Daymon

INTERNATIONAL DEVELOPMENT CENTER

BABY FOOD

International Category Insights

2023

WHAT'S ON THE AGENDA

- Summary
- Market Dynamics
- Category/Product Trends and Innovation

SUMMARY

SNAPSHOT

MARKET DYNAMICS

WORLD

Retail Sales:

- Most important country in volume: Russia (639 K Tonnes)
- Highest consumption per capita (top 15 markets): Slovakia (6.8KG)
- Highest growth (top 15 markets): Turkey (+4%)
- Top 80 Markets Performance vs year ago: -0.2% +1.6%

EUROPE

- Top 3 leaders in launches: Germany (24%), the UK (16%), Italy (8%)
- Leading launching National Brands: Organix (2.9%)
- Leading launching Private Brands: Rossmann Babydream (7.5%)

CATEGORY/PRODUCTS TRENDS

CLAIMS

- The top claims for the category: Babies & Toddlers (0-4), Organic, No Added Sugar
- Fastest-growing claims for the category: Carbon Neutral, Eco-Friendly Product, Vegan/No Animal Ing

FORMATS & FLAVOURS

- Top package types: Flexible and Flexible stand-up pouch
- Top package sizes: 100G, 190G, 90G
- Top package materials: Multi laminate and Plastic Unspecified
- Top flavors: Unflavoured/Plain, Apple, Fruit
- Fastest-growing flavors: Cocoa/Cacao, Apple & Banana, Apple & Mango

KEY TRENDS

PRIVATE BRAND

- The countries in Private Brand Share were: Croatia (72%), Hungary (18%), and Australia (16%).
- 8 out of the top 10 countries in Private Brand Share have a Private Brand Share in the category lower than the national average, which shows that that there is still high potential to further develop PB in the category.
- Private Brand Share in new launches in Europe -> 25% with 4 out of 10 top brands by launches on the continent

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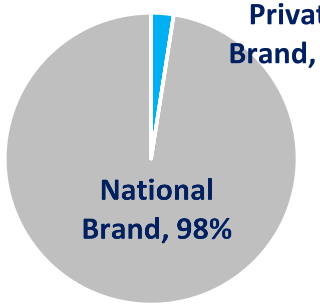
MARKET DYNAMICS

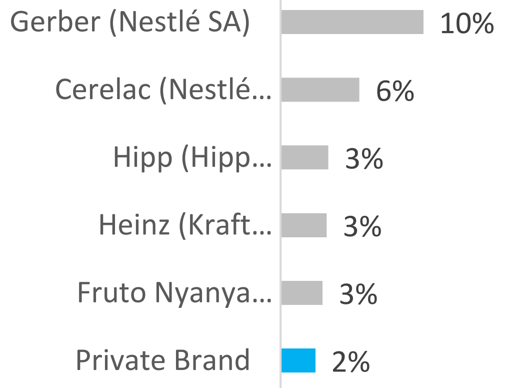
GLOBAL MARKET

Brand Share, Value 2022



PB performance vs year ago: +7.5%

Top 5 Brands, Value Share 2022



HISTORIC

+ 4.9%

MARKET **ACCELERATING CAGR**

FORECAST

+ 1.4%

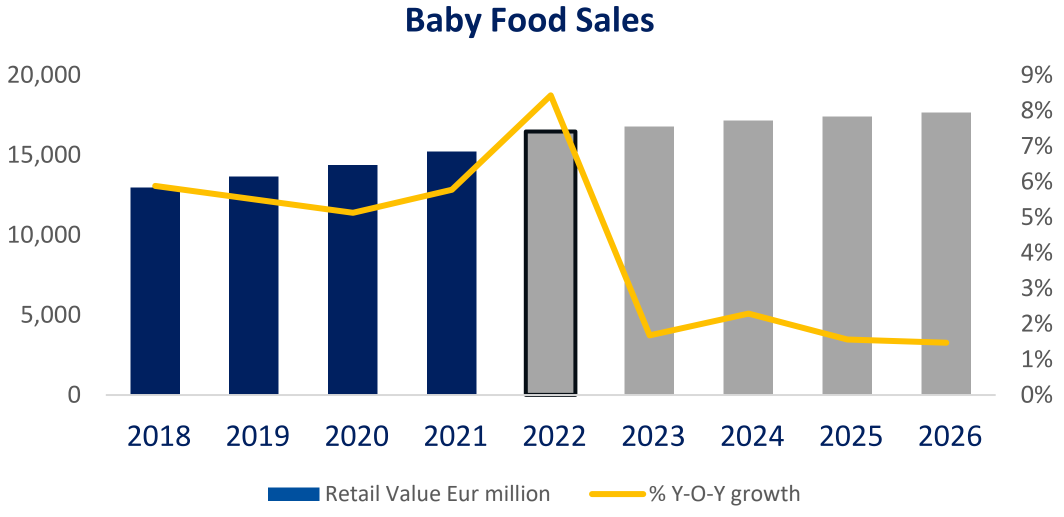
HISTORIC

Incremental

Growth

27.2%

€ 3,521M



FORECAST Incremental Growth

+7.2%

€ 1,182M

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Source: Euromonitor, Retail Value RSP, EUR million

TOP 15 MARKETS

On average, the top 80 countries in Baby Food sales have presented a slight volume sales decline (-0.2%), whereas value sales maintain growth (+1.6%).

Russia was the region with the strongest contribution to sales, although volume sales have declined -2% versus the previous year.

