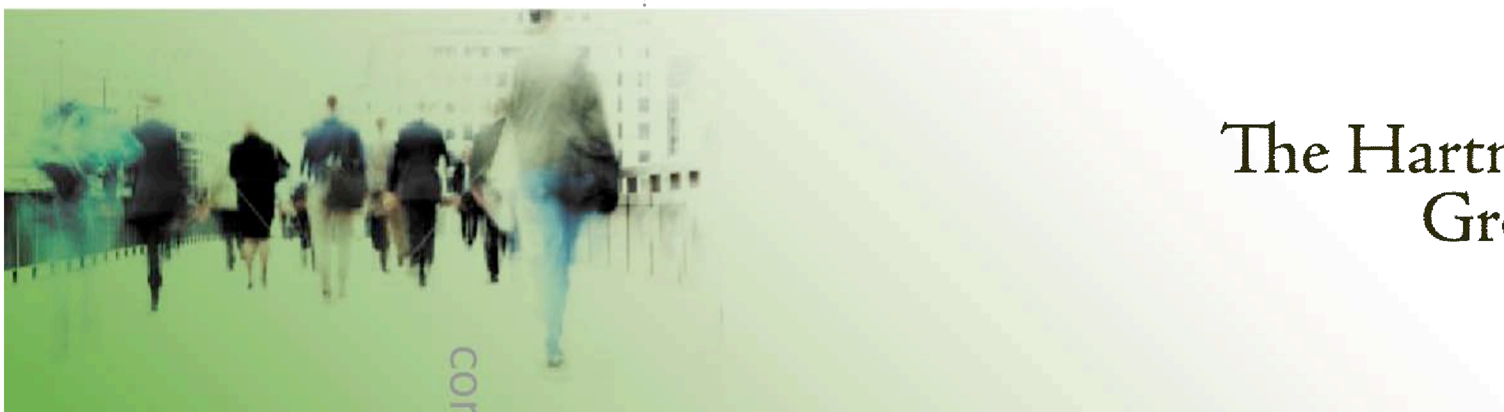


consumer insights +
analysis in action

The Hartman Group

Trends in Consumer Food Habits and Preferences

Fall 2007

Where are we going?…

The Hartman Group Approach

Wellness Activity Trends

Lifestyle and Food Trends

PART

1

The Hartman Group Approach

The Hartman Group, Inc.

A full-service strategic consultancy and market insights provider.

- **Founded** 1989
- **Headquarters:** Bellevue, WA
- **Staff Composition:** Anthropologists, sociologists and psychologists (15 full-time PhDs), visual analysts and linguists, MBAs, marketers and innovators
- **Tinderbox:** Dedicated to culture, innovation and trends

The Hartman Group

TINDER BOX
a part of the hartman group, inc.

Our Approach

- Consumer Centric
- Not about Psychology and Economics, but Sociology and Anthropology
- Understand Consumer Behavior through

LIVE · SHOP · USE

Innovative Research Methods

Shop-and-talk tours

Social network parties

Language analysis

One-on-one interviews

Retail anthropology

Online observations

At-shelf intercepts

Day in a life tracking

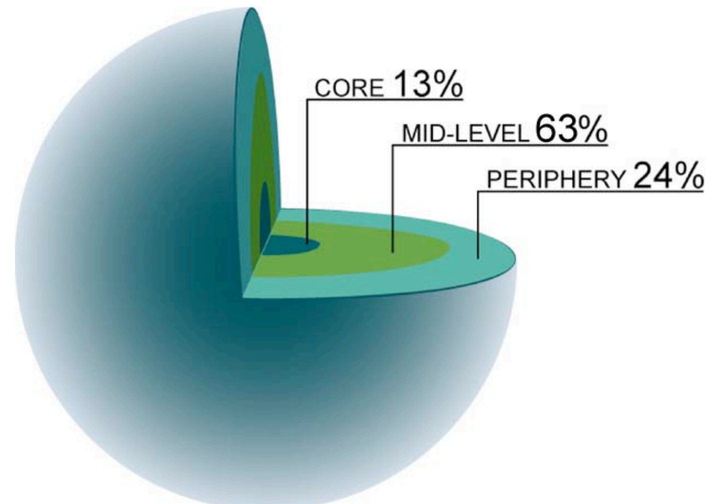
In–home interviews

The World Model

Most everyone pursues some form of health and wellness, but the extent of their interest and engagement varies considerably.

