



***Zeelandia***

**The opportunities  
and pitfalls of  
organic, natural and  
clean-label products**

## Coming clean

In many countries, health concerns play an ever more important role in consumers' choices. This has sparked a rapid growth in the number of bakery products claiming to be 'organic', 'natural' or free from certain additives. How can you seize the growth potential of this trend, and what are the pitfalls to be avoided?

While there is not always scientific agreement on whether a product without additives or artificial processing is automatically 'healthy', many consumers perceive a very strong link. For example, research shows that the majority of EU consumers believe that 'natural' foodstuffs contain more vitamins and bring health benefits. Many are convinced that additives and intensive industrial preparation methods are responsible for allergies.

This leads to a strong demand for what consumers view as 'Clean' or 'Natural' products. Also in the bakery segment: market research shows that in one year, over 400 product launches in the global bakery



market were advertised as 'organic', 'natural' or 'free of' certain ingredients.

This trend is driven by industry and retail channels selling pre-packed products. However, it's also picked up by artisanal bakeries who sell daily-fresh goods. This is significant, since they are generally not obliged to declare ingredients. Evidently, the consumer trend is so powerful that bakers view a 'natural' or 'organic' profile as an opportunity to boost business.

The Zeelandia portfolio reflects the needs of our customer base, including both industrial and artisanal bakeries. In 2013, around 14% of the sales volume from new product launches in Western Europe was explicitly related to organic, natural or clean-label. In total, the portfolio of the Zeelandia Group now contains over 200 products that fit one of these claims.



## Bread & Rolls

Number of new product launches June 2012 - June 2013



## Pies & Pastries

Number of new product launches June 2012 - June 2013



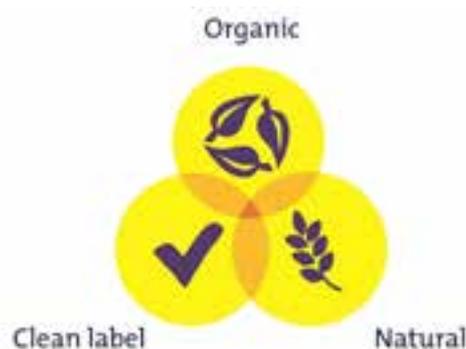
## Navigating the minefield

While the trend towards 'Clean' and 'Natural' products presents bakers with opportunities for growth, it can also be a minefield, littered with potential pitfalls:

1. In many cases, there is a lack of universal guidelines or definitions. And where regulation does exist, it can sometimes be interpreted in different ways.
2. What constitutes a 'Clean' or 'Natural' product may differ per product category, country and market. Even per customer, since retailers increasingly impose their own ingredient policies.
3. Reformulating recipes can have a large impact on a product's functionality and price. For example, an alternative for a particular additive may be up to 10 times more expensive.
4. There is also the risk that introducing very prominent 'Clean' and 'Natural' claims for certain products can cast doubts on the other products in your portfolio.

This whitepaper identifies the main challenges and opportunities, as well as some practical ways of dealing with them.

The very first question to be asked is:  
**How to define Clean Label, Natural and Organic?**



The terms ‘clean-label’, ‘organic’ and ‘natural’ overlap, yet there are clear differences. Also, there are regional differences in the prevalence of each term. For example, Germany and the Netherlands are clear growth markets for organic products. ‘Natural’ is a claim especially popular in the US. In the UK, the emphasis seems to be on clean label products, perhaps because of the strong influence of large retailers.



## Organic

Of the three claims, Organic is the most straightforward, thanks to a well-defined regulatory framework. Europe has its own EU regulations and similar regulations exist for other regions in the world. Not surprisingly therefore, ‘organic’ is the most demanding claim. For example, EU regulations require that:

- all of the farmers and producers in the production chain are certified
- the production is certified by a local, registered body (costs vary per member state)
- only natural flavours are used
- no genetically modified organisms are used
- at least 95% of ingredients are organic

The requirement to build an ‘organic’ production chain, in which all of the farmers, suppliers, ingredients and products have been certified as organic, takes time and investments. It will often increase the product’s cost price. Still, it can be worth the effort. After all, consumers tend to view organic products as premium products for which they are willing to pay more.



## Natural

Natural can be defined as “originating from nature and processed in a traditional way”. In the perception of many consumers, it is related to ‘organic’, and indeed there are similarities. Both claims cover ingredients and processing methods.

The main difference is that whereas ‘organic’ is clearly defined in regulatory terms, there is no universally accepted definition of what ‘a natural origin’ and ‘a traditional way’, are. There are some external guidelines, like an EU regulation on natural flavours and local guidelines like those of the Food Standards Authority (FSA) in the UK. But the term ‘natural’ as used on products is not legally protected. Essentially it is a ‘soft’ claim.

