



Acquisition targeting for diabetic friendly foods

Case study

BA developed a market assessment of the “diabetic friendly” food product market with potential acquisition candidates for a global confectionary player

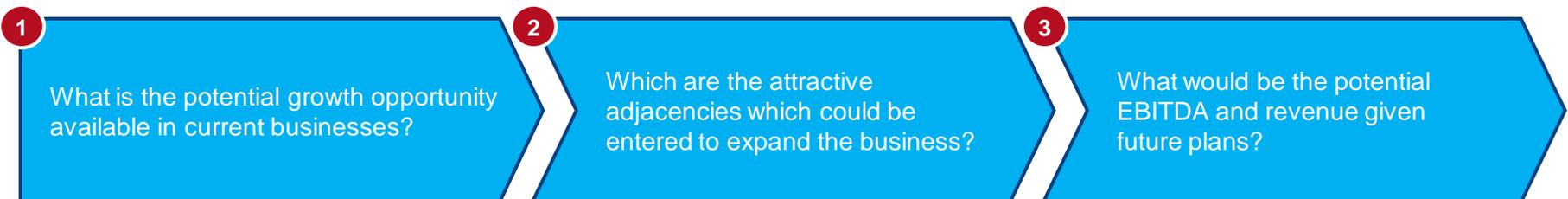
Client Background

- The client is a leading player in global chocolate and sugar confectionery market with significant presence in North America
- In order to strengthen its position in the growing health and wellness market in US, the client wanted to deliver a food product which addresses a chronic health condition
- The client was seeking organic and inorganic growth opportunities through acquisitions

Key Highlights

- The project was conducted in the following three phases:
 - **Phase I:** Analyzing US Diabetic Food market to identify attractive segments based on a set of attractiveness parameters
 - **Phase II:** Studying and analyzing the best practices followed by competitors in the selected market segments
 - **Phase III:** Short listing and recommending potential acquisition targets in the selected market
- In addition to exhaustive secondary research, approximately 80 interviews were conducted with manufacturers, industry experts, distributors, wholesalers, and retailers in the US Diabetic-friendly Food market

Key Business Questions



An in-depth study of the Diabetic Food market was developed for the US to come up with the most attractive market segment

1

What is the potential growth opportunity available in current businesses?

2

Which are the attractive adjacencies which could be entered to expand the business?

3

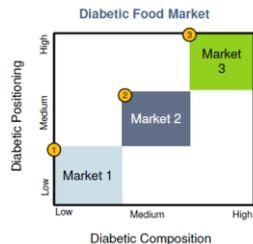
What would be the potential EBITDA and revenue given future plans?

Illustrative

The Diabetic Food Market can be divided into three segments based on the composition and positioning of each

Market Definition: The Diabetic Food Market comprises all those packaged foods and/or beverages designed to address the needs of pre- and type II-diabetics, either explicitly or implicitly

Segmentation: The market can be segmented by product type along two dimensions: 1) The extent to which products explicitly address the needs of diabetics (Diabetic Positioning) and 2) The extent to which products reflect the ideal dietary composition for diabetics (Diabetic Composition)



Defining Characteristics			
Segment	Diabetic Positioning	Diabetic Composition	Other
Market 3	Targeted explicitly towards diabetics with health claims ^(A)	Product that meets all or most of diabetic dietary needs, i.e., low glycemic index, low in carbohydrates and fats; high fiber; low sodium level	Backed by clinical trials out of necessity. Claims related to specific health benefits
Market 2	Targeted towards health and wellness conscious people with nutritional claims ^(B)	Product that meets one of the most important diabetic dietary needs, i.e., low carbohydrates ^(C) , as well as possibly others but not all or most	Nutritional content suggests it can be beneficial for diabetes patients, but this may not be explicitly stated
Market 1	No specific or explicit mention of diabetes but may make nutritional claims ^(B) of interest to diabetics	Product that addresses only one diabetic dietary need, i.e., low in sugar or no sugar	Does not necessarily help or harm diabetics

Note:
 (A) Health claims are claims about a food's impact on the human body (for example, the extent to which it helps in managing blood glucose levels).
 (B) Nutritional claims are claims about simply the nutritional value of a product's composition (for example, grams of carbohydrates per serving).
 (C) The products are compositionally low carb; however, their positioning strategy might focus on the content of proteins/fibers/other ingredients

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BA defined and segmented the US Diabetic Food market by product composition and diabetic positioning.

