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CONSUMER PRODUCTS

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Healthy eating: It's an age thing

The trend toward healthy eating is not a fad; it's now a habit, and the healthy-eating sector is experiencing dramatic growth. Customer choices are evolving. The generations are shopping and eating in different ways from the past. And food manufacturers must adapt to keep up.

In developed countries, consumers are looking for new tastes, fewer processed foods, foods with fewer and cleaner ingredients and health attributes, and products made by companies with values that match theirs. What we define as the health and wellness (H&W) food industry continues to see explosive growth around the world and is expected to surpass $1 trillion by the end of 2017.[1]

In the United States, that growth is matched, with sales in the US H&W food industry segment topping $100 billion during 2014.[2] According to Organic Trade Association Organic Foods, a subsegment of H&W foods, US sales reached $43 billion in 2015. The compound annual growth rate of US sales of organic foods has been around 12%[3] in the past 10 years, compared with a mere 5%[4] CAGR for overall US food sales. Major players in the US H&W foods segment such as Hain Celestial Group, WhiteWave Foods, and SunOpta are routinely seeing record revenue quarters, with their combined sales producing an 18% CAGR in the past five years.

It's clear that H&W food manufacturers are now stepping out of their niche and into the mainstream. But they have more to do before they can understand their growth drivers and how to best reach their target customers. And in a rapidly shifting environment, they must act more quickly to keep pace.

[1] Ewa Hudson, "Health and Wellness the Trillion Dollar Industry in 2017: Key Research Highlights," Euromonitor International, November 29, 2012, http://blog.euromonitor.com/2012/11/health-and-wellness-the-trillion-dollar-industry-in-2017-key-research-highlights.html.

[2] Elaine Watson, "US specialty food market surges 10.3% to $109.5bn in 2014; new buzzwords include grass-fed, fermented, pickled," ***Food Navigator,*** http://www.foodnavigator-usa.com/Markets/US-specialty-market-surges-10.3-to-109.5bn-in-2014.

[3] Organic Trade Association, www.ota.com/news/press-releases/19031.

[4] US Department of Agriculture, historical food sales of food for at home and food away from home.

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OUR SURVEY

We wanted to learn the preferences driving this growth, and we found that when it comes to healthy eating, US consumers' eating habits are indeed changing; but exactly how depends on their ages, the regions they live in, and, often, their ethnicities.

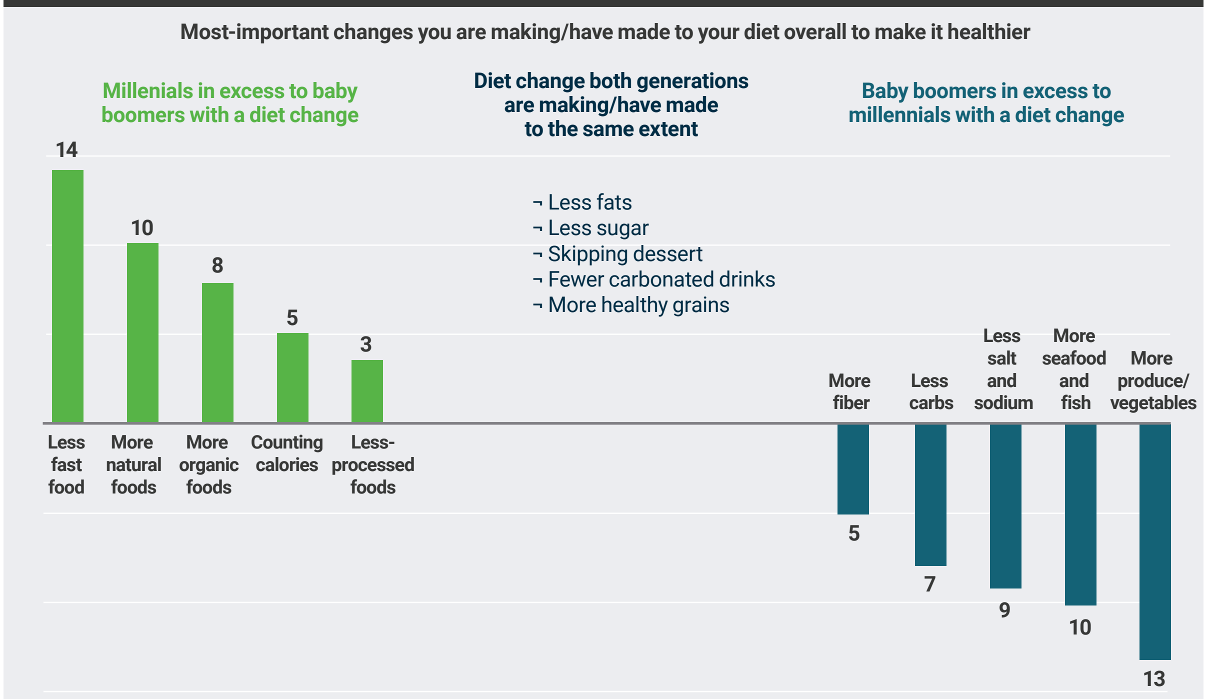
Earlier this year, AlixPartners conducted a survey of more than 2,500 US residents from all 50 states. The survey sought an understanding of respondents' preferences with regard to H&W benefits in food and beverage products. In analyzing the results, we observed significant differences across two larger age-groups: the millennials and the baby boomers. Millennials (identified in our survey as 18 to 34 years old) made up roughly 28% of respondents, and baby boomers (identified as 55 years and older) made up 32% of respondents (Figure 1).

