Issue One

insightsNOW

Clean Label Research Community Behavior Report:

Influencing Consumer Behavior in the Free-From Food Movement

Report Powered By:

CLEAN LABEL ENTHUSIASTS®

An InsightsNow Community

Welcome to the Clean Label Enthusiasts® Behavioral Report

The free-from food movement is a multi-billion dollar shift in consumer behavior impacting companies within the food industry. To know how to effectively respond to this movement, InsightsNow has launched a long-term research initiative applying behavioral science to generate insights for faster, more informed clean label decisions.
We are proud to offer you this inaugural report.

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CLEAN LABEL ENTHUSIASTS®
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The Free-From Food Movement

More and more consumers are reporting choosing free-from products (e.g. “Gluten-Free, “Nothing Artificial,” “All Natural,” etc.). Free-from and organic food product sales in the U.S. has been growing quickly: $32B in sales in 2016 are expected to grow to $41.5B by 2021. While some of these free-from trends are driven by nutritional fact, others are the direct result of dissemination of misinformation through social media and unreliable sources.

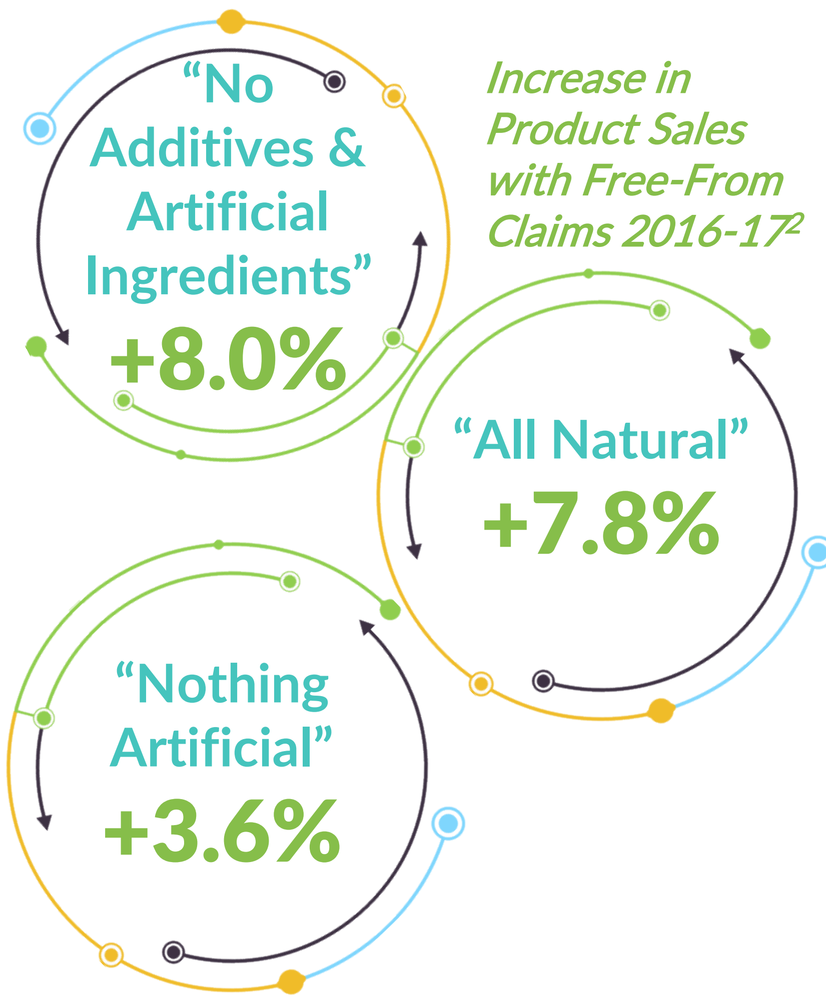
2016
$32B

2021
$41.5B

Projected U.S. Sales for Free-From Food Products[1]

Free-from describes food products which do not contain ingredients known to cause a reaction for people with food allergies or intolerances. For example, the gluten-free industry is skyrocketing in value despite its ambiguous health effects.
This market is currently worth somewhere between $4 billion and $10 billion, and it is still climbing, with significant growth year over year in various categories.

Increase in Product Sales with Free-From Claims 2016-17[2]



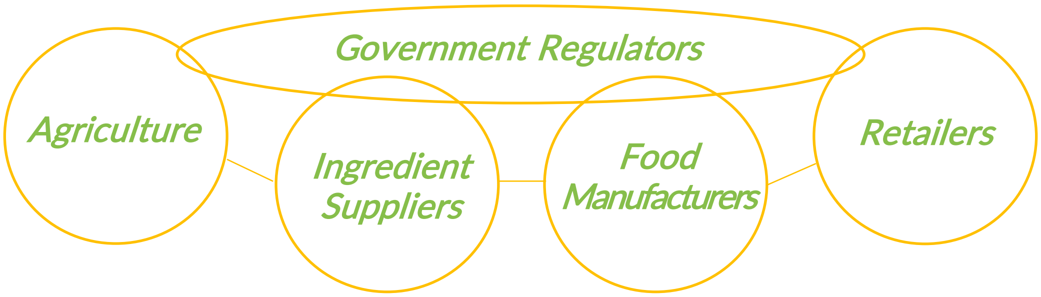
The increasing demand for ingredient-free options within foods and beverages has contributed to the growth of free-from, which is set to become the fastest growing category in Asia Pacific, Latin America, Europe and North America with an average of 5.4 percent growth.

1 http://blog.euromonitor.com/2017/02/free-organic-becomes-fastest-growing-health-wellness-categories-2016.html
2 Report by The Nielsen Company (2017) It’s Clear: Transparency is Winning in the U.S. Retail Market.

Impact on the Food Industry

The free-from movement has made major ripple effects throughout the food industry, not only impacting brands and product sales in nearly every food and beverage category, but the entire food industry supply chain.

Free-From: "Containing no artificial ingredient or added color and only minimally processed. Minimal processing means that the product was processed in a manner that does not fundamentally alter the product." —USDA



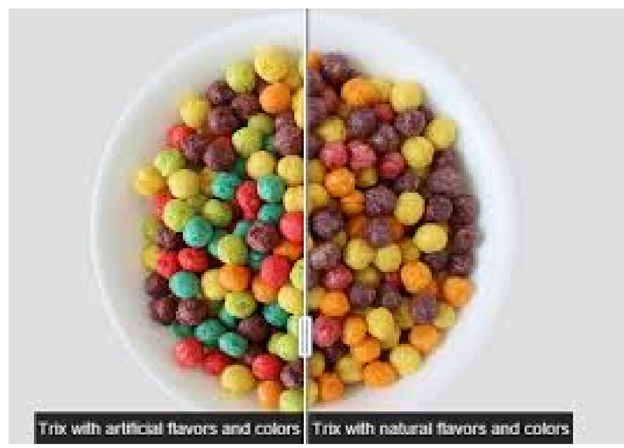
At the top of the supply chain are consumers, demanding that retailers offer more alternatives with a cleaner label. In response, more than 250 ingredients have been blacklisted by major food retailers such as Kroger, Whole Foods, Trader Joe's and HEB. Government regulators are striving to define claims such as "Natural," offering new regulations to protect consumers from false and misinforming claims and helping them make healthier food choices.

This movement has sparked major growth in small, entrepreneurial, new food companies. Name brand owners are being pressured to consider reformulating to a cleaner label. Ingredient suppliers are rapidly changing their portfolios to include ingredients aligned with the free-from movement.

Impact on the Food Industry

According to an InsightsNow 2017 food industry survey, the biggest clean label challenges in the food industry surround Package Design (55%), Consumer Targeting (35%), and Product Development (19%).

The food industry has tried to respond to these challenges with mixed success. Recent failures in reformulation include Diet Pepsi removing aspartame, and the reformulation of Trix cereal to a cleaner label with natural sweeteners, flavors and colorants. Both products were rejected by existing brand fans forcing brands to return to their original product.



Drawing upon learnings from cases such as Diet Pepsi and Trix, we are faced with many questions on how to meet the demands of clean label. Noel Anderson, Ph.D., CFS, IFT Fellow, a veteran with 18 years General Foods/Kraft, 19 years PepsiCo and now Principle Mosaic Food Partners poses questions around this subject:

- *"How do you get the "right" insights from your consumers such that the business can make to best decision possible?*
- *"How do you know when to change or when you should stay put?"*
- *"What changes will the consumers be willing to accept or not accept?"*
- *"Do current consumer testing methodologies and approaches provide the right learnings and insights?"*

Overcoming Free-From Food Movement Challenges

To overcome these free-from movement challenges and to avoid negative market outcomes as experienced by the Diet Pepsi and Trix brands, new approaches are needed. This includes information about the consumers underlying the free-from food movement. Information can be either promotional—as in identifying new opportunities for new products, or protective—as in protecting your brand from competitive threats and loss of existing consumers.

For existing brands this also requires information about:

- How do these consumers differ from other consumers?
- How will existing brand fans react differently from those underlying the free-from food movement?
- Have those underlying the free-from movement left the brand, never to return, or can branded products be launched which are both acceptable to existing fans and a delight for those underlying the free-from food movement?

Addressing these questions requires information about:

- Who are the consumers underlying the free-from food movement?
- What are they reacting to in their shopping and consuming behaviors?
- Where are they shopping to fulfill their needs?
- Why the free-from food movement?
- Why are these consumers shifting their buying and consumer behaviors?
- What are their underlying motivations?
- What is it about products and brands that they are reacting to?

Knowing who are the consumers behind the free-from movement, what are they buying, where are they shopping, and why these behaviors is essential to overcoming these challenges. This knowledge is important to accurately know how to impact shopper behaviors through decisions about claims, brands and ingredient statements. From an industry supply chain, this knowledge is important to know what new ingredients to develop for applications within food categories.

This report and the quarterly reports to follow are intended to address these questions. Leading up to this inaugural report, we have identified a segment of consumers that we call Clean Label Enthusiasts®—those consumers underlying the free-from food movement.

