Creating Opportunities in Soyfoods:

Developing and Launching New Soyfood Products

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6th International Soyfood Conference
Pretoria, South Africa

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The Focus Today: Creating Opportunities

- Consumer Perspectives
- Emerging Categories
- Drivers & Strategies for Product Development
- Our Assignment

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Consumer Perspectives

- Market Drivers
  - Motivation
    - Health
    - Availability
    - Taste
- Satisfaction & Dis-satisfaction
  (2 sides of the same coin)
    - Availability
    - Price
    - Taste

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Motivation: Shopping for Health

- U.S. FDA approved a heart health claim for foods containing more than 6.25 grams of soy protein in 1999
- Soyfood marketers are using the health claim to formulate and promote the benefits of soy protein in the human diet
- According to the latest consumer survey by the USB conducted in 2003, 74% of U.S. consumers consider soy products to be healthy

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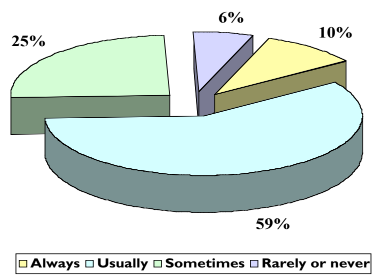
Shopping for Health

According to a 2001 HealthFocus Study:

- 10% of shoppers always choose foods for health reasons
- 59% usually do so, and 25% sometimes do so
- Only 6% rarely or never select food for health reasons.
- These levels of health activity have remained stable since 1998, but are more moderate than in 1990.



2001 - Health Focus, Inc.

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Increased availability

According to a Fall 2003 consumer survey by Phil Limpert - Supermarket Guru, most soyfood shoppers in the U.S. purchase soyfoods in supermarkets:

When you shop for soyfoods, where do you look?

- Grocery Store – Regular Food Aisles: 38%
- Grocery Store – Soyfood Section: 34%
- Health Food Store: 15%

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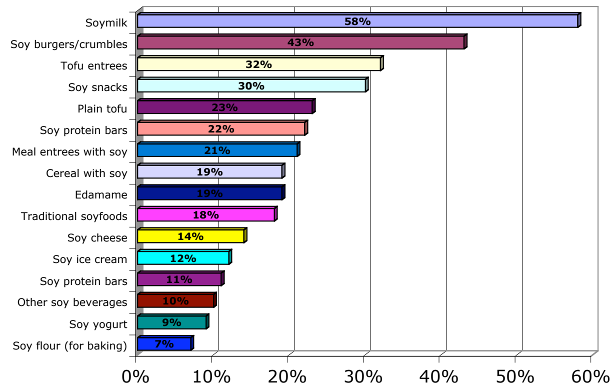
Satisfaction: What products are consumed?

- Supermarket Guru's survey of soyfood consumer purchases generally reflects relative sales levels and may suggest a level of satisfaction or comfort:



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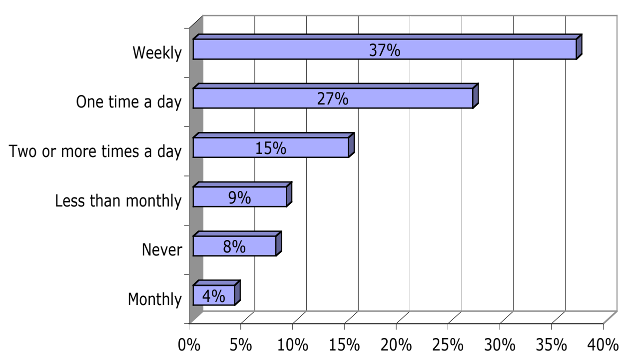
How often consumed?

- Supermarket Guru's survey indicates that more than half of the surveyed consumers choose to eat soy regularly - more than once per week



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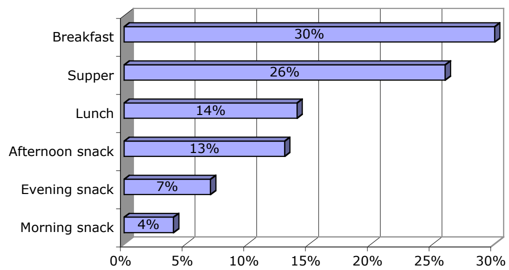
When consumed?

