Food for Thought

10 TRENDS WHICH ARE (RE)SHAPING THE FOOD&BEVERAGE MARKET

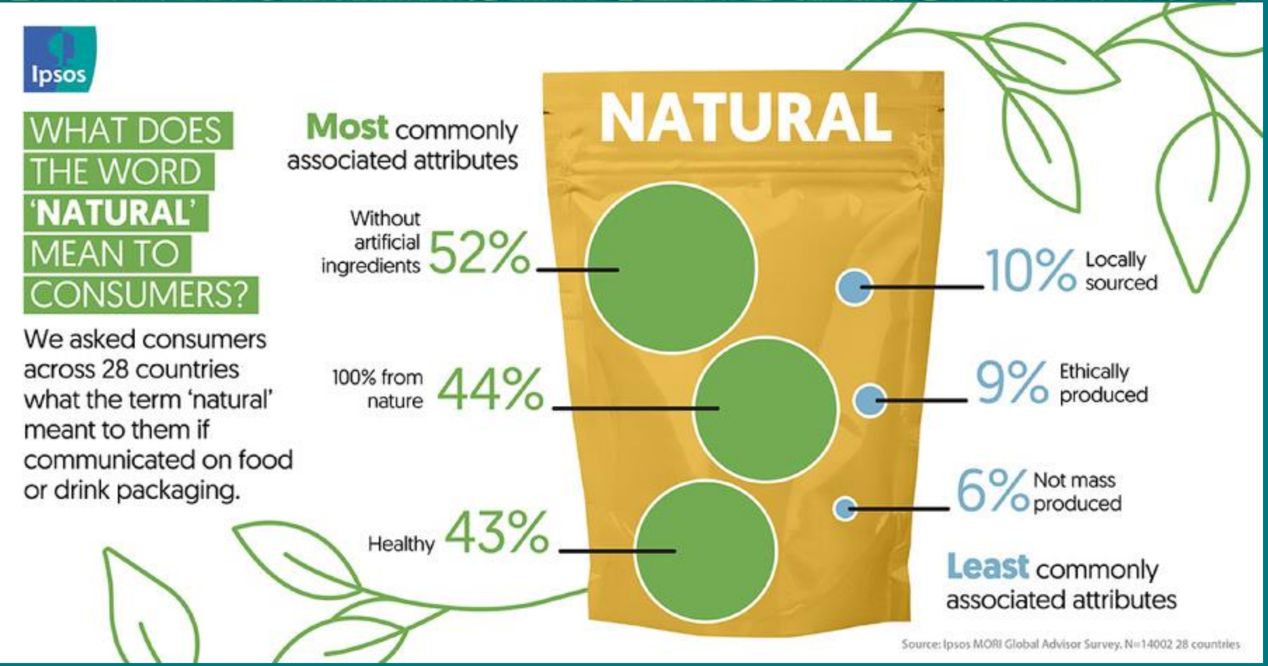
IPSOS KNOWLEDGE CENTRE – JULY 2018

Context

- The Ipsos Knowledge Centre launched in January 2018 a discussion on Yammer with more than 200 researchers across Ipsos to share and consolidate our knowledge about recent trends in food and beverage consumption, branding, retail, etc.
- This document is the produce of their conversations and of the information they've shared with each others

AGENDA
The Ten Megatrends

#1 Natural & Organic
#2 Free-from
#3 Experiential Eating
#4 Reducing Meat Proteins
#5 Snacking & Grazing
#6 Convenience / Food-to-go
#7 Soft Drinks & Waters
#8 Environmental Consciousness
#9 Rising Cost
#10 Premiumization



#1 Natural Food vs. Organic Food

#1

Natural & Organic

1

WHAT DOES ‘NATURAL’ MEAN TO CONSUMERS?

Top 3 associations with the word ‘natural’ were ‘**made without artificial ingredients**’ (52%), ‘**100% from nature**’ (44%), and ‘**healthy**’ (43%) (Ipsos survey, April 2018)

Those under 35 associated it more with **sourcing** (e.g. organic; locally sourced; ethically produced), while those over 50 aligned it more closely with **ingredients** (e.g. made without artificial ingredients, unprocessed)

2

AND WHAT ABOUT ORGANIC?