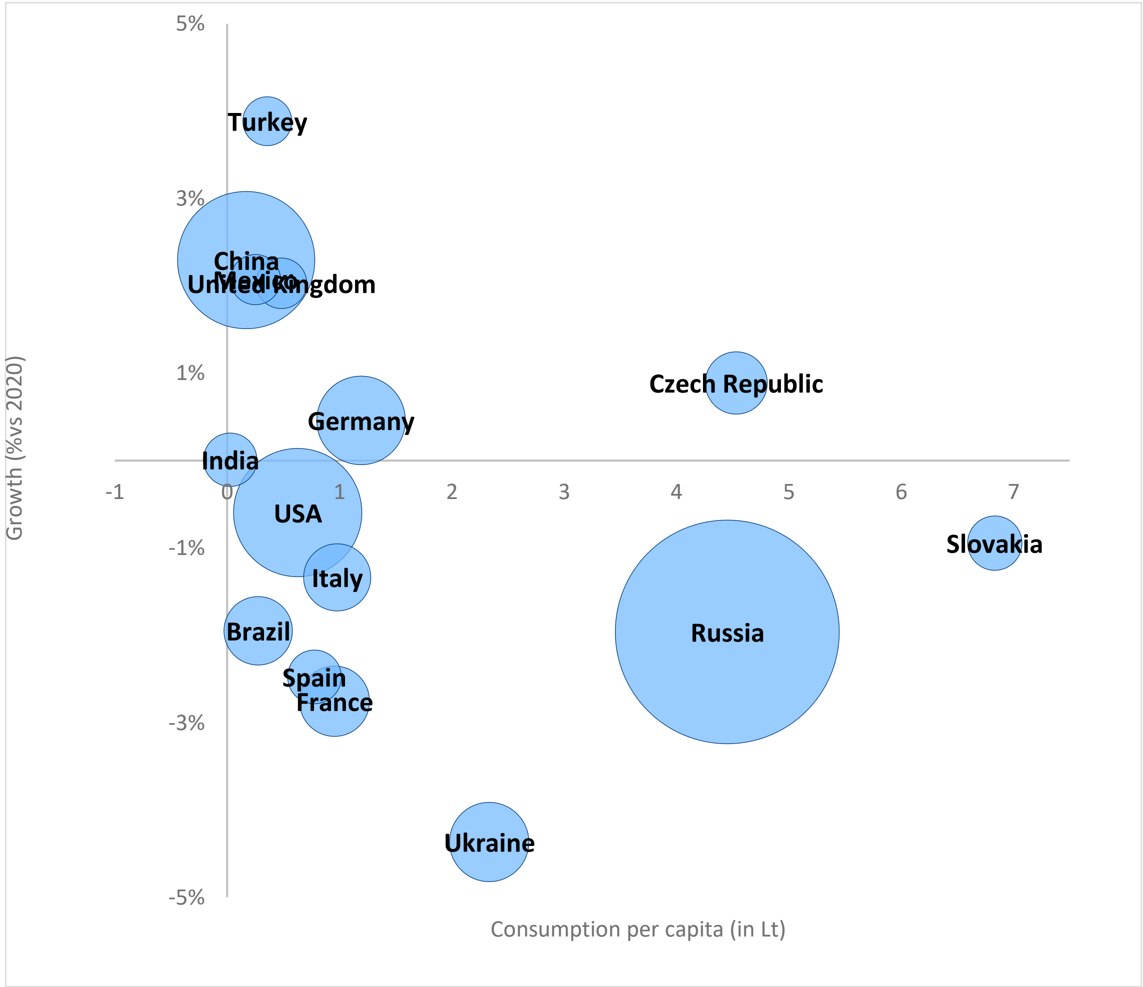
China occupies the 2nd position, with volume sales growing by +2.3%. In the region, parents are paying more attention to their children's nutritional requirements, with a focus on what benefits new items can offer. Thus, baby foods with added nutrients and probiotics are becoming especially popular among Chinese Mothers.

Turkey was the region with the fastest sales growth (+4%), whereas Slovakia takes the lead in per capita consumption (6.8kg per capita).

TOP 80 MARKETS PERFORMANCE VS YEAR AGO:

VOLUME	VALUE
-0.2%	**+1.6%**

TOP 15 MARKETS BY 2022 VOLUME SALES, 1000'S TONNES



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Source: Euromonitor 2023 and 2022 data, Retail Volume (Tonnes), top 80 markets; (1) Euromonitor: Baby Food in China 2022

PRIVATE BRAND PERFORMANCE

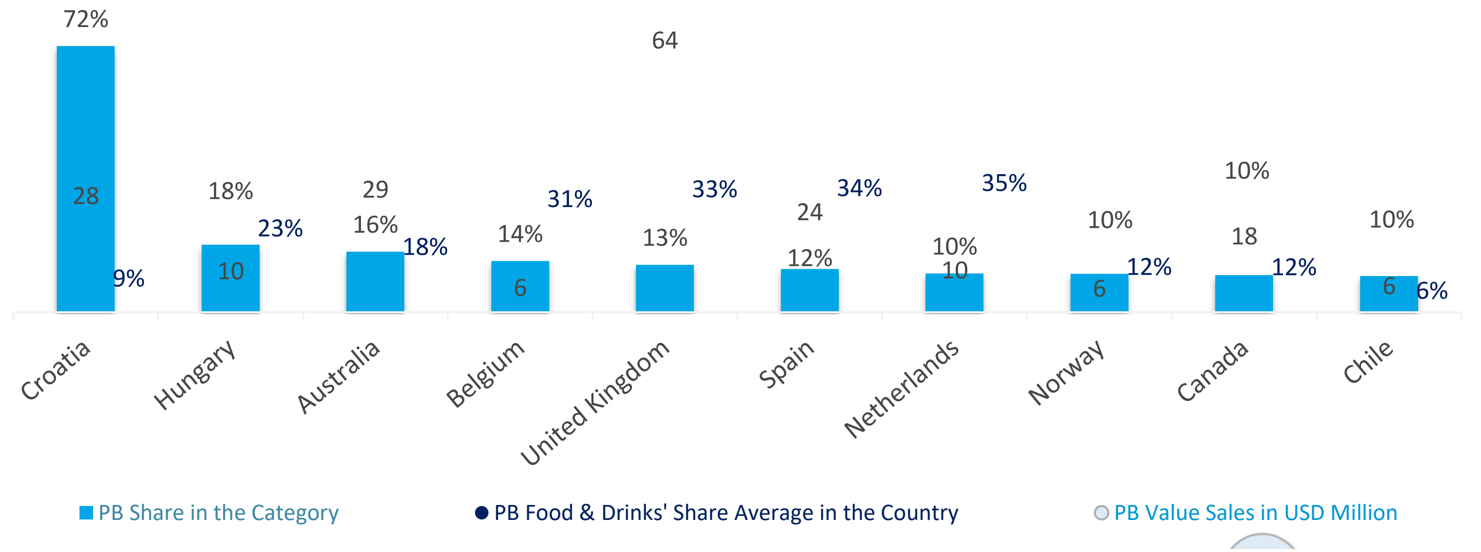
The category Private Brand share is inferior to the country average in 8 of the listed countries, which highlights that there is still high potential to further develop PB in the category.

The country with the highest PB sales share in the category was Croatia (72%). In the region, while Podravka dd remains the leading branded player in 2022, Private Label continues to hold the dominant retail value share. This share is presenting solid growth due to the existing inflationary pressure, as well as a rise in availability, through the expansion of dm-Drogerie Markt stores and its Private Brands in the country.

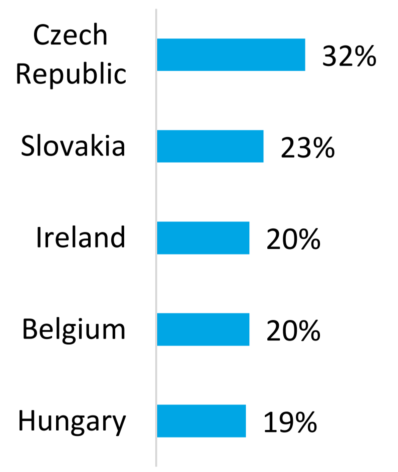
The UK takes the lead in PB value sales in the category, although PB only presents a share of 13%. In the region, the average unit price of all baby food is already rising above inflation, reflecting the rising costs of materials and production costs, and is expected to keep going up.

The region with the highest PB sales growth was the Czech Republic (+32%), followed by Slovakia (+23%).

