

20 TREND INSIGHT 17 REPORT



CLEAN: CONSUMERS IN CONTROL

Go to any place where food is available for sale and it's pretty clear: consumers are checking for clean.

Package labels, store configurations, grocers' and food manufacturers' social media feeds all signify a strong response to consumers' desire for clean label and healthy living. Join us as we explore three consumer drivers when it comes to clean label that shows the power of consumer influence.

1. POWER TO THE PEOPLE

Consumers have gotten the message that it's necessary to self-advocate when it comes to personal health and wellness. More than ever, they feel empowered to take charge of their health to live a long life and live it independently. Reading food labels and understanding ingredients and product claims are just a few ways they are managing their diets and meeting daily health goals. Consumers are embracing their power and aren't shy about exercising it.

However, consumers reveal a big picture perspective as they shift from managing today's food intake to instead managing what could affect them five, ten or twenty years from now. Seventy-six percent of consumers believe healthy and balanced lifestyle choices are critical to wellness and the same number feels that making healthy choices gives them a sense of control over their lives.¹

Nutritional labels are strong purchase motivators for 54% of consumers while 33% call on the package labels for their guidance.² Discounted pricing or sales only motivates 29% of consumers indicating that what manufacturers call out on packaging can be more powerful to consumers than just dollars and cents.³



FOOD MANUFACTURERS AND ACTIVISTS

The influence of social media and mainstream media has had a hand in educating consumers about the potential risks from the food they eat. Somewhat of a chicken/egg conundrum, traditional food manufacturers are responding to consumer and activist cries for clean while smaller brands are coming clean right from the get go. Consumer advocate organizations such as the Clean Label Project dissect categories like baby food and pet food to warn about potential unsafe ingredients in products. Here are some activists that are paving the clean road for consumers and some manufacturers that make it easy to eat clean:

Michael Pollan: His *In Defense of Food* is a manifesto educating readers how plant-based eating is healthy, pleasurable and necessary. Pollan's Twitter feed is a credible source of food reform and education. With over 525,000 followers, Pollan is an influencer to have on your side.

Marion Nestle: With a Ph.D. in molecular biology and a professorship in nutrition and food studies both at NYU (where she was department head for almost 20 years) and Cornell, Nestle is a food force. Recently known for taking on the soda industry, Nestle's books and site foodpolitics.com have repeatedly been acknowledged as tops in the food world.

Other noted activists:

- Mark Bittman / former Op-Ed Columnist for New York Times and author of over 20 books on the food landscape. Bittman's *Vegan before six philosophy* speaks to his passion for combining balance and plant-based eating.
- Sarah Wilson quit sugar for life and made it her life's work to share what she knows through her 8-week program.
- The Food Babe, Vani Hari, ruffles some industry feathers from time to time but her information attracts consumers and its influence cannot be ignored.
- Michael Moss's work on safety, marketing, nutrition and the politics of food empower consumers to take control of their food choices.



COMPANIES MARCHING TOWARD CLEAN

Nestlé / Skinny Cow - Following in the company's kitchen cupboard initiative, Skinny Cow is not only removing ingredients like modified maltodextrin, but it is also pledging to only use milk from cows that aren't treated with the hormone rBST.

General Mills / Progresso – In line with other GM brands, Progresso moved to 100% antibiotic- and hormone-free chicken breast in all 36 of Progresso's chicken soup varieties and also reduced sodium in over 40 different soups.

Campbell's / Well Yes! – Speaking of soup, Campbell's newest brand is born from the company's commitment to clean. Free from artificial flavors, colors or ingredients, Well Yes! even calls out the "carefully chosen water" in its ingredient list on a label that is as clean as if it was homemade.

Arctic Zero / Cake Batter Bar – Dessert can be clean, and you can't get much cleaner than a yellow cake batter flavored frozen base of hormone-free whey protein, organic cane sugar, chicory root dipped in a red velvet coating from beet juice and paprika. And the 5 grams of sugar make this treat a slam dunk.



2. REBALANCING THE RATIO

Back in the day, moms would prepare meals for their families with fresh ingredients sourced from their local butcher, meat vendor or backyard gardens. As wartime pressures mounted, many of these same moms entered the workforce changing the landscape of mealtime. Food storage changed and technology and preservatives extended expiration dates while broadening convenience. Enter the era of processed food.

