



SPECIAL REPORT: The Opportunities in Keto Product Development

It's complex. It's controversial. It's keto. With a large audience of active and committed consumers, we've discovered that the keto diet is no flash in the (bacon-greased) pan. In fact, consumers report a commitment to keto for the foreseeable future. At the same time, there are limited products on the market that meet those consumers' needs. Let's explore the market, consumer drivers and background behind keto. And more importantly – let's find out: is there real opportunity for food and beverage developers when it comes to keto?

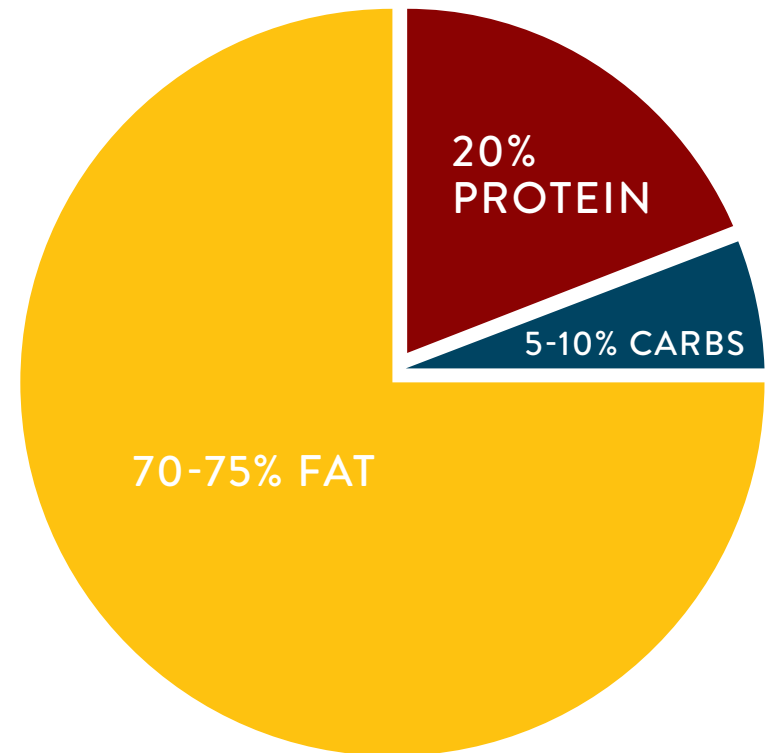
WHAT IS KETO?



The ketogenic, or keto, diet has been used by doctors to treat seizures since the early 20th century. Later, it became a niche diet popular among people trying to lose weight and build muscle, primarily in the athletic and weightlifting sector. Today, "keto" is a household word. In fact, Google reports that **it was the #1 searched diet term in 2018.**

Keto's guidelines, which advise followers to eat 70-75% of their calories in fat, 20% in protein, and only 5-10% in carbs, is a bit of a departure from U.S. dietary guidelines. The key to being successful in keto is achieving - and maintaining ketosis, the point where the body runs out of glucose to burn and starts burning fat for energy. When carb intake is low, ketones are created by the liver from fatty acid. In essence, ketones become the fuel for the body.