APAC and LATAM far outpaced Europe and North America w/r/t the statement “I make it a priority to eat foods that are organic” (Ipsos Global Trends Survey 2016), but this is still all about intent and perceptions (organic perceived as natural and safe) because **NA and Europe have actually been so far accounting for an overwhelming share of actual organic sales** (https://www.statista.com/statistics/262347/worldwide-spending-on-organic-products-by-country/)

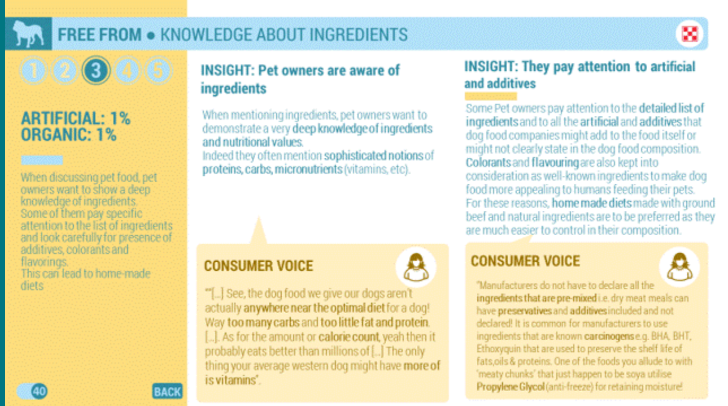
More generally speaking, natural/healthy doesn’t necessarily point to organic only. Organic is clearly perceived as more pricy and not necessarily healthier. E.g. Norwegians report a high correlation between healthiness and natural ingredients – however, relative to Swedes and Danes, they are less likely to report intentionally buying organic food in the last 12 months. This is possibly due to conflicted feelings about how much extra they are willing to pay (Ipsos Nordic Food Facts 2017)

3

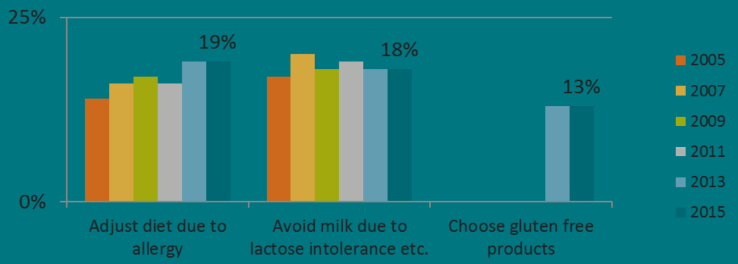
WHY ORGANIC ISN’T THE SAME THING AS NATURAL

A July 2017 Mintel US report shows that on a map of consumers’ perceptions based on factor analysis where food with natural claims can be orthogonally opposed to organic food. Natural is more closely associated with simplicity while organic is more closely associated with expensiveness and free-from. Natural is thus **not synonymous with free-from or organic**, and conversely, one could even infer that there is something somewhat complex and unnatural in free-from and organic

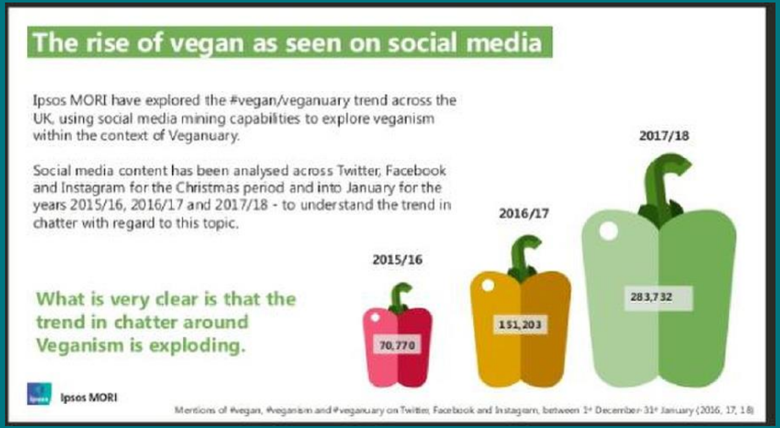
One can also observe the emergence of a controversy about the absence of a clear-cut, concrete and sound definition of "natural“ in food and beverages. This could actually end up “killing the naturality claim.” It is increasingly apparent in research that "natural" will soon be nothing else than an entry-level consumer expectation (with little potential for differentiation) (Yammer discussion)