Physical, emotional, mental and spiritual aspects all contribute to a more holistic approach.

Consumers are willing to partner with brands and companies that help them achieve their wellness pursuits.



World of Wellness

Source: Wellness Lifestyle Insights: Evolution of Consumer Trends in Health & Wellness. The Hartman Group, Inc., 2005

PART

2

Wellness Activity Trends

General Trends in Wellness Activities

76

Reducing Health Risks

Percent of consumers who are doing things to lower their health risks and prevent disease (*increased from 52% in 2000*)

Source: Wellness Lifestyle Insights: Evolution of Consumer Trends in Health & Wellness. The Hartman Group, Inc., 2005

General Trends in Wellness Activities

More Healthful Diets

67

Percent of consumers feel their diet is healthy
(*increased from 56% in 2000*)

Source: Wellness Lifestyle Insights: Evolution of Consumer Trends in Health & Wellness. The Hartman Group, Inc., 2005

General Trends in Wellness Activities

62

Increase in Exercise

Percent of consumers claim to exercise regularly (at least three times weekly) (*increased from 40% in 2000*)

Source: Wellness Lifestyle Insights: Evolution of Consumer Trends in Health & Wellness. The Hartman Group, Inc., 2005

General Trends in Wellness Activities

33

More Use of
Alternative Health Care

Percent of consumers use alternative (or complementary) healthcare providers (*increased from 17% in 2000*)

Source: Wellness Lifestyle Insights: Evolution of Consumer Trends in Health & Wellness. The Hartman Group, Inc., 2005

General Trends in Wellness Activities

9

Growth in Demand For Organics

Percent of consumers agreeing with the statement,
"If organic produce isn't available, I don't buy any produce"
(*increased from 5% in 2000*)

Source: Wellness Lifestyle Insights: Evolution of Consumer Trends in Health & Wellness. The Hartman Group, Inc., 2005

PART

3

Lifestyle and Food Trends

Consumers Are Living More Complex, Harried Lives

*More households than ever feature **dual wage earners** who both work outside the home.

*Children's participation in **extracurricular activities** continues to rise.

*Number of marriages with partners located in **separate cities** is at a record high.

***Average commute distances** and times is also on the rise.

Result: Consumers feel they have less and less time generally, but they are finding time to do the "things important to them."

Consumers Will Continue to Make More Trips to a Wider Variety of Channels in Search of Food

*Consumers increasingly find that more activities and responsibilities draw them away from their homes giving them access to new channels.

*The number of available, convenient food options within – *and outside of* – grocery is increasing rapidly.

*Shopping daily is actually more convenient and better suited to active lifestyles.

Result: Consumers in search of food are (a) less constrained when shopping, (b) increasingly likely to shop outside of grocery and (c) are more inclined to "shop fresh."

Balance

Balance allows for indulgences, instead of more restrictive behaviors.

Balance helps us reconcile our healthy ideals with the everyday realities of our lives.

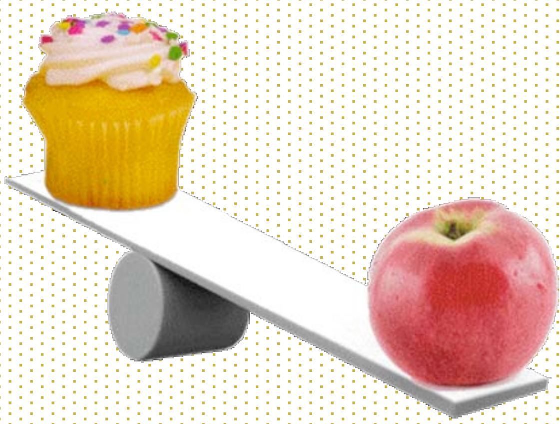
"I'll have to go for a run later to work off this Whopper and fries I'm having for lunch."

We predict consumer interest and participation in indulgent products will continue unabated.