TOP 10 MARKETS IN PB SHARE, 2022



TOP 5 MARKETS IN PB SALES GROWTH (22 VS 21)



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Source: Euromonitor, 2023, 2022 data, Retail Value RSP, Current Prices, Fixed 2020 Exchange Rates, EUR million, top 80 markets; (1) Euromonitor: Baby Food in Croatia 2022; (2) Euromonitor: Baby Food in the United Kingdom 2022

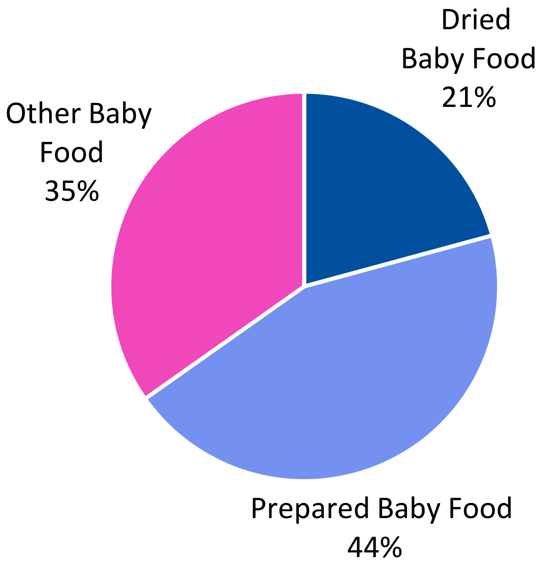
CATEGORY SALES STRUCTURE

The subcategory driving the strongest volume of sales in Baby Food was Prepared Baby Food, with a sales share of 44%.

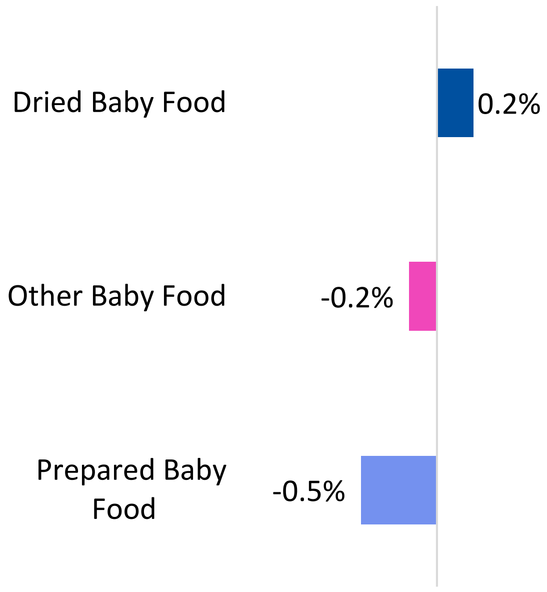
It was followed by Other Baby Food, with 35%, and comprising items such as baby rusks, teething biscuits, baby fruit juices, and baby herbal tea.

While accounting for the lowest sales share, Dried Baby Food was the only subcategory with sales growth compared to the previous year, even though it was a slight increase (+0.2%).

CATEGORY SALES STRUCTURE, 2022 VOLUME SALES, 000 TONNES



VOLUME GROWTH 2022 VS 2021



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CATEGORY/PRODUCT TRENDS & INNOVATIONS
- EUROPE -

NEW LAUNCHES BY BRAND TYPE

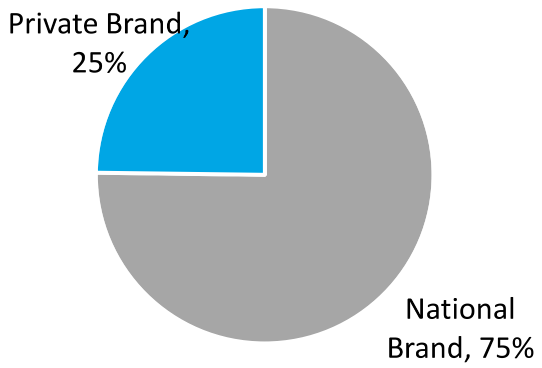
Between April 2022 and March 2023, 758 new Baby Food items were introduced in the European market.

National Brands were the biggest drivers of innovation, being responsible for 75% of new items in the category.

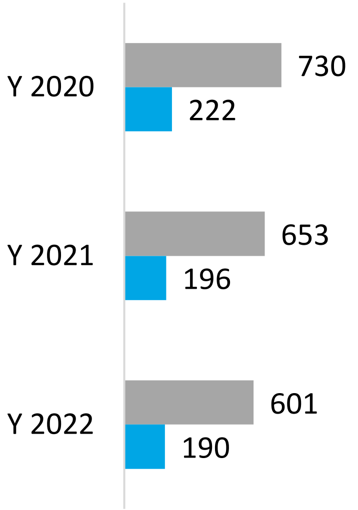
Nonetheless, for both brand types, the number of Baby Food items has been gradually decreasing in the last 3 years, with NB declining at a faster pace.

In NB and PB, most of the new items corresponded to a new variety of existing ranges, whereas less than 30% were completely new items.