BA defined the criteria to assess the attractiveness of different segments based on market dynamics and client strategic intent.

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Demographics, behavior, and preference are important factors that influence growth

	Diabetic-specific Food		Diabetic-friendly Food		Sugar-free Food	
	Nature	Impact	Nature	Impact	Nature	Impact
Rise in diabetic and diabetes-prone population	↑	H	↑	H	↑	H
Sedentary lifestyle	↑	L	↑	M	↑	M
Compromise needed on taste	↔	NA	↓	L	↓	M
Introduction of natural sweeteners	↔	NA	↔	NA	↑	H
Introduction of variety in Diabetic-specific Food	↑	H	↓	L	↓	L
Introduction of variety in Diabetic-friendly Food	↓	L	↑	H	↓	L
Added health benefits of such foods	↔	NA	↑	M	↑	H

↑ Driver ↓ Inhibitor ↔ Neutral L Low M Medium H High NA Not Applicable
 Demographic factors Behavioral and preference factors Supply-led factors Other factors

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The market attractiveness of each market segment was measured using a set of market-based and internal fit parameters.

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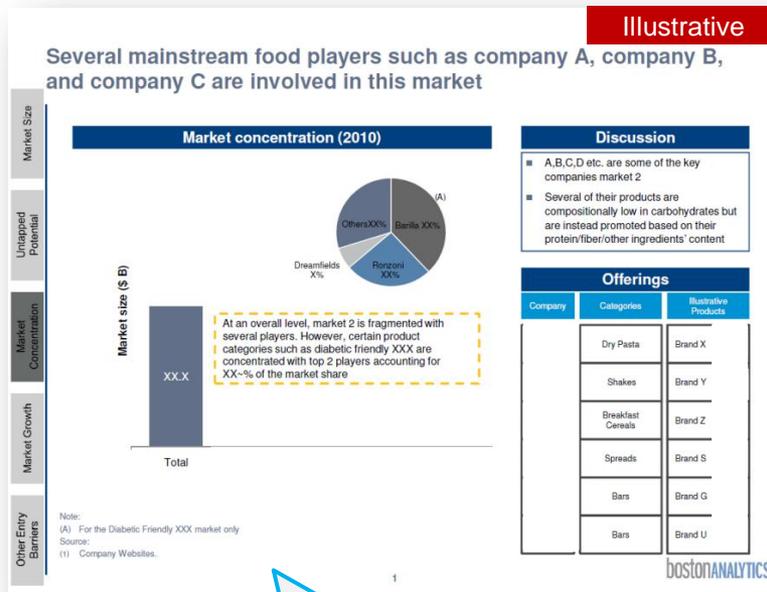
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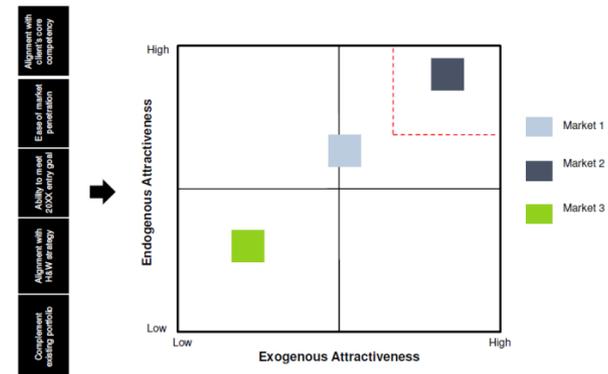
What would be the potential EBITDA and revenue given future plans?



Finally, BA built an attractiveness model and recommended the best market to enter.

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Market 2 appears to be the most attractive segment for client



Market size | Untapped potential | Market concentration | Market growth | Other entry barriers

2

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BA then measured the attractiveness of each market on a set of market-based as well as internal fit parameters.