GOOD INTENTIONS

In both of those groups, more than 60% of respondents claimed they're eating more healthily than last year, and more than 70% of all respondents reported that they plan to eat more healthily in the future than they do today.

Clearly, most consumers are guided by taste when choosing healthy foods. The difference in buying patterns emerges when other criteria come into play.

FIGURE 1: Recent changes in H&W diet: Baby boomers maintain traditional health path, millennials are focusing more on natural, less-processed food



CHOICES, CHOICES

When it comes to choosing which healthy food to buy, millennials and baby boomers have different motivations. The younger consumers want to know where their food comes from; baby boomers want to know what's in it. Baby boomers read labels and buy foods with low sodium, with high fiber, and that are trans-fat free; millennials aren't nearly so concerned with scientific claims, instead seeking out locally produced, organic, unprocessed food. Seven in 10 respondents reported buying locally to support their nearby economies and immediate communities.

Baby boomers are 10% more likely to check out an ingredient list when buying healthy food, and three-quarters of them rely on product packaging as the primary source of information about a product.

Both generations share healthy intentions, saying they plan to eat less sugar, less fat, and overall less-processed food. Millennials say they intend to eat less fast food and to choose more organic, natural foods, whereas baby boomers say they plan to focus on the elements of a healthy diet: vegetables, less red meat, and more nuts. Both generations say they believe the move toward locally produced food is an established trend and that gluten free is merely a fad.

And when it comes to choosing a brand, the food choices of the different age-groups come into play again. On one hand, millennials are 11% more likely than baby boomers to pick a brand that reflects natural, organic, and non-genetically-modified-organism origin. On the other hand, millennials are 18% more likely to be driven by price and 13% more likely to change brands than their baby boomer counterparts are.

SNACK TIME

Millennials are looking for convenience: they're more than three times as likely as baby boomers to choose ready-to-eat snacks and food for home consumption. And despite their avowed preference for local food, they're moving away from buying fresh ingredients for cooking from scratch. They want mealtimes to be quick and easy, and they're 8% less likely than baby boomers to prepare food themselves. But even though they're more willing to sacrifice taste than the older generation is, they still want the healthy benefits. And they have this in common with baby boomers: both age-groups agree that finding H&W benefits in their snacks is twice as important as it was just two years ago (Figure 2).

It's millennials who are driving the snack market—and pushing its boundaries out toward new opportunities. Nearly one in four of them now treat a drink as a meal substitute: they're two and a half times more likely than baby boomers to do so. And breakfast and energy bars now make a top-five snack choice among younger consumers.

BITE-SIZE MESSAGING

So, getting the right healthy-food message out to the right audience is crucial. Three-quarters of baby boomers say they need to see the message on food packaging that says the food has fresh options, known ingredients, and scientific benefits, compared with half of millennials.