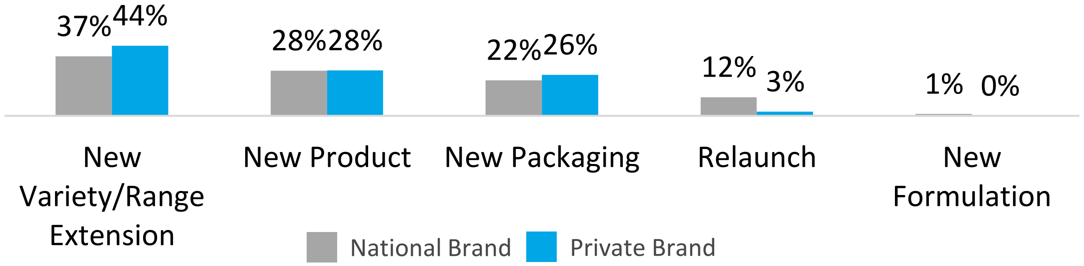
LAST 12 MONTHS



#NEW LAUNCHES 3 YEARS EVOLUTION



TOP LAUNCH TYPES, LAST 12 MONTHS



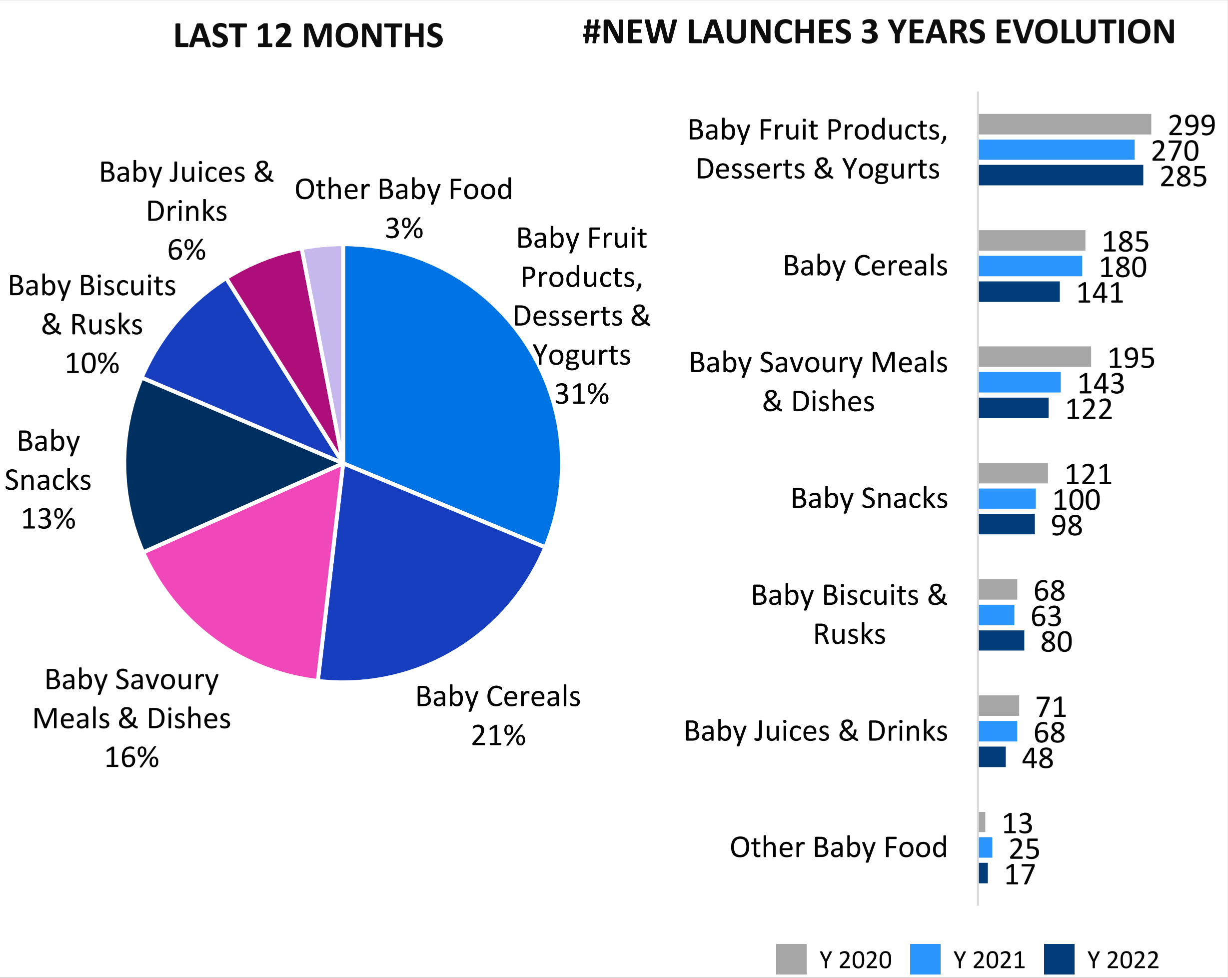
Source: Mintel GNPD, Europe, 12 months (April 2022 to March 2023) and last 3 complete years.

NEW LAUNCHES BY SUBCATEGORY

The subcategory with the highest launch share was Baby Fruit Products, Desserts & Yogurts, accounting for nearly one-third of the new products in the market.

Baby Cereals occupies the second position (21% launch share), followed by Baby Savory Meals & Dishes (16%).

Most subcategories contributed to the experienced launch decline in 2022 versus 2021, apart from Baby Fruit Products, Desserts & Yogurts, and Baby Biscuits & Rusks.



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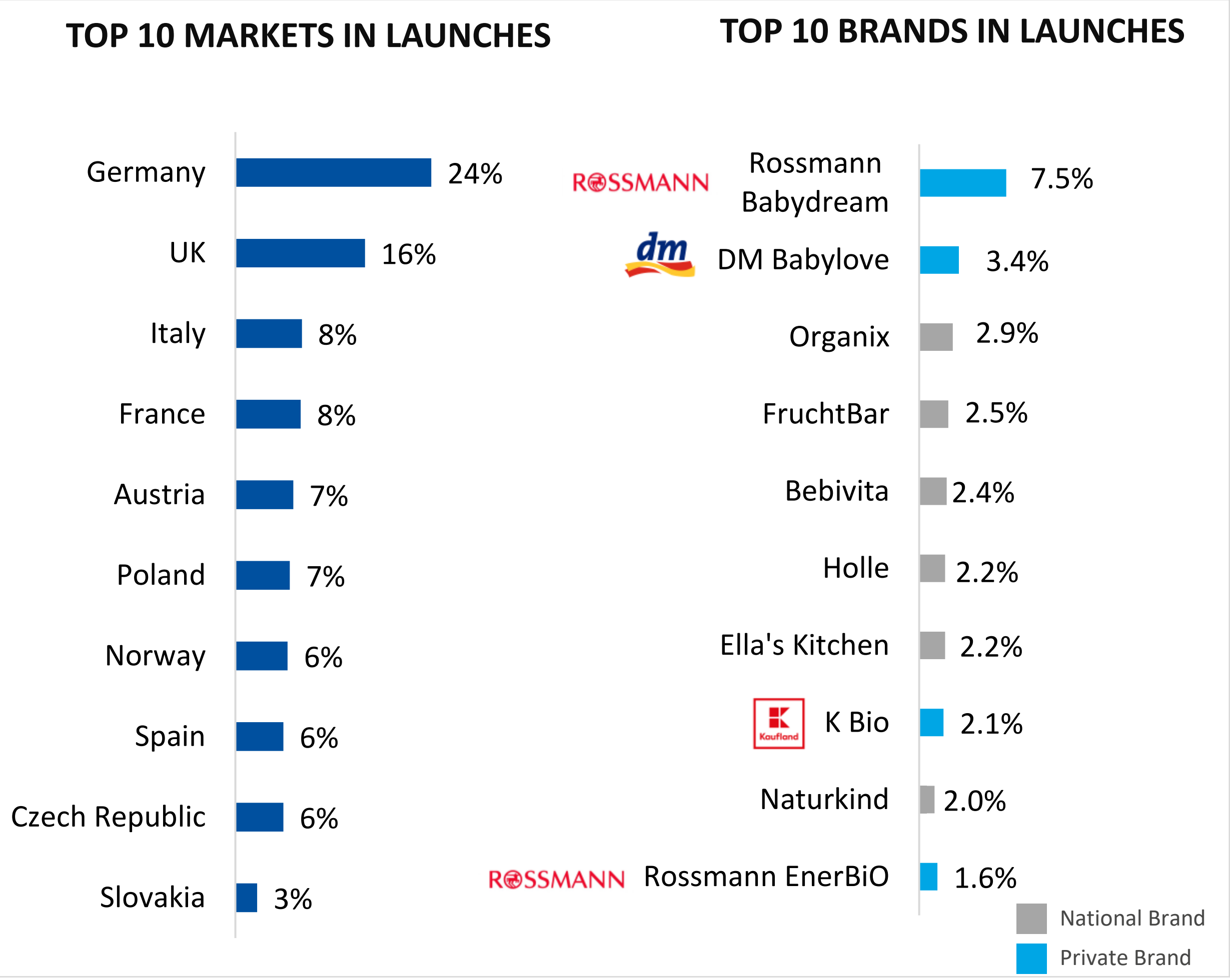
TOP MARKETS AND BRANDS IN NEW LAUNCHES

Germany was the region responsible for the highest number of launches during the analyzed period (180 new products), followed by the UK (119 new products), and Italy (61 new products).

PB accounts for one-fourth of new launches and is responsible for 4 of the top 10 brands.

Rossmann is the PB player with the most brands in the list, as well as the most innovative brand (Rossmann Babydream). Nevertheless, there are also listed brands from DM-Drogerie and Kaufland.



