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14 July 2012 | By Jules Leyland

Focus on Free-from: From medicine to mainstream?

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The free-from market is growing fast, but sceptics claim it has become faddish. How much long-term potential is there?

The irony of the free-from market is that it attracts a lot of intolerance: intolerance of the medical symptoms for which the market was originally developed, and intolerance of the growing number of consumers who claim to have symptoms in the first place.

The fact that this now 240m market has grown as fast as it has in recent years - up 15.5% in the past year [Kantar Worldpanel 52 w/e 15 April 2012] on the back of 14.5% and 16.8% growth in 2010/11 and 2009/10 - only heightens the palpable sense of irritation among sceptics and when you consider that only 1% of the population suffers from coeliac disease [Coeliac UK], and only 2% of the population has a food allergy [Allergy UK], cynics will be all the more irritated to learn that penetration has increased in the past year from 44% to 46% - almost half the population - while the average frequency of purchase is up to 7.3 times a year, and average spend up from 2.58 to 2.80.

So whats going on? Are we turning into a nation of hypochondriacs? Is free-from about to hit the buffers? Can it honestly grow any bigger?

It seems it can. Mintel predicts the market will double to £519m by 2016. The forecast is predicated, at least in part, on the US market, which at $2.64bn, is at least double the size per capita, and has grown 30% since 2006.

All the same, the growth of free-from has prompted some experts to question the sustainability of the category. Dr Elizabeth Stone, president of US company Sloan Trends, has argued that the growth is simply unsustainable. The gluten-free trend does not have legs, she says. Its a good and strong market but its out of proportion - far larger than warranted by the proportion of Americans who require it.

With the US reputation for faddish diets, Stones hunch is hardly surprising - and its growth in the US has been linked, at least in part, to the endorsement of a free-from diet on non-medical grounds. Kim Kardashian, the hugely influential US reality TV star and model, attributes her figure to a gluten, dairy and sugar-free diet. And other celebrities like Victoria Beckham, Gwyneth Paltrow, Chelsea Clinton and Rachel Weisz have also extolled the virtues of a gluten-free diet.

Its received endorsement not only thanks to its reputation for losing weight. Last year Novak Djokovich attributed his improved performance to a gluten-free diet after he was diagnosed as a coeliac. Not to be outdone, Wimbledon final hero Andy Murray and Olympics athlete Andrew Steele have switched to a gluten-free diet - on non-medical grounds in both cases - and reported an improved performance.

Focus on Free-from: how dairy-free has gone nuts

Dairy-free is growing faster than any other free-from category, even though innovations such as lactofree milk and soya-based products are well established.

Thats not to say NPD is thin on the ground. Lactofrees launch into ice cream with the first lactofree ice cream (see Innovations, p56) comes as overall sales of the brand have leapt 35% [Nielsen 52 w/e 14 April 2012], supported by the development of Tescos new chilled free-from bay - where Lactofree can showcase all its range.

Market leader Alpro has also been busy. It currently has a 62% share [Nielsen MAT 28 April 2012], and earlier this year launched the categorys first-ever luxury yoghurt - Soya Fruity & Creamy. Meanwhile, volume sales of its first yoghurt for kids, Alpro Junior 1 plus, launched in 2010, were up 40% in the last quarter.

With Nielsen valuing dairy-free at Â£132m [panel data 31 March 2012], new brands and innovation are set to grow it even further.

Goats milk specialist Delamere moved into soy last October. We developed a different taste with our soy drink to differentiate us from the brand leaders, sales and marketing director Pat Brunt explains. And it also recently launched on-the-go soya shakes in chocolate and vanilla.

Delameres move into soya, which has 88% of value share in dairy-free [Nielsen 52 w/e 29 October 2011] seems sensible, but Alpro itself diversified into nut milks, launching hazelnut and almond milks in January. In the US, almond milk is drunk by about 9% of the population and there is a fast-emerging market this side of the pond, says commercial director John Allaway.