Do regularly or occasionally



Nordic Food Facts



#2 Free-from

#2

Free-from

1

CONSUMERS ARE INCREASINGLY ADJUSTING THEIR DIET BECAUSE OF ALLERGIES

E.g. One in five Norwegians reports regularly adjusting his/her diet because of allergies

Consumers are now increasingly saying that **gluten-free tastes better** (Yammer discussion)

2

VEGANISM RISES IN PARALLEL

Eggs and dairy being quite common **allergens**, veganism can be seen as a consequence of this adjustment

4% of all consumers in the UK, 3% in Germany and France and 2% in the USA declare they are vegan (Ipsos survey, April 2018)

3

SUGAR IS BAD… BUT NOT EASY TO REDUCE

Our 2016 survey found that 46% of British consumers surveyed considered “reducing the amount of fat, salt, or sugar in products” to be one of the top three issues for food and beverage companies to consider.

But this survey also shows that consumers tend to **underestimate** their daily sugar intake and they do not clearly perceive the importance of sugar in the **taste** of the products they like, particularly their preferred **treats**

This makes reformulation a very touchy issue. Research indicates that gradual and stealth reformulation is more likely to maintain brand and product loyalty or allow a price premium since there is no such thing as a ‘more money for less pleasure’ premium (Yammer discussions)

#3 Experiential Eating

Features of the "experience provider"	Main characteristics
Authentic environment	Homemade food, history behind the food and the place, cultural-ethnic connections
Relaxed environment	Comfort, space, ambient music, internet access, closed environment
"All you can eat" environment	Variety of food, extended service encounter, noisy environment, sociability, celebration, pleasure of eating
"As home" environment	Regular customers, presence of the owner, social activities, flexible payment, intimacy
Efficient environment	Fast service, service performance, good value for price, standardization, cleanliness
Distinction environment	Distinction, style, comfort, personal service, formality, high prices, distinct food, high standards of food preparation, fancy décor

https://www.emeraldinsight.com/doi/abs/10.1108/BFJ-02-2012-0027

#3

Experiential Eating

1

FOR MARKETING ACTIVATION

Nutella, Ben & Jerry's among others are resorting to pop-up events and gamification in order to adjust marketing action to the *globally rising foodie culture* (https://www.becore.com/food-experiential-marketing/)

See for example the following vids on Youtube: World Nutella Day - Breakfast Party | Experiential Marketing Agency, Cereal Splashback Experience | Ben & Jerry's

2

A MODE OF COMBATTING TAKEOUT

Takeout is increasingly disrupting the foodservice brick & mortar business, so experiential eating is a way to keep people in restaurants by giving them **an experience they can't replicate in-home** (https://www.thecaterer.com/articles/508112/more-than-just-a-meal-the-rise-of-experiential-hospitality)