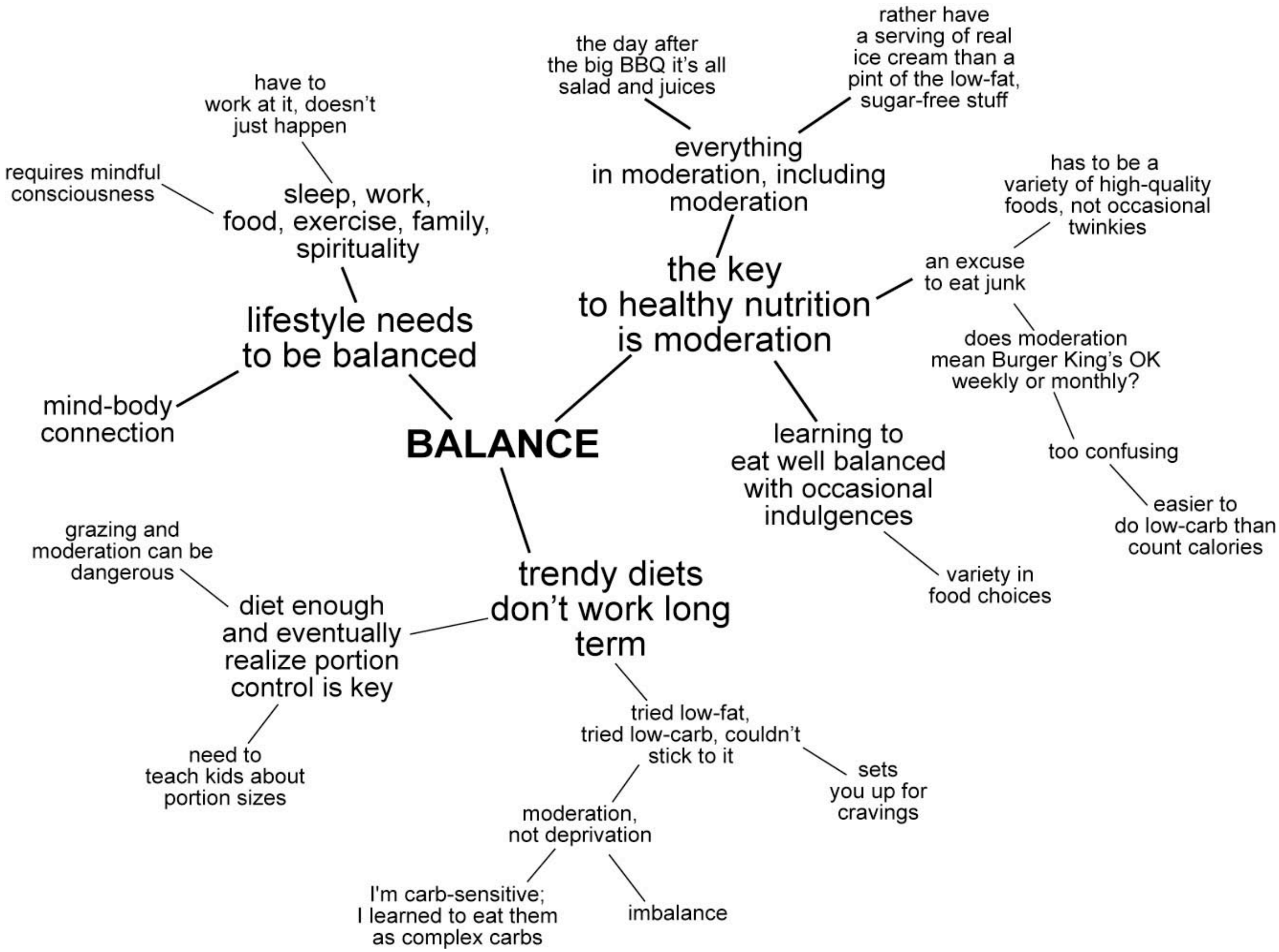
Implications | Opportunities

It is **not necessary to downplay or otherwise compromise** a product's indulgence qualities for the sake of being or appearing more healthy.

The **foodie/gourmet category** is perceived by consumers to have a unique combination of health and indulgence attributes and will continue to grow in importance.



Balance Language Map



Consumers have a declining reliance on external sources of authority

*Consumers have little respect for those companies speaking *at* them, they respect those who speak *with* them.

*Consumers are relying primarily on their social networks (friends, family and colleagues) for information.

