or processed food claimed to have a health-promoting and/or disease-preventing property beyond the basic nutritional function of supplying nutrients. However, there is no consensus on an exact definition of the term.

According to Health Canada (2009) “a functional food is similar in appearance to, or may be, a conventional food that is consumed as part of a usual diet, and is demonstrated to have physiological benefits and/or to reduce the risk of chronic disease beyond basic nutritional functions, i.e. they contain bioactive compound.”

According to the Organic Food Directory (2009), functional foods, as defined by the Institute of Medicine in Washington, are those foods that encompass potentially healthful products including any modified food or ingredient that may provide a health benefit beyond the traditional nutrients it contains. Functional foods can include foods like cereals, breads and beverages which are fortified with vitamins, herbs, or nutraceuticals.

**THE FUNCTIONAL FOODS MARKET**

Functional foods in Hungary are very innovative products. Product innovation is fed by shifting trends in consumer behavior. Moreover, the Hungarian economy is extremely open and reacts very sensitively to international market changes. Hungarian consumers are highly motivated to follow international trends and accept new consumption patterns. Therefore, a closer look at the international functional food markets is essential before saying anything about functional food consumption in Hungary.

The growth rate of sales of functional foods on the global market amounted to 35% between 2002 and 2004; and the forecast is 27% for the period 2004-2009. The most dynamically growing regions are Latin America, Eastern Asia and Eastern Europe, where the market share was as high as $4 billion in 2004. Due to changes in consumption patterns, the rapidly expanding economies – for instance, Hungary – have considerable growing potential. Health consciousness in these countries is gradually rising and, as a result, the demand for functional foods is increasing. Longer and more intensive working hours, stress, urbanisation and economic growth also contribute to the growing demand for functional foods. Euromonitor International projected 20% growth in functional food consumption in the new economies for the period of 2005-2009. In Russia, Poland and Hungary the growth rate will be lower and their market share in this segment of the food industry will not be considerable.

The current economic crisis is having a negative effect on food consumption in Hungary. It is very hard to see now what the future will bring in this market segment in Hungary. According to local experts, food consumption will slump, especially in the mid-priced segments of the market, but functional food consumption can grow a little.

The driving forces of the consumption of functional foods on the global market are as follows:

- ➢ growing salaries of managers (middle and top)
- ➢ liberalisation,
- ➢ more and more intensive marketing campaigns
- ➢ involvement of retail networks which are the most effective points of sales
- ➢ better customer attitudes to wellbeing and health-consciousness
- ➢ the symptoms of obesity and functional malnutrition

Strict legislation is the most serious factor which prevents the expansion of the functional food market. This is because strict regulations are imposed on advertisements and on the labelling of products.

**CONSUMPTION AND PRODUCT TRENDS**

The functional foods market is constantly changing. The consumers’ needs are getting more refined and product requirements are getting more complex. These factors should be taken into consideration in the innovation processes of functional products.

According to Sloan (2006), health and other health-related factors will play a more and more essential role in food consumption in the years to come, as the demand for more convenient, delicious and efficient foods will increase. She identified the Top 10 Trends in the sector of functional foods:

- ➢ Children at risk: a growing number of children are struggling with obesity, high blood pressure and three types of diabetes. The future challenge is to develop healthier foods for children.
- ➢ Low-calorie foods: in order to avoid obesity, consumer awareness of the importance of low-calorie foods and drinks is growing.
- ➢ Phytochemicals: sales of antioxidants in the USA increased by 20% in 2007. Four out of every ten consumers say that they eat fruit and vegetables to avoid getting ill.
- ➢ Multiple benefits: Functional foods are expected to solve several issues at the same time. They have to be effective in the case of obesity, to prevent the development of high cholesterol levels and to develop protection against heart diseases.
- ➢ Healthy fats: due to the growing popularity of omega-3 fatty acids, consumers are opting for
healthier oils. They avoid the consumption of unhealthy types of fat.

➢ Mature matters: in almost every affluent society the population ages and the number of elderly people is growing. Their demand for functional foods is increasing.