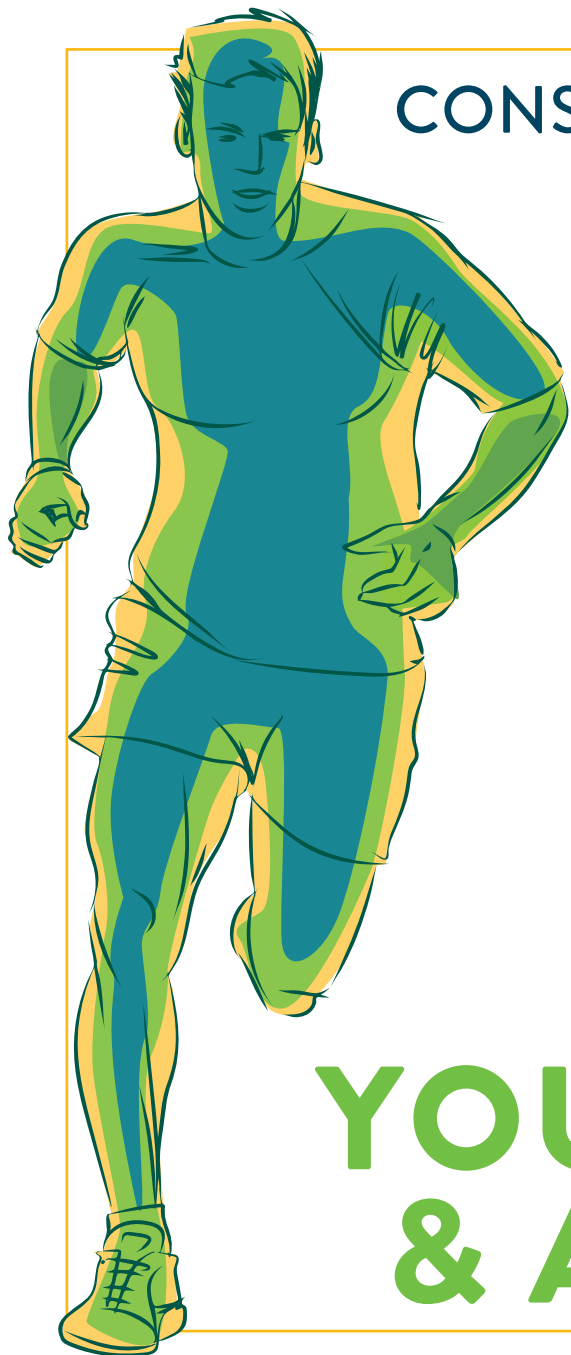
Basic Principles of the Ketogenic Diet



FAT
70-75% FAT
83-125 GRAMS/DAY

PROTEIN
20% PROTEIN
70 GRAMS/DAY

CARBS
5-10% CARBS
20-30 GRAMS/DAY



CONSUMERS & KETO

*Who's interested in keto?
FONA's recent proprietary
survey into the keto
consumer had some
interesting results.*

38% AGE 31-40

32% AGE 23-30

33% EXERCISE 2-3X
PER WEEK OR MORE

30% EXERCISE 4-6X
PER WEEK OR MORE

YOUNGER & ACTIVE

WEIGHT LOSS A MAIN MOTIVATOR

Overwhelmingly, the primary reason people seem interested in learning more about or following a Keto diet is weight loss; **68% of those polled started keto to lose weight.** Consumers tend to like the food that they can eat on keto, particularly the rich ingredients, so it feels "doable." Bacon, cream cheese, nuts, olives, and mayonnaise and other high-fat ingredients are all allowed.

- Less than 1% of consumers polled rated the Keto diet 'very difficult' to follow
- Less than 45% did not experience any negative side effects from following the diet
- Over 75% of those surveyed considered themselves 'somewhat' or 'very' successful at maintaining the diet
- Consumers tend to follow Keto for 3-6 months, but more than 35% of those polled see it as a long-term lifestyle.



Source: FONA proprietary keto survey, 2019

WE ASKED CONSUMERS...

What's the most important attribute when purchasing a keto product? The answer:

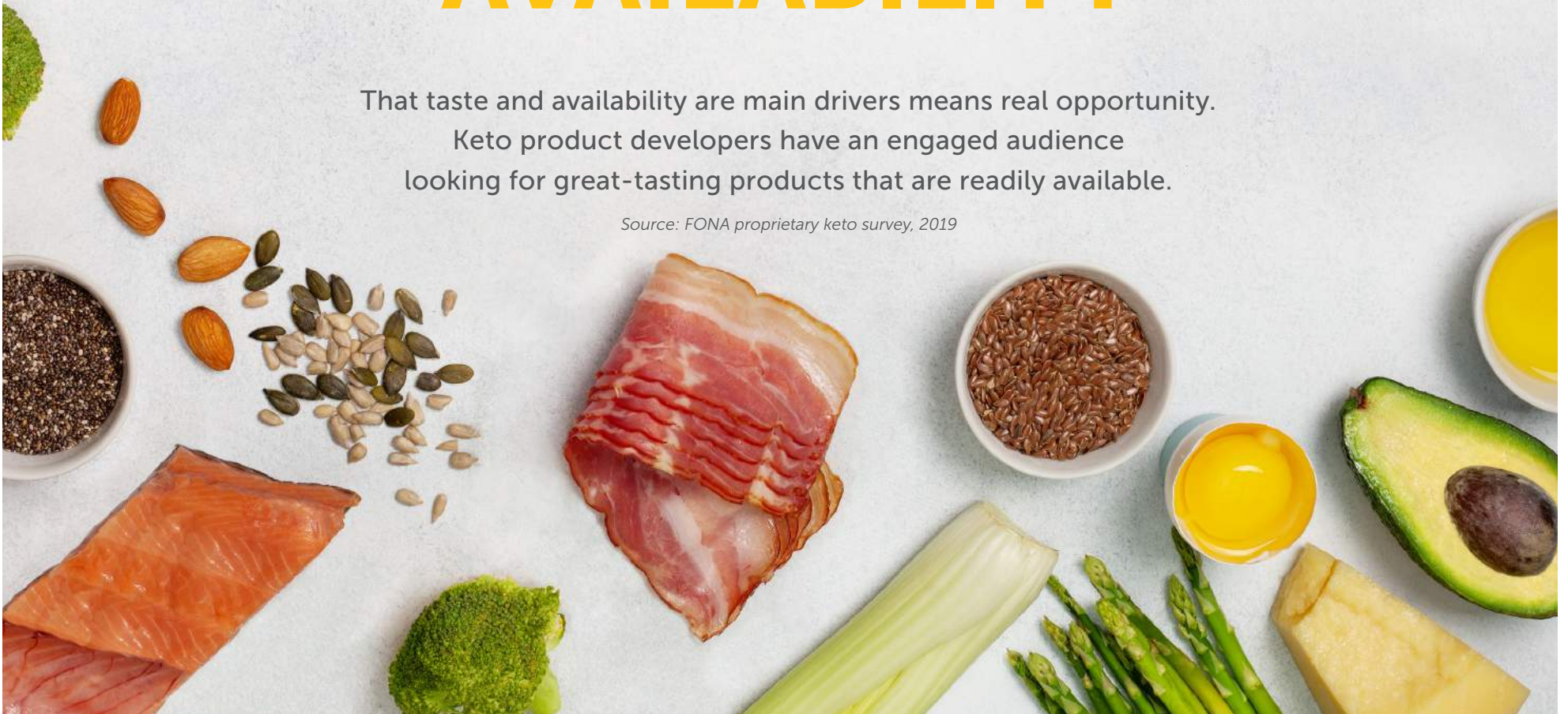
- TASTE -

What do you like least about keto products? The answer:

- AVAILABILITY -

That taste and availability are main drivers means real opportunity.
Keto product developers have an engaged audience
looking for great-tasting products that are readily available.

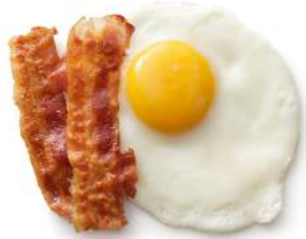
Source: FONA proprietary keto survey, 2019



A DAY ON KETO:

A day on the ketogenic diet requires some careful meal planning and dedication. Dieters must read product labels carefully and count macronutrients: **fat, protein, and carbohydrates**, to stay in a constant state of fat-burning ketosis.

IT COULD LOOK SOMETHING LIKE THIS:



BREAKFAST

- Eggs fried in coconut oil
- Bacon
- "Breakfast salad" (sauteed leafy greens and mushrooms)
- Coffee with a splash of heavy cream or MCT oil

MID-MORNING SNACK

- Roasted, salted nuts

LUNCH

- Green salad with raw vegetables, chicken, bacon, and a low sugar vinaigrette

MID-AFTERNOON SNACK

- Cheese or a keto-friendly snack bar made with nuts, cacao nibs, and coconut oil

DINNER

- Grilled salmon, bacon, cauliflower mashed potatoes



ACRONYMS OH MY: BHB SALTS & MCT OIL

Many keto products feature positioning that highlights the presence of BHB salts and MCT oils. *Here's why:*

BHB

SALTS

BETA-HYDROXYBUTYRATE (BHB)

BHB are exogenous ketones that are said to help people stay in ketosis and get back on track faster in the event of slip-ups. Some consider BHB a natural source of energy, and it is said to help lift the "mental fog" that sometimes comes from starting keto.

MCT

OIL

MEDIUM CHAIN TRIGLYCERIDE (MCT)

The fervor over MCT oil started a few years ago, with the dawn of Bulletproof coffee, hailed as a new way to achieve mental clarity. Today, many keto followers believe MCT oil helps provide the fat needed for brain health while helping them get rid of the brain fog. Some consider it a more of a sustained source of energy.

KETO ON THE MARKET

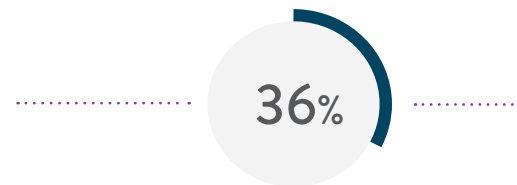
GNPD shows 88 products launched in 2018, and more than that in the first 4 months of 2019 alone. The growth of keto and keto-friendly products is huge. Between 2017 and 2018

there was 780% growth in new launches. Chocolate, vanilla, almond and chocolate-peanut butter are the most used flavors.