With the biggest brand in the US, Almond Breeze, also entering the UK with four almond milk variants, and Tesco launching almond and hazelnut milks in March as part of its new chilled free-from range - which also includes soya and coconut milks, free-from cheese and rice puddings - it seems everyones gone nuts in the free-from milk department.

Other free-from suppliers are also trying to ensure products tick the dairy-free box. Hale & Hearty, best-known for its gluten-free baking mixes, cereals and snacks, recognises the importance of the rise in dairy-free diets, with over 90% of its range dairy-free, including its new range of sweet snacks.</p>

Health and wellbeing concerns, then, are influencing the growth of free-from foods just as much as medicinal ones. Consumers will often choose a free-from diet for themselves and their family as a healthier alternative, irrespective of whether or not they suffer from medical allergies, says Marco Fontana Ros from Little Pasta Organics.

And there are lots of reasons why - whatever happens in the US - the free-from market here is expected to grow further.

One important factor is better diagnosis. Though it has drastically improved in the past 30 years, if findings already published in Finland are replicated here, coeliacs disease could actually affect not 1:100, as is currently estimated, but 1:50. In the meantime, with greater awareness of food allergies and food intolerance, the number of foods prescribable under the NHS has reduced (at least for some trusts), adding up to an extra Ã□Â£100m in retail sales, according to Dr Schar.

The case for subsidy of free-from foods has been made harder by recent high-profile stories about the inefficiencies of the NHS supply chain. In one example, the NHS Trust in Rotherham found the bill for two pizza bases - originally costing Ã□Â£8.95 - rose to Ã□Â£34 by the time manufacturing, handling and delivery fees were added. Some argue the charges are justified, and say there is a real need to ensure allergy sufferers are able to access the right products. But the huge choice of products now available both in-store and online, means prescription foods may simply disappear, particularly as prices fall.

Quality

Another reason for the success of free-from food is the step up in quality. Ten years ago many free-from products tasted so bad you might as well have eaten the packaging, recalls Jeremy Woods, MD of

Mrs Crimble. Now, Mrs Crimbles Choc Macaroons are the top-selling cake item in one of the UKs largest department stores, he claims.

Hale & Hearty - another free-from brand thats making waves with its quality offering - has won more than 15 Great Taste Awards. And a dairy-free Swiss cheese called Vegusto, which won the FreeFrom Food Awards, was so good you would not even notice it was dairy-free, said judges chair Michelle Berridale-Johnson.

Hamish Renton, of Hamish Renton Associates, helped Tesco to develop its first free-from range. Hes impressed with the developments. With the gradual reformulation of existing products and the introduction of new healthier products coupled with better packaging to extend shelf life, consumers are now getting real taste satisfaction from free-from products.

Once spartan and functional, free-from products now embrace regular consumer trends. Nakd, for example, has used retro flavours such as rhubarb and custard in its cereal bars and snacking products, and is the fastest-growing brand in the healthy biscuits category [Kantar Worldpanel 52 w/e 19 February 2012] and the innovation pipeline, far from slowing down, is actually speeding up. Take the gluten-free bread market. The first gluten-free bread came in a tin. With the launch of Genius and Warburtons into the market, some serious money is now being invested in to the category to deliver products that look and taste like regular bread.

Focus on free-from: Free-from food for kids has become a family affair

"Intolerance is no respecter of class, race or age," says free-from expert Hamish Renton, <b>and with 8% of children having food allergies compared with 2% of the population, its an important market. And imminent new research will suggest coeliac disease is increasing, especially in children, says Allergy UK deputy CEO Lindsay McManus.

Children also influence overall consumption. In many cases you are feeding a family of four the same meal to accommodate one person, says Melissa Burton, MD of Goody Good Stuff.

Perhaps this is why there has been such growth in free-from frozen, with family-sized pizzas and lasagnes from brands like Dr Schar and kid-friendly launches like Youngs fish fingers and Georgias Choice chicken nuggets and grills. Aided by the largest frozen own-label range, Sainsburys has enjoyed over 50% growth year-on-year in its frozen free-from range, says free-from brand manager Gemma Crump.