Key Learnings

This inaugural Clean Label Enthusiasts® Food Behavior Report provides a basis to achieve faster, more informed clean label decisions by understanding the free-from food movement. At 16% of the US population of primary grocery shoppers, our research finds Clean Label Enthusiasts (CLE) are having a direct impact on food markets and serve as an important sounding board to understand how this movement will evolve and impact markets into the future.

Behavior vs Demographic Segments

As a behavioral segment these individuals differ in their beliefs and attitudes motivating shopping and consuming behaviors which impact the industry. These shoppers read ingredient statements and have beliefs about ingredients, leading them to avoid products with ingredients perceived as artificial or unnatural. They are enthusiastic about their beliefs and readily share them with others.

Trust in Social Media

Associated with these beliefs and attitudes is a greater trust in social media and online sources of content about food, beverages, and respective ingredients. This suggests the free-from food movement is driven in part by the rapid growth of social media that is the source-of and channel-to disseminate content with and without proven scientific facts. Information sources by brand owners and government sites is often less trusted by CLE than other consumers.

Influence by Claims

CLE are more influenced by claims of "Natural," "Organic," and "GMO-Free" that non-CLE shoppers. When shopping for specific foods or beverages, claims such as "Fresh," "Pure," "Simple," "Low Salt," "Low Fat," and "Low Calorie" can be influential depending on the food category. Claims of "Gluten-Free" were found to be of minimal influence. While obviously still of value in households with gluten intolerant members, concerns over gluten have changed. Therefore, the free-from food movement is full of dynamics requiring ongoing monitoring of the impact of claims on behaviors to make the best clean label decisions.

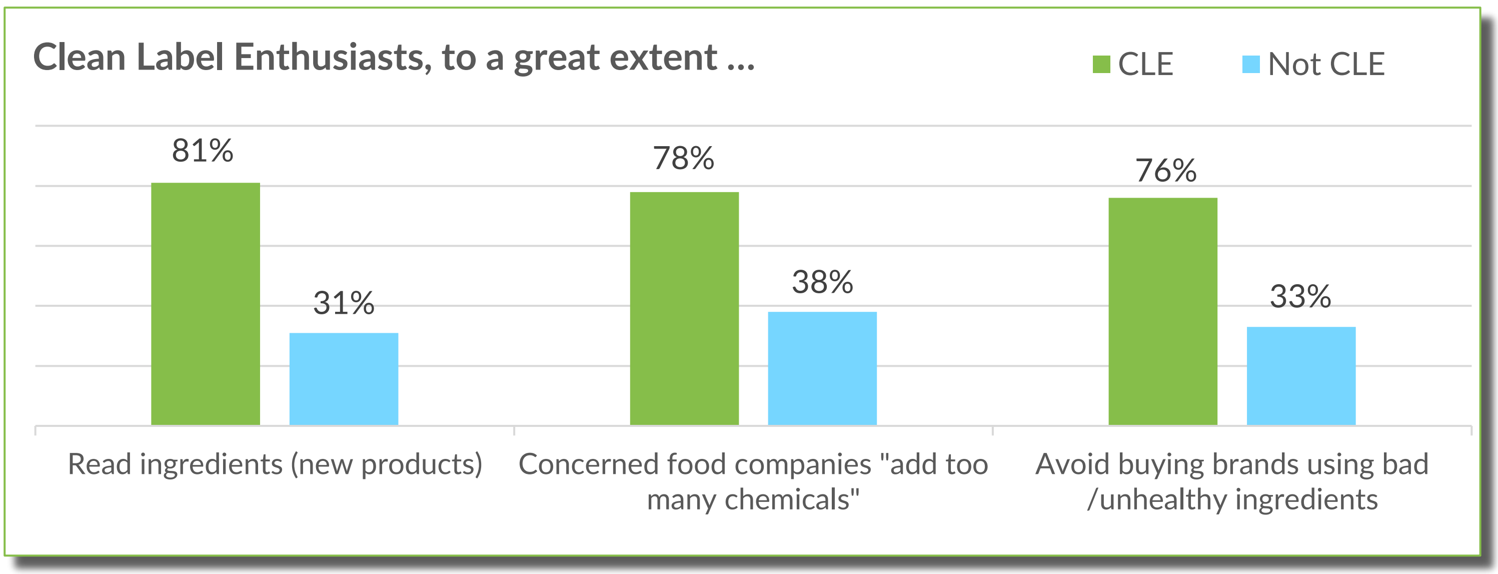
Influences of Brands and Retail Store

Brands play a greater role in choice among CLE than regular consumers for breakfast foods such as cereals and yogurt, non-carbonated and dairy/dairy alternative beverages, and in snack foods such as energy bars and savory snacks. Whereas both CLE and regular consumers buy store brands in equal rates, CLE tend to purchase value-add vs. price value store brands—and a more diverse range of name brands. This trend is related to CLE shopping at more stores for a greater number of specific brands within given food categories, suggesting CLE spend more time shopping—with more frequent smaller trip missions for more value-add brands.

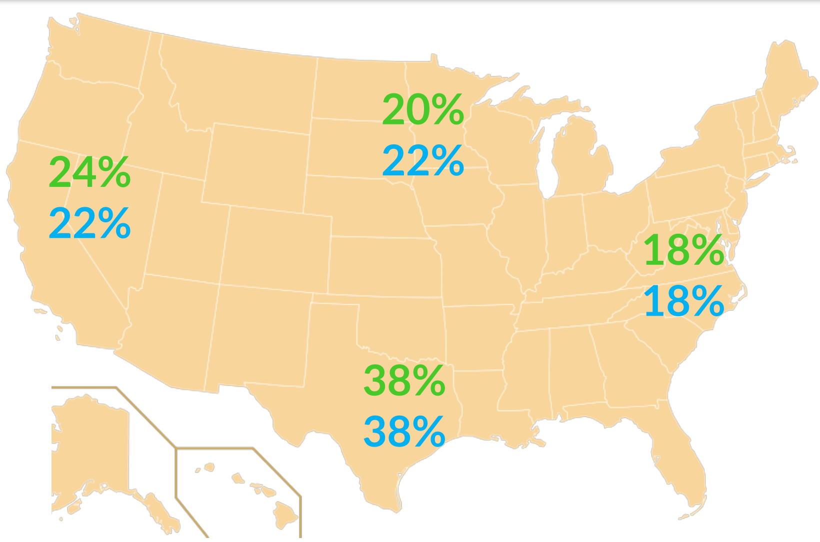
Who are Clean Label Enthusiasts®

Clean Label Enthusiasts (CLE) are a behavioral segment, differentiated by their attitudes and avoidances of products with artificial ingredients and other additives that they believe are unhealthy. They tend to read ingredient labels and avoid brands due to these concerns.

Not only do CLE tend to read labels, they exhibit concern about chemicals and avoid "unhealthy" brands. All CLE shoppers state that clean label concerns impact their shopping choices vs only 22% of non-CLE shoppers. 76% state that they avoid buying brands to avoid "bad/unhealthy ingredients" versus 22% of non-CLE.



CLE represent 16% of all US primary shoppers and are distributed similarly to non-CLE in the west, north, south, and east regions of the US.



% US CLE
% US Non-CLE
Regional Distribution

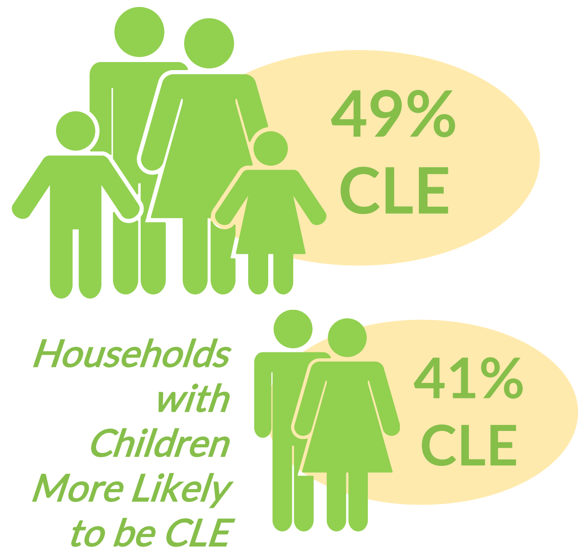
Who are Clean Label Enthusiasts®

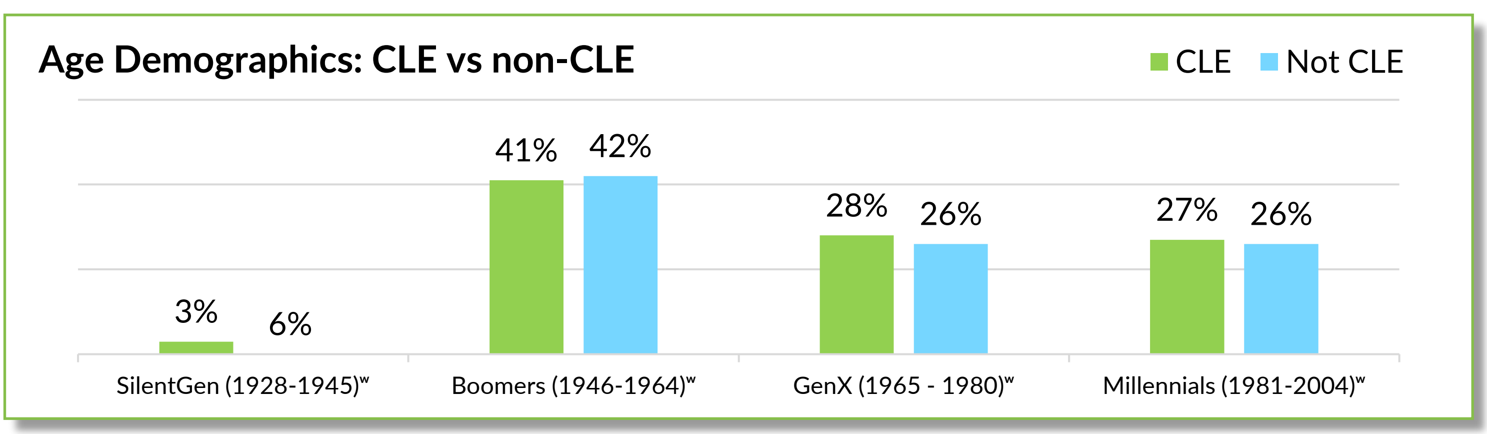
- CLE are less common in the lowest economic bracket (<$25,000 annual income). Low earnings make it harder to focus on being a Clean Label Enthusiast (18% vs 25% for non-CLE).

