

PrimaLiv - The Tip of the Iceberg



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Sweden's first official functional food product



A functional "first mover"

- 1994 - Launch of ProViva, world's first probiotic fruit drink.
- 1998 - Launch of Måväl with Olibra, first appetite control yogurt.
- 1999 - Launch of ProViva Active, first probiotic sports recovery drink.
- 2001 - Launch of Prima Liv in Balance, first Low-GI breakfast
- 2001 - Launch of Oatly, first oat milk drink.
- 2003 - Launch of ProViva Shot, first "little bottle" in Scandinavia...
-and probably first probiotic fruit drink shot in the world





Tip 1

The problem of an increasing frequency of diabetes and the story of the food product that lowers the insulin response by 44% after a meal.

Problem: Diabetes and obesity on the increase

- An urgent need to delay or reverse this development.
- Dietary guidelines include recommendations about not only a reduced fat intake but also an increased amount of carbohydrate-rich foods.
- Carbohydrate-rich foods give a low and extended blood glucose (and insulin) response after a meal.
- Epidemiological evidence for the beneficial effect of such foods.
- There has so far been a lack of palatable low-GI breakfast products on the market.

A tasty and convenient solution – A *Low GI-Breakfast!*

- Primaliv consists of a cup with 200 ml low fat yoghurt (0.5%) with three different tastes: natural, vanilla and forest berries.
- In the lid there is a unique muesli, containing soluble gel-forming fibres from oat, so called beta glucans.

One cup is a good source of several nutrients and gives 4 grams of OatWell® beta glucans.

Equivalent to three plates of oat-porridge





Oat**Well**

Beta glucans soluble oat fibres

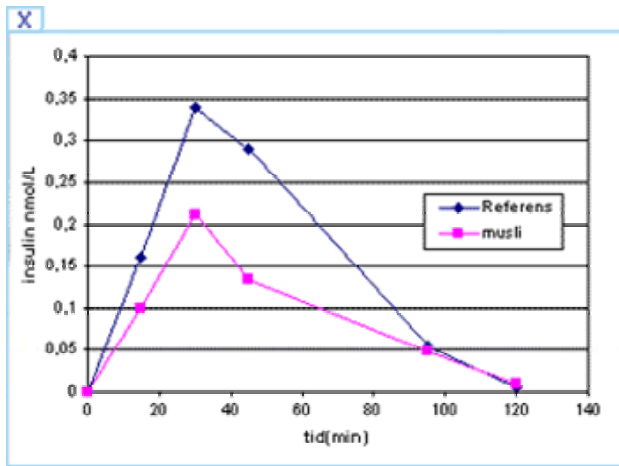
- Beta glucans swell in the intestine to form a gel, which makes the food digestion slower.
- This smoothens out the blood sugar level and provides a low insulin response after a meal.
- The fibres also have a cholesterol-lowering effect and contributes to healthy cholesterol levels.

Scientific documentation

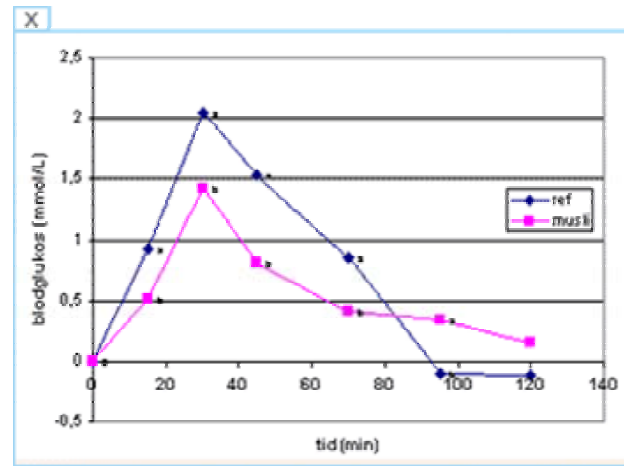
- Primaliv has been tested in human studies at the department of Industrial Nutrition, Lund University.
- The effect on blood glucose and insulin response was studied up to two hours after the test meals.
- One portion of Primaliv and a control yoghurt without muesli. The amount of digestible carbohydrates in both meals was adjusted to 50g with white bread.

Result – insulin response decreased by 44%

The subjects who had Primaliv as part of their breakfast showed:



44% lower insulin response than the reference group.



36% lower blood sugar level than the reference group.