Childrens free-from products are also a big focus for Ocado, which is expanding its childres range. Head of grocery Lawrence Hene adds that the kids shaped pastas and convenient ready-to-make baking mixes are a big hit. Its now planning a new range of free-from babyhood.

As well as convenience and taste, there is also an expectation that childrens free-from food must deliver on health too, says Marco Fontana Ros, director of Little Pasta Organics.Parents want extra benefits over and above gluten-free: they want organic, no added salt and sugar, and help with the 5-a-day.

Without question, the arrival of Warburtons is significant: with its national distribution and its 5.25m investment, it has helped grow the total gluten-free bread market by a further 14.5% in the past year to 54.9m [Kantar]. As well as launching three new gluten-free products (sweet muffins and a fruit loaf) so far this year, Warburtons has created a new business unit for the gluten-free market. Our objective is to make Warburtons the leader in the free-from market, says Chris Hook, who heads it. And he promises a lot of fresh innovation when a new plan is rolled out from the start of the new financial year in October. Were looking at fresh ready-to-eat goods, more than just a traditional bread offering.

Warburtons arrival has taken share (though not sales) away from its rivals in the fast-growing bakery category, effectively halting the stellar growth of Genius Foods. In response to consumer feedback, Genius took the brave decision to reformulate its bestselling loaves in May - a move that, as The Grocer was going to press, was meeting with quite a lot of negative feedback on its website.

But newly crowned Ernst & Youngs Scottish entrepreneur of the year, founder Lucinda Bruce-Gardyne, is clearly building for the future: she was joined on the board by former Scottish & Newcastle boss John Dunsmore (as a non-executive director) last month, with oil tycoon Sir Bill Gammell already signed up as chairman. And the 2009 startup forecasts it will double its turnover to 24m this year on the back of NPD that, so far in 2012, has included a naan and pitta bread, pancakes and, most recently, a pain au chocolat and croissants.

In the last three years Genius has introduced over 20 products into the market, says CEO Roz Cuschieri. And we will continue to increase our range at a similar rate moving forward. We believe there is huge untapped potential for gluten-free products. The Genius brand is stretchy and our aim is to make great-tasting gluten-free food in sectors where this is really challenging to achieve.

Other recent entrants also want to test out the elasticity of their brands in this market. Hale & Hearty, for example, is set to enter the bakery category with the launch of fresh bread - Farmhouse Brown and Farmhouse White. MD and founder Christian Konig says we felt the time was right to introduce a healthy gluten-free bread, with a good source of wholegrains and fibre.

Also coming soon will be free-from in-store baking, predicts Renton. Bakery is a big focus right now and its likely that the next big thing will be in-store bakery extending into fresh gluten-free bread, where its part baked, frozen and flash baked in-store.

Pasta

The other holy grail, as far as gluten-free is concerned, is fresh pasta. While there are several gluten-free dried pastas on the market (of varying quality), fresh pasta has not, until now, been considered possible. And the chilled convenience market, though growing 18.6%, is consequently small at £3.9m.

The arrival of Pasta Julia from Italy, with a range of filled and plain pasta, could change all that. Dominic Maxwell at third-party distributor Echo Partners claims Pasta Julia doesn't just taste like ordinary pasta. It tastes better, and is currently in talks with supermarkets about listings.

The chilled free-from market could also be boosted by further innovation from free-from soup brand Soupologie and new dairy and gluten-free desserts brand Pudology. The latters strawberry, chocolate and banoffee puddings will be available through Goodness Foods from 1 September 2012 - and as well as being in talks with two other retailers, the brand has a boozy chocolate pud & lemon coconut pud in the pipeline, says founder Lucy Wager.

Meanwhile, mainstream ready meals brand Stewed, which launched a new gluten and dairy-free breakfast - the Beans, Bacon and Bangers pot - in April, has promised that all future innovation will be free-from. We've ensured that all our new products are gluten-free, even our beef in ale, which uses gluten-free beer, says Lan Rosenthal, chef and founder of Stewed.