- 49% of CLE come from households with children (especially age 6-12) compared to 41% for non-CLE.

- CLE have a higher proportion of women (61% vs 49% for non-CLE) and they tend to do all the household shopping (79% vs 71%).

- CLE are fairly equally represented in age cohorts across the U.S. general population.





The What and Why of Clean Label Enthusiasts® Behaviors

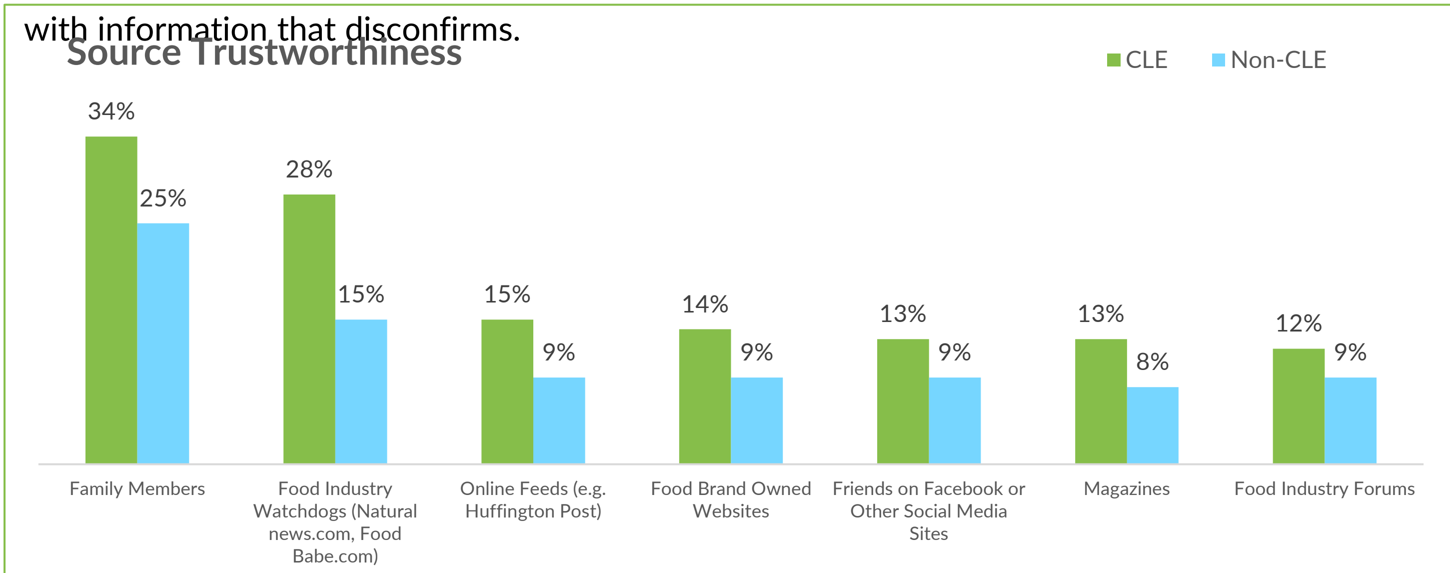
83% of CLE chose a more clean label—with ingredients on the label that "you know and trust" over "an amazing taste" compared to 51% for non-CLE. This suggests CLE will trade way taste for a cleaner label in at least some food categories.

CLE are generally more concerned about sustainability (47% vs 19% for non-CLE), agreeing very much that sustainability concerns influence their purchase decisions.

These points of view (attitudes) and associated behaviors have their roots in the breadth of sources of information that these consumers trust. CLE are twice as apt to trust content about ingredients and foods from food industry watchdog organizations such as naturalnews.com or foodbabe.com. As a consequence, CLE are likely exhibiting a confirmation bias, seeking out and trusting sources of content that fit with their points of view. Further, they likely exhibit disconfirmation biases, difficulties in changing their points of view about foods and ingredients, when presented with information that disconfirms.

NaturalNews.com
Natural Health, Natural Living, Natural News

FOOD BABE
Vani Hari



Where Do Clean Label Enthusiasts® Shop?

CLE have distinctive shopping behaviors in comparison to other shoppers. Whereas they still shop for food and beverages at large C-Stores such as Walmart and value stores (e.g. Dollar General, Family Dollar, CVS, Save-A-Lot, Meijer, and Dollar Tree), they shop much more frequently for various food categories at stores that offer name brand products with a cleaner label. This includes stores such as Whole Foods, Trader Joes, Costco, Wegmans, and H-E-B.

CLE list an average of 4.0 retail stores frequented to buy products within various food or beverage categories, compared to 3.1 for other shoppers. This suggest that CLE are more apt to tailor their trip missions to buy specific categories of products. Store diversity increases for bars (breakfast, lunch or dinner), nutritional beverages, and dairy products. Meats, soups, fruit juices, desserts and coffee/tea have the least diversity in retailers.

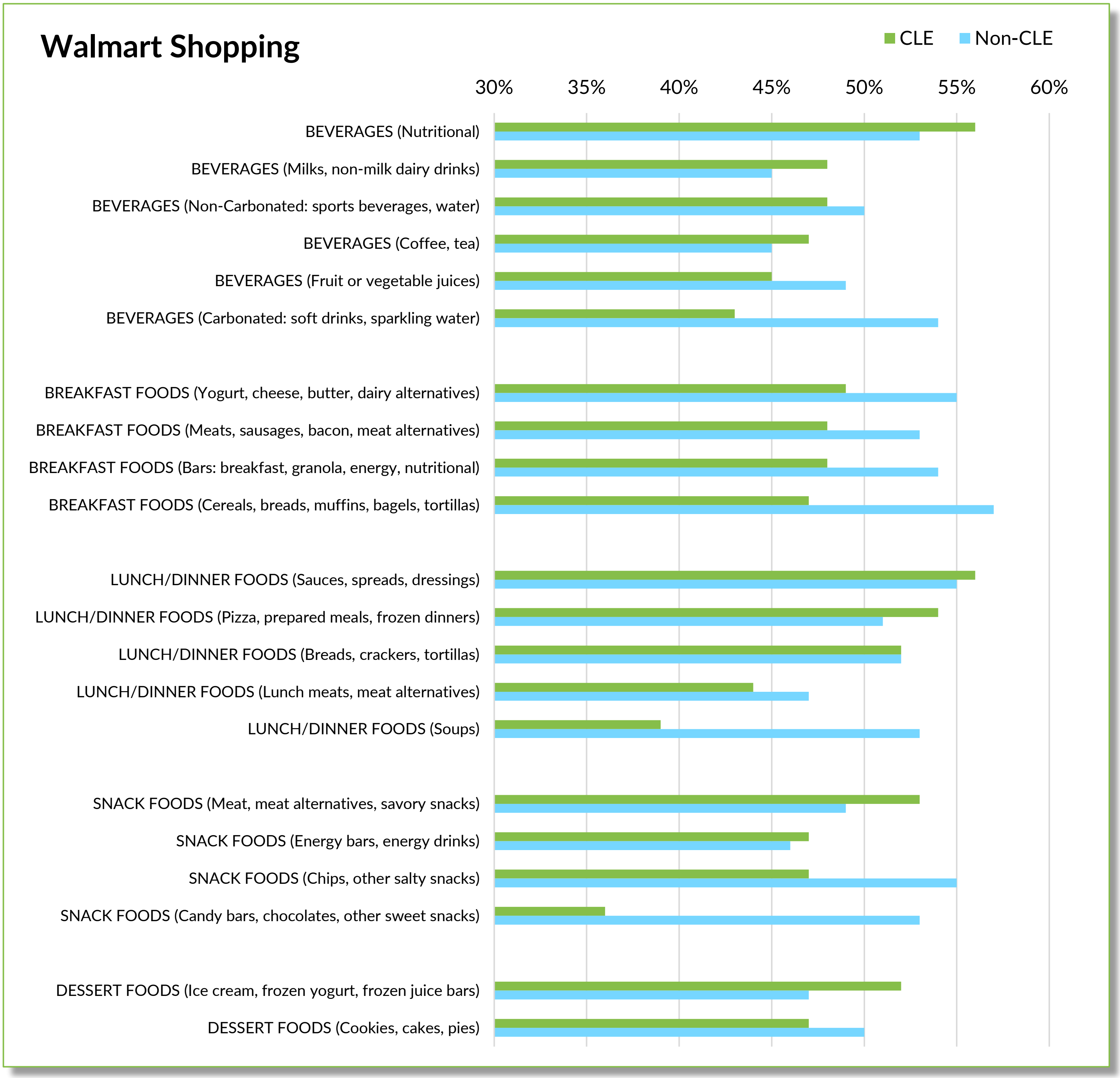
Number of stores shopped for specific foods or beverages (averaging across all food or beverage categories)

CLE
Average 4 stores

Non-CLE
Average 3.1 stores

What Do Clean Label Enthusiasts® Buy at Wal-Mart?

Wal-Mart tends to be the most frequently named retail store for shopping for various foods and beverages. CLE shop much less frequently at Wal-Mart than other consumers for carbonated beverages, fruit or vegetable beverages, breakfast foods, soups, and salty or sweet snacks. When shopping for dairy beverages, pizza, prepared meals and frozen foods, meat or meal alternatives, or frozen desserts, they tend to buy at Wal-Mart more frequently.



Where Do Clean Label Enthusiasts® Shop for Nutritional Beverages?

An example of these differences in shopping behavior can be seen in how CLE shop for value added products such as nutritional beverages or commodity products such as breakfast cereals.

For nutritional beverages, CLE name supermarkets and mass merchant clubs more frequently than non-CLE as a place where they would shop. CLE also listed drug stores such as Walgreens for 27% of these purchases vs just 16% for non-CLE. Conversely, non-CLE name Dollar Stores at 19% as a place they would shop vs just 16% for CLE.

