

The Future of Food: Health, Wellness, and the Trillion-Dollar Opportunity

LOUIS BISCOTTI() | DECEMBER 14, 2023



Two hundred million Americans cannot be wrong. That is how many follow health and wellness programs, according to Labelinsight, and they report that the global health and wellness food market was \$940 billion in 2022 and is projected to grow at a 5% CAGR, hitting \$1.47 trillion in 2027. Kroger has a favorite tagline – “Food as Medicine” – because we can either pay the grocery bill or the doctor.

According to Tufts, suboptimal diets cost \$1.1 trillion annually in the U.S. via healthcare spending and lost productivity, equivalent to the entire food sector's economic output.

These factors and others are why this represents a major market opportunity for F&B companies as households where a member's condition can be managed through diet spend \$270 billion annually, according to Pitchbook.

The growth in health and wellness is especially visible in private-label brands. According to one study, 89% of consumers believe private-label products offer similar or superior value over branded products. For private-label manufacturers, this not only boosts margins but builds loyalty to their label. Some private-label brands that excel are Costco's Kirkland, Trader Joe's, Walmart, Target, and Whole Foods. Albertsons has a program for a full refund if you are not 100% satisfied with store-branded products.

I predict that while private label represents 25% of all units manufactured, it will exceed branded products and build to 50% or more of units manufactured. U.S. grocery store private-brand dollar volume rocketed 10.3% in the first quarter of 2023, nearly twice the 5.6% gain of national brands compared to a year ago.

Snacking is a major trend in America, fueled by millennials and Gen Z. Big Food and Big Pharma are betting big on snacking as weight loss drugs boom. Nestle is pushing their "smeals" while Kellogg's spun off its cereal business and is concentrating on its snacking business, Kellanova. This is also evident as

Smucker paid \$5.6 billion for Hostess, Mondelez bought Cliff Bar for \$2.9 billion, and Hormel bought Planters for \$3.35 billion.

Perhaps the biggest increase is seen in products related to gut health. There's a growing awareness of the connection between diet, health, mindful eating, gut health, and diets such as the Mediterranean Diet, Door Dash Diet, and New Blue Zone diet that contain beans, squash, and corn, and that deliver high protein at a low cost. It is also evident in the increase in prebiotic and probiotic products and the emphasis on reduced sugar, salt, and low-calorie products. Functional foods and beverages such as kombucha, cold-pressed juices, herbal teas, and others containing antioxidants and omega-3 fatty acids add to beverages with benefits.

With the proliferation of AI and technology, personalized nutrition is booming. The future of healthcare relies on personalized, data-driven methodologies to enhance well-being and actively prevent the development of chronic illnesses, according to one CEO.

There is also a glut (not gut) of other products comprising this category, such as healthy frozen foods (think CauliPower), cognitive and stress-reducing products (CBD and THC infused), mood foods and beverages, and anti-aging products. We cannot forget superfoods and nutrient-rich choices to add to the list.

Retailers are taking note. Albertson's launched Sincerely Health, which offers nutrition tips and access to USDA MY PLATE guidance. They also offer

rewards, coupons, and health scores. Kroger provides online advice about healthy eating.

But while retailers are taking note, careful execution is necessary to succeed. They need products that have strong contribution margins and are in a growing market. This requires premium pricing and innovation. By understanding consumer trends and having a strong marketing and branding strategy, the future of health and wellness products is bright.

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