Primaliv – the first food product in Sweden to be approved and labelled as a functional food

- In the autumn of 2001, Sweden allowed Product Specific Health Claims in the Labelling and Marketing of Food Products
- The claims should be based on scientific studies and the quality guaranteed through a reviewing process.
- Swedish Nutrition Foundation – SNF is responsible for the examination in this new action programme.
- The first product to be approved was Primaliv.

Product Specific Health Claim

- The appointed international panel of experts has certified that the human studies on Primaliv support a product-specific health claim concerning effects on blood glucose levels.
- The appointed claim is:
 - *”Primaliv evens the blood glucose level after a meal”*
 - Consumption of one cup of yoghurt containing 4g of OatWell® beta glucans is regarded sufficient to achieve this physiological response.

Generic claim: cholesterol

- The lowering effect on cholesterol is stated by a generic two-step claim according to the original Swedish code from 1990:
 - *”Soluble fibres may, as a part of a nutritional diet, contribute to healthy cholesterol levels. This product is rich in soluble OatWell® oat fibres.”*
- Applies to FDA Claims

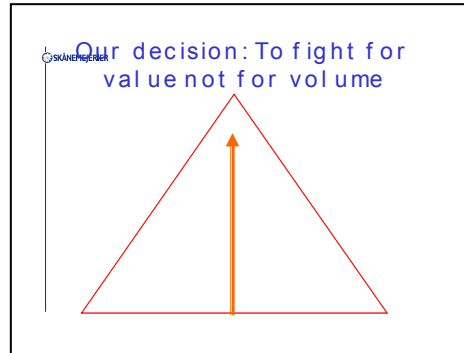
Target group

- *Marketing* target group for this product is health conscious consumers aged 35-65.
 - Lifestyle message
- *Medical* target group consist of people with type 1 or type 2 diabetes.
 - Health claim

The next Big Issue - GI



*Learn more about GI - Glycemic Index and OatWell®
Beta glucans tomorrow morning with Prof Inger Björk, Lund
University*



Tip 2

The challenge of differentiating a small regional dairy and the choice of functional foods as a strategy for innovation and profitable growth

Skane Dairy – a midget among the dairy giants

- Annual sales SEK 2.7 Billion (250MEuro)
- Formed in 1964
- Owned by 1,000 milk farmers
- 750 employees at 6 production facilities
- We stand for: Good Food – Good Health – Good Environment!

A functional "first mover"

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Why us?

Success factors:

- 1. A farmers' cooperative!**
- 2. A dairy is biotechnology in reality**
- 3. Networks in the research society**
- 4. Own regional distribution channels and contacts with retailers and consumers**
- 5. A vision for health and wellbeing**
- 6. Innovation as a strategy for differentiation**
- 7. Will and ability to cooperate.**
- 8. Curiosity**

Background & Driving force:

De-regulation and declining margins on traditional dairy products.

- A niche player needs a strategy for differentiation.
 - The development of health enhancing products/functional foods provided the opportunity for a niche position
- The need to have a unique role with unique products.
 - Increase margins, competitive edge, consumer interest and an interesting partner for the retailers.
- HiTech interest – what can add value to our production?

Success factor 1:

Farmers' Coop

- Ability to handle long development cycles
 - owners with a long term view
 - (success probably impossible if we had been stock noted)
- Experience of working with different stakeholders
 - government, owners, politicians, retailers, consumer groups, etc..
- Ability to test new products rapidly on a small scale with low cost and low risk
 - control own distribution in the region.

Success factor 2:

A dairy is biotech with a chill-chain

- Biotech-base provides knowledge of :
 - food technology
 - microbiology
 - probiotics
 - lipids
 - process knowledge
- Master the chill-chain
 - chilled production and distribution

Success factor 3:

Networks in the scientific society

- Swedish scientists own the result of their research.
- High motivation to commercialise and form joint ventures.
- Cooperation with scientist-owned companies such as:
 - *Probi* behind ProViva.
 - *Swedish Oat Fibre / OatWell*® behind PrimaLiv.