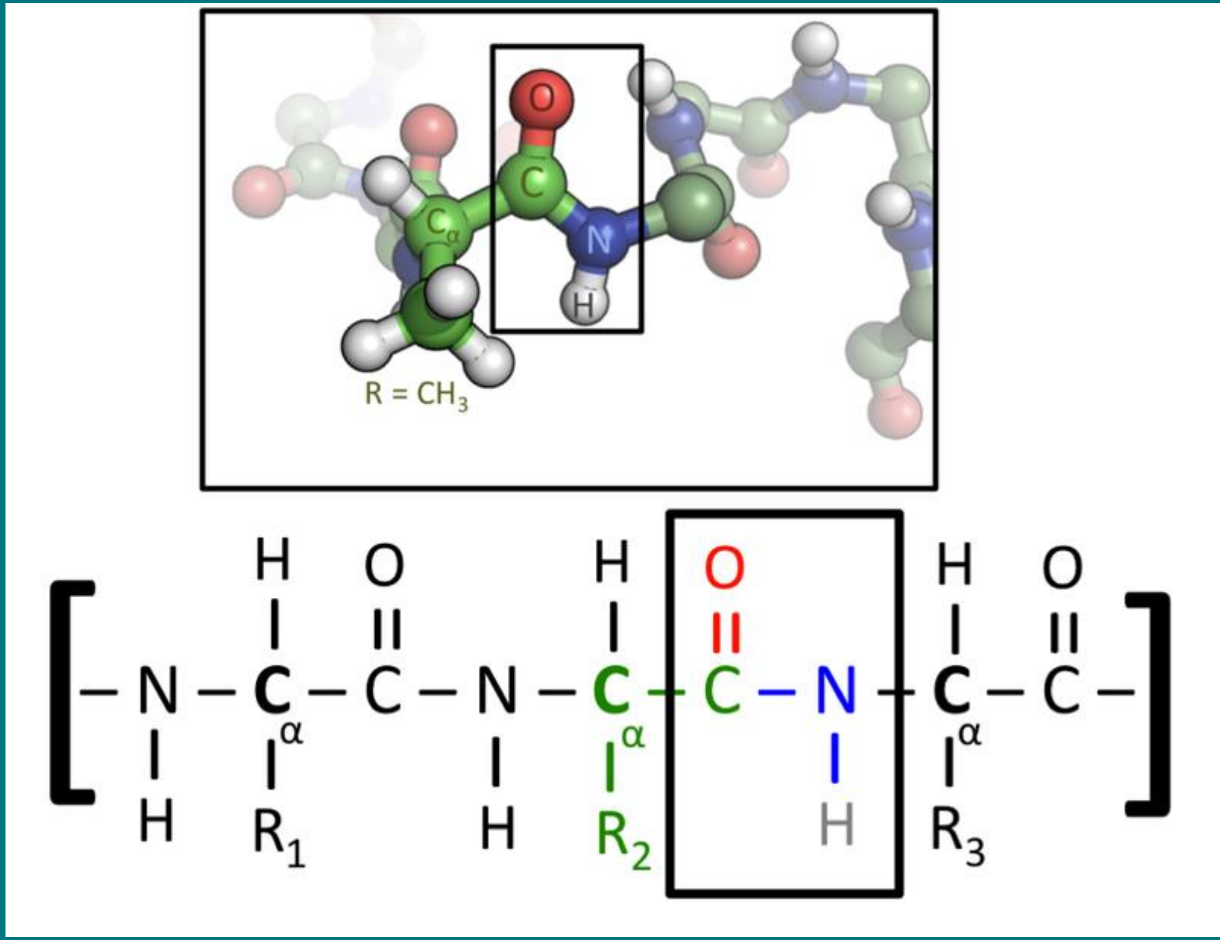
Delivery services are a popular dining option with U.S. consumers, as a November 2016 survey found that 20 percent of respondents use food delivery at least once a week. They are also thriving in France where Revenue in the "Food Delivery" segment amounts to US$3,439m in 2018. Revenue is expected to show an annual growth rate (CAGR 2018-2022) of 17.7% resulting in a market volume of US$6,596m in 2022 (Statista)

3

EXPERIENCE AS A SERVICE

Since convenience is a driver increasingly associated with off-premise (delivery / HMR) food service, **so is now experience the most relevant driver for on-premise food service.**

See Ipsos' Food Service Monitor: https://www.ipsos.com/en-ca/knowledge/consumer-shopper/ipsos-food-service-for-thought



#4 Reducing Meat Proteins

Ipsos

#4

Reducing Meat Proteins

1

A (STILL) OMNIVOROUS HUMAN SPECIES

With the notable and notorious exception of Indians, nearly ¾ of Global Advisor respondents identified as following an omnivorous diet (April 2018).

However, popularity of meat-light diets is increasing: over 60% of vegans/pescatarians and over 50% of vegetarians have adhered to their respective diet for one year or less

2

REDUCING MEAT PROTEINS AS SOCIAL MEDIA TREND

Mentions of **veganism/veganuary** on Facebook/Twitter/Instagram has quadrupled since 2015 – with sales of vegan products far outpacing projections in the UK

See Ipsos' analysis of this social media trend: https://www.slideshare.net/IpsosMORI/what-can-veganism-tell-us-about-predicting-future-trends-on-social-media-87506880

3

REDUCING MEAT PROTEINS AS A GLOBAL ISSUE

Meat production is stretching natural and farm resources. General Mills, Tyson, Cargill, Unilever and others are heavily investing in the development of **scientifically engineered meat-protein replacements.**

See the multiple options investigated by brands: https://www.foodbusinessnews.net/articles/11108-protein-to-remain-on-trend-in-2018

4

ADDING PROTEIN AS A CONSUMER DEMAND!