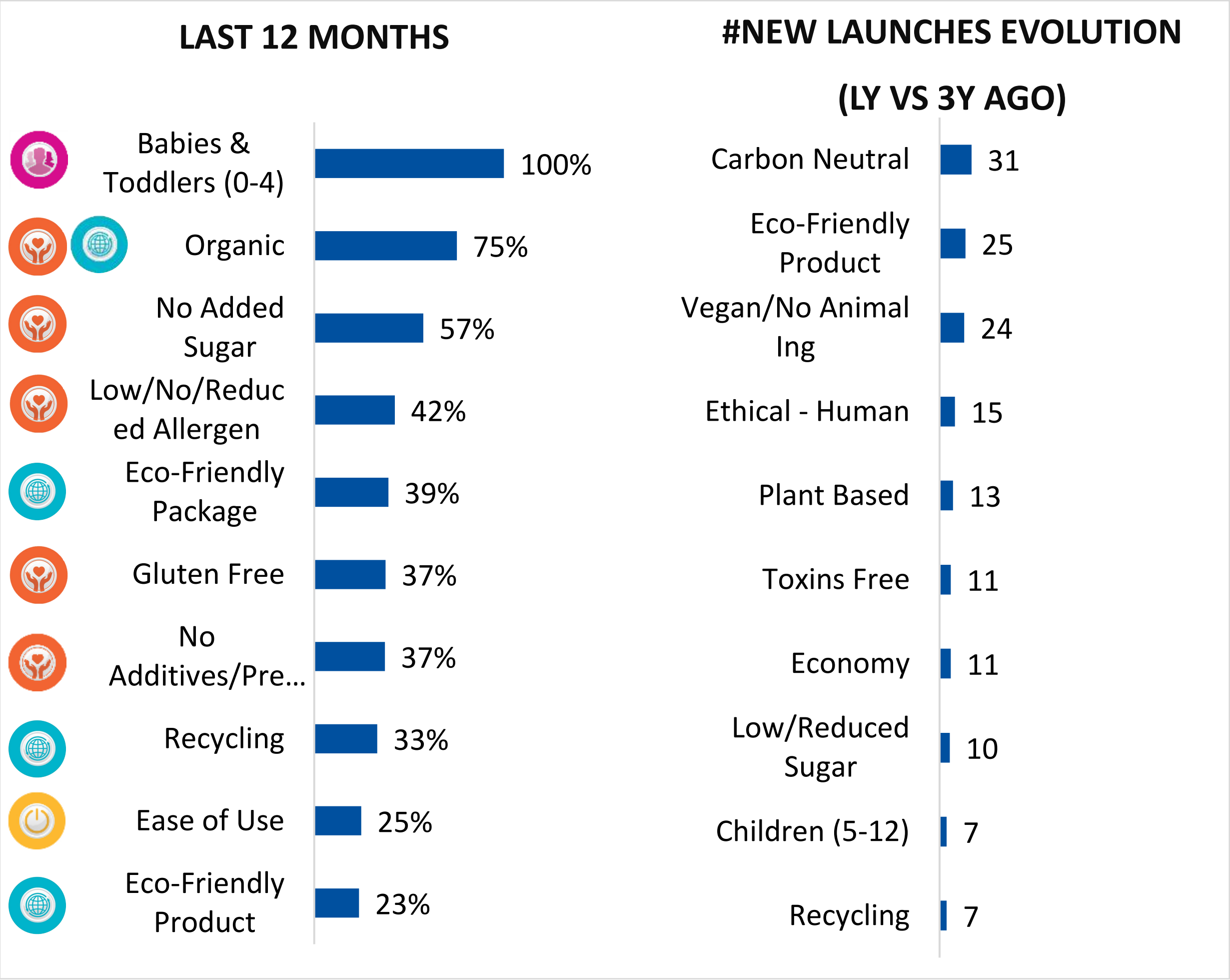
PB SHARE IN NEW LAUNCHES: 25%

Source: Mintel GNPD, Europe, 12 months (April 2022 to March 2023).

TOP CLAIMS IN NEW LAUNCHES

Health and environmental-related claims were the most popular claim themes in new launches, in the last 12 months. Organic and No Added Sugar were the most present claims following the Babies & Toddlers (0-4) claim which was present in all product launches due to demographic segmentation associated with this category.

Carbon Neutral, Eco-friendly product, and Vegan/No Animal Ing are the fastest-growing claims in new launches, in the last 3 complete years. From those, Eco-Friendly Product is also present in the top claims of new launches in the last 12 months, pointing out sustainability's relevance.



PB SHARE IN NEW LAUNCHES: 25%

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Source: Mintel GNPD, Europe, 12 months (April 2022 to March 2023). Growth= Difference in the number of launches LY vs 3Y ago.