Success factor 4:

Direct contacts with retailers and consumers

- "Early warning" of consumer interest in health
- Swedish market and Swedish consumer is an early adopter of new trends
- Swedish women are well educated and health motivated
- Sense emerging health trends
 - *Wayne Gretzky: "Winning is knowing where the puck is going next"*

Success factor 5:

Health as a core value in the organisation

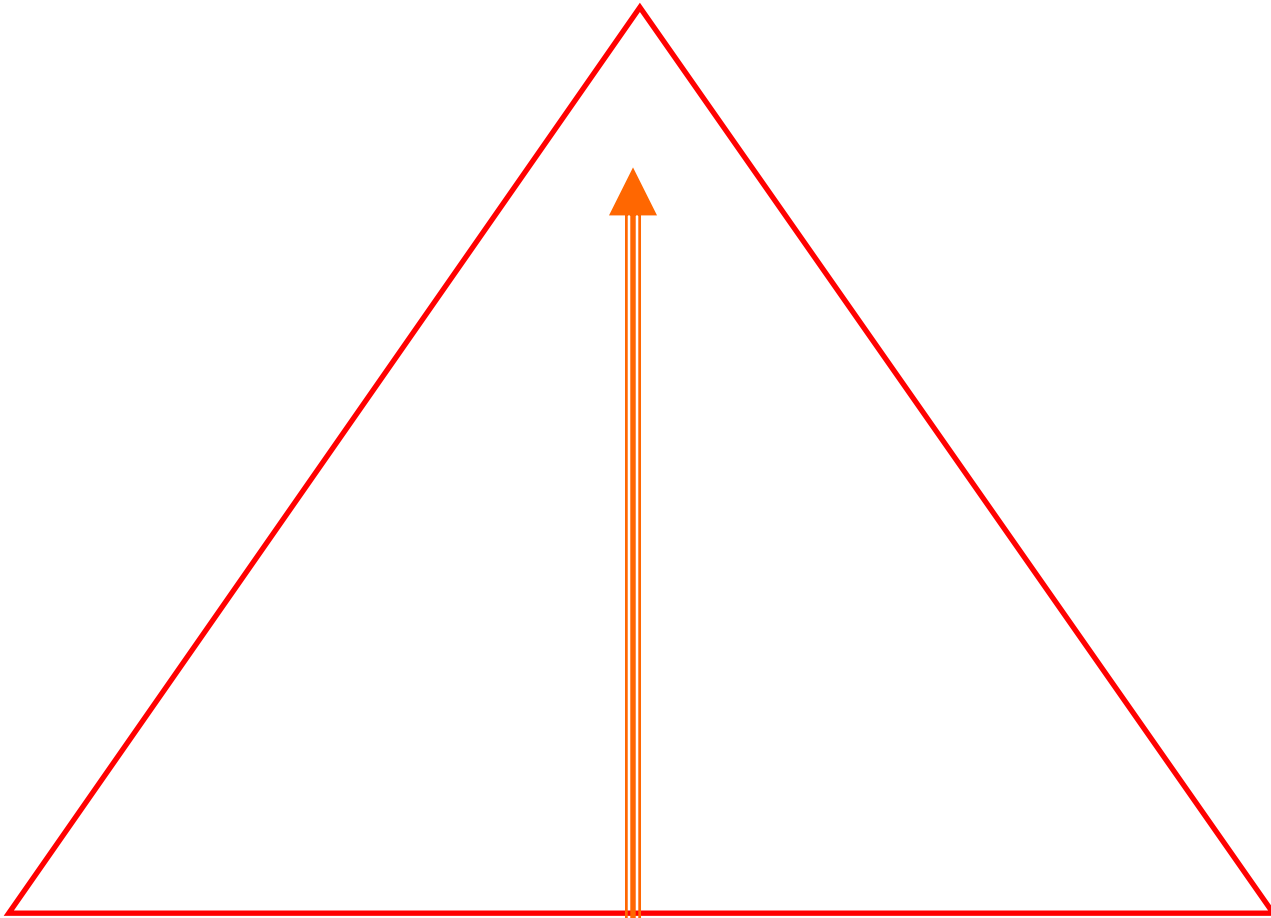
- A commitment to health in all parts of the business
- From owners, to management, to operational staff
- From the health of the nature to the health of the end consumer
 - Environmental bonus, EMAS, ISO, FarmAssurance, Functional Foods etc

Success factor 6:

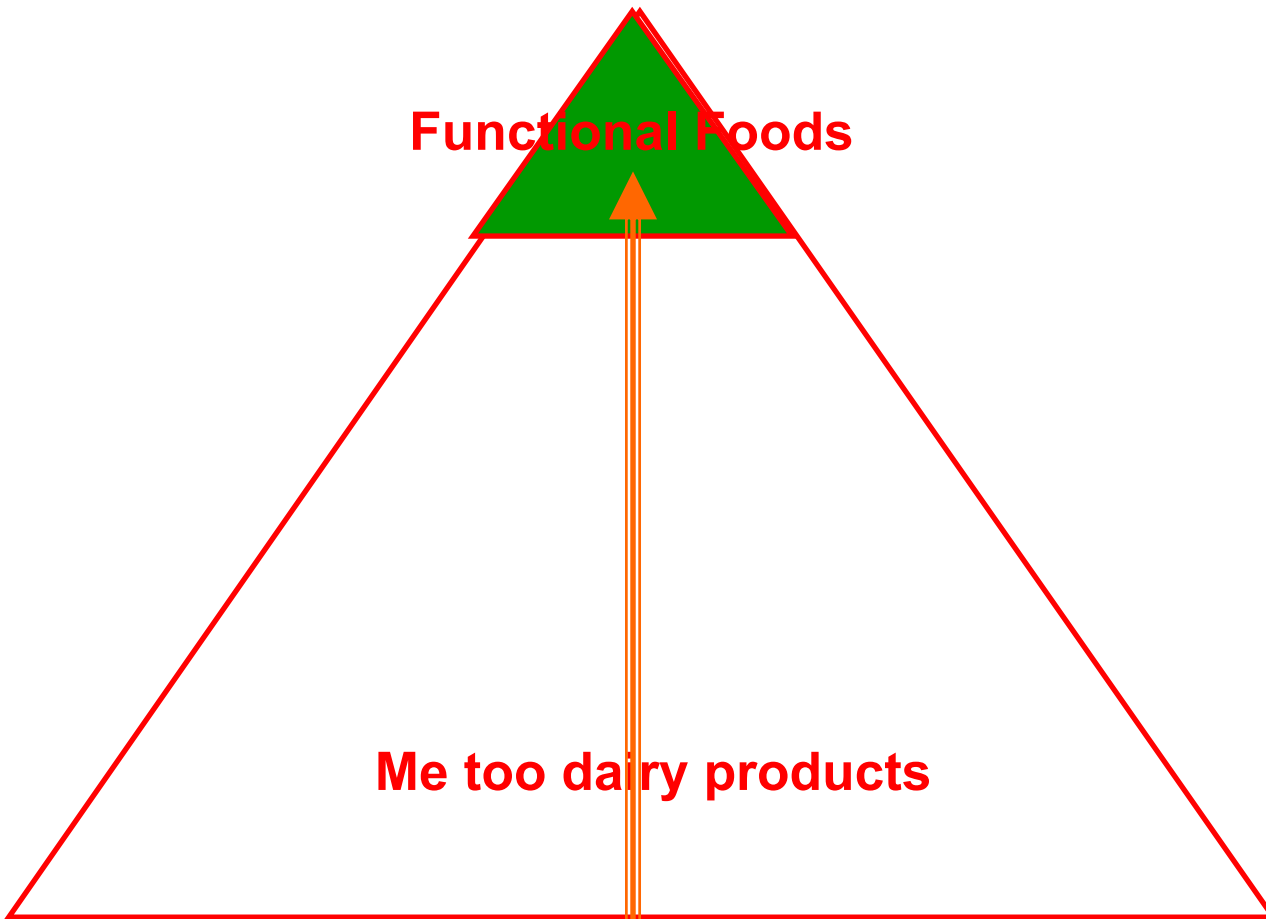
Functional foods as a strategy for Innovation

- Specialisation in the functional foods category gives leadership in health.
 - Number 1 in health! Instead of number 2 in the Swedish dairy market...
- Functional food is a higher level of health knowledge
 - Sets the highest standard for science, production and marketing of foods: HiTech/HiTouch!