- Supermarket Guru's survey indicates heavier consumption at breakfast (soymilk and breakfast meats) followed by supper (tofu and meat alternatives).
- Lunch and snacks were not seen as a regular time to consume soy, likely due to lack of availability in foodservice and in snack foods.



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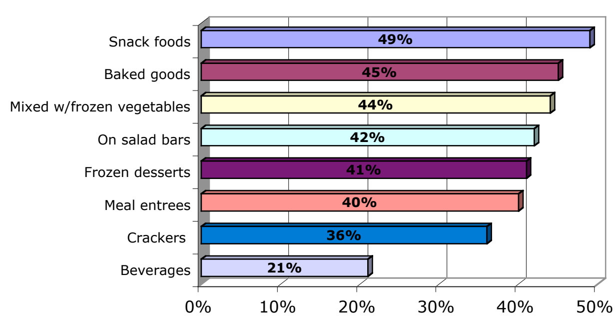
What would you like to see?

- Supermarket Guru's survey found that American consumers wanted more soy in categories that are just now emerging, such as snack foods and baked goods
- Other areas are more convenience oriented such as easy to prepare vegetables, salad bars, desserts and prepared entrees



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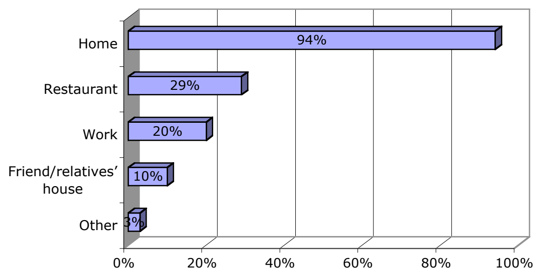
Where do you eat soyfoods?

- Supermarket Guru's survey showed a lack of outlets outside of the home to find ready to eat soyfoods
- Given the increased level of spending outside of the home for food (nearly 50% of food budget and growing) increased use of soy in restaurants and foodservice is a critical piece of the puzzle for future growth



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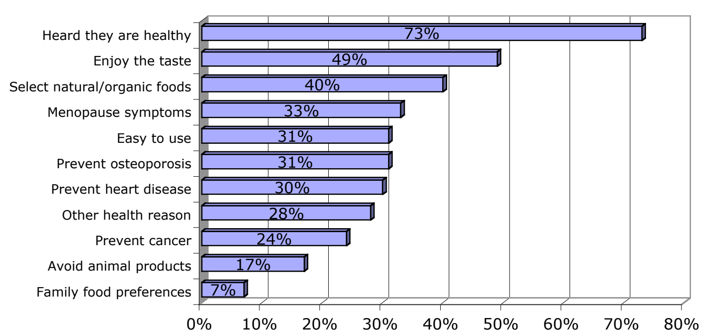
Why consume soyfoods?

- Supermarket Guru's survey showed that awareness of health benefits far outweighed satisfaction with taste
- Specific health benefits not as strong as "general health"
- Soyfoods still not perceived as easy to use



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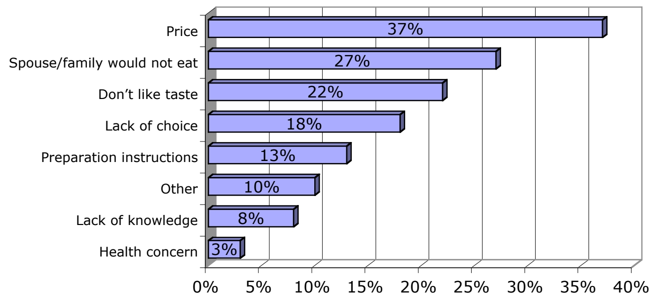
What discourages use?

- Supermarket Guru's survey showed that the continuing "premium" positioning and high prices may discourage more frequent use or perhaps trial use
- Other family member's resistance adds to reluctance
- Taste is seen by 22% as negative factor



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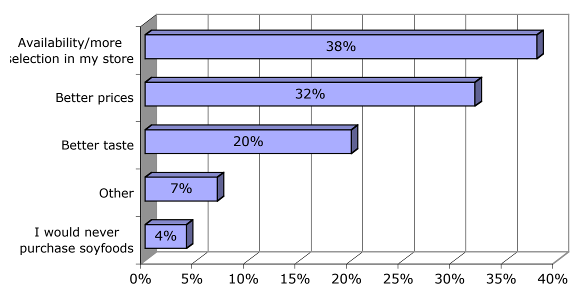
What would encourage use?