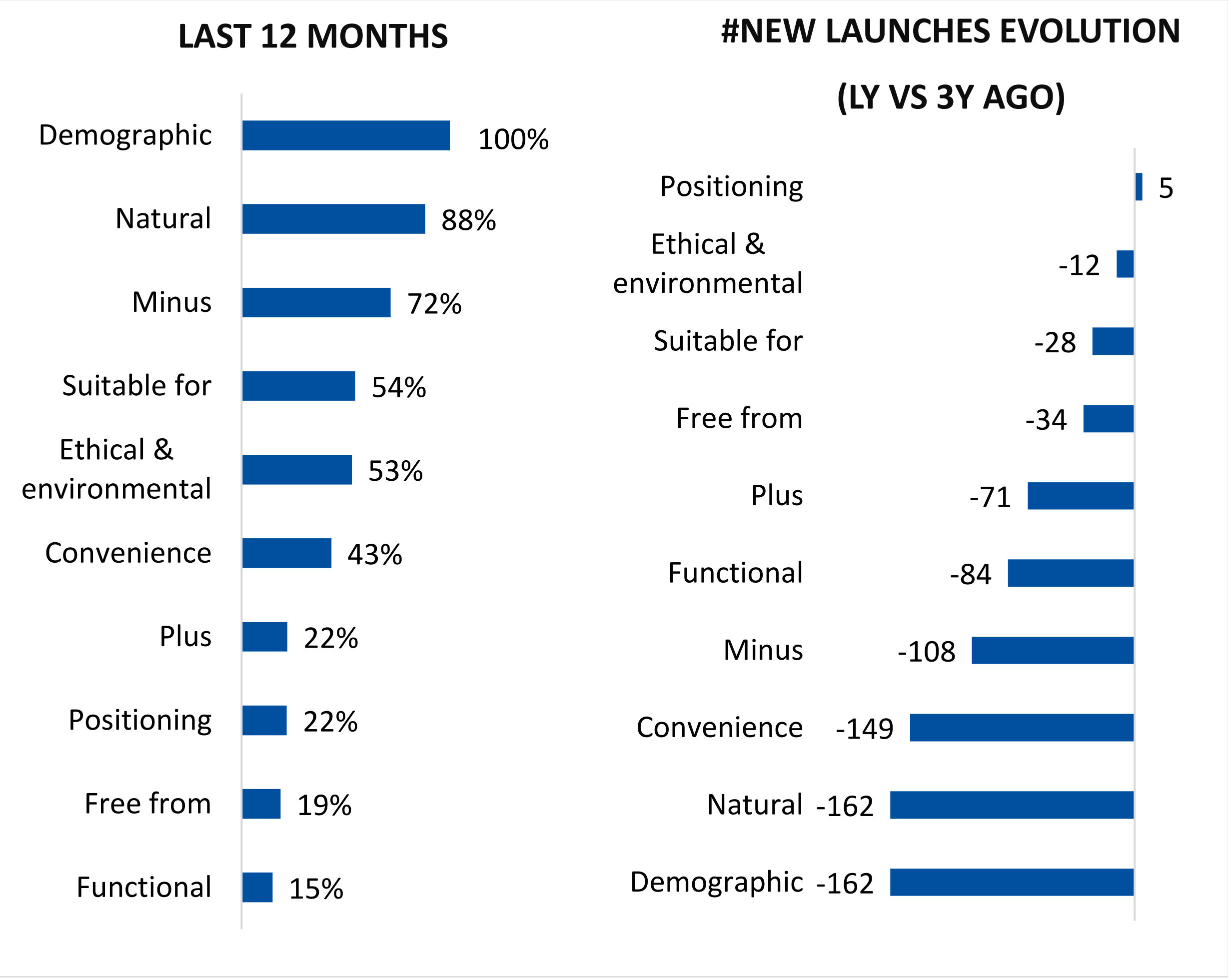
TOP CLAIMS GROUPS IN NEW LAUNCHES

KEY FINDINGS:

Demographic, Natural, and Minus are the core claims for the Baby Food category.

OPPORTUNITIES:

Only positioning claims are growing in the category, being the main opportunity for new developments in Baby Food. However, although the remaining claims categories are decreasing due to the general reduction in the number of launches in the category, Ethical & environmental, Suitable for, and Free from are the ones that are decreasing less and should also be considered for new opportunities being present in the top 10 claim categories in the last 12 months.



PB SHARE IN NEW LAUNCHES: 25%

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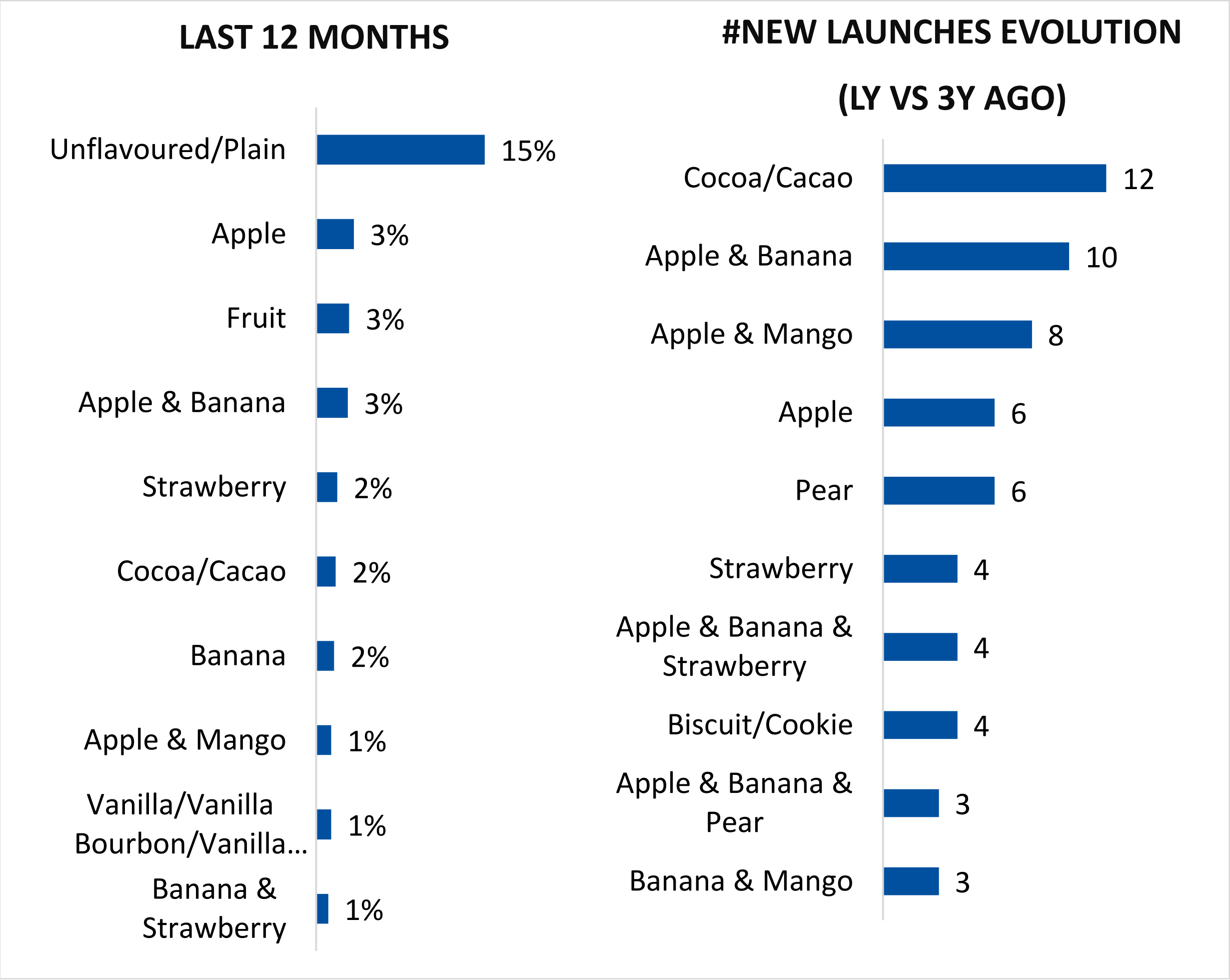
Source: Mintel GNPD, Europe, 12 months (April 2022 to March 2023). Growth= Difference in the number of launches LY vs 3Y ago.

TOP FLAVOURS IN NEW LAUNCHES

Unflavored/Plain displays the strongest launch share, since it characterizes 57% of Other Baby Food items, 40% of Baby Biscuits & Rusks, and one-third of Baby Cereals new items.

Among flavored items, the most popular flavor was Apple, with the highest share in Baby Juices & Drinks. In the list, it is possible to encounter several other fruit flavor combinations with banana, strawberry, and mango, among others.

While fruit combinations are frequent, Cocoa/Cacao was the flavor with the fastest growth in the last 3 years.



PB SHARE IN NEW LAUNCHES: 25%

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Source: Mintel GNPD, Europe, 12 months (April 2022 to March 2023). Growth= Difference in the number of launches LY vs 3Y ago.

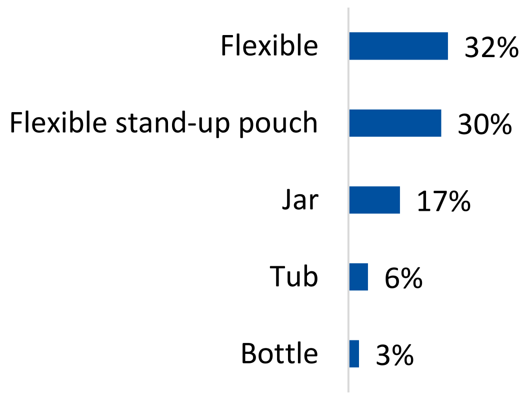
TOP PACKAGES IN NEW LAUNCHES

Flexible is the package type with the highest share, representing most of the Baby Snack, Baby Biscuits & Rusks, and Baby Cereal launches. It is followed by the Flexible Stand-up Pouch, which was the most common package in Baby Fruit Products, Desserts & Yogurts.