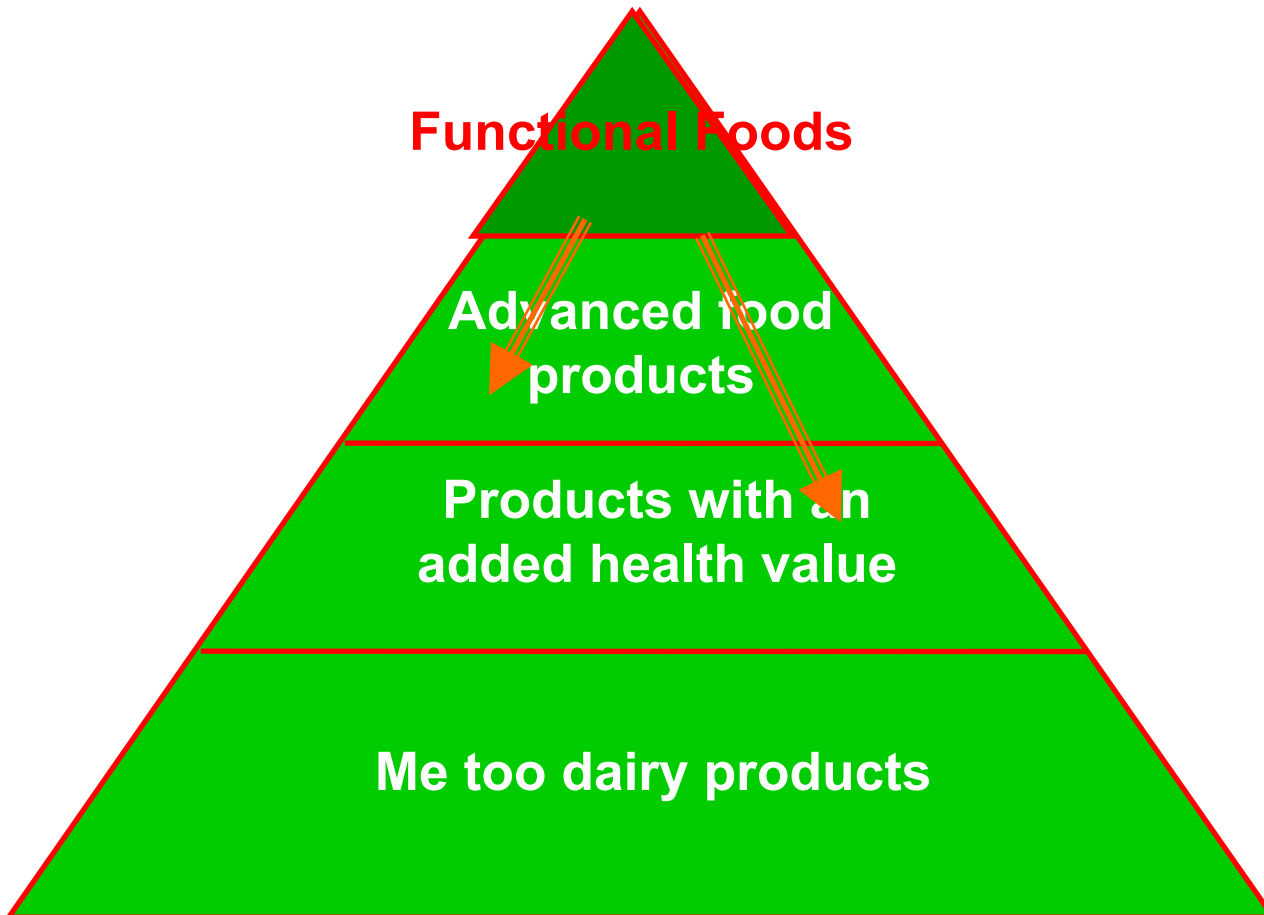
Our decision: To fight for value not
for volume



1. Aim for the highest value



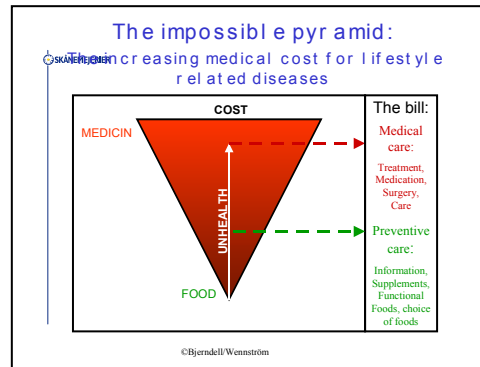
2. Increase value of total volume



Success factors 7 & 8:

Curiosity and an ability to cooperate!

- No "not-invented-here" attitudes
 - No R&D department.
 - Only R&D coordinators
- Company's own "scouts" are constantly seeking new interesting partners and research groups.
 - selected fields of interest:
 - probiotics
 - lipids
 - antioxidants
 - minerals



Tip 3

The dilemma of lifestyle related health problems and the vision of functional foods as a lifestyle related solution

Who needs Functional Food?

- Consumers *want* to eat healthy but:
 - lack the time...
 - can't say no to unhealthy food...
 - can't find..(irregular work hours)...
 - don't know how to...
 - can't afford to...



Major problems for Swedes 15 - 34
in adapting to a healthier diet.
Source Supermarket 1999:

Healthy Eating?

Percentage of Swedes who see their hectic lifestyles as a threat to eating healthy:

| <u>Age</u> | <u>Percent</u> |
|------------|----------------|
| 16-34 | 48 % |
| 35-54 | 41 % |
| 55+ | 15 % |

A negative trend and a positive insight

- *Eating wrong* is one of the biggest threats to our lives
- Welfare system can not handle increasing cost of *medical treatment for lifestyle related problems*.
- Society must *meet with preventive measures* like functional foods and consumer education.