But shoppers are also increasingly looking to supplement a healthy lifestyle with high protein foods and shelves are lined with more protein products than ever before (Brandview). Whey **protein ingredients** were also introduced for inclusion in stirred and drinking yoghurts. Sensory issues were initially associated with whey proteins such as excessive viscosity and a sandy texture, but manufacturers have been able to solve them and, in the US, the high-protein Greek-style yoghurt category has grown dramatically (particularly the Chobani brand).

So: "meat-free brands should be more vocal about exactly why they are a good choice in terms of animal ethics and the environment, as well as emphasising their **nutritional credentials**. These messages can make consumers feel holistically virtuous in their choice, helping to build a feel-good factor."–Emma Clifford, Senior Food and Drink Analyst with Mintel

#5 Snacking & Grazing

#5

Snacking & Grazing

1

SNACKING IS A GLOBAL TREND

TSnack sales are booming in all continents: http://www.nielsen.com/ma/en/insights/news/2018/booming-snack-sales-highlight-a-growth-opportunity-in-emerging-markets.html)

This megatrend is related to the Time Squeeze which characterizes our advanced societies (https://books.google.fr/books?id=OGxuDQAAQBAJ&printsec=frontcover&dq=The+Sociology+of+Speed&hl=fr&sa=X&ved=0ahUKEwixv42BtufaAhUFwBQKHXmaDrMQ6AEIKjAA#v=onepage&q=The%20Sociology%20of%20Speed&f=false ; https://books.google.fr/books?id=Oa9j0YoClwUC&printsec=frontcover&dq=High-Speed+Society&hl=fr&sa=X&ved=0ahUKEwi4vN-btufaAhUKsxQKHRnuC90Q6AEIKjAA#v=onepage&q=High-Speed%20Society&f=false)

2

HEALTHY SNACKING IS AN EMERGING TREND

To illustrate this greener way of snacking, one can use the word grazing (https://www.bunzlcatering.co.uk/amazing-grazing-how-snacking-has-become-a-major-uk-food-trend/)

Candies are typically for snacking, apples for grazing. Fresh fruit-based snacks are thus a promising category. Nielsen notes that In terms of share of on-the-go produce snacking dollars, fresh fruit is the stand-out winner, as 44% of on-the-go produce snacking is attributed to fruit options (http://www.nielsen.com/us/en/insights/news/2017/on-the-go-produce-snacking-a-billion-dollar-industry-and-growing.html)

#6 Convenience / food-to-go

#6

Convenience / Food-to-go

1

A UBIQUITOUS MEGATREND

Convenience food-to-go or on-the-go is the need that drives off-premise food service revenue and prepared food sales globally. In the Western metropolis it is evidenced by the ubiquity of Pret A Manger, McDonald's, Starbucks, Boots, Tesco, plus so many local brands and more recently the checkout-free AmazonGo stores

Growth is projected to be highest for coffee specialists (44%) and FTG specialists (51%), with lunch being far and away the most common source of a "food-to-go mission." But convenience is also the force driving the boom of HMR food delivery

2

A CONVERGENCE OF NEEDS

The Convenience / Food-to-go megatrend is increasingly converging with the healthy food megatrend: e.g. "premium quality" fast-food (like Shake Shack burgers) and HMR aisles in supermarkets and convenience stores

The appearance of 'grocerants' in Japanese supermarkets is also an interesting case of convergence between on-the-go and experiential eating: https://mainichi.jp/english/articles/20180403/p2a/00m/0na/020000c

#7 Soft drinks & Bottled Water: new flavours, new challenges

#7

Soft drinks & Water

1

HEALTH

Even if people have generally no clear idea of the sugar content of a glass of sweet carbonated drink (Ipsos Global Trends Survey, 2016), **soda sales have steadily declined** in the US over the past five years (Nielsen). On the opposite, the ginger ale subcategory has recently benefited from its association with digestive health and grows significantly

Consumers' health concerns have actually not favoured diet soda, due to concerns with sugar-substitutes. A good example is stevia-sugar sweetened Coke Life which has globally been a failure and is about to be pulled from the UK market after sales plummeted in 2016

2

FLAVOURED WATER

The introduction of a variety of **new flavors of spring water** in the market is one of the recent trends which seem to be gaining significant traction (https://www.technavio.com/report/global-non-alcoholic-beverages-global-bottled-spring-water-market-2017-2021)