BA identified suitable competitors for detailed analysis based on several key parameters

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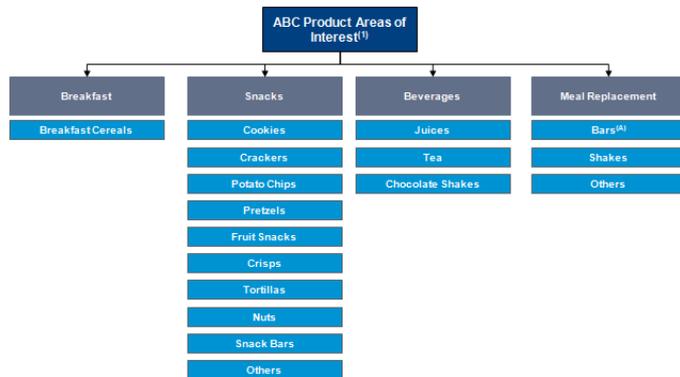
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What would be the potential EBITDA and revenue given future plans?

These areas of interest translate into the following product categories and sub-categories

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Note:
(A) Includes meal replacement bars for breakfast and others.
Source:
(1) BA Analysis.

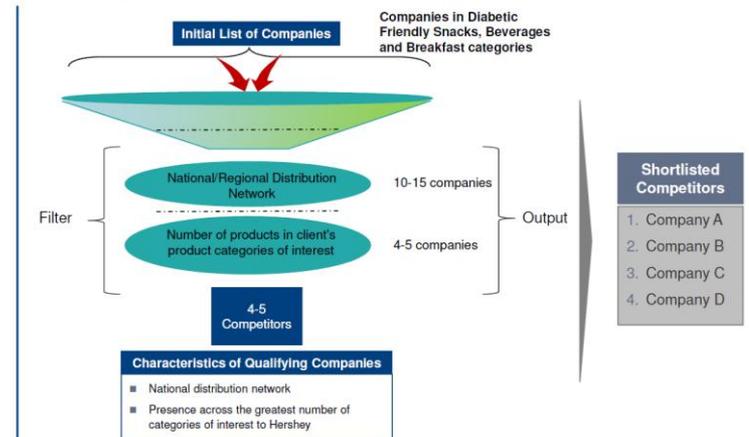
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BA used relevant criteria to shortlist competitor profiles for in-depth profiling.

BA shortlisted companies for profiling based on a systematic screening process

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A deep dive of the top competitors in each segment was undertaken to identify best practices and strengths/weaknesses