- Supermarket Guru's survey showed that although soyfoods are in every supermarket, 38% of consumers want more availability and selection in their store
- Better price points
- 20% indicated taste as an issue
- Only 4% of consumers said they would never purchase



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Emerging Product Categories

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Emerging & Evolving Product Categories

Due to the soybean and soyfood products' unique ability to take on the flavor and structure of novel or alternative foods, soyfood marketers have been able to continue to reshape and flavor products to meet the continually evolving needs of consumers and to meet emerging consumer trends

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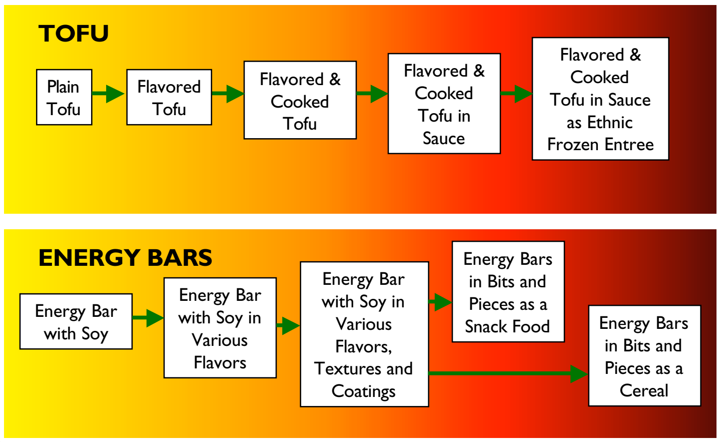
Soyfood Products Life Cycle

Soyfoods are maturing along somewhat predictable and parallel lines to the overall food industry. Here are some examples:



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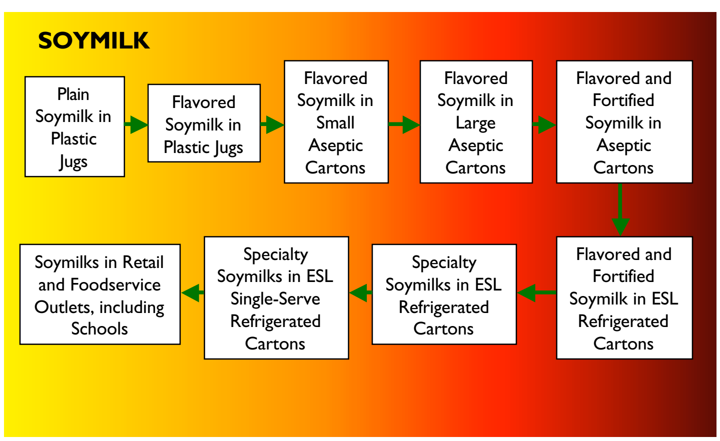

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Soyfood Products Life Cycle

Soyfoods are maturing along somewhat predictable and parallel lines to the overall food industry. Here are some examples:

MEAT ALTERNATIVES

Tofu Hot Dogs & Tempeh Burgers in Produce → Full Line of Hot Dogs, Sausages, and Veggie Burgers in Produce → Luncheon Meats, Ground Meat Alternatives in Produce → Poultry and Meat Alternatives in Produce → Poultry and Meat Alternatives in Fresh Meat Case

Veggie Burgers in Frozen Foods → Full Line of Burgers and Sausages in Frozen Foods → Poultry and Fish Alternatives and Meat Alternatives in Sauces → Meat and Poultry Alternatives in Frozen Entrees

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Frozen entrees with soy have begun to take-off

- Prepared and frozen entrees and foods with soy grew by 140% in mainstream markets in 2002, over 100% in natural product supermarkets
- Line extensions and cross branding emerges as meat alternative marketers move into pizzas and entrees

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Ethnic cuisine is a natural fit

- Soy is used in Italian, Asian and Mexican entrees
- Consumers crave authentic flavor, but new age ingredients
- Tofu used as "tofu" and as cheese replacement
- Meat replacements range from "crumbles" to muscle meat