SUPERMARKETS		MASS. MERCH / CLUBS		DOLLAR STORES	
81% CLE	73% Non-CLE	68% CLE	64% Non-CLE	16% CLE	19% Non-CLE

For breakfast cereals, CLE and non-CLE shop in equal frequency at supermarkets or mass merchant clubs. Conversely, non-CLE go to Dollar Stores for 19% of their breakfast cereal purchases vs 16% for CLE. However, CLE shop more frequently at value add supermarkets (81% vs 34% of non-CLE) such as Whole Foods, Trader Joe's, Safeway, Wegmans, H-E-B, Sprouts, Fresh Market, Mariano's, Kroger Fresh Fare, Wild Oats and Farm Fresh. These retailers include all the supermarkets that have taken action to ban various ingredients.

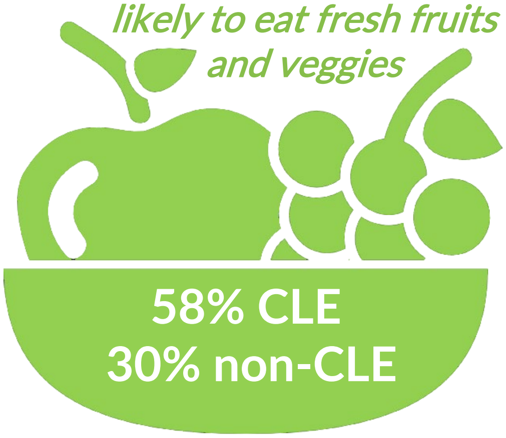
SUPERMARKETS		MASS. MERCH / CLUBS		DOLLAR STORES	
84% CLE	82% Non-CLE	66% CLE	66% Non-CLE	9% CLE	20% Non-CLE

Influencing Purchase Behavior through Clean Label Decisions

CLE exhibit distinct behaviors from other consumers. These behaviors impact the categories of foods they buy, and the label and brand reactions that influence their purchase decisions.

- They are twice as apt (58% to 30% for non-CLE) to eat “to a great extent” “a lot of fresh fruits and vegetables (not frozen or canned).”
- 25% avoid buying sweet snacks such as candy bars and chocolates (vs 14% among other consumers).
- 20% avoid buying dairy products.
- 33% avoid buying lunch meats and meat alternatives for lunch or dinner occasions (vs 10% for lunch or 17% for dinner occasions, respectively, among non-CLE shoppers).

CLEs are almost twice as likely to eat fresh fruits and veggies



Labels have a big impact on the purchase decisions of these CLE consumers. This includes the brand, claims on the front panel, and ingredient statements on the back label.

On the front panel, CLE are influenced by the claims which position brands and communicate the value proposition for the product. How claims influence purchase decisions is highly dependent on the food category. In general, claims for “Natural,” “GMO-Free,” and “Organic” are requirements for CLE. This is particularly true for breakfast foods and beverages. As you will read in the subsequent pages of this report, the influence of claims for “Freshness,” “Pure,” “Simple,” “Low Salt,” “Low Fat,” or “Low Calorie” depend on the food category. Further, these claims are dynamic, changing over time as consumer are exposed to new information that shapes their attitudes.

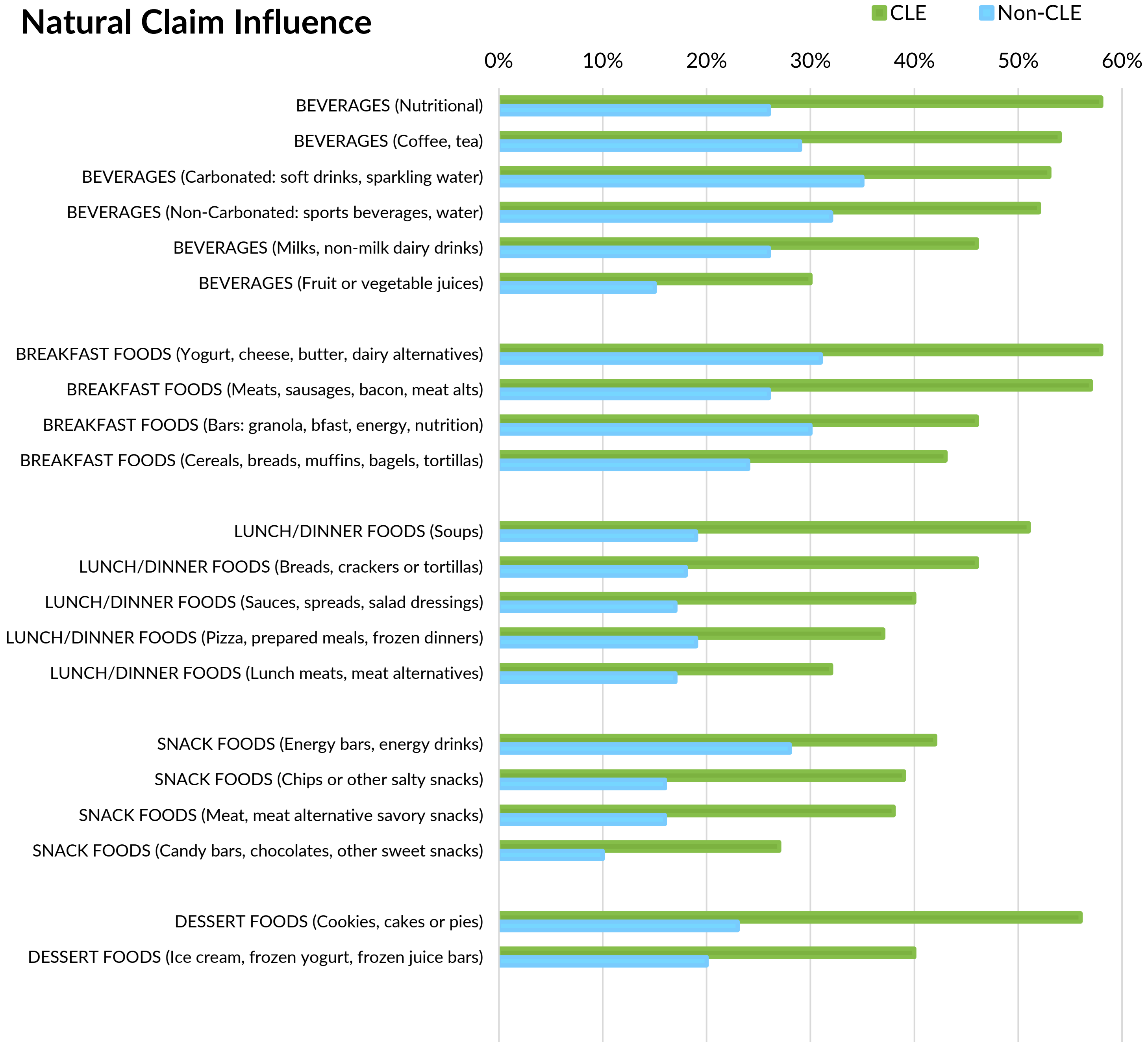
On the back panel, the ingredient statement itself influences purchase decisions by supporting the claims on the front panel, fitting with the brand’s identity, and in driving avoidance behavior in response to specific ingredients.

What are Clean Label Behaviors – "Natural" Claim

A claim of "Natural" is highly influential among CLE, but less so for non-CLE. More than half of Clean Label Enthusiasts® are influenced by a "Natural" claim for nutritional beverages, dairy or meats for breakfast occasions, desserts, or beverages in the carbonated, non-carbonated and tea/coffee categories.

This is stark contrast to non-CLE of whom only 35% at most are influenced to buy products with a "Natural" claim within these same categories.