*To speak with consumers, you need to use their language.

Implications | Opportunities

Promote words and phrases that ***tell* and *sell* the product story.**

Speak to them **like a peer**

Give **consumers an opportunity** to speak to one another.

Consumers want more “Simplicity” in their lives

*Simplicity is an antidote to the perceived complexity and stress of modern life.

*Consumers are increasingly impatient with, and mistrustful of, complex product offerings.

*They rely on simple, symbolic logic to associate products to their functionality or inherent benefits.

Implications | Opportunities

Promote whole and unprocessed ingredients, **short ingredient lists** and ingredients they can understand.

Stay positive and straight-forward with your H&W messaging.

Create “rituals” around your products that help ground the consumer and harkens back to a simpler time. The ritual is a way to mark time and keep “sane” in a chaotic environment.

"Mobility" will continue to be demanded by consumers for all eating occasions

*More and more consumers are turning to snacks, small meals, beverages and portable foods to satisfy their need to combine meals with other activities that make it awkward to sit down to a conventional meal.

*A reality of modern life is that consumers have increasingly relinquished the respite of mealtime to satisfy time pressures from work, household chores and leisure pastimes.

Implications | Opportunities

"Companion" products that can easily travel with the consumer while traveling, exercising, or playing are desired.

Mobile products that can be stashed in a briefcase or purse can "shield" consumers from unhealthy eating.

Increasingly, consumers will rely on "Authenticity" to gauge the value of products and experiences

*Authenticity allows consumers to naturalize otherwise arbitrary distinctions between comparable products and experiences. It is a sense that the distinction in question is justified because it represents the "the natural way, the way things are supposed to be done."

*There is also significant – and always intensifying – cynicism with regard to conventional marketing tactics.

*Consumers are reappropriating elements from the past that they are interpreting and integrating into today's world.

Implications | Opportunities

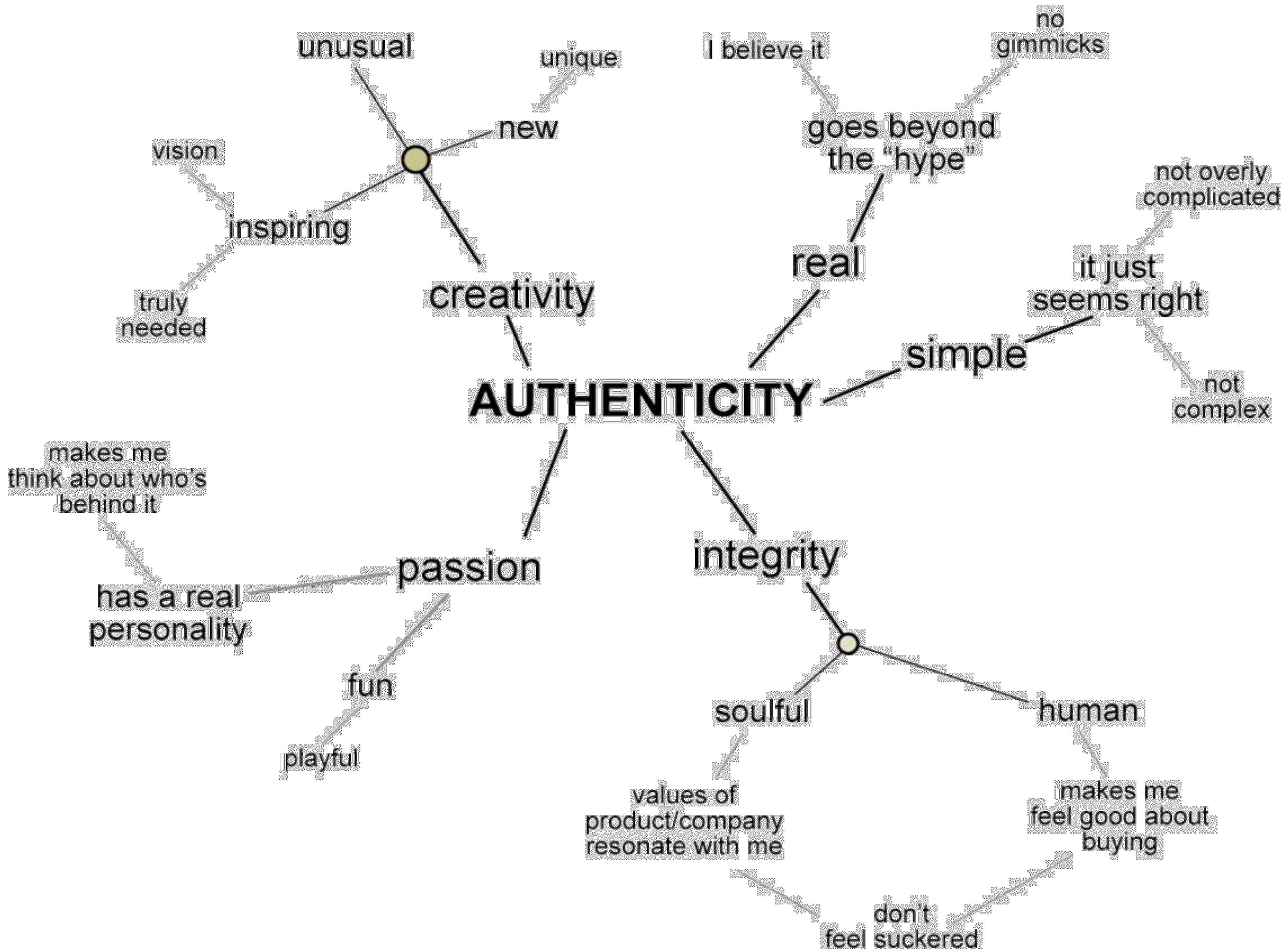
Consumers will increasingly rely on **authenticity claims to differentiate between comparable products**.