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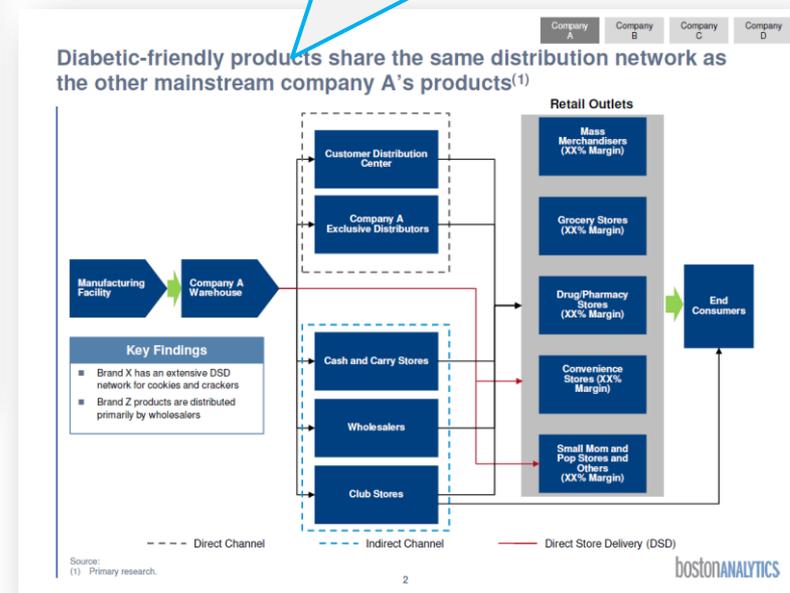
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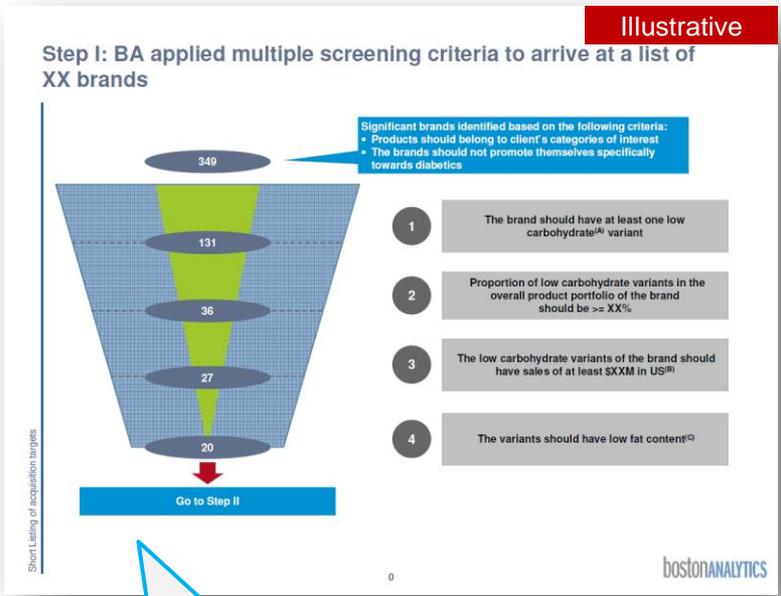
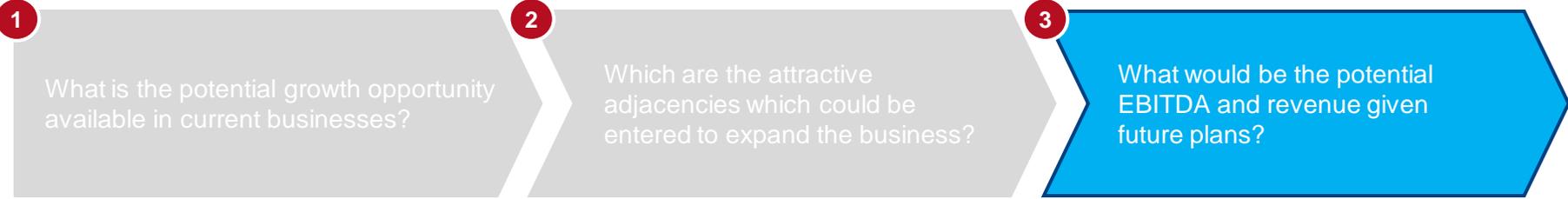


BA then analyzed the strengths and weaknesses of the company in the Diabetic-friendly Food market.

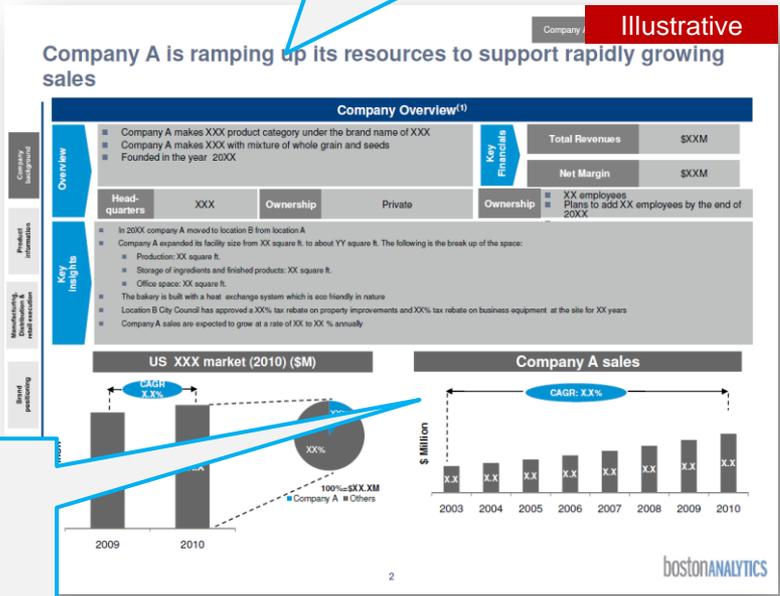


BA then highlighted the evolution of the company in terms of Diabetic-friendly food and beverage brands.

Multiple shortlisting criteria was used to develop recommendations of potential acquisition targets to the client



Using a set of scoring parameters, BA assigned scores to each of the shortlisted brands and then selected 4–5 brands for in-depth profiling.



BA shortlisted potential acquisition target companies using multiple screening criteria.

BA finally profiled the potential targets on their financial, manufacturing and other strengths.

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