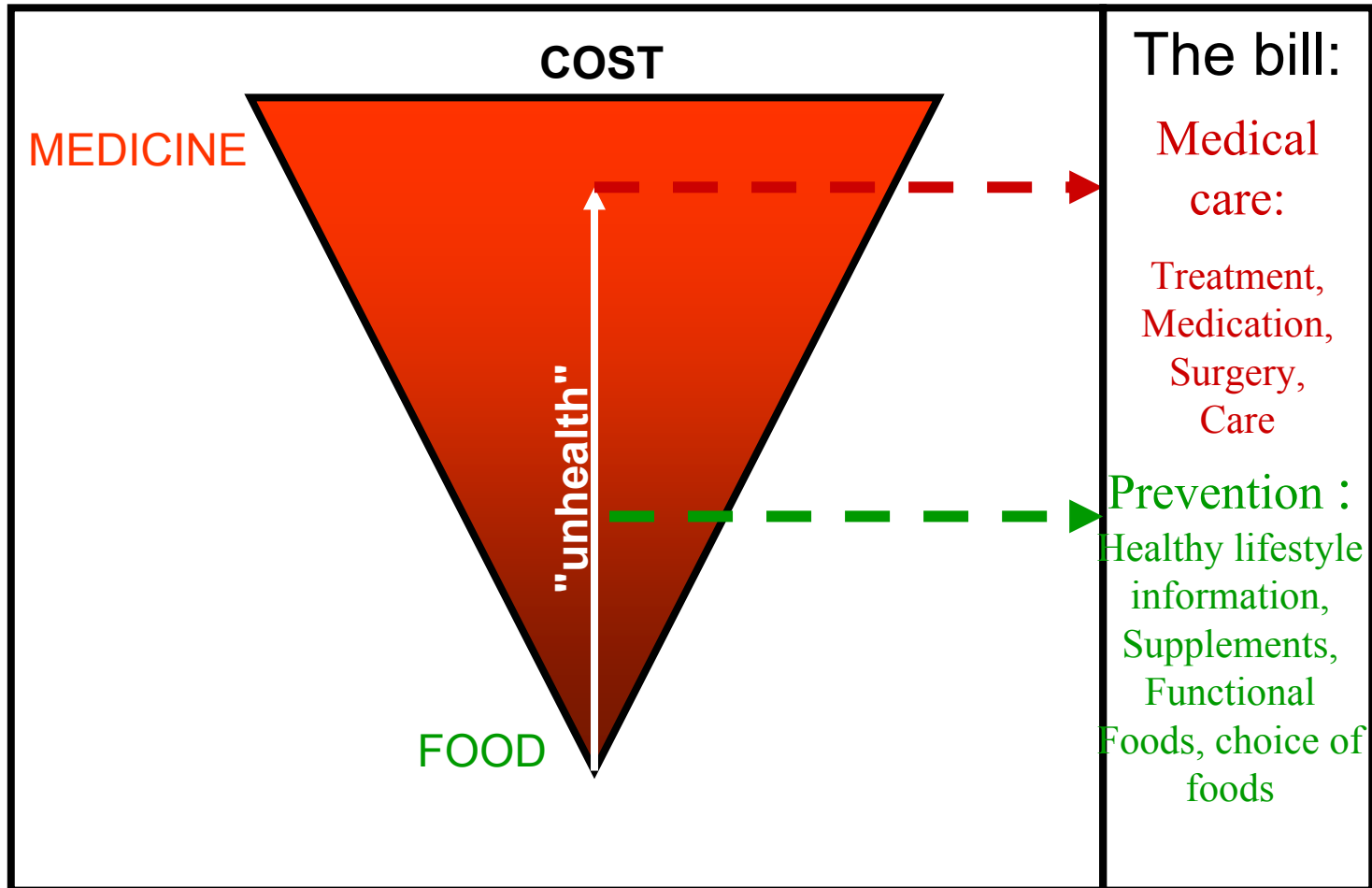
Functional Foods vs. Medicine

The best-selling medicines of today are drugs that treat:

- Obesity,
- Type II diabetes and
- High levels of cholesterol.