Notions of place, people and community will be critical to establishing authenticity claims.

Credible authenticity claims will be able to **justify substantial price premiums.**

Position products with rich narratives that **establish an emotional bond with the consumer** that can surpass conventional product benefits.

Authenticity Language Map



Elements of “Authentic Retail”

Authenticity at retail will:

- Differentiate the store
- Make products more relevant to consumers
- Command higher prices due to no immediate comparisons

Authenticity at retail is:

- Multi-product oriented
- Knowledge oriented
- About “theatre” events
- Focused on surprise and delight
- Centered on human interaction
- Creating community

Consumers will work to reclaim "Control" of their diets and daily food intake

*At nearly every turn, consumers feel challenged to maintain control of their lives.

*The when, where and how of eating seems increasingly out of control

*Parents are fighting for control over the habits of their child in a world where such control is increasingly perceived to be up for negotiation

*The perceived "obesity epidemic" plays into these fears of a loss of control.

Implications | Opportunities

Demand for **customized portion control** will increase among adults and parents with children.

Parents will demand a greater say in what, when and how much their children eat outside the home.

Companies that provide nutritionally superior choices for children can become a much-needed partner for parents

The traditional household meal occasion is fragmenting

Individualized food preferences have forced grocery shoppers to develop complex shopping lists to satisfy divergent food preferences within their households.

The most popular of these are:

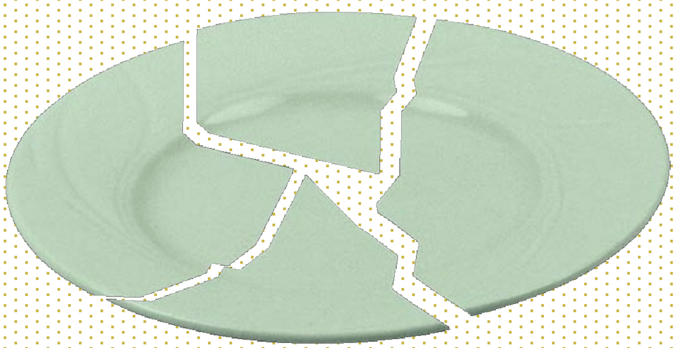
1. Illness or symptom-based orientation to food (e.g., food allergy, ingredient intolerance),
2. Preventive health orientations to food (e.g., anti-cancer, anti-additive) and
3. Moralistic orientations to food (e.g.,vegetarianism, environmentalism).

Implications | Opportunities

There is now the need to **market to communities of food orientation** rather than families.