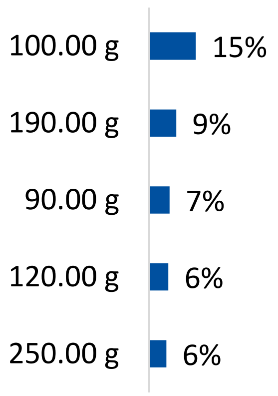
In terms of capacity, 100G was the most frequent, mainly due to the Baby Fruit Products, Desserts & Yogurts subcategory. 190G occupies the second position mainly seen in Baby Savory Meals & Dishes.

As the majority of Flexible Stand-up Pouches used Multi laminate, this was the material with the highest launch share. It is followed by Plastic unspecified which is present in one-fifth of launches. As plastic unspecified is not recyclable, it is highlighted that these items are not in line with the consumer's growing sustainability concerns.

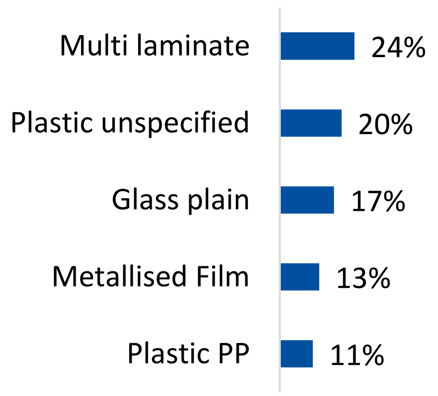
TOP PACKAGE TYPES, LAST 12 MONTHS



TOP PACKAGE SIZES, LAST 12 MONTHS



TOP PACKAGE MATERIALS, LAST 12 MONTHS



PB SHARE IN NEW LAUNCHES: 25%

Source: Mintel GNPD, Europe, 12 months (April 2022 to March 2023).

DAYMON'S GLOBAL TRENDWHEEL™

KEY CONSUMER TRENDS IMPACTING THE CATEGORY

B-Well

Parental expectations are moving beyond vitamin and mineral fortification and are seeking out additional benefits such as pre-and probiotics. Amid the COVID-19 pandemic, brands are emphasizing stronger functional health benefits, including claims about immunity and brain/nervous system wellness. Meanwhile, natural and organic infant milk and meals are becoming more popular among parents.

One World

While consumers expect companies to address packaging material use, parents expect brands to take a more holistic approach to sustainability. Renewable energy sources, reduced food miles, and carbon-neutral production are among the expectations. Plant-based additives may find their way into baby food, appealing to flexitarian parents seeking a better and more sustainable option.

VALUable

While food safety and quality remain a concern, brands can demonstrate a higher standard of safety and quality through organic certifications. Plant-based ingredients have the potential to be a premium concept that adds value to products. To add value, baby food brands are also incorporating pre-and probiotics, as well as high fiber and protein.

FUNCTIONAL HEALTH BENEFITS AND MORE NATURAL PRODUCTS

66% of parents in China would be enticed to buy a baby food and drink if it had added probiotics.

70% of parents of children under the age of 3 in the US consider fruit/vegetable content an important purchase factor.

51% of US parents of children under 3 are concerned about the sugar content in baby/toddler food.

51% of Spanish parents agree that plant-based protein in baby/toddler food is healthier than animal-based protein.

PRIVATE BRAND

Organic Blackcurrant-Apple Fruit Softies, Müller, Austria

This vegan product is described as a fruit snack from fruit juice concentrates and fruit puree, made with 100% natural ingredients, suitable from three years of age, and ideal for small hands. It is free from gluten, lactose, added sugar, and preservatives, contains naturally occurring sugars, and retails in a 35g pack bearing the BIO and EU Organic logos.

NATIONAL BRAND

Cereals and Fruits Instant Porridge, Laboratorios Ordesa, Spain

This product provides optimum nutrition that meets the baby's needs for essential micronutrients from five months of age. It is high in calcium, iron, and vitamin content. It has 0% added sugar and is made from a balanced mixture of eight cereals including wheat, rice, oats, barley, rye, corn, spelt, and triticale, and fresh fruits, such as orange, apple, banana, pineapple, pear, and kiwi using an exclusive production system that adapts the composition of cereals to the degree of digestive maturation of the baby.

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Source: (1) Mintel: A year of innovation in baby milk and food, 2022; (2) Mintel: The future of baby food and milk, 2022

HOLISTIC APPROACH TO SUSTAINABILITY

77% of parents in Spain are concerned about the environmental impact of baby/toddler food and drink packaging.

20% of US parents with children aged 5 and under choose to eat plant-based protein because it is better for the environment than meat.

PRIVATE BRAND

Organic Semolina Porridge, Dirk Rossmann, Germany

This climate-neutral product is suitable from five months of age and is made without added sugar, milk, and dairy products. It retails in a 250g resealable pack consisting of at least 85% recycled material and printed with mineral oil-free ink. It is made with selected, sustainable organic ingredients and has the logo/certifications of Bioland, Bio, EU Organic, FSC Mix, and Klimaneutral (Carbon Neutral).

NATIONAL BRAND

Organic Muesli for Babies, Holle Baby Food, Spain

Made with carefully selected 100% wholegrain cereals, the product is suitable for babies from six months over and free from milk and added sugars. Sustainable from the beginning, the product is made exclusively with ingredients from biodynamic organic farming that have been strictly controlled that protect animals, the soil, and the environment; while also maintaining ethical and long-term relationships with organic farms. It retails in a 100% recyclable pack made with 85-95% recycled paper and printed with mineral oil-free ink bearing the Climate Positive and EU Organic logos.

Source: (1) Mintel: A year of innovation in baby milk and food, 2022; (2) Mintel: The future of baby food and milk, 2022

A HIGHER STANDARD OF FOOD SAFETY AND QUALITY THROUGH INFORMATION AND CERTIFICATIONS

38% of German parents with children aged 4 and under would pay a premium for organic food and drink that was produced locally.

90% of Italian parents say that knowing more about how baby/toddler food and drink are made would make them trust the products more.

PRIVATE BRAND

Organic Rice Meal with Chicken and Curry, REMA 1000, Norway

This organic meal with rice, vegetables, chicken, coconut, curry, and ginger was developed by Michelin-star chefs with a focus on consistency, good ingredients, and good flavours. It is suitable for babies from six months of age and is made with vegetables, cold-pressed rapeseed oil, and extra virgin olive oil. The manufacturer is constantly working to take steps forward regarding animal welfare, ecology, and sustainability and the product has the Debio Organic and EU Organic logos/certifications.