➢ Glycemic index, gluten and grains: low-glycemic-index products will gain more and more popularity in the future. Gluten-free products will become more common in restaurants. The multifaceted health benefits of whole-grain products are gaining universal recognition.

➢ Natural solutions: sales of organic food are expected to increase.

➢ Boosting performance: a lot of consumers are very concerned about their energy level and eat functional food to gain extra energy

➢ Fun favourites: almost every consumer expects healthier versions of their favourite foods, such as beverages made with 100% real fruit juice and calorie-burning soft drinks.

KEY FACTORS OF FUNCTIONAL FOOD MARKETING

There is a great need for good products, but it is not the main precondition of market success. Marketing aimed at promoting the product also has to be success-oriented. The most basic rule is to get to know and understand the consumer. Consumers being targeted by the functional foods sector are usually well-educated, well-informed and wealthy. The basic objective is to map their needs. In order to be successful in the market, the message has to be repeated several times: firstly on the label, then in the media, and in the doctor’s office. The message primarily has to highlight the most important benefits of the product. Scepticism will always exist, so special attention has to be paid to training and the education of consumers. Consumers can be asked: “Do you want to take care of yourself more? If so, try this brand and have some functional foods.”

According to several studies, consumers are not very responsive to food innovations. Consequently, the marketing of functional foods has to focus on health benefits, (for instance, cancer issues) and shaping a healthy image (e.g. “You will feel better if you consume functional foods” or “You will be healthier and happier”, etc.)

There are two basic approaches to functional foods: life marketing and death marketing.

The death marketing approach is based on negative motivations – for instance, avoiding illnesses – while life marketing is built on positive motivations: for instance, being healthier, looking better, and feeling better than now.

According to the life marketing approach, functional food has an added value (e.g. increasing intellectual potential).

In advertisements it is advisable to employ bright colours, eye-catching pictures, and slogans like ‘the pleasure of wellbeing’. The product is a mixture of health plus convenience plus pleasure (hedonism). Priority has to be given to pleasure. Probiotics are the best example of the life marketing approach.

The death marketing approach concentrates on special diseases or states of health, for instance, drugs reducing the cholesterol level. In this case, communication has to be more objective, factual and credible (scientifically verified). The message has to explain the development of some kind of a disease too. Tested scientific results can also be used in the message. Consumers are motivated by their own fears and concerns.

Life marketing is especially effective when health benefits are communicated in the message. The credibility of the message is of utmost importance.

EMPIRICAL RESEARCH – QUESTIONAIRRE SURVEY

In order to map functional foods’ consumer behaviour in Hungary, a marketing research exercise (phone interviews, a questionnaire survey, focus groups) was conducted. 383 respondents comprised the sample with a reliability level of 95%, and a 5% confidence interval. Quota sampling was used, with female respondents overrepresented (59.04%) in the sample. It was found that:

➢ Leading a healthy way of life is important for Hungarian consumers.

➢ The consumption of healthy foods comes to the consumers’ mind first when they think of a healthy lifestyle.

➢ Respondents considered cancer, coronary heart diseases and high blood pressure as the most serious diseases.

➢ Eating healthy food was considered as very important to respondents.

➢ At the top of the list of the top 10 healthy foods were vegetables and fruit.

➢ Consumers were ill-informed about functional foods as most of them had never heard about this category.

➢ The most important motives for purchasing functional foods are as follows:
  - they have a favourable effect on health,
  - they have a preventive nature
  - and they improve the state of health generally.

➢ Every second respondent was worried about his performance and wanted to boost it.

➢ Weight consciousness played an important role in the life of 40% of all consumers.

➢ Hungarian consumers believe that functional foods cannot replace medicines.
I applied factor analysis and found that respondents considered functional foods as having preventive functions and producing a beneficial effect on people’s health. The performance boosting properties of functional foods were linked with their modern and trendy image. The high prices of functional foods, their poor availability and ill-informed people considerably prevent the consumption of functional foods. These unfavourable factors have to be eliminated before the introduction of functional foods on the market. Primarily high prices produce a negative impact on their sales. Only a few respondents thought the taste of functional foods is not as good as “traditional ones”; and even less did not like their design (packaging). The fact that consumers were ill-informed largely contributed to low sales. There were only a few respondents who did not trust functional foods.