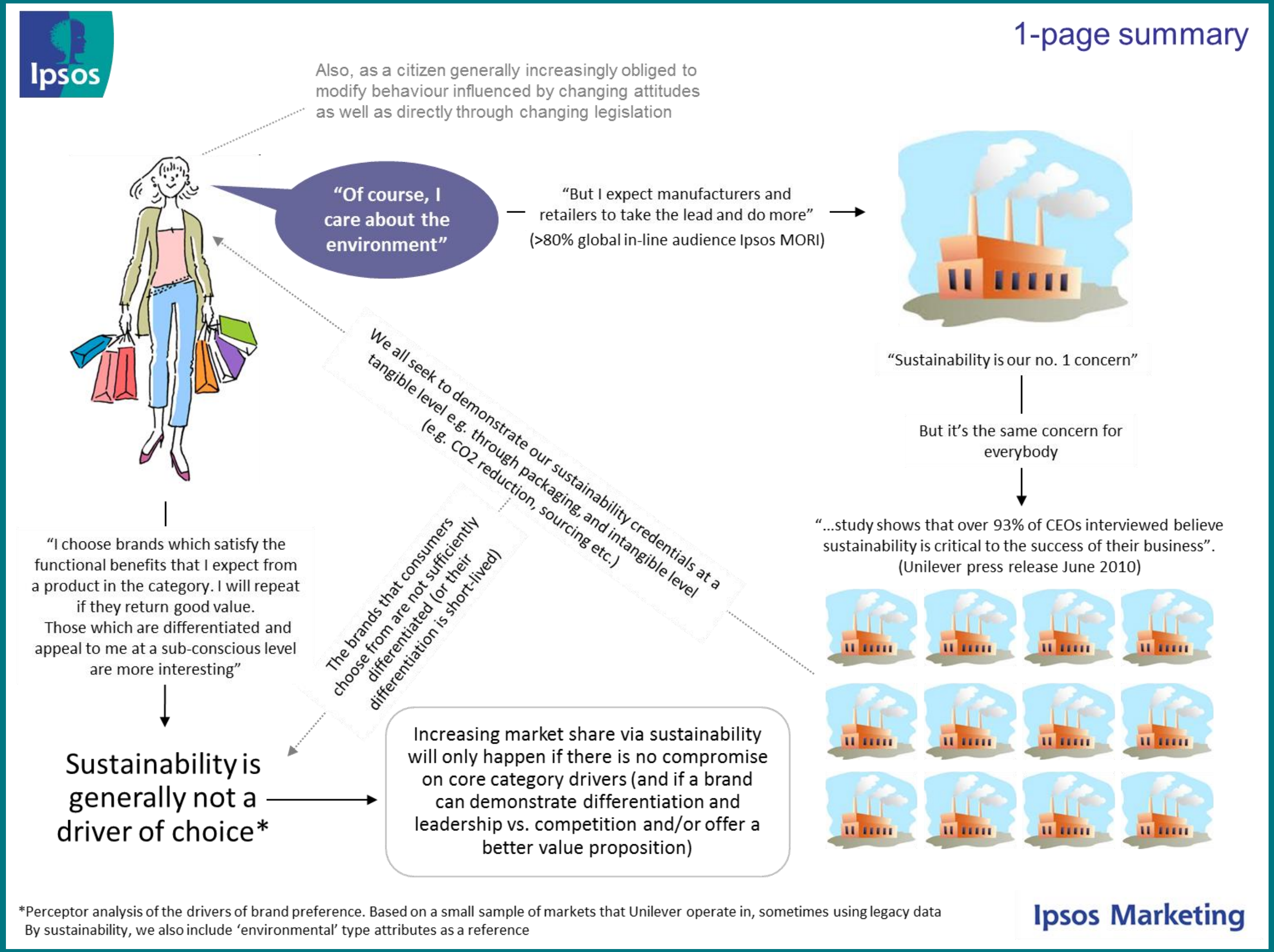
This trend increasingly blurs the border between bottled water and soft drinks, all the more so since Coca Cola and PepsiCo have entered the flavored water market (https://www.thestreet.com/story/13487202/1/coca-cola-adds-to-its-lead-over-pepsi-in-hot-new-category.html) as a way to compensate for losses due to consumers seeking out healthier alternatives to regular and diet sodas

3

SUSTAINABILITY

Brands are launching many initiatives (waste reduction, recycling (rPET bottles, 100% recycling, etc.), carbon neutral production).