NATIONAL BRAND

Blueberry, Banana & Quinoa Baby Food, The Infant Food, Australia

The premium baby meal is described as a puree of real organic food, bursting with certified organic plant-based ingredients. It is suitable for babies from six months onwards and is made in Australia from at least 11% Australian ingredients. It is kosher, vegetarian, and vegan friendly and is free from GMOs, added sugar, and artificial ingredients.

Source: (1) Mintel: The future of baby food and milk, 2022

BEYOND THE FRAME

WHERE	**Country:**	• USA
	Company:	• Serenity Kids
	Brand:	• Serenity Kids

WHAT

Serenity Kids launched the first-ever low-sugar, dairy-free smoothie pouches with grass-fed collagen for children.

There are four of the Dairy-Free Smoothie + Protein pouch varieties for kids to try: Berry Butternut, Pumpkin Spice, Sweet Potato Spice, and Beet & Carrot.

With this release, the brand is introducing the first-ever baby food products on the market to include protein from grass-fed collagen. "Collagen continues to trend as a result of its many health benefits, but babies and toddlers have been left out," said Serenity Carr, co-founder and CEO of Serenity Kids, in a press release, "Young children may not always get enough protein from their normal diet, so collagen can be an effective supplement during this critical time of growth."

TRENDS

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Source: Trend Hunter

We build brands

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INTERNATIONAL DEVELOPMENT CENTER
For more insights and recommendations for driving your Private Brand, contact: idc@daymon.com

APPENDIX 1
- CATEGORY DEFINITIONS -

SUBCATEGORIES DEFINITION

MARKET DYNAMICS

Dried Baby Food

Products that require the addition of water before consumption, and which are usually sold in packets. Cereals and dehydrated soups are also included. Please note that retail volumes are shown in terms of as sold, and are not reconstituted volumes. Leading global brands include Nestlé, Cerelac, Gerber, Mucilon, Milupa, Nestum, Heinz, Quaker, and Nutricia.

Prepared Baby Food

Baby products sold in jars, cans or retort flexible pouches which do not require any cooking preparation other than heating. Includes pureed food, yogurts, chilled desserts, soup, desserts, ice cream marketed for babies. Leading global brands include Gerber, Plasmon, Blédina, Hipp, Nestlé, Heinz, Mellin, Nipiol.

Other Baby Food

Any other products marketed for babies are included here; examples may include baby rusks, teething biscuits, baby fruit juices, baby herbal tea, etc. Leading global brands include Gerber, Plasmon, Milupa, Hipp, Nestlé, Alete.

SUBCATEGORIES DEFINITION

CATEGORY/PRODUCT TRENDS AND INNOVATION

Baby Biscuits & Rusks

This subcategory is for all biscuits, rusks and crackers positioned for babies and toddlers.

Baby Cereals

These products are often a baby's first introduction to solid food and are commonly in powdered format but may also be ready to eat in jars or pots. Breakfast cereals marketed at babies, like corn flakes for babies are also categorised here. Includes semolina, porridges and creamed rice.

Baby Fruit Products, Desserts & Yogurts

Products in this subcategory include single fruits purées, multi fruits purées, fruit and cereal combinations, milky desserts, yogurts as well as fruit pieces specified for babies & toddlers. Fruit flavoured snacks should be categorised under Baby Food - Snacks.

Baby Juices & Drinks

Beverages for babies in all formats (including beverage mixes and concentrates). Includes fruit juices and fruit and cereal drinks, as well as drinks that claim to also be a meal, and water specific for babies. Milk drinks and formulas should be categorised under the relevant formula and growing up milk subcategories.

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SUBCATEGORIES DEFINITION

CATEGORY/PRODUCT TRENDS AND INNOVATION

Other Baby Food

This category includes food items designated for babies and toddlers that do not fall into the other subcategories. Includes products such as cheese for babies, individual sauces for pasta, and separate pasta items, as well as dressings for babies. Excludes products intended to treat dehydration or medical conditions (these fall under Healthcare).

Baby Savoury Meals & Dishes

These products range from vegetable purées, soups, meat preparations, mixed vegetable purées, vegetarian menus (complete meals), complete vegetable meals with meat or fish, and all other complete meals.

Baby Snacks

Items positioned as snacks for babies belong under this subcategory unless they are items that call themselves snacks but are actually puddings, biscuits, etc. These should be categorized under the relevant subcategories. While this subcategory includes fruit-flavoured snacks, snacking fruit should be categorized under Fruit Products, Desserts & Yogurts.

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APPENDIX 2
- ENLARGE PRODUCT PICTURES -

B-WELL

PRIVATE BRAND

Organic Blackcurrant-Apple Fruit Softies - Müller Beauty Baby Kiddys, Müller, Austria, Q3 2022

NATIONAL BRAND

Cereals and Fruits Instant Porridge - Ordesa Blevit Plus Duplo, Laboratorios Ordesa, Spain, Q1 2023

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Source: Mintel GNPD, Europe, 12 months (April 2022 to March 2023).

ONE WORLD

PRIVATE BRAND

Organic Semolina Porridge - Rossmann EnerBiO, Dirk Rossmann, Germany, Q1 2023

NATIONAL BRAND

Organic Muesli for Babies – Holle, Holle Baby Food, Spain, Q1 2023

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Source: Mintel GNPD, Europe, 12 months (April 2022 to March 2023).

VALUABLE

PRIVATE BRAND

Organic Rice Meal with Chicken and Curry – Kolonihagen, REMA 1000, Norway, Q1 2023

NATIONAL BRAND

Blueberry, Banana & Quinoa Baby Food - Bubs Organic Plant Burst, The Infant Food, Australia, Q2 2022

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Source: Mintel GNPD, Europe, 12 months (April 2022 to March 2023).

APPENDIX 3
- THE GLOBAL TRENDWHEEL -

THE GLOBAL TRENDWHEEL™

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THE GLOBAL TRENDWHEEL™

IDentity

Societies are transforming, driven by shifting demographics, economic pressures, technology, and a newfound outlook around embracing individual differences. This increasingly diverse population has varying and specific needs, resulting in changing expectations of products and retailers as well as new buying behavior.

B-Well

Health and Wellness has become a mainstream desire and is no longer limited to a niche group. Consumers have a wide range of wellness aspirations, from simply looking to extend beyond traditional routines to achieving an ideal state of holistic well-being. This pursuit is driving demand for total solutions that are tailored to specific lifestyles and unique health needs.

Always On

On As global digital adoption and seamless integration quickly accelerate, the lines between the physical and digital continue to blur. A broadened ease of using technology, desire for connection, and expectations of “anytime, anywhere” will continue to evolve retail and propel innovation forward.

One World

With historically unprecedented population migration and advances in technology, we have become globally linked. Interconnectedness is influencing behaviors towards global environmental issues and the desire for community both locally, and beyond borders. There is a growing awareness that what we do as individuals affects the whole world – and vice versa.

JOYment

In an increasingly turbulent world, consumers are looking for ways to drive satisfaction and happiness in everyday life. As a result, demand for products, services and experiences that deliver enhanced engagement, simple joys, and empowerment is becoming more pronounced.

VALUable

The definition of value is evolving, and one size does not fit all. Consumers are assigning value across multiple dimensions based on their personal needs such as quality, transparency, budget, and accessibility to reach a balance. Addressing this balance is key as shoppers are becoming more selective and mindful in their spending.