Frozen free-from foods also seem to be growing significantly, up 53.8%. The frozen sector is growing due to demand for - and the introduction of - new savoury convenience foods into the sector. Wheat, gluten and dairy-free fish fingers from Youngs, new frozen pizza from Amys Kitchen and Dr Schar, a free-from lasagne from Dr Schar, free-from Genius pies and free-from chicken nuggets and chicken steaks from Georgias Choice, and new frozen desserts from Food Heaven, are all helping to fuel growth.

Dairy-free

And lets not forget the dairy alternatives market, which is not much smaller than bakery and growing faster, with sales up 20% to £52m. It, too, is witnessing a period of further innovation, not least the first lactofree ice cream from Lactofree. In the meantime, in what is an increasingly crowded marketplace, new players are entering the soya and nut-based milk market, while existing players are also diversifying into nut-based milks.

Experts also credit the growth of the market to the creation of more distinctive and individualised branding, and the adoption of more mainstream packaging. The language of free-from is changing, says Donna Chan, a consultant at Dragon Rouge. Brands aren't focusing on what they are lacking but what they've got going on - reminding people that ingredient-free doesn't mean taste-free.

And the combination of technology-based quality advances, smarter and more appealing packaging and subtle changes in messaging mean shoppers are more inclined to adopt free-from diets for the whole family, particularly since a far higher percentage of children suffer from food allergies of some sort.

Route to market

Let's also not forget the importance of the supply chain. In a market that, historically, has been typified by small, entrepreneurial suppliers, the success of Warburtons is a reminder of how important route to market can be.

Increased distribution has certainly helped Nakd. In the past year, the free-from confectionery and snacks specialist has focused on taste and quality and clever flavour combinations. But its over 50% increase in sales is also the result of securing a massive 22,000 new distribution points over the past year.

Nakd is not only delivering a strong performance in major grocery stores but has become a key anchor brand in the major grocery small store formats, says Marina Love, marketing manager at Natural Balanced Foods. The appearance of free-from products in c-stores is increasing, but often there is no room for a free-from ghetto, so brands sit beside their full-on counterparts.

In the meantime, Hale & Hearty is targeting independent convenience retailers through a strategic partnership with Petty Wood, the third-party distributor, kicking off this month with a core range of 12 SKUs.

But theres no question it's the supermarkets that are having the biggest impact. The opportunities surrounding the free-from audience were recognised as early as 1995 by its then marketing director, Terry Leahy, as he recalls in his new book, Management in 10 Words. It was a minuscule market. However, from the customer's standpoint, if one family member had a special dietary need, that [could] determine where the whole family shopping trip was done. The store that [could] supply a few pounds worth of special dietary products [was] also likely to gain the Ã□Â£100 or so that a family will spend on their weekly shop.

Obvious as the logic seems today, Tesco,s decision to launch its Free-From range was revolutionary. To create entire ranges for people with allergies was problematic, Leahy recalls, cutting right across our market structure: all our ranges, our brands, the lot. And yet, at the same time, the quantities of product we would want to stock would be too small for the individual buying managers to focus on.

With the help of a customer, who had complained about the challenge of shopping for a son with a gluten intolerance, Sir Terry recalls how Tesco was able to launch the first comprehensive, mass-market range for people with dietary needs. Contemporary in feel, and well marketed, it was sold in one place in each store, so it was clearly visible. It was a life saver for all those families who wanted these foods at affordable prices in their local Tesco. What's more, sales were terrific.

Since then Tesco, Sainsbury's and Waitrose, in particular, have used their scale and distribution to create and develop the now buoyant trade in free-from. And in the past two years, other supermarkets have finally woken up to the possibilities.

Surprisingly slow on the uptake was M&S, but it joined the party, launching 200 free-from products in early 2010, and is now making up for lost time. As is Asda, which led market growth among the big five, with sales up 29% over the year, and it launched 180 lines earlier this year, though it continues to under-trade in this sector.

And finally, there's The Co-op, which launched its first own-label range of free-from products, including pasta, bakery and meats, in July last year.