Offer customizable food products that the family can enjoy together while having their individual needs met.

i.e. Kentucky Fried Chicken Mix and match bucket



Consumers are seeking all things "Fresh"

"Fresh" implies the gradual replacement of traditional CPG products with "fresh" counter-parts, category by category.

Freshness is less an objective state than a perception-based framing device.

Busy, fragmented schedules mean an increase in "just in time" shopping trips which focus on fresh solutions.

Implications | Opportunities

Shelf stable categories are impacted differently, with crackers and cereals holding their own while breads and juices are being transformed

Maximize freshness cues including: clear packaging, chilled positioning, perimeter placement, and expiration dates where possible and logical.

Consumers are Focusing on Whole Grains More Than Ever Before in Their Quest to Eat Healthier

Monitoring and/or avoiding

- Ingredients
  - » Sugar
  - » High fructose corn syrup
  - » Simple carbohydrates
  - » Salt
  - » Trans fats
  - » Artificial flavors and colors
- Attributes
  - » High calorie
  - » Refined
  - » Processed
  - » “White foods”

Seeking

- Ingredients and categories
  - » **Whole grains**
  - » Fruit
  - » Vegetables
  - » Nuts
  - » Fish
  - » Water

Whole grains are consistently in the top few ingredients consumers say they are seeking today.

- Attributes
  - » High fiber
  - » High protein
  - » “Good fats” (Omegas)
  - » Fresh
  - » Simple
  - » Short ingredient lists
  - » Natural and organic
  - » “Brown foods”

Whole Grain Awareness is Spreading Through a Number of Sources

Consumers are learning about whole grains through a variety of sources (ranked in order of importance)

Primary sources

- Oprah
- Dr. Oz (Credited as presenting whole grains and fiber in “simple” and “actionable” ways)
- Moms (particularly “healthy” and “hippie” moms)

Secondary sources

- Doctors (through condition diagnosis such as diabetes or high blood pressure)
- Food Network
- Specialty retailers (store papers and flyers, classes, employees)

Whole Grains are a Relatively New Concept

Interest in whole grains is fundamentally related to a general shift in food culture from “white food” to “brown food”

- White = “refined,” “processed,” “stripped,” “void of nutrients,” likely to be surrounded by other “undesirable” ingredients such as sugar, trans fats, high fructose corn syrup

- “White” foods do not communicate or signal whole grains
  - » Brands that have tried to maintain their “white” appeal are looked upon skeptically

    “Sara Lee has some ‘whole grain’ bread that’s white…how can that be? Seems like a hoax.”

Increasingly, consumers are trying to avoid sugar

Rightly or wrongly, consumers link sugar to obesity, diabetes, ADHD and other serious conditions.

Not even fruit is safe from scrutiny.

Consumers are vocal – and more pro-active than they used to be – about removing sugar from much of their diets.

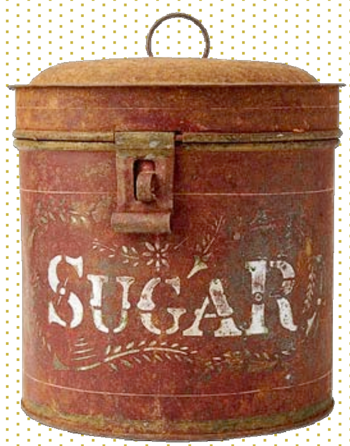
The concern over sugar consumption now trumps the concern over fat consumption.