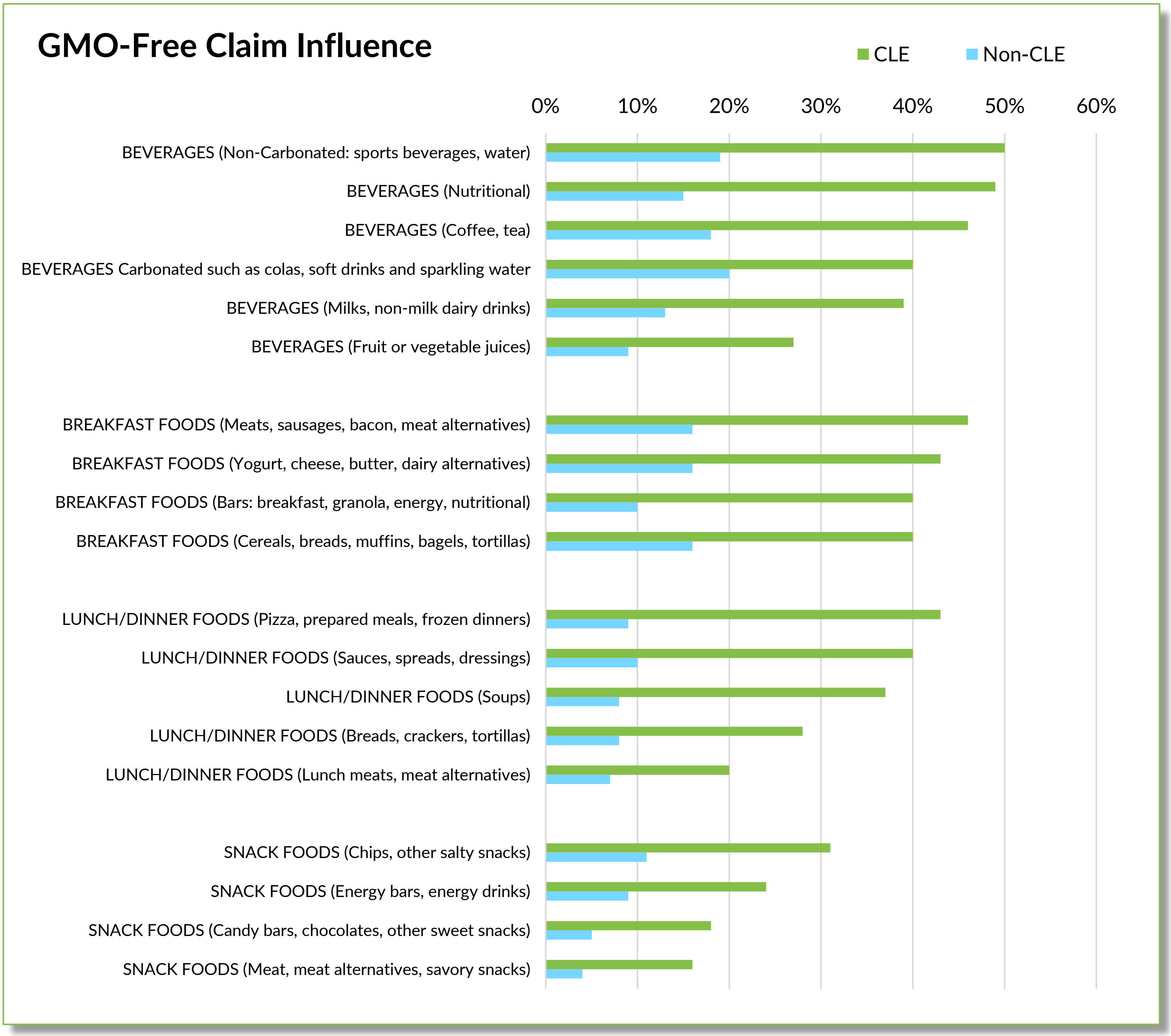
Natural Claim Influence



What are Clean Label Behaviors – “GMO-Free” Claim

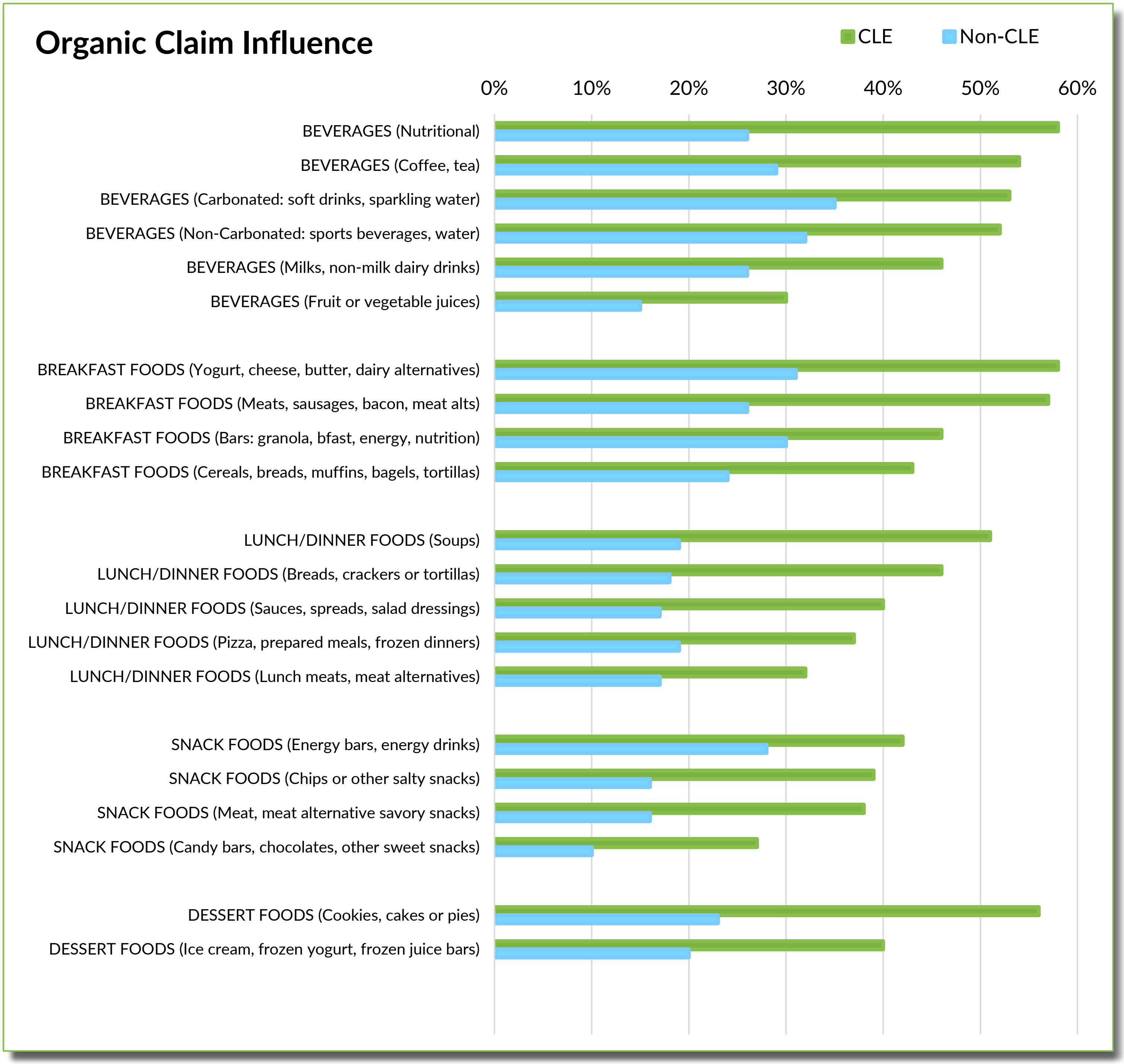
As with “Natural,” CLE differ from non-CLE as being very much influenced by a claim of “GMO-Free.” More than 40% of CLE are influenced by a “GMO-Free” claim on products within beverage categories (except milk, vegetable or fruit juices), within breakfast categories, and on pizza, prepared meals, frozen entrees, sauces, spreads or dips for lunch or dinner.

This is stark contrast to non-CLE of whom only 20% at most are influenced to buy products with a “GMO-Free” claim within these same categories.



What are Clean Label Behaviors – ”Organic” Claim

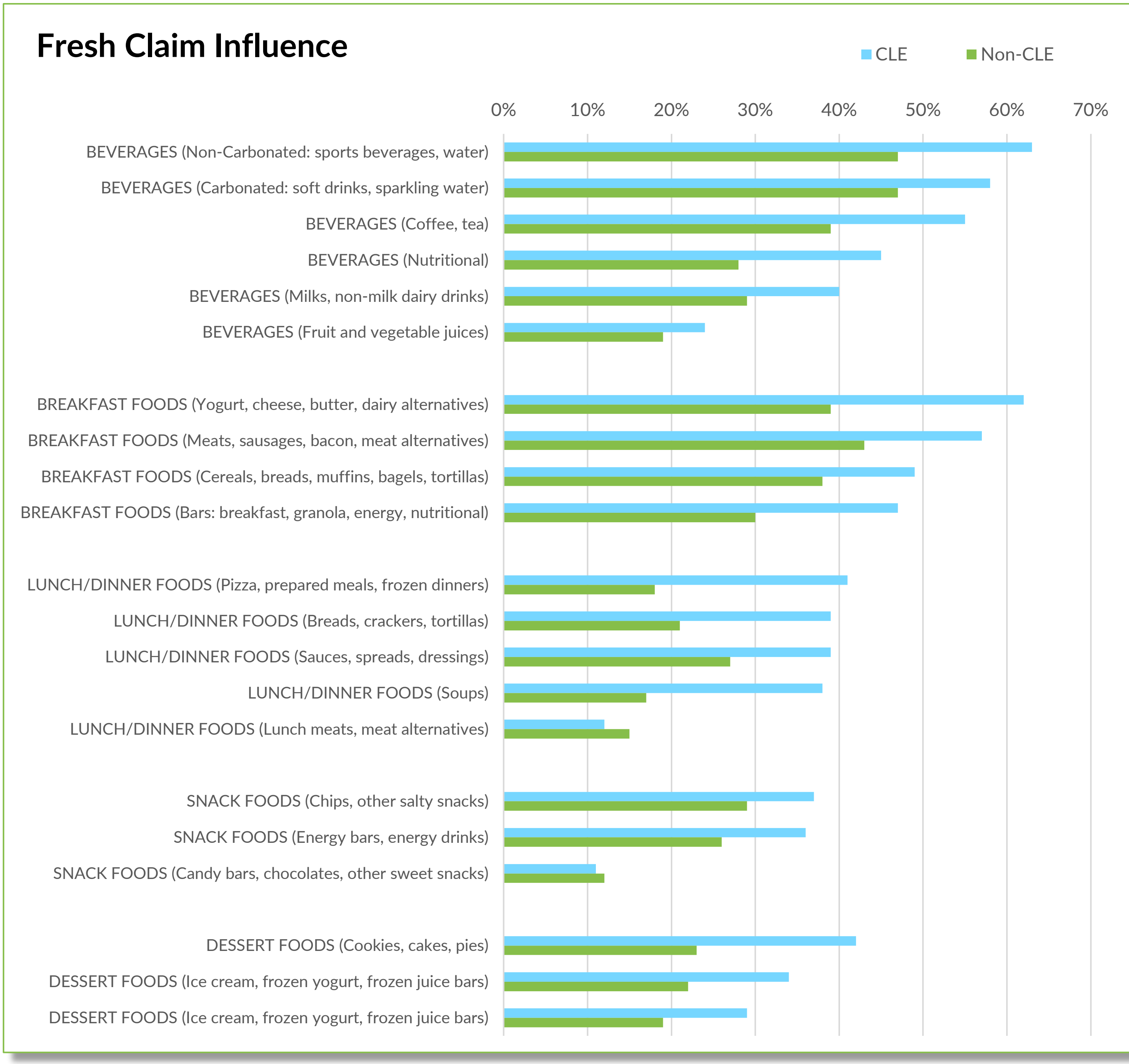
A claim of “Organic” is also highly influential among CLE, but not as much among non-CLE. This claim is most influential among 45% or more of CLE when used on nutritional beverages, dairy (milk, yogurt), meats for breakfast occasions, desserts, or beverages in the carbonated, non-carbonated and tea/coffee categories. In comparison to non-CLE consumers, only 22% at most are influenced to buy products with an “Organic” claim within these same categories.



What are Clean Label Behaviors – "Fresh" Claim

A "Fresh" claim was important in influencing purchase decisions in 45% or more of CLE for carbonated, non-carbonated, coffee/tea, or nutritional beverages and all breakfast foods.