The impossible pyramid:

The increasing medical cost for lifestyle related diseases



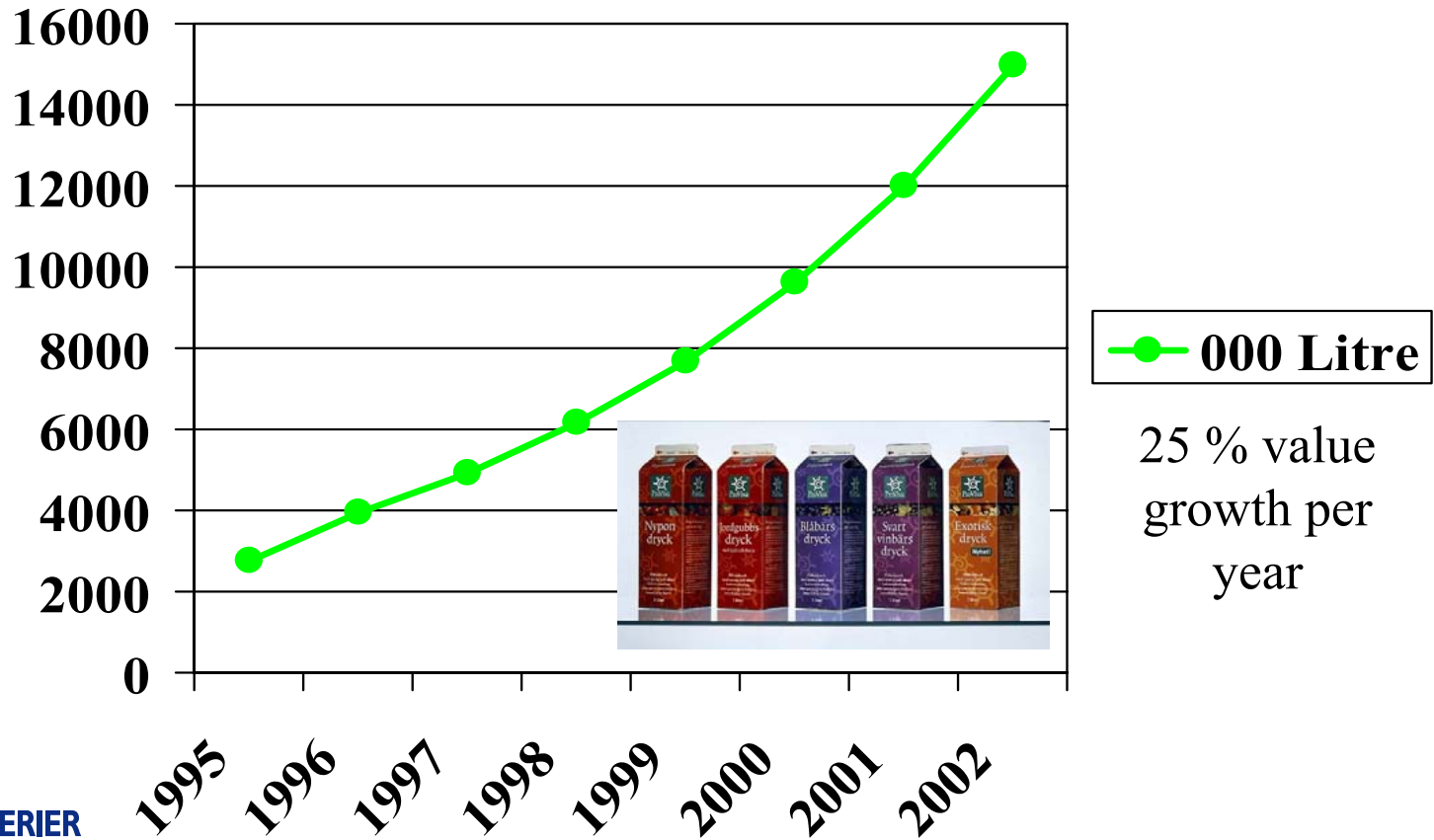
Functional foods are preventive and agenda setting

- Normal foods with enhanced and documented health benefits
 - Adapted to a modern lifestyle
 - Agenda setting for the whole society
 - New products attract trend leading consumers
 - Products and health claims educate on the food health connection
 - Producer educates retailer and consumer
 - Cooperation with science and health authorities

To reach the mass market with preventive food products:

- Tasty
 - Mass market consumer will not trade taste for health
- Adapted to a modern lifestyle
 - Convenient, quick, simple
- Affordable
 - Mass market consumers will not pay a high premium for the health benefit
- Available
 - Sold as normal food products where normal food products are sold
- Accepted by society
 - A socially safe choice, supported by government and a clear set of rules.