Consumers can accept the premium prices of functional foods. The majority pay 10-20% more for them, but a lot of buyers are willing to spend even 20-50% more. Goods containing sunflower products are sold at a higher price. When buying functional foods, people pay special attention to the doctor’s advice, product labels and the opinions of reference groups (friends, family members) as sources of information in the information search phase. The product label is an essential source of information. The opinion of reference groups is a driving force, whereas advertisements have only a limited effect on consumers. Almost every consumer agrees with the introduction of trademarks for functional foods. It would be advisable to introduce trademarks as this would provide consumers with objective information about the product and the reliability of the message it communicates.

When analyzing the communication variables, two main factors emerged: the doctor’s advice on the one hand, and the brand name and advertising campaign on the other. Considering them, it became obvious that the doctor’s advice played a more important role than the brand name or advertisement. As a result, it can be stated that if we want to be successful in this field, our communication has to utilise not only conventional ATL methods, but to place the opinion makers in the centre of our communication mix because of the need to promote the credibility of the product.

**MARKET SEGMENTS**

In order to segment the market we conducted cluster analysis. We managed to identify four segments and named them after their typical character types. The demographic variables of the segments are shown in Table 1:

<table>
<thead>
<tr>
<th>Table 1. Demographic variables of the segments</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Health conscious females</strong></td>
</tr>
<tr>
<td><strong>K1</strong></td>
</tr>
<tr>
<td>age</td>
</tr>
<tr>
<td>sex</td>
</tr>
<tr>
<td>marital status</td>
</tr>
<tr>
<td>residence</td>
</tr>
<tr>
<td>occupation</td>
</tr>
<tr>
<td>leading position</td>
</tr>
<tr>
<td>net income per capita</td>
</tr>
</tbody>
</table>

Source: Piskóti and Nagy (2007)

Table 2. shows the characteristics of the market segments.

<table>
<thead>
<tr>
<th>Table 2. Segment characteristics</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Health conscious females</strong></td>
</tr>
<tr>
<td><strong>K1</strong></td>
</tr>
<tr>
<td>How important do you consider healthy eating habits?</td>
</tr>
<tr>
<td>How important do you consider a healthy lifestyle?</td>
</tr>
<tr>
<td>What does a healthy lifestyle mean to you?</td>
</tr>
<tr>
<td>What diseases do you worry about?</td>
</tr>
</tbody>
</table>
### Table 3. Segment characteristics 2

<table>
<thead>
<tr>
<th>Health conscious females</th>
<th>Mothers of the family</th>
<th>Distrustfuls</th>
<th>Managers</th>
</tr>
</thead>
<tbody>
<tr>
<td>K1</td>
<td>K2</td>
<td>K3</td>
<td>K4</td>
</tr>
<tr>
<td>Have you heard of functional or health-enhancing foods?</td>
<td>less than the average</td>
<td>more than the average</td>
<td></td>
</tr>
<tr>
<td>They boost my performance</td>
<td>xx</td>
<td></td>
<td></td>
</tr>
<tr>
<td>They improve my state of health</td>
<td>xx</td>
<td>x</td>
<td></td>
</tr>
<tr>
<td>They have a favourable effect on my health</td>
<td>xx</td>
<td>xx</td>
<td>x</td>
</tr>
<tr>
<td>They are trendy, modern foods</td>
<td>xx</td>
<td>xx</td>
<td>x</td>
</tr>
<tr>
<td>They help prevent certain diseases.</td>
<td>xx</td>
<td>x</td>
<td></td>
</tr>
<tr>
<td>They help regulate my weight</td>
<td>xx</td>
<td>x</td>
<td></td>
</tr>
<tr>
<td>They replace drugs</td>
<td>xxx</td>
<td>x</td>
<td></td>
</tr>
</tbody>
</table>

Source: Piskóti and Nagy (2007)