It may be tempting to try and strengthen a ‘natural’ claim by explicitly referring to external guidelines. But caution is needed. For example, the FSA guidelines are very strict and may be hard to implement while they may not mean much to people outside the UK. Even more crucially: people may have very different ideas of what ‘natural’ means than the FSA. Ideas about ‘naturalness’ may also differ per country as well as per product.

When marketing a ‘natural’ product, the main question is not which regulations apply but what the consumer expects. It calls for an approach tailored to your specific Product-Market Combination. For greater transparency, it is also good to formulate your own guiding principles. For example, at Zeelandia we have agreed that the claim ‘natural’ must:

- never mislead the consumer
- not be used to imply special qualities when there is no difference with similar, non-natural products
- only be used for ingredients that originate from nature
- are processed traditionally



## Clean-label

Clean-label is the most prominent of the three categories in terms of new product launches. Over the past ten years, the number of clean-label product introductions in the EU has rocketed from less than a thousand to over 12,000 per year.

Clean-label is different from 'natural' and 'organic' in at least two respects. First, it is mainly about (excluding) additives rather than processing methods. Secondly, it is rapidly becoming a disqualifier. Many consumers will not consciously buy a product because it has a clean label. But not having a clean label may be a reason for them not to buy, especially if chemical preservatives, colours and flavours are concerned.

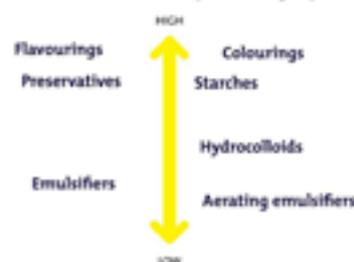
While there is no universal legislation or guideline on what 'clean-label' means, in practice it is often defined as minimising or completely eliminating the use of E-number additives. This means the main challenge is recipe reformulation, using alternative, 'E-free' replacements. Zeelandia has made an extensive inventory of alternatives for a wide range of additives used in bread and pastry.

- For **bread**, there are alternatives for additives like emulsifiers, ascorbic acid and preservatives. Most of these are technically feasible, some are in quite frequent use. In some cases, the alternative ingredient performs even better than the original E-number additive, as in the case of one clean-label preservative Zeelandia tested.
- In **pastry** products, there are E-free alternatives for preservatives, artificial colours, flavours and chemically modified starches. Again, the alternative may be a functional improvement. Zeelandia recently introduced enzyme-based technology for extending the textural shelf life of cake products. In consumer tests, three-week old muffins made with one of these clean-label fresheners were judged twice as fresh as the reference product.

In other categories of additives the picture is more complicated. For example, it is possible to find alternatives for hydrocolloids, but it may require extra effort and cost. For emulsifiers in pastry, especially aerating emulsifiers, it is still difficult to implement alternatives that perform well. Zeelandia is working closely with partners to develop solutions for specific applications.

In some cases, developing a 100% clean-label product may be technically possible but not economically feasible. As mentioned before, some alternatives may have a serious impact on cost-in-use. It is also crucial to know how an alternative ingredient will perform in a particular application and production setting. Zeelandia has developed Ingredient Toolboxes to help bakers achieve the best possible clean-label results.

## Feasibility of Clean label alternatives for pastry products



## Towards a clear label

Zeelandia feels that an important goal should be to achieve a clear label. This is especially relevant for end products. In a B2B setting, customers can often be expected to 'understand' a label. However, when it comes to consumers, it is important to work on a transparent label that they can easily understand and that makes sense to them.

Reformulating a recipe to minimise the use of additives is one major way to achieve this. But there are some extra recommendations to 'tidy up' a label:

1. **Declare the name** of the additive rather than its E number. When consumers object to E-numbers, it is often because they have no idea what they represent. For example, it may be possible to declare 'Pectin' rather than 'Gelling agent E440'.
2. **Declare additives only if necessary.** Not all additives that play a part in the production process have a technical function in the end product. 'Technical processing aids' and 'carriers' do not need to be declared on the label.
3. **Reduce** the number of additives by harmonising them wherever possible. This applies especially to multi-component products. For example, try to avoid using different stabilisers for the cake, the filling and the decoration.
4. **Structure** the label. Consumers may wonder why a cake contains pectin, until it is made clear that the pectin is in the fruit filling. So list the ingredients of cake and filling separately.
5. **Use 'kitchen cupboard' ingredients** wherever possible. These may be additives, but familiar ones that most consumers will not object to. For example baking powders, which have been used in self raising flour for decades.

## Great opportunities for growth

The most important principle, whether working on an organic, natural or clean-label product, is to be transparent. Questions will be asked and ultimately, what customers want is an honest answer. So develop a clear ingredient strategy and corresponding policy, in which you define how you want to position yourself in your market.

For some markets and target groups, it may be worthwhile to invest in a fully certified 'organic' product. For others, it may be better to choose for a natural or clean-label approach. And it always pays off to try and make a product label cleaner and, first of all, clearer. Achieving that can be more complicated than it looks at first sight. But by avoiding pitfalls and making smart and sensible choices, 'clean & natural' offers great opportunities for growth.