They're also trying to insist more on their products' **functionality in overall diets** (**(https://www.beveragedaily.com/Article/2018/03/01/Shaping-the-next-generation-of-soft-drinks-The-baseline-for-innovation-has-become-more-demanding**)



#8 Environmental Consciousness

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Environmental Consciousness

1

CONSCIOUSNESS…

There generally was an **overwhelming majority** of respondents in the Ipsos Global Trends Survey 2016 who said they were "willing to pay more for products that use ingredients that do not harm the environment"

Emerging markets like India, Indonesia, China, and Turkey led the pack

2

…DOESN'T MEAN ACTUAL MINDSET

But mature markets are more price sensitive and less environment-friendly than statements make it appear so that **sustainability is generally not a driver of choice** (Ipsos research in the UK)

E.g. most Britons do not feel that consumers should take most responsibility for finding a way to reduce the amount of unnecessary packaging which is sold: the biggest number (40%) believe responsibility should be shared equally among consumers, goods producers, retailers and government, while 27% put the responsibility on companies producing packaged goods, 13% on the companies that sell them and 11% on government. **Just 3% lay the responsibility at the door of consumers** (https://www.ipsos.com/ipsos-mori/en-uk/public-concern-about-plastic-and-packaging-waste-not-backed-willingness-act; Source: Ipsos MORI/Kings College London. Base: 1,681 British online adults 16-75, 23-27 February 2018)

#9 Rising Cost

#9

Rising Cost

1

SOURCING COSTS RISE

Even though most of our clients find it difficult to increase prices, they may have no other choice due to **resource shortages**

Se for example: https://www.marketwatch.com/story/general-mills-to-raise-food-prices-to-offset-costs-2018-03-21

2

PRICING STRATEGY

They have to find **smart strategies** to achieve this goal since competition is universally very tough

See for example: https://www.simon-kucher.com/en/about/media-center/7-key-pricing-trends-consider-2018

3

MACROECONOMIC AND CLIMATE TRENDS TAKE THEIR TOLL

Since the rising cost of agricultural produces is in direct relation with **environmental constraints** and the fact that natural resources are limited, brands' commitment to sustainability makes it an obligation for them to explain their pricing strategies to consumers and do it convincingly enough to get their support. A really daunting challenge...

There are megatrends which are clearly pushing prices up, and they are not going to disappear soon (http://www.fao.org/worldfoodsituation/foodpricesindex/en/;https://www.thebalance.com/why-are-food-prices-rising-causes-of-food-price-inflation-3306099).

Cathedral City

while already a premium cheese brand in the context of supermarket shelves, this brand is able to command a further premium image through diversification of their product offer, some with particular occasion or consumer targets

#10 Premiumization

#10

Premiumization

1

A LINE EXTENSION AND REVENUE EXPANSION STRATEGY

Premiumization is an increasingly **popular strategy** in food or beverage brand portfolio management

There indisputably is a demand for higher-quality products. An overwhelming majority of respondents in Ipsos Global Trends Survey 2016 declared that “[they]eat less chocolate and candy these days, but when [they] do [they] want them to be higher quality as they’re a special treat or indulgence”

2

PRICING STRATEGY

Premiumization is probably related to **self-indulgence (treats**) more than just quality in itself. Self-indulgence makes higher prices more acceptable as they align naturally with the “rewarding” state of mind of the self-indulging consumer

Self-indulgence balances healthiness efforts and makes them easier to bear (Yammer discussions).

3

LESSONS LEARNT

In food & beverage, premiumization is easy as consumers understand that there are grades of ingredient quality or preparation processes that should be better than average and are therefore worth paying more for

But It helps if the new product doesn’t look the same as the older one. Packaging is significant (e.g. Hershey Symphony bars versus Life Saver soda) and it is always necessary to broaden the occasions (e.g. Walkers Sensations are mostly a sharing bag versus regular Walkers, which are predominantly individually sized). Sub-branding is also important (needs to expand beyond calling it “max” or “gold”) but one should of course never stretch too far…