Implications | Opportunities

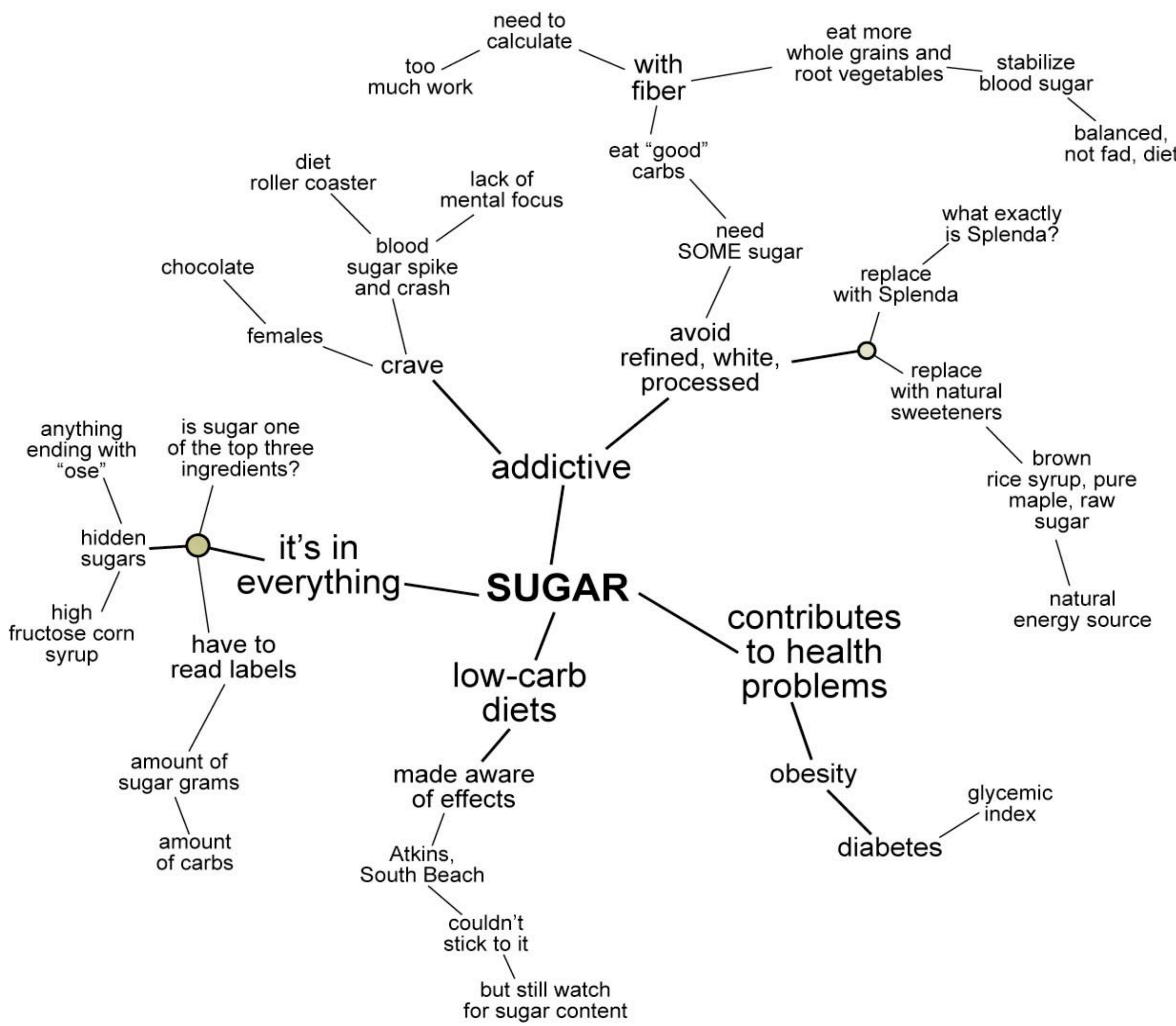
Sugar is becoming the next "demonized" ingredient that consumers will seek to mitigate.

Demand for less refined sugars will increase gradually.

As consumers become more involved in wellness, their concerns abut sugar are **surpassed by concerns about artificial sweeteners** and their potential health implications.



Sugar Language Map



Protein will grow in importance as a key macronutrient

Experts are touting protein's importance to proper nutrition.

Consumers equate protein with energy, weight loss and weight management.

Consumers need at least one thing they can feel good about eating without scrutiny.

Consumers are beginning to differentiate between protein sources (soy, whey, animal, etc.)

Implications | Opportunities

Protein ties back to satiety solutions

Protein is a symbol for sustained energy in consumers' minds.

We believe there is significant market opportunity in **development of protein sources beyond traditional meat and soy products**.

Marketing Implications for Health and Wellness

1. Don't try to educate the consumer, but have information available and be transparent about your "story"
2. Target a diversity of consumers
3. Understand which product categories are most appealing to consumers
4. Ensure that the language you are using to speak to consumers is appropriate
5. Establish retailer/manufacturer partnerships to create authenticity, community and experience
6. Keep packaging and ingredient lists simple.

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