This difference between CLE and non-CLE from a "Fresh" claim is less than "Natural," "GMO-Free" or "Organic" with 30% or more of non-CLE influenced when shopping within these same food categories except nutritional beverages (27%).



Pure and Simple Vs Ingredient Labels as an Influence on Choice

Claims of "Pure" or "Simple" were also looked into for CLE in comparison to other consumers.

"Pure" was found to be an influence for about 40% of CLE for breakfast foods such as granola, energy or breakfast bars, and for fruit or vegetable juices. About a third found a claim of "Pure" to be influential for breakfast foods such as yogurt or cereals, and for lunch or dinner foods such as meats/meat alternatives, dairy products such as yogurt or cheeses, and pasta sauces, sandwich spreads or salad dressings.

As was the case for a claim of "Pure," a claim of "Simple" was important for about a third of CLE for lunch or dinner foods such as meats/meat alternatives, dairy products such as yogurt or cheeses, and pasta sauces, sandwich spreads or salad dressings. This suggests that these claims have similar meaning for these foods, but not for other foods such as yogurt or fruit or vegetable beverages.

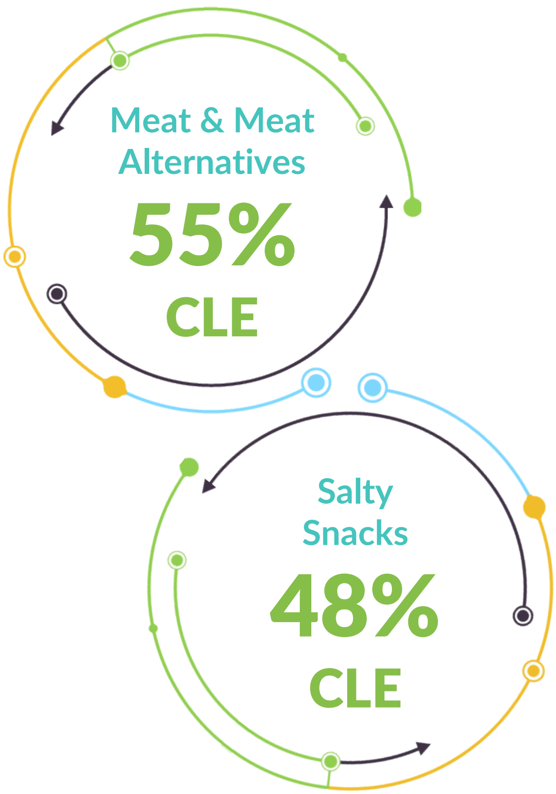
It may be that the number of ingredients or the actual ingredient labels themselves listed on the back panel carry greater influence on purchase behavior than a claim of "Simple" or "Pure." These topics will be a focus of ongoing research to be reported in a subsequent report.

Other Claims Influencing Choice

It is as interesting to take note of what types of claims have minimal influence among CLE or to have very specific category influences on food or beverage choice.

Approximately half of CLE are influenced by claims of low salt for meat or meat alternative products (55%) or for salty snacks (48%), but only a third or less when shopping for foods or beverages within other categories.

Low Salt Claims Influence on CLE



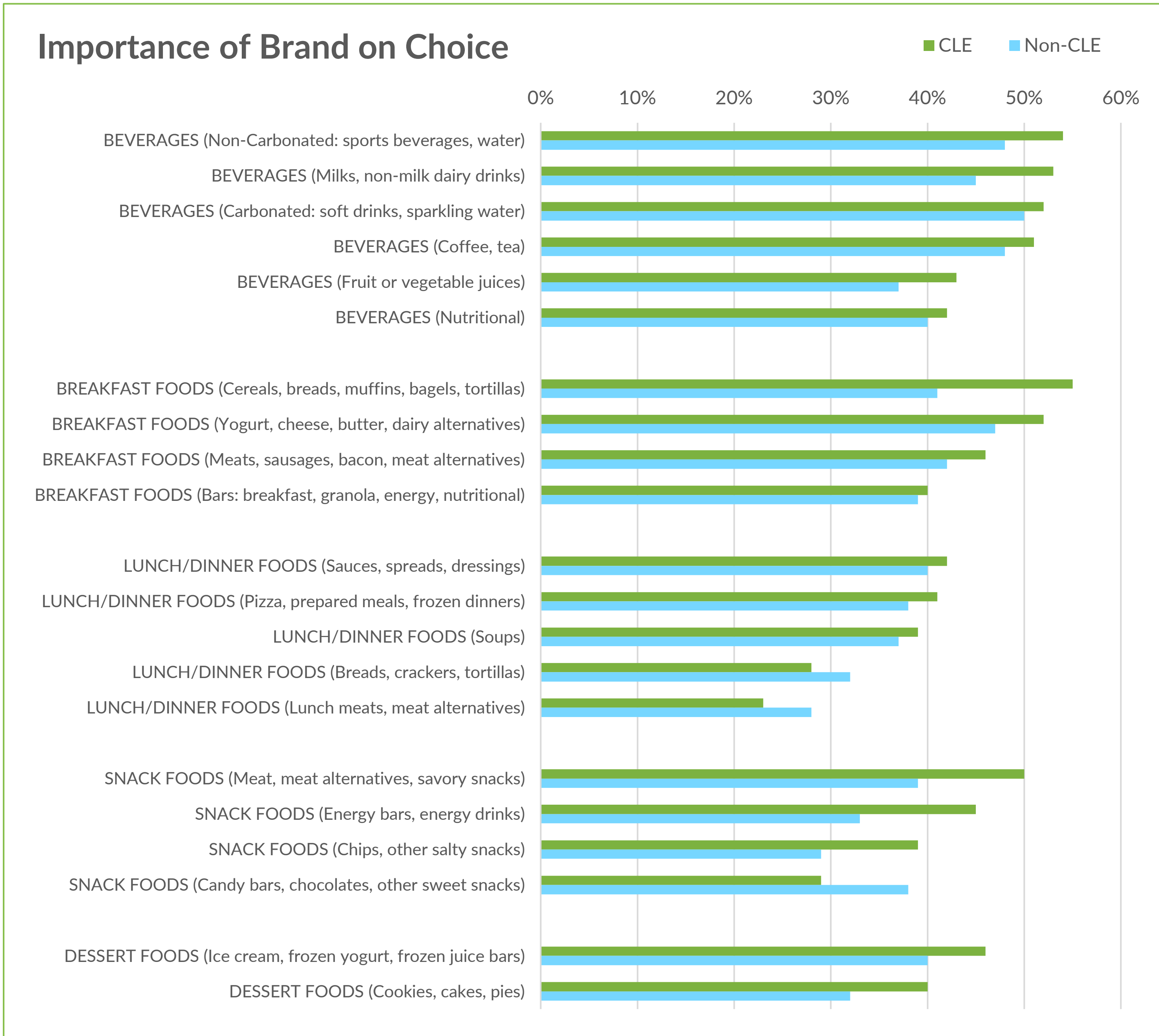
Low fat is an influencer of choice for only about a third of CLE for foods or beverages purchased for breakfast occasions and for salty snacks, and is less important for sweet or savory snacks, desserts, soups, or lunch or dinner foods such as pizza, prepared dinners or entrees.

Low calorie is an influencer of choice for only about a third of CLE for only breakfast foods such as yogurt, granola or energy/nutritional bars; for lunch or dinner foods such as pasta sauces, sandwich spreads, and salad dressings; and in frozen desserts (ice cream, frozen yogurt, juice bars) or carbonated beverages.

In spite of all the attention in media to gluten-free diets, gluten-free as a claim influences only 20% of Clean Label Enthusiasts (and only 10% for other consumers) when shopping for cereals or breads for breakfast, and to a lesser degree in other categories. This suggests that gluten containing products may only be avoided in households where members have true intolerances.

Influence of Brand on Shopping Purchase Decisions Among Clean Label Enthusiasts® – *Brand Choice and Trust*

Brand trust is as important in influencing purchase decisions as the claims on the front panel. The importance of brand is slightly higher for CLE compared to other consumers. This is especially important for breakfast foods such as cereals (55% of CLE vs only 41% for non-CLE) and yogurt (52% vs 47%), in non-carbonated beverages (54% vs 48%), in dairy and dairy alternative beverages (53% vs 45%), and in snack foods such as energy bars (45% vs 33%) and meat or meat alternatives (50% vs 39%).



Name Vs Store Brands

CLE tend to list a greater variety of name and store brands they will buy within various food and beverage categories. For example, in the cereal category CLE list 43% more name branded and 41% more store branded products. In carbonated beverages, CLE list 18% more name branded and 17% more store branded product. This aligns to the fact that CLE tend to shop at a greater variety of retail stores—taking more time to find products aligned with their clean label norms.

However, this trend is not always consistent across all categories. Such is the case with yogurts where CLE and non-CLE list the same number of store brands, yet CLE list 56% more name brands that they buy. A similar pattern is found within the non-carbonated colas and water category where numbers of store brands are similar, yet CLE list 2.6 times more name brands.

However, when considering commodity products such as dairy beverages (e.g. milk), non-CLE shoppers list twice as many varieties of store brands.

CLE vs Non-CLE in Use of Cereal Name and Store Brands

Cereal Name Brand Varieties
43%
More CLE

Cereal Store Brand Varieties
41%
More CLE

For alternative dairy beverages (e.g. almond or coconut milk), CLE are 2.8 times as likely to list a name brand than non-CLE. This suggest that CLE are much more a target for these name brands.