FIGURE 2: H&W benefits increased the most as a key decision criterion among both generations for snack food

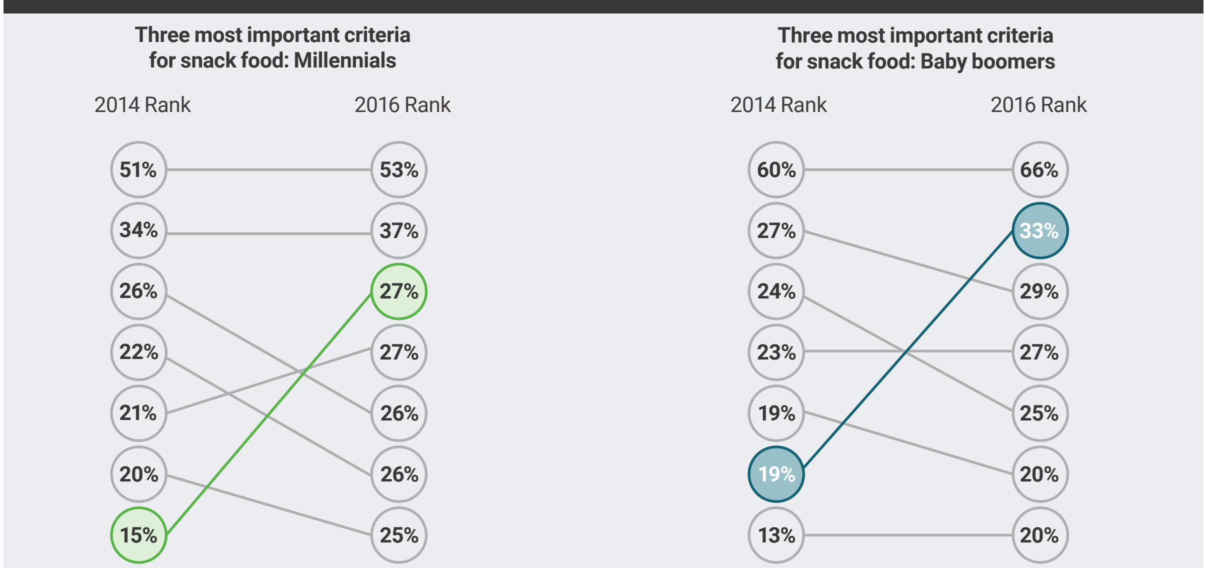
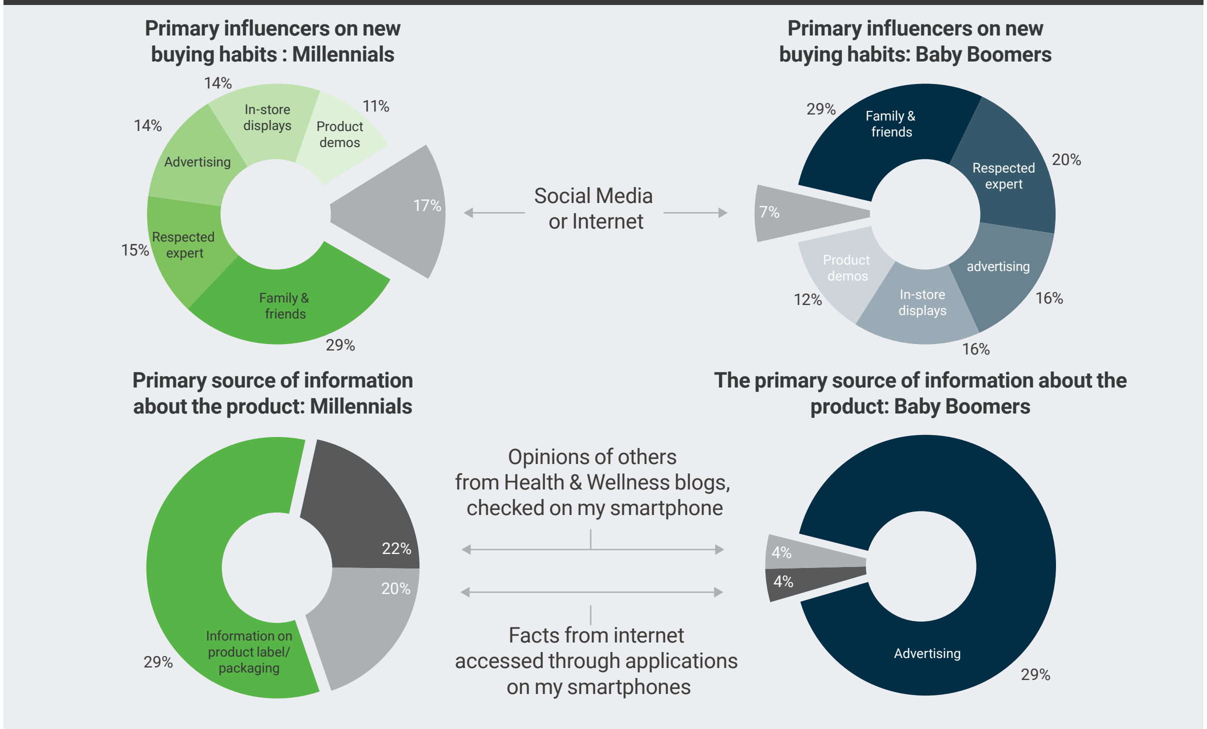