Flash forward to today, and many consumers now associate processed foods with less than optimal nutrition profiles and artificial ingredients they can't pronounce. Rebalancing the ratio of ultra-processed foods vs. less processed foods is something consumers are doing to help them meet long-term health goals. Terms like "shopping the perimeter" has become standard practice for more shoppers as 64% of consumers seek foods that are minimally processed.⁴ It seems to be working as perimeter food sales are expected to increase 17% to \$346 billion by 2019.⁵ Additionally, consumers are reaching for organic products because they perceive them to be safer, more nutritious and fresher than non-organic products. A few stats:

- Fresh prepared foods were one of the highest performing segments in the food industry between 2006-2014 with an annual growth rate of 10.4%.⁶

- Organic food sales increased 11% between 2014-15 to reach \$39.7 billion⁷ and the USDA reports that demand for organic food has increased every year since the 1990's.
- 46% of shoppers who frequent large national grocers feel that center of the store products are too processed compared to 68% who shop at natural food stores- regardless it's clear that almost half of consumers are getting the message that center of the store doesn't equate to healthy.⁸
- 66% of organic shoppers plan to increase the amount of organic food they purchase in 2017.⁹
- Retailers who have 50% or more "fresh" items saw sales grow 9.8% in 2015 compared to those with 30% or less "fresh" who saw a 6.1% decline in sales.¹⁰

ALL NATURAL

ORGANIC

THE CASE FOR BEING ON THE OUTSIDE

Never before has being on the outside felt so good. But when it comes to grocery shopping, the outside is where it's at. The perimeter is where grocers are stocking ready-made fresh meal kits, bushels of organic fruits, vegetables, meats, eggs and herbs. Check out these locales that help busy consumers create the healthy balance they crave.

- The growth of the “grocerant” plays heavily into the success of concepts like Chicago-based Mariano’s which continues to add locations. Heavily focused on produce and fresh prepared foods, the store is part grocery, part restaurant targeting busy Millennials who demand fresh food and are willing to pay extra but don’t necessarily have the time to fix a meal at home. Dine in or take home, this concept is poised to please the 84% of consumers who aren’t sure at noon what they’re eating for dinner at 6.¹¹
- Chicago’s O’Hare airport has 26 aeroponic towers growing fresh herbs and vegetables that are used throughout their food service posts. The soil-less towers house plants fed via water loaded with nutrients and minerals. Forget what you think about airport food.
- Consumers can’t use the excuse that organic is hard to find. Online farmer markets deliver organic produce. Concepts like Door-to-Door Organics bring organic meats, cheeses, produce and even center of the store groceries right to the front door. Customers can even order

local or non-GMO items. And if shopping isn’t enough, organic meal kits like Green Chef make it easy to honor a commit to purchase organically. For the 62% of consumers who consider food as “medicine for their body,” organic delivery can’t make it any easier.¹²



3. PURCHASED ON PRINCIPLE

Social media has made communicating a corporate personality easier than ever. Behind a corporate identity are intrinsic values and ethics, positions on sustainability, approach to safety and ingredient sourcing and its treatment of employees; relating to a company's values and philosophies goes a long way to inspiring consumer loyalty. And today's consumer loves the idea of supporting companies to which they feel connected—especially Millennials. Fifty-seven percent of this influential group typically buys from companies whose values line up with their own and that goes for 45% of the other consumer population.¹³

What is interesting is the extent with which consumers will adjust their perceptions of a company based on their ethical or environmental stance. Fifty-nine percent of consumers believe in supporting products which have high ethical and environmental report cards.¹⁴

Many smaller brands start from a place of social responsibility and because of that 32% of consumers prefer the local or smaller brand to the mass market one.¹⁵ There also seems to be an association by consumers between ethical and premium as 21% link the two.¹⁶ Finally, forty-four percent of shoppers would be willing to pay more for products that they feel support their values or have a certain belief.¹⁷ Manufacturers would benefit from not underestimating the power of principle in their corporate persona.

