Consumer & Market Trends: Opportunities for Simple, Clean & Pure Abound

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Steve French, Managing Partner, NMI
NMI Provides Unparalleled Global Expertise in Health & Sustainability

- NMI is an international strategic consumer insights firm, specializing in consumer trends and innovation since 1990.
- Our mission is to focus on the interconnectedness of personal health/wellness, sustainability, and healthy aging.
- Our goal is to help clients grow their business through the identification and validation of new ideas and solutions.
Presentation Sources

Health & Wellness
Health and Lifestyle Focus
- Food
- Beverage
- Personal care
- Supplements
- HH products
- Sports nutrition
- General merch

Health & Wellness Trends
Database
Since 1999
- Healthy lifestyle drivers
- Association of ingredients with specific health benefits
- Lifestyle and demographic measures
- Usage patterns across foods, supplements, healthcare, personal care
- Shopping Behavior
- Brands, influence and media

Sustainability
Covers 15 market sectors
- CPG
- Green Building
- Transportation
- Electronics
- Investing
- Energy
- Eco-Travel
- Eco-Apparel
- Pet Care
- Others
- 200 LOHAS-related attitudes, drivers to consumer behavior
- Usage patterns across industries, product categories and brands
- Behavior/demos related to green activities, including memberships and non-profit donations
- Information sources

LOHAS Database
Since 2002

Organic
Multifaceted Category Breadth
- Understanding
- Natural vs Organic
- GMOs
- Ingredient specifics
- 100+ attitudes surrounding major issues and categories
- Pathways/Drivers/Barriers
- Specific attribute desires/claims
- Personal vs Planetary Health
- Usage patterns across product categories
- Behavior/Demos
- Message element test results
- Information sources

Engaging The Next Wave – Organic
2011

Additional Data/Insights in Supplement/OTC/Rx and
Healthy Aging Studies

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Pure & Simple is the “New Clean Label”

“Simplicity is the ultimate sophistication.”
Leonardo DaVinci

New trends in purity and simplicity are evident as we move to simpler inputs, focused messaging, cleaner labeling, streamlined design and easy delivery of good and services.

We are removing layers of complexity – a change we desire because it becomes easier to determine the true fit of products and services with personal values.

This “less is more” trend is resonating with consumers everywhere – purity and simplicity is now the ultimate sophistication!
Most Consumers Will Be Proactive in Controlling Health; Eating Healthfully Plays a Key Role

“I will take whatever means necessary to control my own health”
65%

“Eating healthy helps me feel in control of my life”
73%
Diet Is an Important Way to Maintain a Healthy, Balanced Lifestyle

The following are extremely/very important methods used in maintaining a healthy, balanced lifestyle:

- Consumption of healthy, nutritious foods: 68%
- Maintaining a balanced diet: 66%
- Consumption of natural foods/beverages: 35%
- Consumption of fortified/functional foods/bevs: 27%
- Consumption of organic foods/beverages: 22%
Consumers Are Increasingly Monitoring Food Labels... and Basing Purchase Decisions on Them

- 2006
- 2012

I select foods based on the ingredient list: 42% in 2006, 51% in 2012

I select foods based on the nutritional facts panel: 45% in 2006, 52% in 2012
Overall, Most Claim Package Labels Influence Purchase

74% indicate that package labels have influence on the purchase of healthy and natural products.
Most Proactively Add and Avoid Specific Foods to Eat Healthier – Labels Can Help

“I have **ADDED** some foods to my diet to eat healthier”
69%

“I have **AVOIDED** some foods to my diet to eat healthier”
71%
Double-Digit Growth in Monitoring Labels for Checking for Allergens and Organic Ingredients

<table>
<thead>
<tr>
<th>Ingredients checked most often</th>
<th>% CAG ‘09 – ‘12</th>
</tr>
</thead>
<tbody>
<tr>
<td>Allergens (e.g., nuts, wheat, dairy)</td>
<td>11%</td>
</tr>
<tr>
<td>Organic ingredients</td>
<td>10%</td>
</tr>
<tr>
<td>Preservatives</td>
<td>7%</td>
</tr>
<tr>
<td>Protein</td>
<td>6%</td>
</tr>
<tr>
<td>Artificial colors/ flavors</td>
<td>5%</td>
</tr>
<tr>
<td>High fructose corn syrup</td>
<td>4%</td>
</tr>
<tr>
<td>Minerals</td>
<td>4%</td>
</tr>
<tr>
<td>Natural ingredients</td>
<td>4%</td>
</tr>
<tr>
<td>Ingredient list</td>
<td>4%</td>
</tr>
</tbody>
</table>
Consumers More Often Check for the “Negatives” Before the “Positives”
Consumers Are Managing a Host of Ailments for Which They Need to Check Food Labels

% of anyone in the household actively managing the following health issues

- Need to lose weight (appearance): 44%
- Cholesterol levels: 42%
- Hypertension: 41%
- Lack of energy: 39%
- Sugar intake: 27%
- Blood sugar level: 25%
- Sodium intake: 24%
- Diabetes: 22%
- Lactose intolerance: 18%
- Food allergies: 16%
- Need to boost immunity: 15%
- Heart disease: 13%
- Celiac disease: 11%
- Need to lose weight (health): 3%
Many are Increasingly Looking for “Less” on the Label: Short List of Recognizable Ingredients...