FIGURE 3: Millennials rely more on modern technology to obtain information for their H&W food choices



The more-skeptical millennials "trust the box" only 51% of the time. Instead, they rely on H&W blogs and popular Internet sites and applications to inform their decisions. More than a quarter of them say the Internet and social media are primary influences on what they buy (Figure 3).

In addition to being influenced by the Internet and social media, more than one-third of millennials report using an online retailer to purchase health food products because they could achieve better price points, which suggests that the young generation is content to price-shop multiple options in the e-commerce space, as opposed to reviewing multiple products at local stores; yet consumption readiness and local-, sustainably-sourced-, transparent-ingredient lists are key differentiators with this group.

Food companies will have to rely more heavily on their social media outreach and invest in e-commerce strategies to reach and expand their customer bases—particularly for millennials, who are more willing to change both their minds and their eating habits.

Consumers today have access to more information than in the past, and they've shown clear preferences for certain food and beverage options. Those preferences grow rapidly through an increasingly interconnected consumer base, and consumers are heavily influenced by friends' and families' recommendations as well as social media presence. This all leads to the formation of a product landscape that is more dynamic than ever before, and companies must be able to rapidly meet consumer demands or they risk losing market share.

KEEP UP OR MISS OUT

In the new environment, the established, traditional 18 to 24 month development cycle is just too slow, and a company's capacity to innovate products with agility plays a huge part in success. "In food, change is happening at a pace we've probably never seen before,"[5] says the head of Nestlé's US business, Paul Grimwood. The ability to adjust rapidly to meet consumer demand is fundamental, whether that means reformulating existing products to clean up the ingredients, creating snackable versions of existing offerings, or bringing totally new products to market.

The new environment has led to a wave of start-ups that continue to take market share from big food. Contract manufacturing and the digital age have lowered the hurdles for small companies, which can now produce and market their goods inexpensively,

[5] Beth Kowitt, "*Special Report: The war on big food*," Fortune, May 21, 2015, http://fortune.com/2015/05/21/the-war-on-big-food/.

and, as Arjan Stephens, executive vice president of sales and marketing at Nature's Path Foods, says, "It's never been easier in the history of food for a new organic company to get their products on shelves."[6]

Consequently, more companies are looking to aggregate and gain scale with start-ups, such as Hain Celestial Group, WhiteWave Foods, and SunOpta. We're also seeing big-food players seeking to buy their way into market agility with major acquisitions, such as Danone's recently announced purchase of WhiteWave Foods.

Healthy eating is an exciting, evolving trend, and consumers are setting the pace. Some manufacturers may see their competitors eating their lunch, but others who stay agile and responsive to their markets are well-placed to capture a slice of what is set to be a trillion-dollar market. **A**

[6] Anjali Athavaley, "***INSIGHT: Small food makers on fast path to US store shelves, threatening big producers***," Reuters, May 21, 2015, http://www.reuters.com/article/usa-food-upstarts-idUSL1N0Y91MB20150521.

ABOUT THE AUTHORS

For more information, contact: David Garfield, Managing Director – Global Consumer Products Lead
dgarfield@alixpartners.com or +1 312 286 1274.

Authors: Jonathan Greenway, Brian Major and Imre Varga.

ABOUT US

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