PRODUCTS OF NOTE



REBEL CREAMERY COOKIE DOUGH ICE CREAM is a keto product with 7g net carbs per pint.



36% of consumers polled said they'd possibly buy this product



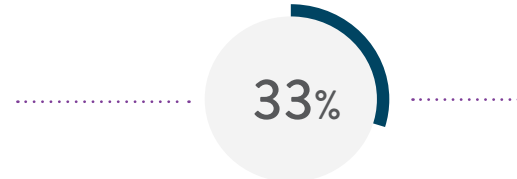
KETOLOGIC BUFFALO KETO CRISPS are high-fat cheese crisps that contain 0% carbs.



20% of consumers polled said they'd possibly buy this product



NOOSH BRANDS BIRTHDAY CAKE ALMOND BUTTER is keto-friendly with MCT oil.



33% of consumers polled said they'd consider buying this product,



KETOLOGIC CUCUMBER-LIME FLAVORED KETO BHB DIETARY SUPPLEMENT is said to boost ketones, fuel mental performance and suppress appetite. It has 12g of BHB and 0g of carbs.

CHIPOTLE LIFESTYLE BOWLS

Recently Chipotle restaurants have capitalized on the keto consumer and other food tribes with customized options to accommodate Keto, Paleo, and Whole30 diets.



A COMMITTED CONSUMER, FACING CHALLENGES

Although the keto diet features rich food that consumers inherently enjoy (at least at first), sticking with the program isn't without its challenges.



CHALLENGE: FATIGUE

A third of respondents said they experience fatigue while following the keto diet. Energizing ingredients that help restore and replenish – without adding sugar – can help these consumers stay on track. As we mentioned, **fatigue and brain fog** are both reasons so many keto products contain BHB salts and MCT oils.

CHALLENGE: NO CHEAT DAYS

There is a limit to how much cheese and bacon one person can consume. Nearly 60% of respondents who gave up on the keto diet in the last three months did so because **they missed eating the other foods they enjoy**. There's an opportunity to create products that mimic forbidden foods like bread and cookies – while helping these consumers maintain ketosis.

CHALLENGE: TRUST

Trust is of the utmost importance to consumers, as evidenced by the 68% of respondents that said **third-party certifications are important** to them. FONA has helped brands achieve third-party keto certification. It may be a path worth considering for product developers jumping into the keto pool.

CHALLENGE: TASTE AND CONVENIENCE

Taste. It's the most important factor – and the biggest challenge that respondents cited, and it's a problem that food and beverage companies can help solve. The keto consumer seeks **good taste**, and they want it in a convenient package.

CHALLENGE: COMPLICATED RESTRICTIONS

Because one of the biggest challenges for the consumer is counting macros and reading labels to figure out net carbs, **it's important for brands to help simplify this process**. Easy-to-spot keto labeling may become an important way to win over consumers, especially those who are a little less nutritionally savvy, in the grocery aisle.



THE TAKEAWAYS

Our research shows – the time to capitalize on keto is now. More than ever, keto enthusiasts are committed and seeing results. The more delicious and convenient their choices are, the more successful their intended journey is, the longer they're likely to stay on the path. It's clear that they want to remain committed to keto – and product developers can help them with that goal. When exploring keto as an option for your brand, consider the challenges these consumers are facing. From third-party certification to label clarity; fatigue to cravings, consider what roadblocks you can help overcome. And if there is one thing to prioritize – it's taste. It's consistently the #1 driver for purchase, according to consumers – and keto is no exception.

YOU DESERVE MORE. LET'S GET STARTED.

What does true partnership look like? You deserve a flavor partner ready to turn these trends into the tangible.

Let FONA's market insight and research experts get to work for you. Translate these trends into bold new ideas for your brand. Increase market share and get to your "what's next." Our technical flavor and product development experts are also at your service to help meet the labeling and flavor profile needs for your products to capitalize on this consumer trend. Let's mesh the complexities of flavor with your brand development, technical requirements and regulatory needs to deliver a complete taste solution.

From concept to manufacturing, we're here for you – every step of the way. Contact our sales service department at 630.578.8600 to request a flavor sample or chat us up at www.fona.com/contact-fona/



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TECHNICAL TIP SHEETS - FREE DOWNLOAD

Facing technical challenges with your keto bar or beverage product? FONA's taste experts are sharing their tips and tricks on overcoming those pitfalls. Click the images below or visit www.fona.com and search "keto."