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Soymilk

- Soymilk continues to evolve in both formulation and packaging
- Formulation differences allow for targeting specific market segments such as children, woman and low-carb *(Hey! What about men?)*
- New packaging offerings allow for more facings (exposure) and more convenience for consumer

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Soymilk yogurt

- Three national brands of soymilk yogurt, *Silk*, *WholeSoy* and *Stoneyfield Farms* have gained acceptance with consumers due to improved flavoring and packaging
- Cow's milk yogurt with soy protein has been introduced by a Midwest-based dairy

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Soy yogurt-like drinks

- Soymilk yogurt drinks and other forms of fermented soymilk beverages have been introduced such as kefir
- Offers additional health benefits over regular soymilk (active cultures, modified isoflavones)

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Soy-based ice cream

- Soymilk, soymilk yogurt or tofu can be processed into a nondairy and delicious alternative to ice cream
- Available as a premium ice cream in pints, quarts and in novelty items

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Soy snacks and nuts

- Soy crackers and chips evolve into mainstream items
- Soynuts have been transformed into confections and savory snacks
- Major snack food companies have launched low-carb chips and snacks with added soy protein

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Drivers & Strategies for New Products

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Key drivers for sustained growth

In the U.S.:

- Broader availability of soyfood products
  - Larger food companies bring R&D and marketing expertise to category
  - Current marketers have broadened product lines
  - Soyfoods now available in supermarkets and mass market, as well as restaurants
- Increased consumer interest
  - Better tasting and more attractively marketed products spur on trial use & repeat sales
  - General trend away from red meat and towards vegetable protein products
  - Increased awareness of diet and health connection
  - Media focus on soyfoods for disease prevention or treatment
  - A generational shift towards more healthy foods as boomers age and awareness and comfort with soyfoods among younger consumers grows

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Key drivers for sustained growth

In Europe:

- The forthcoming EU regulations on health claims will benefit the continent as the JHCI has in the U.K.
- Growing U.S. market stimulates interest in other Western countries
- Consumers have been affected by food & meat scares
- Major retailers are supporting developments in response to “green” issues including non-GMO,organic or vegetarian product trends

In Asia:

- Strong history of traditional use
- Available as fresh and local products
- Developing food industry will include soy in new products
- Growing economies will allow for greater food expenditures

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Key drivers for sustained growth

In South Africa:

- High awareness of health issues among affluent sectors of population
- Growing affluent consumer base that shops in supermarkets, convenience stores and restaurants
- The need for less expensive, high quality foods, particularly those high in protein and micronutrients for less affluent consumers
- A vast and growing “cash and carry” market of wholesale outlets that supply a large informal network of vendors and small shops that can deliver goods to the largest percentage of the shoppers in South Africa today

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Strategies for Entry or Product Development

- Develop awareness of each product category's life cycle and stage of development - target ahead of cycle to be a first player in category or sub-category
- Predict or respond to macro consumer trends, including those outside of food to better understand the rapidly changing consumer need and evolving market segmentation
- A strong R&D program utilizing the latest technology in processing, flavor and ingredient selection - including new varieties of soybeans
- Develop and/or acquire proprietary technologies or unique combinations of processing and ingredients to ensure the highest quality product
- Try to minimize multiple processing facilities for each product line to control quality and reduce cost

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Strategies for Entry or Product Development

- Food consumed outside of the home will continue to grow and market opportunities in foodservice will be both ahead and behind of mainstream shopping trends
- Cross-branding and marketing across sub-categories will represent significant opportunities as consolidation continues
- Develop keen strategy for taking advantage of concerns about meat and dairy products without adding to fear - create comfort
- Organic foods and ingredients will grow in popularity and will likely defray concerns about GMO foods
- Convenience and creation of energy and health are key factors for consumer choice

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What we will do today:

Develop a NEW or NOVEL soy-based food product concept:

- Meat alternative
- Dairy alternative
- Tofu product
- Frozen entrée
- Snack food
- Other soyfood
- Any new soy product

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What we will do today:

Determine:

- Name / type / positioning statement
- Made from what / how?
- Flavors / styles
- Package type and size
- Market segments serviced (rank priority):
  - Supermarkets
  - natural food stores
  - food service
  - club stores
  - vending machines
- Refrigerated, frozen or shelf-stable
- Merchandising location within store
- Targeted use
- Target market / demographics
- Selling price
- Advertising program
- Chance of success… why?

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