I look for foods/beverages with a short list of recognizable ingredients (CAG: +5%)
... Minimal Processing Also Related to Clean Label

I prefer foods that are minimally processed (CAG: +4%)

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NMI’s Health & Wellness Consumer Segmentation Highlights
Opportunities & Challenges with Personal Health & Wellness

**WELL BEINGS®: 17%**
- Most health proactive
- Market leaders & Influencers
- Highest organic usage
- Use some supplements
- Use many health modalities
- Most Green

**FOOD ACTIVES®: 18%**
- Mainstream healthy
- Basics, balance and control
- Desire inherently healthy foods
- Take variety of supplements
- Least eco-friendly
- Most price driven

**MAGIC BULLETS®: 24%**
- Lack commitment to healthy lifestyle
- Skew Boomer/Senior, lower income
- Health managers vs. preventers
- Weight managers
- Least likely to exercise

**FENCE SITTERS®: 19%**
- ‘Wannabe’ healthy
- Most likely to have kids
- Stressed out, want help and control
- More health kicks but no clear goals
- Eco-friendly
- Active weight loss

**EAT, DRINK & BE MERRYS®: 22%**
- Least health active
- Unconcerned about prevention
- Choose taste over health
- Younger
- Least likely to be PGS
WELL BEINGS Most Desirous of Few and Recognizable Ingredients

“I look for foods/beverages with a short list of recognizable ingredients”
Consumer skepticism that “natural” foods are not really different from conventional – all “marketing fluff”

Consumers respond to messages that communicate organic as closest to the natural state
Natural Foods/Beverages Used by Most: Organic Returns to Double-Digit Growth

Source: Nielsen Scantrack & Nielsen Label Trends, Total U.S. - All Outlets Combined, 4-week increments (vs. year ago), UPC-coded

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Introductions of Pure, Real & Simple On The Upswing

Beverages Launched in U.S. with “Pure,” “Real” or “Simple” in Product Name

Source: GNPD
Almost **twice** as many consumers indicate the following describes **natural** compared to **organic**:

- No artificial preservatives
- No artificial flavors
- No additives
- No artificial colors

But Even When It’s On the Label, Confusion Can Ensue

All regulated attributes of organic!
Industry Activity Is Heating UP Around GMO’s

A Push for “Right to Know”:
Watchdog groups and trade organizations are getting vocal, petitioning the FDA to require GMO labeling

Citizens for Health
Organic Voices
Just Label It Campaign
Environmental Working Group
Organic Trade Association
SayNoToGMO
FarmAid
NonGMOProject
Responsible Technology
Seeds of Deception
Green Peace
To Almost Half, GMOs Are a Deal-Breaker When It Comes to Purchasing Foods & Beverages

“If I found out a favorite brand was made with GMO ingredients, it would…”

Make me LESS likely to purchase: 48%
Not affect my decision: 49%
Make me MORE likely to purchase: 3%
Local Connotes Simple and Fresh: Another Clean Label Link

It's important for my store to carry locally-grown produce: 67%
Have used locally-sourced foods/beverages in the past year: 66%
The Importance of Sustainably Grown Food

“It’s important for my store to have foods grown on farms that practice sustainable agriculture”

52% (up from 44% in 2005)

When given a choice to buy a product or service, 33% do so with an understanding of the effect it will have on the health and sustainability of the world, it’s environment and people.
R&D Challenges: Balancing Taste, Health, and Desire for Natural

A novel ingredient can enable reduction of up to 50% of the sugar in products without compromising taste.

A proprietary salt reduction technology stimulates taste receptors on the tongue to create the perception of salt to help achieve a “low sodium” or “reduced sodium” labeling.

BUT...54% of consumers indicate it is important for their store to have foods that are free from artificial ingredients including artificial colors, flavors and preservatives.
Sugar Monitoring ➔ Mainstream Consciousness

- I typically watch the sugar content in my diet
- I usually check the package label for forms of sugar/content before I purchase


46% 56%

41% 56%
Growth In Use Of Natural Sweeteners (And Decline Of Artificial Usage)

Artificial sweeteners are still a staple with consumers who are watching their blood sugar and weight, but the most growth is in usage of natural sweeteners.

Ties back in to consumer’s desire for negative ingredients.

<table>
<thead>
<tr>
<th>Sweetener</th>
<th>% CAG: ‘07-'11</th>
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<tbody>
<tr>
<td>Stevia (e.g., Truvia)</td>
<td>30%</td>
</tr>
<tr>
<td>Evaporated cane juice</td>
<td>17%</td>
</tr>
<tr>
<td>Raw Sugar</td>
<td>6%</td>
</tr>
<tr>
<td>Honey</td>
<td>5%</td>
</tr>
<tr>
<td>Fruit sweeteners</td>
<td>4%</td>
</tr>
<tr>
<td>High fructose corn syrup</td>
<td>3%</td>
</tr>
<tr>
<td>Sugar alcohols</td>
<td>3%</td>
</tr>
<tr>
<td>Fructose</td>
<td>1%</td>
</tr>
<tr>
<td>Table Sugar</td>
<td>-2%</td>
</tr>
<tr>
<td>Sucralose (e.g. Splenda)</td>
<td>-5%</td>
</tr>
<tr>
<td>Saccharin (e.g. Sweet &amp; Low)</td>
<td>-6%</td>
</tr>
<tr>
<td>Aspartame (e.g. Nutrasweet/Equal)</td>
<td>-6%</td>
</tr>
</tbody>
</table>