Influencing Cereal Shopping Purchase Decisions Among Clean Label Enthusiasts®
Brand Choice

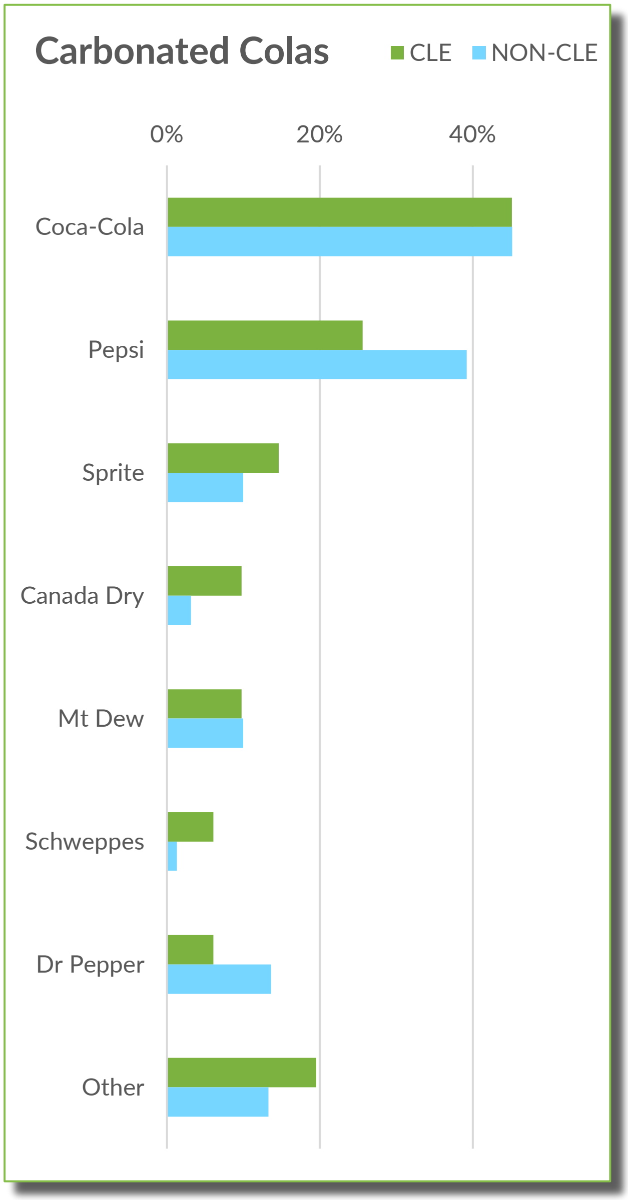
Both CLE and other consumers name Kelloggs, General Mills and Post as name brands of cereal in equal frequency. However, CLE are more apt to name more specific cereal brands as typical for them, especially for Cheerios, Quaker Oats, Special K, Kashi, Honey Bunches of Oats and Malt-O-Meal.

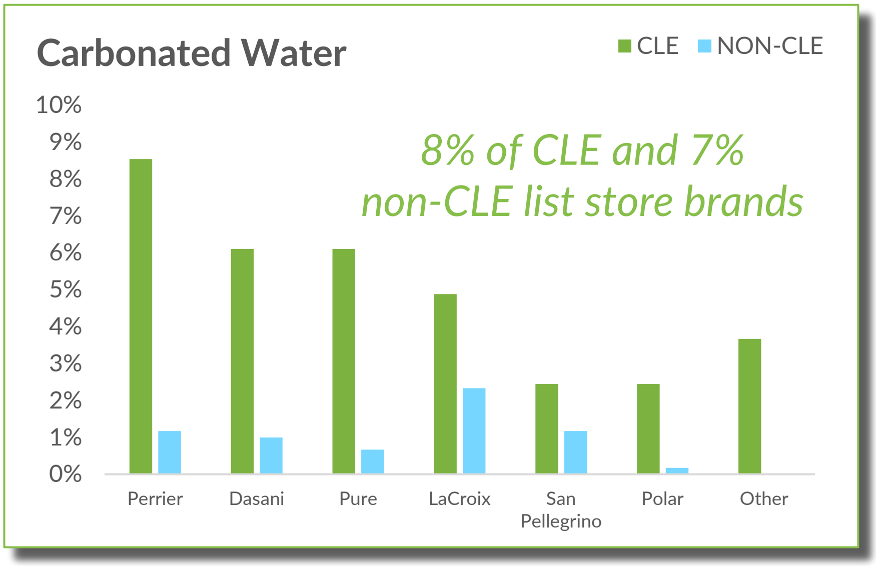
Store brands are named at much lower frequency compared to name brands for both CLE and non-CLE. Yet, CLE tend to list store brands of cereal from value-add retailers more frequently such as Kirkland, Trader Joes, HEB, Giant Eagle, Wegmans and Whole Foods; whereas Non-CLE tend to list more store brands from price-value retailers such as Walmart, Kroger, Arnolds and Publix.

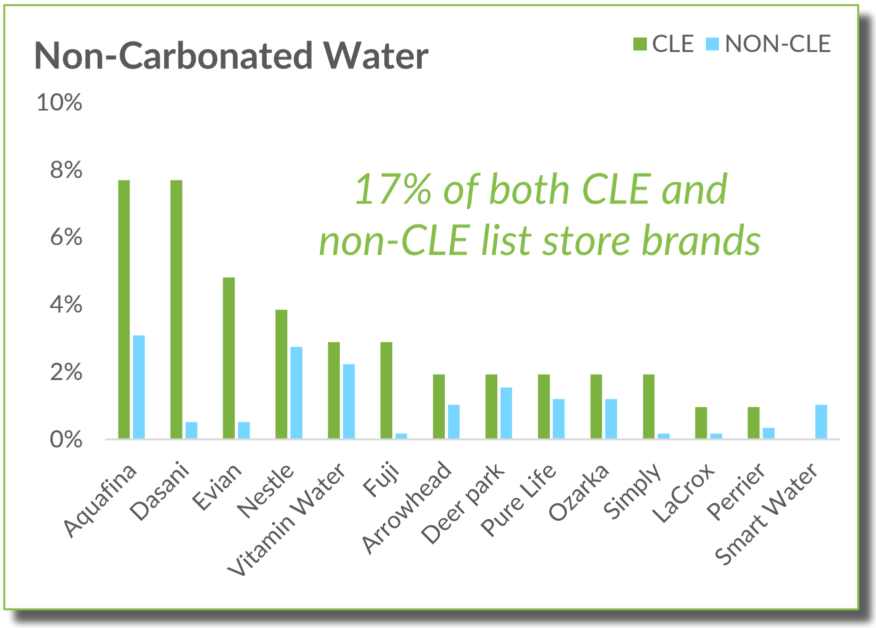
Influencing Beverage Shopping Purchase Decisions Among Clean Label Enthusiasts®
Brand Choice

Clean Label Enthusiasts also tend to list Pepsi and Dr Pepper less frequently, and more frequently brands with lines of products with lower levels of added sugar (e.g. seltzer water from Canadian Dry and Schweppes).

A greater proportion of Clean Label Enthusiasts list name brands of carbonated or non-carbonated water beverages that they typically buy. Leading brands for CLE are Perrier, Dasani and Pure for carbonated water and Aquafina, Dasani, Evian, Nestle, Vitamin Water and Fuji for non-carbonated water.