While the supermarkets have unquestionably helped to grow the free-from market, many suppliers feel threatened by the incursion of own label in a fixture that's already limited in shelf space.

The retail market is showing signs of consolidation as the category matures, says Mrs Crimble's Woods, with an increasing amount of space being given over to private label. This will make new market entry tougher, particularly for small suppliers.

Konig of Hale & Hearty has seen this at first hand. The company has developed a frozen fish offering of three SKUs comprising cod bites, fish cakes and fish fillets - all MSC-certified and line-caught. Product development was completed six months ago, but the range has not yet succeeded in achieving a listing. The biggest challenge has been that the range has come head on with buyers reviewing their own-label frozen offering - although we are yet to see product launches in own-label frozen. This suggests that free-from is still in its infancy in frozen, and that there's enormous potential for quality offerings where own label isn't always able to deliver due to the complexity of the manufacturing process.

The other issue for free-from is where to stock these free-from products. Like organic, the sector spans many categories, but more often than not, free-from products are in a ghetto. As Leahy observes, this has real advantages, and Sainsbury's, too, is sticking with the free-from aisle.

Our core customer base continues to be medically diagnosed coeliacs, and those with medically diagnosed allergies to cows milk, wheat and gluten, explains free-from brand manager Gemma Crump.

The majority of feedback from customers regarding in-store positioning, particularly with regards to bread, is that they would like a one-stop destination for free-from, and there is a perception that if the bread was in the regular bread aisle it could get contaminated.

But Alpro commercial director John Allaway believes some flexibility is needed because free-from options are no longer the preserve of those with intolerances. People are shopping the category because they want to make healthier swaps. The category doesn't need to operate in its own fixture -customers now expect to find it in the mainstream as well.

With limited shelf space, it's a real quandary. What are retailers supposed to do with the wealth of new products launched in the past year, not to mention the significant number of free-from products already available?

Branded suppliers will be particularly interested in the opportunities surrounding Ocado's new shop in a shop for free-from products, the biggest one-stop shop in the UK. Launched in May, on the back of 40% year-on-year growth in the free-from category, the site hosts in excess of 500 products and features a unique filtering-by-allergy system.

Ocado provides a great route to market for smaller suppliers, at a time when the incursion of both the supermarkets and mainstream suppliers such as Warburtons and Finsbury Foods is altering the make-up of the supply base. Ocado head of grocery retail Lawrence Hene promises: Ocado's webshop will include big brands like Thorntons and Alara as well as niche suppliers like Hampstead Farm and Jealous confectionery, and offers customers everything from essentials to speciality items.

So just how big can the free-from market become? Can free-from products enter the mainstream?

With new routes to market and incredible advances in quality, the barriers to entry are slowly but surely being removed. And as we've seen, manufacturers are targeting the free-from market with their regular products.

That's prompted some experts to argue there is a bigger opportunity. It's about not just mimicking what's out there, argues Chan at Dragon Rouge, but being a product choice in its own right.

Many foods fall into the free-from category but stating it on the label guarantees that it is certified and made in a gluten-free environment, says Marco Fontana Ros from Little Pasta Organics. However, products that are seemingly gluten-free in terms of ingredients will not always qualify.

And one of the biggest factors holding back the free-from market is safety. The danger in such a fast-growing market is that it could attract some manufacturers with no credibility in this area, says Warburtons Hook, and contamination is a key concern among those with diagnosed allergies.

Experts also agree that, in appealing to a wider audience, retailers and suppliers mustn't forget the core audience.

The key driver for the free-from category is the critical need that consumers have for foods that do not contain specific ingredients, says Russell Smart, commercial director at Meridian Foods. If this group of shoppers continues to grow, and if they have common intolerances, these factors will fuel new product development.

On the other hand, as a YouGov free-from report last year noted: The greater development of products that can be consumed by the whole family, and which boast a great taste that can be appreciated by both sufferers and non-sufferers in any given household, will account for an increasing portion of the grocery budget.

In other words, whichever way you look at it, free-from can only get bigger.