### Table 4. Segment characteristics 3

<table>
<thead>
<tr>
<th>Health conscious females</th>
<th>Mothers of the family</th>
<th>Distrustfuls</th>
<th>Managers</th>
</tr>
</thead>
<tbody>
<tr>
<td>K1</td>
<td>K2</td>
<td>K3</td>
<td>K4</td>
</tr>
<tr>
<td>Higher prices of FF than the average</td>
<td>nn</td>
<td>x</td>
<td>n</td>
</tr>
<tr>
<td>Worse taste of FF than the average</td>
<td>x</td>
<td>n</td>
<td>x</td>
</tr>
<tr>
<td>Worse appearance of FF than the average</td>
<td>x</td>
<td>nn</td>
<td>x</td>
</tr>
<tr>
<td>Little information is available about FF (I do not know much about them)</td>
<td>x</td>
<td>x</td>
<td>x</td>
</tr>
<tr>
<td>Poor availability of FF</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>I do not believe in the favourable effects of FF</td>
<td>average</td>
<td>more than average</td>
<td>does not believe</td>
</tr>
<tr>
<td>What is the maximum amount you would spend on FF compared to conventional ones?</td>
<td>more than the average (22-23%)</td>
<td>average (14%)</td>
<td>less than the average (7%)</td>
</tr>
</tbody>
</table>

Source: Piskóti and Nagy (2007)

Indications:
- x - above average
- n - below average
- xx - extremely above average
- nn - extremely below average

FF - functional foods
TARGET GROUPS

Having considered consumption trends and consumer orientations, as well as the findings of our primary research, three main target groups can be defined as follows:

**Health-conscious youngsters**

These people are able to identify health hazards. Most of them require healthy meals which have significant benefits for their everyday general state of health. It is important for them to build up their self-image, and they are significantly influenced by fashion and style, and different means of communication (mainly the internet). This is very typical of the young generation: those aged 18-30 who spend their time studying, doing sports and having fun. They are the main consumers of ready-made products.

**Mothers of the family**

These consumers are motivated by ideals of nurturing and modern approaches to family life. This group comprises parents who teach their children how to lead a healthy way of life and eat healthy food from birth; housewives who care about their family members; and females who wish to be healthy, and stay young and beautiful. Modern ways of thinking, combined with the desire for social mobility and simplicity, place an emphasis on health. They are consumers of food and beverages rich in fiber and low in fat and sugar. Apart from consuming ready-made food, they are the major consumers of semi-ready products. This segment is the largest one.

**Decision makers**

The members of this target group are in leading positions (managers), lead a stressful way of life and suffer from lack of time. Preventing diseases, improving their performance and maintaining wellbeing are all strong influences on their food consumption. Career progression is an essential part of their lives and inseparable from their occupation. Prestige is important for them too. They are the main consumers of ready-made foods.

CONCLUSIONS

In order that a new functional food can become a market success, a well-defined positioning strategy is required. According to Gilbert (2000), there are five golden rules (positioning strategies) for positioning functional foods:

- Prevention: The consumption of functional foods can prevent the development of certain diseases. Key words used in their positioning are: long life, good quality of life.
- Performance: We state that people can be healthy and their physical and mental abilities can increase if they consume functional foods. The emphasis is on daily health, accomplishment and success.
- Wellbeing: for consumers, the health benefits of functional foods mean feeling good and finding balance. These goods have to embody a holistic approach: the unity of health, body, mind and spirit. Emphasis is laid on daily health needs, moderation and variety.
- Nurturing: the consumption of certain foods can create a feeling of caring for the health of others and their quality of life. This can give a sense of satisfaction to the caregiver: “I have done something for others today too.” The key words are growth, development and healing.
- Cosmetics: The consumption of functional foods makes you look beautiful and better than others. It increases self-esteem through improved physical condition and acceptance of personal appearance.

In Hungary, in different consumer segments different positioning strategies are required. In the Health-conscious youngsters segment cosmetic, wellbeing and performance positioning strategies are expected to work, while in the Mothers of the family segment positioning strategy must be based on the nurturing and prevention approach. To be successful in the Decision makers segment, the marketers of functional foods should use the wellbeing and performance positioning strategies. Considering the current economic crisis in Hungary, the best target group is the Decision-makers segment. They have enough resources to purchase functional foods and to pay more in order to prevent diseases, boost their performance and stay as healthy as possible so as to keep their jobs and the living standard they are used to.
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