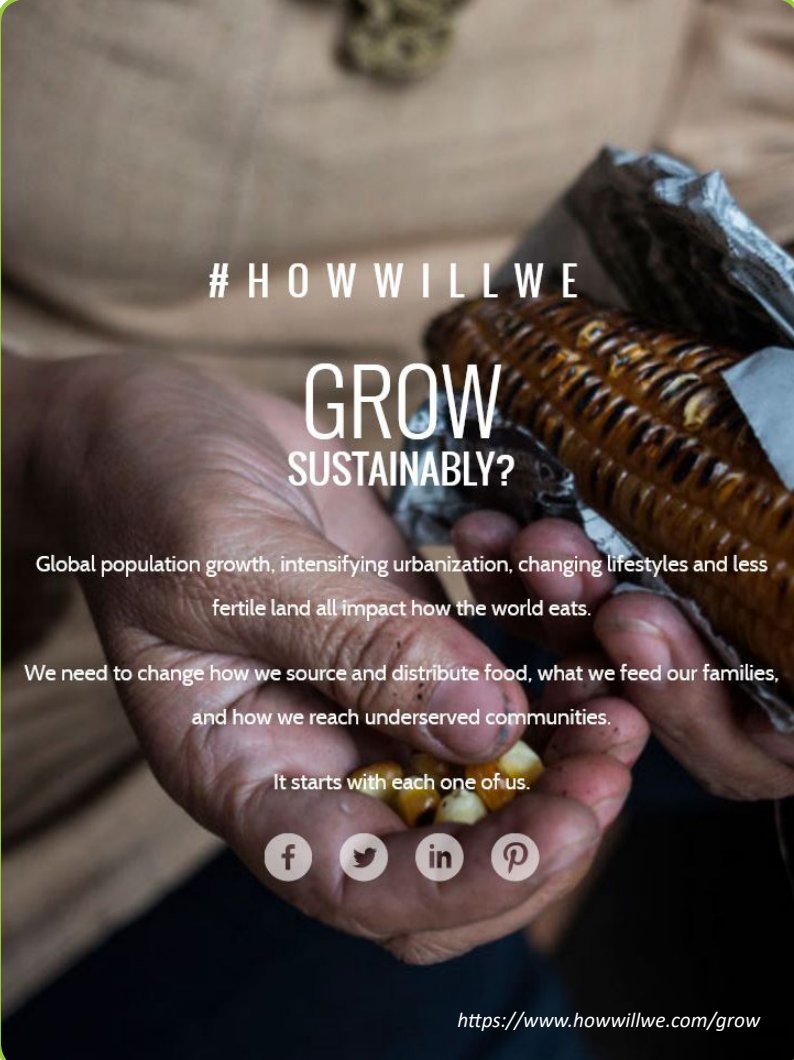


BRANDS WITH HIGH SOCIAL RESPONSIBILITY GRADES

Pepsi – Named one of the top brands for social responsibility, Pepsi’s “#howwillwe” campaign highlighted solutions and steps the company is taking to address the global food crisis, thrive as a society and create opportunities. Through its Food For Good program, Pepsi has provided 2.6 million meals to low-income people in 11 U.S. cities and over 12.6 million servings of grains, dairy and vegetables.¹⁸ In its partnership with the World Food Program, Pepsi has distributed dimbuch, a chickpea-based supplementary food, to malnourished children aged 6 months to 5 years and is making a world of difference. And Pepsi’s parent company, Frito-Lay is doing its part for the environment by owning one of the largest fleet of electric delivery trucks.

Starbucks – The driving force behind the coffee magnum’s FoodShare program was its own employees. Recognizing the amount of perishable foods disposed of within their stores each day, employees urged Starbucks to look beyond the cup. The program, launched in 2016, will distribute 5 million meals via refrigerated trucks to foodbanks its first year and almost 50 million meals by 2021.

Whole Foods – The high-end organic retailer joined forces with Imperfect Produce to sell “ugly” fruits and vegetables in their stores to help end the glut of food waste in the U.S. The program is in the pilot stages in Northern California at six locations.



#HOWWILLWE
GROW
SUSTAINABLY?

Global population growth, intensifying urbanization, changing lifestyles and less fertile land all impact how the world eats.

We need to change how we source and distribute food, what we feed our families, and how we reach underserved communities.

It starts with each one of us.

f t in p

<https://www.howwillwe.com/grow>

CURATING CLEAN

Here at FONA, clean has become our mission. Communicating, educating, researching, testing, creating clean flavors that meet your clean label objectives. In 2016, we conducted a large-scale proprietary study to identify how consumers felt about clean and in 2017, we are going even deeper. Uncovering what healthy, balanced lifestyles mean to your consumers, what they understand about minimally processed and what they want from flavors when it comes to clean are just a few of the insights we will share from our newest custom study. Stay tuned for the next chapter of clean. Clearly, it'll be worth it.

FUTURE OPPORTUNITIES – FONA CAN HELP!

Let FONA's market insight and research experts translate these trends into product category ideas for your brand. They can help you with concept and flavor pipeline development, ideation, consumer studies and white space analysis to pinpoint opportunities in the market. Our 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. We understand how to mesh the complexities of flavor with your brand development, technical requirements and regulatory needs to deliver a complete taste solution.

Contact our Sales Service Department at 630.578.8600 to request a flavor sample or visit www.fona.com.

SOURCES

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1900 Averill Road, Geneva, IL 60134
630.578.8600 | www.fona.com