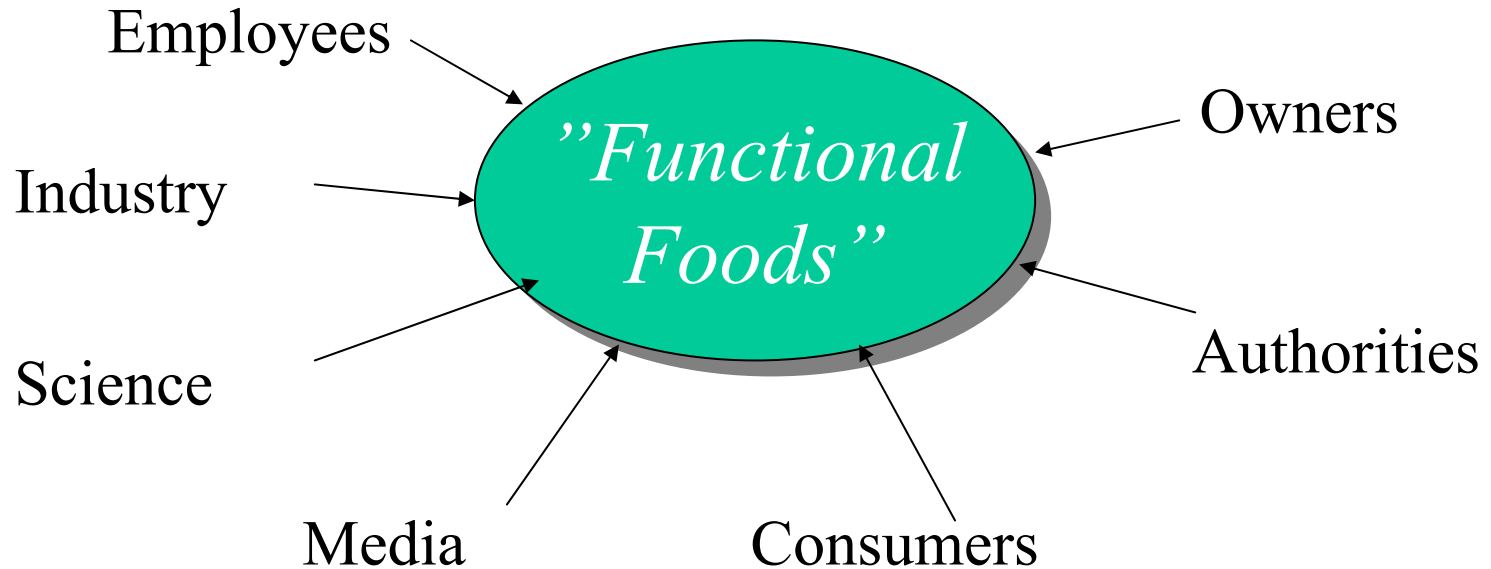
Our Experience: ProViva – "9 million Swedes drink 15 million litres a year"



Key learnings from marketing of ProViva

- Science is not key to consumer success.
 - No need to tell consumers ”exactly how”:
 - No positive effect on sales
 - Consumers not motivated/have no time to understand
 - Anyway – we were not allowed!
- Science is key to scientific community
 - Must have documented science to be accepted.
- Role of media decisive
 - will build or destroy brand trust
 - based on verdict from scientific community
 - will educate consumers and influence regulators

Insight: issue marketing



**PR and open dialogue with society
and consumer interests is necessary.
Create an arena for the "issue".**

Important to build new standard of Functional Foods

- Need to define a new framework
 - best practices,
 - raise standards,
 - safety & regulation
- A new ”business”
 - rules and players
 - a defined need

Key role of regulatory society

- Important for us not to confuse consumer.
- Consumer's right to information.
- Producer's right to a fair treatment.
- Our struggle for the establishment of a clear set of rules.
- Attitude of government will influence attitude of massmarket consumer.

Changing attitude in medical society

- Introduction of Functional Foods was met with scepticism from the Medical society.
- Resistance from old "Food vs Medicine" structures blocked development
- There is now a positive attitude to prevention and a growing interest in nutrition.
- An urge for change

Our role as the "synapse"
between..



Summary: Success through Cooperation

- Clear division of competence following the "synapse"-model.
- Our role as leader to take the responsibility to establish new standards with regulators
- Put functional foods on the agenda together with other stakeholders
- Optimal network structures = win-win
- Curiosity, openness, and a will to cooperate.

Let's cooperate!