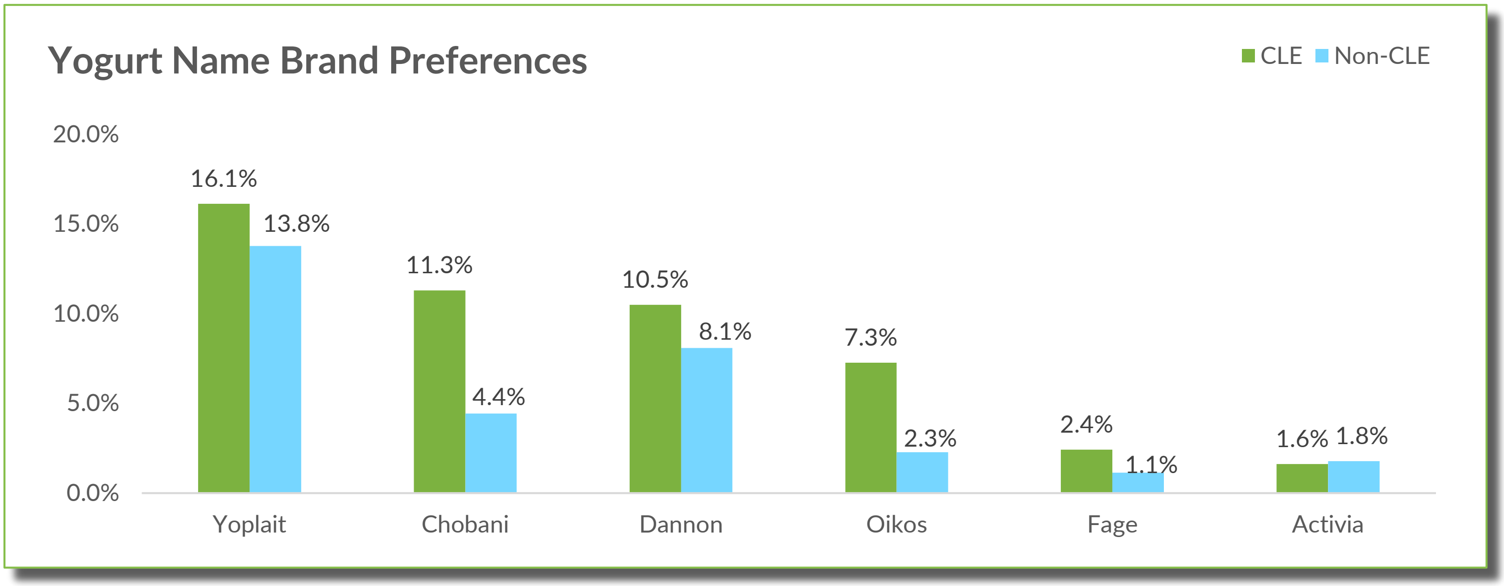




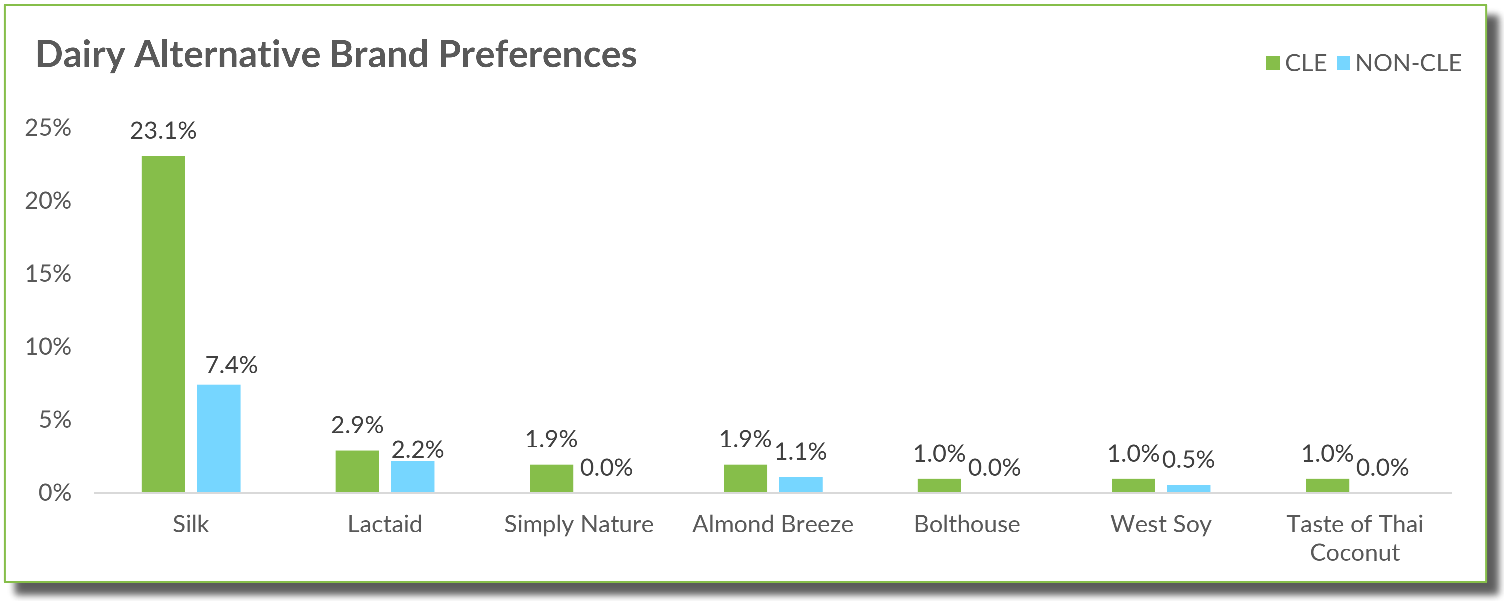


Influencing Dairy Product Shopping Purchase Decisions Among Clean Label Enthusiasts®
Brand Choice

CLE tend to list more brands of yogurt than other consumers that are typical for them. Largest difference between CLE and non-CLE are in frequency of naming Chobani (11% vs 4%) and Oikos (7% vs 2%) as a typical brand for them.

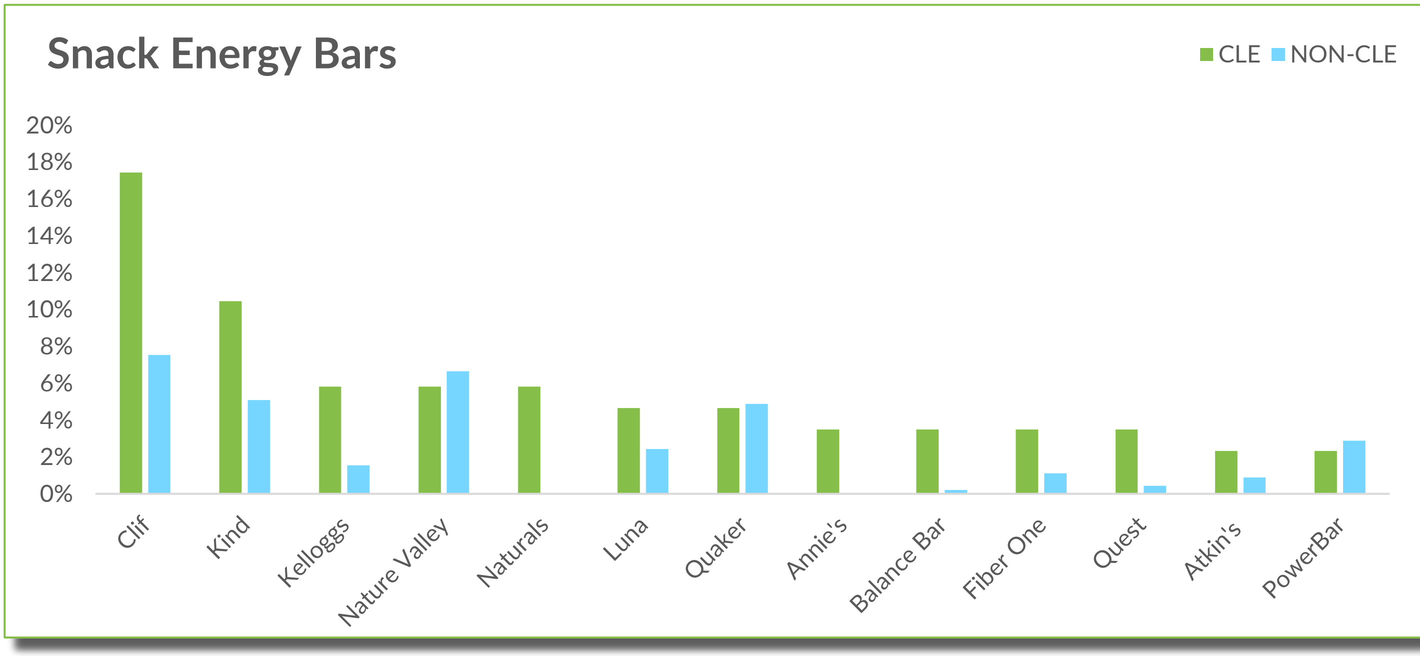


However, there is a much higher number of Clean Label Enthusiasts listing alternative dairy brands, especially with Silk (23% vs 7% for non-CLE).

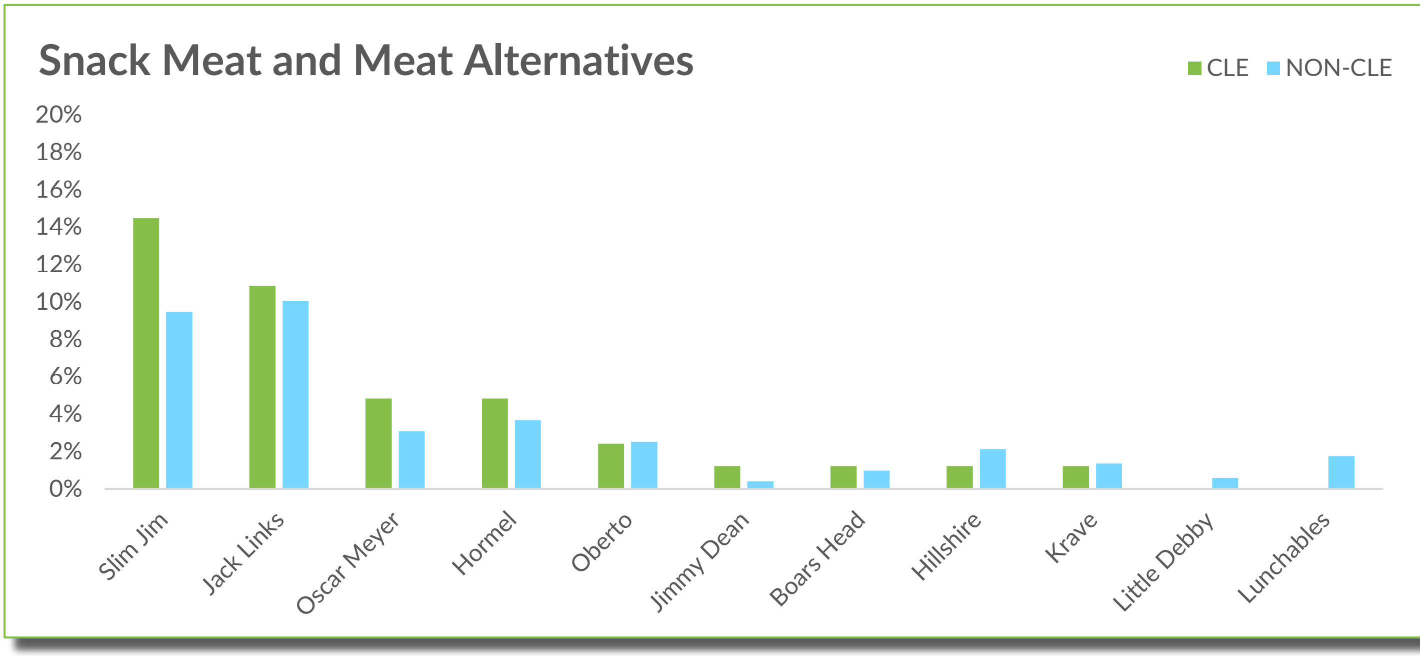


Influencing Snack Food Shopping Purchase Decisions Among Clean Label Enthusiasts®
Brand Choice

For snack foods, Clean Label Enthusiasts tended to list more brands of energy and other bars than other consumers that are typical for them. This was especially true for Clif Bars (17% vs 7%) and Kind Bars (10% vs 5%).



Clean Label Enthusiasts listed at the same frequency as other consumers brands of Meat and Meat Alternative Snacks with the exception of Slim Jim (14% vs 9%).



About InsightsNow and the Clean Label Enthusiasts® Community

InsightsNow has a special focus on behavioral marketing research. While we work with a whole spectrum of product types, we especially want to help guide companies trying to engage consumers with healthy living products and practices. Our clients create strategies based on deeper, actionable insights from engaging our custom CLE community and unique behavioral frameworks for interpreting consumer responses.

Clients benefit from work with InsightsNow's community of Clean Label Enthusiasts® by gaining new insights on CLE's attitudes, behaviors, or ingredients they avoid. These consumers place a high priority on aligning their purchases with values of personal and planetary health. They are especially aware of ingredients and conscientiously read labels. Thus, companies can better design product attributes that engage or reduce aversion in this consumer segment.

We want to partner with clients in optimizing innovation and marketing so they can meet their customer's needs with the best product for their category and authenticity in their messaging.

Please contact us for more information about this study or to inquire about future research.

Thank you,
David Lundahl
CEO

Email us at info@insightsnow.com

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